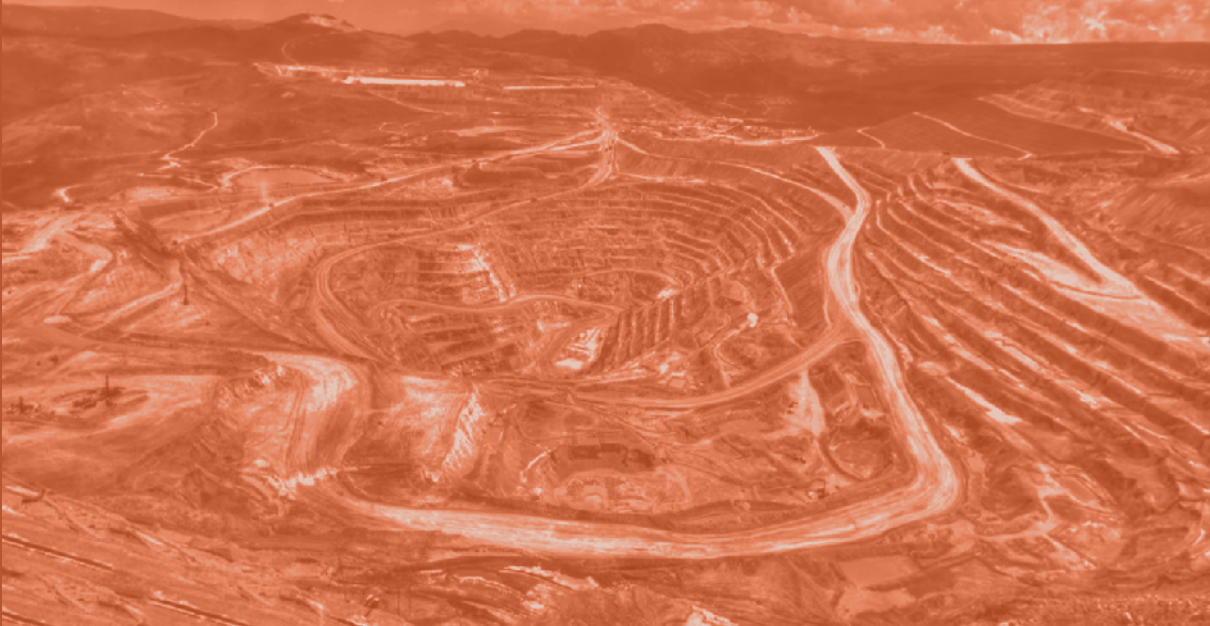
Large scale mining: Do they pay the taxes they should?

The Yanacocha case

Research report

By Raúl Wiener and Juan Torres



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September-October 2014

LEGAL NOTICE

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Current research is based on a request from the Latin American Network on Debt, Development and Rights (Latindadd) about tax avoidance of extractive industries in Peru.

The views and conclusions in this report are those of the authors alone. They do not necessarily reflect the views of Latindadd.

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Contents

Presentation

The Latin American Network on Debt, Development and Rights (Latindadd) is pleased to present the book **"Large-scale Mining: does it pay the taxes it should? The Yanacocha Case,"** written by Raul Weiner and Juan Torres. This book marks a milestone for research into fiscal planning and- ultimately- income tax avoidance by the extractive industry in Peru.

This meticulous investigation, combining the authors' experience in the fields of investigative journalism and financial audit, is very relevant, not only because of what mining represents in Peru today, but also because there is currently a global debate being developed around tax base erosion and the shifting of profit made by big businesses in developing countries to tax havens and other types of financial opacity.

In effect, as mandated by the G-20, the BEPS (Base Erosion and Profit Shifting) initiative has been launched with great force in the heart of the Organization for Economic Cooperation and Development (OECD). This initiative aims to get multinational companies to pay their taxes, with no tricks involved and therefore make a fair contribution to the development of the countries they operate in and the rights of their populations.

Latindadd's technical team and partners have been participating in these discussions as a way of contributing to the tax justice that the world so needs. Therefore, taking into consideration Weiner and Torres outstanding professionalism, they were given the responsibility of carrying out a study to reveal the methodology that large scale mining company's use, or could use, to avoid paying taxes in Peru.

This hypothesis reached Latindadd at the end of the first quarter of 2014, when it was became public knowledge that one of the most important gold companies in the world, situated in Cajamarca in the north of Peru, had reported financial losses in the 2013 fiscal year. Therefore we decided to do some in depth research into why, in a year reporting high gold prices, Yanacocha was declaring net losses of more than 500 million dollars.

Using the information found in Minera Yanacocha S.R.L.'s reports, balance sheets and financial statements, Weiner and Torres have reached worrying conclusions that deserve to be made public at the national and international level, given that we are talking about an activity that not only extracts non renewable resources, but that is also closely linked to social and environmental conflicts.

Latindadd is publishing this study with the hope that it will put the need for a revision of tax policies onto the authorities' agenda, not only for this case in particular, but for the extractive sector as a whole. Furthermore, it raises questions regarding the constitutionally established tax reserve principal that impedes information, particularly from large scale taxpayers, from being available to the public.

We hope then that the readers, both those specialized in the topic and those who are not, will find in this book the arguments necessary to both make their own judgments regarding large scale mining tax practices in Peru and to develop a critical analysis of the established investment dogma that does not call into question important issues such as tax planning.
Finally, we wish to thank the Norwegian Agency for Development Cooperation (NORAD), who have made this study and its publication possible.
Lima, December 2014

Carlos Bedoya
General Coordinator
Latindadd
www.latindadd.org

Introduction

Since the 2006 presidential elections in Peru, there has been a discussion about the necessity of a bigger contribution from big mining companies to the State and regions, due to the high international prices of gold and other metals. This could be possible through establishing a tax on excessive profits, with a progressive rate, according to the logic: the bigger the income the higher the rate.

As usual, those who think that the best way to attract investments is by reducing tax rates, rejected the proposal. Among other reasons, they claim that the State gets more income through high prices and companies' profits; therefore an increase in tax rates is not necessary. They also argue that more concessions and operating mines would be better strategies to improve the State income.

Between 2005 and 2012, the international markets demanded a big amount of commodities – mainly metals – due to the expansion of China and other countries in their processes of industrialization. At the same time, states and companies started to protect their reserves with gold, since traditionally strong currencies (US dollar, euro, and yen) were weakened. This fact caused a boom in the price of gold.

This report aims to demonstrate that, in high prices times, mining companies – especially gold companies – did not increase their contributions to the national treasury to the same extent as international prices increased. Thus, as there has not been any additional contribution – except for the "óbolo voluntario [voluntary obolo]" at a very small scale – the country has not really benefited from the international boom.

In order to avoid substantial contributions, companies have done financial and countable maneuvers intended to extract undeclared profits by overestimating costs, generating unprecedented depreciations to get resources for new projects, developing unsupervised production lines, among others. The report also aims to explain why the most important

gold mine in South America – which is also the third biggest and the most profitable in the world, according to its owners – has done very little for the country and the region where it operates.

This happens up to the point of the vast majority of population wants them to leave and does not want new excavations. This little support for a company that has generated sales for around 21 billion dollars during the last 20 years, with a very little initial investment, and without caring about the environment or the relationship with surrounding rural population, seems to be a reason important enough to track its record. We hope this work provides all the necessary elements for the readers to build an unbiased opinion about the issue.

Lima, September 2014

I

Yanacocha in Cajamarca

I.I A friend for life

The richest mine in South America

Between the Callao Naval Base and some place in the US there are two persons who swore each other a friendship for life. However, due to well-known circumstances, they will have to wait a long time before meeting again. These persons are Lawrence (Larry) Kurlander, the number three in the US´s Newmont International, and Vladimiro Montesinos, the number two of the Alberto Fujimori´s regime during the 90s. The oath to which we refer appears in one of the "Vladivideos". This video is reproduced in a The New York Times documentary and the following dialogue belongs to it.

Larry Kurlander: "...we have a very serious problem in Peru...with our company and Minera Buenaventura. So, I have enlisted the support of some of my friends from a variety of intelligence communities. I need it especially because the other side has been acting quite strangely."

Vladimiro Montesinos (to the interpreter, who is a lawyer and the former advisor´s mistress, Grace Riggs Brousseau): "Tell him that I am perfectly aware of the problem he has[...]and the people he represents have with French, as well as the problem he has with the judiciary."

[...]

LK: "So now you have a friend for life. I want a friend for life".
VM: "I thank you very much for what you have just told me, and well...you already have a friend."
VM: "Tell him that I´m going to help him with the voting ... the result has been 3-3, Elcira Vásquez has come and voted. The result is pending, but I can put a little pressure on that."
...
VM: "...I would like to know the tricky practices of the French. ¡The French Connection!"
LK: "¡The French connection!"
VM and LK: [laughter]

This beautiful friendship was born in the midst of the dispute between those who had been the main partners of Minera Yanacocha until 1994: American Newmont Mining Company based in Denver, Colorado, and the French state-owned mining, Bureau des Recherches

Geologiques et Minieres (BRGM). This company had been privatized and the Australian Normandy Mining LTD had become its majority shareholder.

Newmont, BRGM, the Peruvian Buenaventura Mining and the International Finance Corporation (IFC) – the private sector arm of the World Bank Group – had joined to create a powerful consortium. The IFC was the political and economic guarantee for an important investment in a country that was just emerging from a devastating crisis. The distribution of shares among the four partners was as shown below:

Initial Share	Percentage
Newmont Second Capital Corporation (Newmont)	38.00%
Compañía Minera Condesa S.A. (Buenaventura)	32.30%
Bureau de Recherches Geologiques et Minieres (BRGM)	24.70%
World Bank International Finance Corporation (IFC)	5.00%

Upon first news about new owners of BRMG, as well as the intention of Australians of buying the share of Buenaventura in order to get a majority share, a dispute broke out which ended in court. Newmont and Buenaventura claimed that it had been an "undercover purchase" of the French share, and that this purchase did not respect the principle according to which shares should have been offered first to the other partners.

Kurlander and Montesinos talked about this process, and the excuse of Kurlander for asking for such a support is overwhelming:

Larry Kurlander: "In fact, I had before my very eyes a letter from President Jacques Chirac to President Fujimori, asking him for intervening in this case."
New York Times: "Then, what did you do?"
LK: "Well, you have two options, you can stay there waiting for being run over by a train or you can fight. I chose to fight."
...
Both Newmont and BRMG accused each other of using extra-judiciary resources and paying bribes. Kurlander explains its participation this way: "We wanted a level playing field... this was important for us. We knew that and we trusted on that we would win by ourselves. If there were inappropriate behaviors we would not win." When asked why he had chosen Montesinos, Kurlander replied: "because of the position he held."

New York Times: "When you were going to meet Montesinos, before doing, you should have

known something about him, who he was, what kind of methods he used..."
Larry Kurlander: "I had heard two things. First, he could be terribly rude. Second, if we needed to stop the French, he was the only person in Peru who would dare to do it."

The documentary goes as far as to show (also through a hidden camera) the moment when Montesinos meets the supreme chair, Jaime Beltrán Quiroga, to whom he explains that the good relationship with the United States – in the diplomatic negotiations following the conflict of Cenepa – depends on the solution of the case of Yanacocha. This is a patriotic matter, He says that was a patriotic matter.

One week later, in May 1998, the Supreme Court votes to settle the case, and Beltrán Quiroga tips the scales in favor of Newmont. A court decision forces the French to lose their share in the mine, which is divided between their two main partners and adversaries in court.

Current Share	Percentage
Newmont Second Capital Corporation (Newmont)	51.35%
Compañía Minera Condesa S.A. (Buenaventura)	43.65%
World Bank International Finance Corporation (IFC)	5.00%

Source: Website of Minera Yanacocha.

What were they disputing so intensely to lead them to a suspicious justice and to ask for help from political actors and intelligence agents? When the conflict broke out, in 1994, Yanacocha had gone into its second year of production, which had already reached 304,552 troy ounces of gold and 97,349 troy ounces of silver. In 1997, the production reached over 1 million troy ounces of gold. In 2005 the mine produced 3.333 million troy ounces.

All partners knew about this huge potential, which made possible that Yanacocha was soon known as one of the most important gold mines in the sub-continent and in the world. It was also considered one of the most profitable since the production costs per troy ounce were the lowest ever seen. Therefore, it was clear that what Americans, Australians, French, and Peruvians were fighting for was an economically immeasurable wealth.

1.2 Yanacocha, the black lake

Building a big golden hole

Yanacocha is a Quechuan word that means black lake. This was the name of a 3.5-hectare aquiferous formation, which is in the core of the mining project. The lake does not exist anymore, and the name designates the place located 45km from Cajamarca and 800km from Lima. In 1892, a big vein of gold was found there, and the first feasibility studies begun 8 years later.

Its activity spans four basins: Quebrada Honda, Río Chonta, Río Porcón and Río Rejo, to a height of between 3,500 and 4,100 meters above sea level. In terms of land surface, Yanacocha, covers 179,478 hectares, corresponding to 259 cumulative mining licenses. At the same time, the company owns other 163 licenses in the Chaupiloma Dos region, totaling an extension of 108,569 hectares. There, they exploit minerals and mercury, and they evaluate the implementation of new projects. As a whole, Yanacocha Group covers 288,047 hectares in Cajamarca department, which corresponds to a surface larger than four provinces at least (Hualgayoc, San Pablo, Santa Cruz and San Marcos) and almost equal to the Cajamarca, Celedín and San Miguel ones.

The comparative box below shows the ownership share in Yanacocha and Chaupiloma Dos:

Group	Share	Yanacocha S.R.L.	Chaupiloma Dos S.M.R.L.
Newmont	Newmont Second Capital Corporation	51.35%	40.00%
Buenaventura	Compañía Minera Condesa S.A.	43.65%	60.00%
World Bank	International Finance Corporation (IFC)	5.00%	0.00%
		100.00%	100.00%

Prepared by the authors (Source: SUNARP).

In addition to its territorial extent, Yanacocha has an enormous economic capacity, as well as a political power sought by its owners from the beginning, in order to ensure a quiet operation.

1.2.1 Legal Status

According to its documents, Minera Yanacocha S.A. was created by public deed granted on 14 January 1992 before the Notary Public of Lima, Julio Antonio Del Pozo Valdez, and registered under item 39465 of the Public Mining Registry.

On 31 October 1999, once the dispute with BRGM was solved, Yanacocha changed its legal status, from a joint stock company (S.A.) to a limited liability company (S.R.L.). This status change was consigned by public deed before the Notary Public of Lima, Julio Antonio Del Pozo Valdez. Today, it is registered under electronic certificate No11346147 of the Register of Legal Persons of Lima.

From this change, the owners of Yanacocha intended to move away from the stock exchange, in order to have a more free management of its countable figures. In concrete, Yanacocha has become a closed company without independent shareholders.

1.2.2 Strategic partners

Both Benavides and Newmont have a labyrinth of properties. They own the corporate name Minera Yanacocha S.R.L., the great producer and exporter of gold and silver. They also own the licenses comprised under the name Chaupiloma Dos S.M.R.L. from Cajamarca, which are exploited by Yanacocha. Yanacocha, for its part, owns the entire surface of the Conga project. Minera Yanacocha and Minera Zanja have a joint venture, as well.

1.2.3 The land

The first usage of the huge space covered by Yanacocha was for agriculture and cattle, and it was divided into little plots handled by peasant families (source: Centro Internacional para el Desarrollo, Aprendiendo mientras se trabaja,- International Center for development, learning while working) chapter 4). Since the first explorations (1992), the owners of the land were not informed about the existence of underground gold, which would lead to their evictions. This hiding of information was an aware decision that mining company made in order to buy cheaper lands. This situation continued when the mining company asked the government for a norm of expropriation to face the resistance of the owners of the land.

As a result of the lack of information and the pressure for expropriations, peasants finally received a tenth of the real price per hectare, on average. The State took part in this brutal fraud and pillaging against rural people. The economic damage to rural families is estimated at over 10 million dollars. The following box shows that for a total of 20,609 hectares, the company paid 1.07 million dollars – i.e., 52 dollars per hectare on average.

Valuation of plots that Minera Yanacocha "bought"					
Date	**Transfer Modality**	**Owner**	**Hectares**	**Unit Price**	**Total**
04/26/93	Expropriation	C. Negritos community	609.44	52.12	31,764.00
Since 1992	Extortion and expropriation	Peasants	20,000.00	52.08	1,041,600.00
		Total	20,609.44		1073429

According to a local magazine, the farms Puruay y Huacataz (8,000 hectares), owned by Gonzalo Pajares Goicochea, were "bought" by Yanacocha through the peasants Castrejon and Villanueva. These peasants, who cannot read or write, were asked to sign some documents in return for 100 nuevos soles (Peruvian currency). The heirs of Pajares family have claimed against this fraud, including before the World Bank, as it is partner of the accused company.

Likewise, they have claimed before national authorities, which advised them to take a legal channel. When they submitted their documents showing their legal ownership to Yanacocha, the company responded with more than 600 claims for acquisitive prescription. The company offered only 7,000 dollars to each of the 22 heirs. That means 154,000 dollars per 8,000 hectares, or 19.25 dollars per hectare.

1.2.4 Workers

According to figures from Yanacocha, the company had only 102 workers in 1993; 157 one year later; 308 in 1997; 1,044 in 1999; 1,570 in 2001; 2,243 in 2004; 3,014 in 2007; and 3,557 in 2011 (when it reached its maximum level). In 2013 there were 2,326 permanent workers.

The company has also recruited, through contracts, a substantial amount of workers, which in some years overtook the amount of permanents workers. This amount varies depending on business necessities.

Yanacoha Workforce 1993-2013							
Year	Permanents	Recruited	Total	Year	Permanents	Recruited	Total
1993	102	415	517	2004	2243	6802	9045
1994	157	622	779	2005	2935	7126	10061
1995	222	783	1005	2006	2946	9595	12451
1996	235	1398	1633	2007	3014	-	
1997	308	3775	4083	2008	3138	6500	9638
1998	397	3184	3581	2009	2964	4700	7664
1999	1044	2496	3540	2010	3287	-	
2000	1196	6101	7297	2011	3557	-	
2001	1570	3775	5345	2012	2467	-	
2002	1810	5751	7561	2013	2326	-	
2003	1866	5726	7592				

Prepared by the authors (Source: Yanacocha´s sustainability reports)

As shown, years 2006, 2005, 2004, 2008, 2002 and 2003 were those with the largest amount of recruited workers (more than 5,000). The group of companies providing this kind of labor force includes: Odebrecht, JJC Asociados, Zublin Chile (Peru branch), Constructora Odebrecht, Overseas Bechtel, Inc. Peru, Traslei, and Congecasa among others.

Recruitment is related to the big amount of outsourcings. Yanacocha is only interested in controlling the exploration, drilling, leaching and processing tasks, while contractors are in charge of demolition, transport and loading of materials to the leaching pads. The company is a pioneer in outsourcings and recruitments in the mining sector.

1.2.5 Management

Newmont Peru is in charge of managing Yanacocha. Its functions include management, planning and control of daily operations, as well as reporting of every action of the company to the Executive Council. In return, Newmont Peru receives 2 dollars per ounce of gold sold, paid on a quarterly basis.

1.2.6 Financial strategy

Historically, Yanacocha has funded its main investments with money from its commercial activity and bank loans. These loans have been paid according to a specific timetable, or they have been pre-paid thanks to the high level of income of the company. Yanacocha also resorts to long-term external financial sources, such as capital markets and financial institutions. This generates financial expenses to the company which, in turn, rises its costs and expenditures.

1.2.7 Trusts

In February 1997 Yanacocha transferred accounts receivable to a specific purpose company, established under a foreign law, through Salomon Brothers INC.

In November 2008 Yanacocha set up a trust to ensure the continuity of the operations in the reservoir San José beyond 2016. This trust is irrevocable and it is a legal entity different from the company. The settlor is Yanacocha, the trustee is the Bank of Credit, and the beneficiary is Yanacocha. Why did they need such a protection?

A trust is a legal relationship that ensures the accomplishment of goals by isolating the sources of payment in order to avoid the commercial risk. It is a kind of armouring, since it is not possible to confiscate a trust capital. Taking into account that Yanacocha has a partner who provides financing and a highly profitable project, it is not understandable why they turned to use this "protection".

1.2.8 External audit

Its financial statements are audited only by *Dongo Soria G. y Asociados*, a PricewaterhouseCoopers representative.

1.3 A vocation for troublemaking

A twenty-year review of Yanacocha in Cajamarca

The history of the company is marked by controversies with the local rural population and the region as a whole. This is the consequence of the big impact of such a large project on socio-economic structures on an eminently rural region, which has high levels of poverty and a wide organizational tradition.

Below is a chronological sequence of some milestones from this turbulent history:

1994 Breakup of the partnership between Newmont-Buenaventura and the French BRGM, and the legal dispute with political meddling;

1999 Denunciations of water contamination during a session of the Municipal Council of Cajamarca Province, before the mayor, councilors and people concerned about the issue. An investigation was ordered, which was interceded by Yanacocha in order to avoid a contrary report. In January 2000, the case was closed by the district attorney Julio Cabrejo Delgado;

2000 A truck carrying mercury from Yanacocha to be sold in other mines overturned, which caused a spill of 151kg of mercury in Choropampa, one of the worse contaminating episodes in the national history. Yanacocha was sued by 900 Peruvians affected on 10 September 2001 at the District Court of Colorado. Finally, on 22 May 2002, the demand was rejected, and the demanded appealed. In July 2002, another 140 Peruvians submitted a similar demand to the same Court. In compensation, Yanacocha reached extra-judiciary agreements with 3 communities and people affected to carry out a series of constructions in compensations. The company also started an arbitration process with the plaintiffs in Colorado. In October 2007 most of the cases were solved by arbitration. Up to 2007, Yanacocha had paid out 37.1 million dollars in compensations. Nowadays, 200 plaintiffs linger, however the total remaining amount is estimated to be less than 1.5 million dollars. Mercury is a reactant used in gold production, which can be found in significant quantities inside the operating area of the mining company;

2001 Underground leakages of cyanide. The Ministry of Fishing, through its Environment Directorate, along with the Pan-American Centre of Sanitary Engineering (CEPIS, in its Spanish acronym) and the Enterprise of Sanitary Services of Cajamarca (SEDACAJ, in its Spanish acronym), found cyanide, arsenic, aluminum, iron and zinc in the water of several rivers. Furthermore, other specialized laboratory tests found heavy metals in the offal of dead trouts due to contamination;

2001 In a memorandum to the CEO of the international mining corporation, Wayne Murdy, which was published at The New York Times, Larry Kurlander (Vice-President of Newmont) pointed out that in December 2000, "we, the senior management team, learned for the first time that we do not operate according to U.S. environmental Standards."

2002 2003 Some documents from the Center for Science confirm discharges of acids on rivers and damages for cattle that drank contaminated water. The Yanacocha Directorate of Community Relations issued a report in which admits that the mine discharges have had a negative impact on the quality of the water in the Cushuro ravine;

2004 Rural and urban protests against gold exploitation in the Quillish hill, at a distance of 8.5km from the drinking water treatment plant of Cajamarca. The massive mobilizations stopped the project. The population felt their water sources were threatened, since the amount of people affected would reach 15,000 peasants and 120,000 urban people;

2006 Peasants who accuse Yanacocha of having contaminated water resources beleaguer a road to the mine. That year, the company made a commitment to a voluntary contribution worth 3.75% of its net profit. After the conflict, a dialogue between Yanacocha and the co-proprietors, including the participation of the Jorge del Castillo as government representative, began. This process ended with an agreement under which the State will be responsible for monitoring the quality of the water sources and Yanacocha will cover the infrastructure costs.

2007 Co-proprietors from La Escalada, who considered that the company was not fulfilling its promises of electrification, improvements of routes, and clean water facilities, blocked the route again and clash with the police.

2011 2012 There is a massive demonstration in Cajamarca against the Conga Project that the owners of Yanacocha wanted to implement. The conflict was so serious that led to the fall of two ministers successively; the first, due to his attempt of negotiation,

the second, because of excessive police repressions which ended with the death of at least five peasants. The project is almost paralyzed since the first half of 2012.

It is possible to conclude that the problems between Yanacocha and the people from Cajamarca – specially, rural people – are a 20-year constant, due to the mutual distrust. There is not an anti-mining feeling, as some people say, but a matter of negative experiences with this company. This made really difficult that people accepts new projects or even the presence of the company in the region.

2

The most profitable mine in the world

2.1 Gold and economy
Beginning of operations

The first bar of gold was extracted from the Carachugo region on 17 August 1993. Then-President Alberto Fujimori was there, wearing mining overalls and a helmet which, of course, he only wore for the picture. Exploitation of the second seam, called Maqui Maqui, started in 1994, and the first million of ounces was reached in February 1995.

Works at the San José mine started this year, and at the Yanaocha hill, in 1997. In late 2001, exploitation at the seam of Quinua began. Nowadays, seams of Chaquicocha, the Quinua and Yanaocha are operating, using the open-pit system of exploitation. This method has severe environmental impacts , by leaving huge holes in zones where there used to be lakes, rivers and agriculture activities.

2.1.1 Cyanide

Cyanide is a highly toxic product used in mining activity. In Yanacocha is estimated to have been created a dump containing over 99.7 million litres of cyanide, along with mercury, zinc and other reactants. It does not exist any Adaptation or Environmental Protection Program to mitigate damages.

Estimate of cyanide consumption				
Mineral(TCs)	1,570,506,282	0.14	219,870,879	Pound
Mineral(TCs)	1,570,506,282	0.063503	99,731,860	Kg.

Prepared by the authors. Source: Mining Operations Report -Complex Yanacocha Copyright 1990-2006, David F. Briggs; and Buenavetura Mine's Memorandum (2007-2013).

Nowadays, there are several ecological and environmental problems in the region (e.g. lack of clean water).

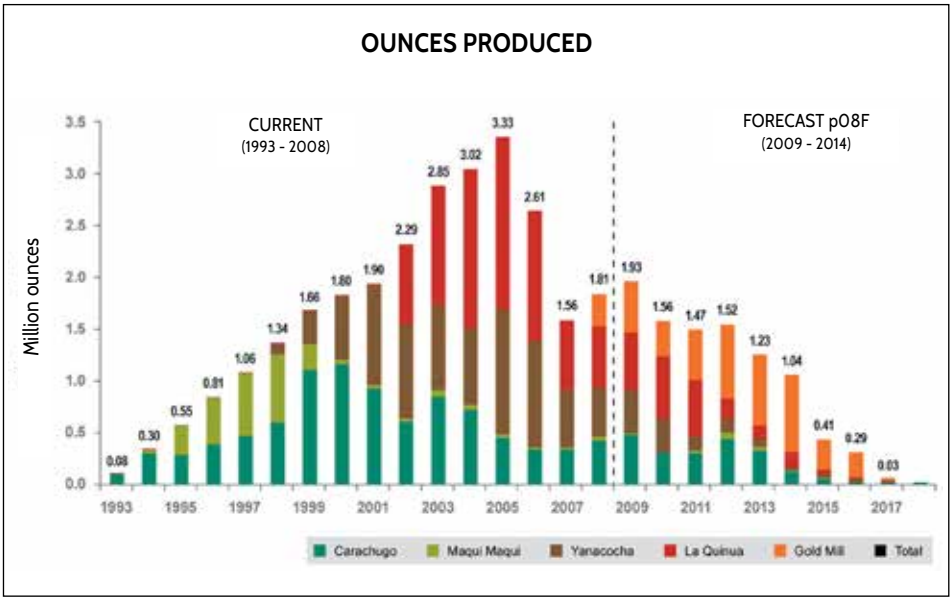
2.1.2 Production

Yanacocha produces gold and silver, which are measured in troy ounce, the worldwide accepted way of quantification of precious metals volume. According to the following box, throughout 21 years operating, the mine had been able to extract over 34 million troy ounces of gold, and over 37 million troy ounce of silver. This means that the amount of gold extracted so far, in 2013 prices (1,411 dollar per troy ounce), equates to around 48 billion dollar. The record gold production year was 2005, with a volume of 3.3 million troy ounces. In 2004, the production was 3 million; in 2012, 1.3 million; and in 2013, 1 million troy ounces.

Production			Total
Year	Gold (troy ounces)	Silver (troy ounces)	Accumulated (troy ounces)
1993	81.5	24.467	105.964
1994	304.552	97.349	401.901
1995	551.965	180.619	732.584
1996	811.426	182.879	994.305
1997	1.052.806	163.366	1.216.172
1998	1.335.754	457.183	1.792.937
1999	1.655.830	826.120	2.481.950
2000	1.795.398	1.536.587	3.331.985
2001	1.902.489	1.466.172	3.368.661
2002	2.285.584	1.921.670	4.207.254
2003	2.851.143	3.035.275	5.886.418
2004	3.017.303	3.479.436	6.496.739
2005	3.333.088	4.165.682	7.498.770
2006	2.608.144	3.612.354	6.220.498
2007	1.555.938	2.307.500	3.863.438
2008	1.810.338	3.515.900	5.326.238
2009	2.058.180	4.367.257	6.425.437
2010	1.461.620	3.561.991	5.023.611
2011	1.293.123	1.348.004	2.641.127
2012	1.345.992	553.092	1.899.084
2013	1.017.000	555.000	1.572.000
	34.129.170	37.357.903	71.487.073

Consolidated box prepared by the authors. Sources: Yanacocha-Newmont-Buenaventura's Memorandum.

The progressive and consistent decline of production since 2010 arises from the depletion of mining reserves and the intensive exploitation of high-grade seams. The following figures show how this consistent decline of production was anticipated since 2009, as well as the forecast indicating that, by 2017, the production will be almost nil.



2.1.3 Peruvian mining in the world

Peru is the first producer of gold in Latin America, the second in America, and the sixth in the world. Regarding silver production, Peru is the second in Latin America, in America, and in the world. Finally, it is the second producer of copper in Latin America and in America; and the third in the world. The country has the potential of receiving new projects and investments which could lead to improve its position as copper producer.

The annual production of the mining sector accounts for 4.1% of the GDP. It also equates to 60% of total of export. The copper exports account for 23.2%, and gold exports account for 21.8%, of total export.

The following box shows the importance of Yanacocha in the national gold production (therefore, in national export) in comparison with other producers.

Evolution of gold production (in troy ounces)								
Company	2006	2007	2008	2009	2010	2011	2012	2013
Minera Yanacocha SRL	2612000	1564000	1807000	2058000	1462000	1293000	1346000	1017000
Barrick Misquichilca SA	1668000	1606000	1575000	1278000	998000	915000	865000	701000
Buenaventura SAA	253000	365000	363000	359000	385000	342000	274000	249000
Otras empresas	1988000	1938000	2038000	2221000	2430000	2723000	2709000	2903000
Total nacional	6521000	5473000	5783000	5916000	5275000	5273000	5194000	4870000

Source: Statistical Bulletin of Mining – Annual Report 2007-2013.

It is possible to note that in 2006, Yanacocha accounted for 40% of the national gold production, in 2012, 26%, and in 2013, 21%. Although having declined its production, it remains the first gold mining company in the country, followed by Barrick, which accounted for 25% of the national production in 2006, and 14% in 2013.

The item which has grown the most in last years is "other enterprises" (from 30% in 2006 to 59% in 2013). Within this group, informal and illegal gold mines throughout the country are included. IT is important to note that Buenaventura, a partner of Newmont in Yanacocha, has its own production of gold in other mines, which accounts for 5% of the national production, according to figures of 2013.

2.1.4 Prices and sales revenue

At the start of its operations in 1993, the international price per troy ounce of gold was $376. By 2000, the price was $279, i.e. 25% less than at the beginning of the decade. Freshly by 2004, the price reaches to be higher than in 1993, reaching $410 per troy ounce. At the beginning of 2006, a new big rise to $605 occured. In 2008 the price reached $873 and $974 in 2009.

In 2010, the price breaks the one-thousand-dollars barrier, reaching $1,225 per troy ounce. In 2011 the rise in price continues to $1,570, and in 2012 all records were broken with $1,670 per troy ounce. Finally, in 2013, there is a moderate decline in the price, which fell to $1,411. Between 1993 and 2012, there was a jump by 344% in international price of gold. Undoubtedly, this gave a significant impulse to investments and increasing production in countries with gold reserves. It has also been a powerful driving force behind informal and illegal exploitation.

This boom in the price of gold has several explanations, such as a weakening of the so-called "strong" currencies (dollar, euro, and yen) and a transformation of gold into value reserves, due to the purchases of gold made by states in order to restructure their reserves. Additionally, on the assumption that prices will continue to rise, there is an intense speculative activity in markets, leading to speculators to increase their stocks, which affects current prices.

Evolution in international price of gold 1993-2013			
Year	Production Troy ounce	Price $/Ounce	Sales $
1993	81 497	376	30 812 072
1994	304 552	384	116 947 968
1995	551 965	385	212 506 525
1996	811 426	388	314 833 288
1997	1 052 806	332	443 470 328
1998	1 335 754	294	392 711 676
1999	1 655 830	279	461 976 570
2000	1 795.398	279	500 916 042
2001	1 902 489	271	515 574 519
2002	2 285 584	310	708 531 040
2003	2 851 143	364	1 037 816 052
2004	3 017 303	410	1 237 094 230
2005	3 333 088	445	1 483 224 160
2006	2 608 144	605	1 577 927 120
2007	1 555 938	697	1 085 185 786
2008	1 810 338	873	1 580 425 074
2009	2 058 180	974	2 004 667 320
2010	1 461 620	1.225	1 790 484 500
2011	1 293 123	1.570	2 030 203 110
2012	1 345 992	1.670	2 247 806 640
2013	1 017000	1.411	1 434 987 000
			21 198 101 020

Consolidated box prepared by the authors. Source: 2005-2010 Yanacocha-Newmont-Buenaventura's Memorandum.

2012 is the one that has the highest income in Yanacocha, even when the annual production was less than half as in the record year, 2005. 2013 shows a combination between less production and lower prices, with revenues accounting for just fewer than 60% in 2012.

2.1.5 Production costs

In 1993, with a price of $375 per troy ounce, Yanacocha declared a production cost of $180 per ounce (around 50% of the sale price). Twenty years later, in 2013, the sale price was $1,411, and the declared production cost was $1,001 (around 60% of the sale price). That means a 256% rise in sale price in two decades, while costs raised 456% ¿How can such an illogical result be explained?

Total Production Cost Structure – Mine Yanacocha (1993-2013) In $per Ounce								
Year	Direct Costs	Product Credits	Royalties	Deferred Costs	Total Sale Costs	Depreciation	Claims and Extensions	Total Production Costs
1993	140	2	7	0	149	29	2	180
1994	122	1	12	0	135	22	2	159
1995	107	1	11	0	119	28	2	149
1996	92	1	7	0	100	30	3	133
1997	80	1	6	0	87	49	3	139
1998	91	0	4	0	95	52	3	150
1999	100	-1	4	0	103	49	3	155
2000	85	-2	4	0	87	45	3	135
2001	113	-1	3	0	115	48	3	166
2002	123		4	-2	125	57	3	185
2003	124		2	-1	125	56	2	182
2004	144	-8	2	2	140	65	2	207
2005	142	-10	11	2	145	62	2	209
2006	175	-16	14	2	175	67	3	245
2007	310	-22	13	12	313	103	6	422
2008	354	-27	16	3	346	92	5	443

Year	Direct Costs	Product Credits	Royalties	Deferred Costs	Total Sale Costs	Depreciation	Claims and Extensions	Total Production Costs
2009	319	-31	18	5	311	81	6	398
2010	444	-50	32	5	431	111	10	552
2011	555	-36	38	3	560	184	15	759
2012	475	--13	35	8	505	192	15	712
2013	517	-8	33	108	650	326	25	1001

Consolidated box prepared by the authors. Source: Newmont Operating Statistics-Yanacocha.

From 1993 to 2005 el production cost remained stable, with minor variations ranging from $130 to $200, while the sale price ranged from $270 to $400. What is surprising is the coincidence of the beginning of the peak in international prices (2006) and the rise in many of the costs, mainly the direct ones, at a rate even greater.

Especially significant is the rise in depreciation costs in 2013, reaching 32.6% of the production costs in a year with declining production and aged assets. This is the highest value in the historical series, which shows 30% in the middle of the upswing of production in 2000; 30% in 2006; 27% at the start of rising in international prices; and only 20% in 2010.

2.2 The cheap mine

Myth or reality?

Yanacocha was long ago defined as the most profitable mine in the world. That means that the production costs of each gold troy ounce was lower than those in other mines in Peru or worldwide, thus generating the highest gross profit.

Comparative box of costs & utilities 1993-2013				
Year	Cost $/Ounce	Gold Price $/Ounce	Gross Utility $/Ounce	Utility/Price
1993	180	376	196	52.13%
1994	159	384	225	58.59%
1995	149	385	236	61.30%
1996	133	388	255	65.72%
1997	139	332	193	58.13%
1998	150	294	144	48.98%
1999	155	279	124	44.44%
2000	135	279	144	51.61%
2001	166	271	105	38.75%
2002	185	310	125	40.32%
2003	183	364	181	49.73%
2004	207	410	203	49.51%
2005	209	445	236	53.03%
2006	245	605	360	59.50%
2007	422	697	275	39.45%
2008	443	873	430	49.26%
2009	398	974	576	59.14%
2010	552	1225	673	54.94%
2011	759	1570	811	51.66%
2012	712	1670	958	57.37%
2013	1001	1411	410	29.06%

Consolidated box prepared by the authors. Source: Newmont Operating Statistics-Yanacocha-Buenventura.

In fact, the box shows some high profitability periods (1995-1996, 2006-2009, 2010-2012), over 50% and 60%; some others with moderate outcomes, around 40%; and the year with the lowest profitability (29.1% in 2013), when the price of gold remained very high ($1,411), but costs skyrocketed.

However, as earlier pointed, the greatest incongruence is in the evolution of costs, which tend to accelerate as international prices rise. That means that the further income generated by growing prices was immediately absorbed by new significant costs.

If, as it seems logical, costs had remained constant, affected only by national or international inflation, the gross profitability would have substantially grown leading to a greater mining contribution to the country and the region.

On the assumption that costs in 2006 ($245 per troy ounce) had remained equal, plus a 20% of cumulated inflation, the final cost by 2013 should not have overcome $300. In this case, the annual profitability would have been $1,111 per ounce, instead of $410. An inexplicable distortion between costs and prices is evident, especially if the growth of indirect costs is taken into account, which has moved from 22% in 1993 to 48% in 2013.

2.2.1 Reasons for a high profitability

Yanacocha became a singular case not because of the efficiency of its entrepreneurs but due to diverse factors:

- The "savings" in exploration costs made by the French company BRGM, which disappeared when the conflict between partners broke out, and which turned into another "gift from heaven" to Newmont-Buenaventura.

- The land grab to set up the mine, from peasant families and communities that were ridiculously paid for their properties and forced to leave their homes under the pressure of the state, which decreed the expropriation of their lands.

- The use of an open-pit system (the cheapest) and socio-environmental liberalities awarded by the Fujimori's government, which allowed the destruction of lakes and agricultural lands and did not favor investments in technology and environment protection.

- The spectacular increasing in international prices that made the business profitable.
- A privileged tax regime that exonerated the company from paying several taxes, ensured its long-term tax stability, and facilitated avoidance through diverse subterfuges.
- Activities such as production and sale of mercury, which are not recorded.

2.3 Beyond the gold
Complementary activities of the mine

2.3.1 The case of the mercury

A report about Yanacocha mining operations dated May 10, 2005, written by David F. Briggs, states in its page 7:

Yanacocha basic production: gold.
Sub-products: silver and mercury.

The report from the Environmental Audit and Environmental Assessments of the Yanacocha Mine's operations, published on April 10, 2003 by INGETEC S.A., states: From the beginning of its operations, Yanacocha Mine produces pure inorganic mercury as a sub-product in its plant of processes.

The accumulated mercury that it is not used in production is bottled to be sold to anonymous clients in Lima or in other places, as agreed. The transportation of mercury mine-Cajamarca-Lima is carried by convoys, for a rough volume of 11.500kg.

The memorandum 2005-2010 of Yanacocha financial-economic movement has no statistical information about production, use, or sale of mercury. Given the size of the mine, the accumulated amount of mercury is huge. There is not information, neither in the Yanacocha transparency website nor in its Social and Environmental or Sustainability balances.

The estimated production of mercury from 1992-2013 is a million kilograms. How much is the income from the sale of mercury during the twenty-three years of operation of the mine?

The wholesale price to date is $150 plus VAT per kilogram. Where are these $150 million registered? Is there any entity that controls the production of this commodity?

The omission seems to enclose a genuine problem. Apparently this business is not registered by Yanacocha, without accounted incomes. However, mercury is a very important element for mining, which could be sold with limited registration. This becomes more serious, even taking into account the growth of informal and illegal mining that needs this resource.

2.3.2 Articulated Mining Network

Yanacocha has built a dense institutional social fabric in order to penetrate society. This involves professional associations, business associations, public and private, national and local institutions. Yanacocha maintains this category as part of its 'social responsibility' and aims to carry out small projects and local works.

Here is a list of associates:

- ANTARES Arts and Letters
- Civil Association for the research and forestry development (ADEFOR)
- Association of Ladies of Minera Yanacocha (ADAMINYA)
- Association of Groups of Small Producers (AGPP)
- Association for Local Development (ASODEL)
- Association for the Rescue of the Cajamarquino Ecosystem (APREC)
- Association Pro Welfare and Development (BIDE)
- Yanacocha Association
- Rural Savings and Credit Cajamarca (CRACC)
- Cajamarca Chamber of Commerce
- Centre for Tourism Training (CENFOTUR)
- Integrated Development Group (CID)
- College of Sociologists of Cajamarca
- Irrigators Association of the Channel Azufre-Ventanillas
- Huancavelica energy Consortium (CONENHUA) • Cooperative Housing Foundation (CHF)
- International Finance Corporation (IFC)
- Danper Trujillo SAC
- Executive Directorate of Environmental Health (DESA)
- Technical Directorate of the Irrigation District of Cajamarca
- Provider Company of Sanitation Services of Cajamarca SA (SEDACAJ)
- Agricultural Development Team of CAJAMARCA (EDAC)
- Federation of Rural Female Northern Peru (FEROCAFENOP)
- Credit Fund for Agro Forestry Development (FONCREAGRO)
- Americas Fund (FONDAM)
- National Fund for Job Training and Employment (Fondoempleo)
- Peruvian Foundation for the Conservation of Nature (Pronaturaleza)
- Swiss Foundation for Technical Development Cooperation (SWISSCONTACT)
- Generating Capacities in Health and the Environment (GC)
- HIDRANDINA (Peruvian company that performs activities of the public electricity service)

- Hogar de Cristo (The home of Christ)
- National Institute of Culture of Cajamarca (INC)
- Peruvian Sports Institute (IPD)
- Users Board Mashcón River - Intake Three Mills (Bocatoma Tres Molinos)
- Municipality of Baños del Inca
- Peru Nestlé
- Bishopric of Cajamarca
- National Food Support Program (PRONAA)
- National Watershed Management and Soil Conservation Program (PRONAMACHCS)
- Resources SAC
- SEDACAJ
- National Service of Training in Industrial Work (SENATI)
- Technoserve
- National University of Cajamarca
- Vicariate of the Solidarity of the Bishopric of Cajamarca

3

Investment and avoidances

3.1 How much is a gold mine worth?

We were interested in seeing how Yanacocha was born as an investment and the real contribution of their managers. We have used the public registry of mining, and consulted the Minera Yanacocha record card N° 39465 to extract the following account of the financial operations:

Year	Date	Quantity	Description
1992	January 14, 1992	S /. 10,100.00	Sociedad Minera Yanacocha constitution 10,100.00 SA with a **capital of S /. 10,100.00**
1993	May 7, 1993	$26,000,000.00	IFC Loan
1993	May 7, 1993	DM 9,000,000	DEG Deutsche Investition Loan
	June 8, 1993		"To ratify and approve Credits concerted for Management Shareholder since August 1, 1992 payable against earning requirement. TASA interests scam 10% annual authorize the Management to Negotiate Credit Agreement with Shareholders with Purpose by DOCUMENT existing loans and provide Additional Financing Project The Carachugo
1994	May 19, 1994	$20,000,000.00	IFC Loan
1994	May 19, 1994	DM 15,000,000	DEG Deutsche Investitions Loan
1994	29 September 1994		**Increased capital** $2,105,520. (S / 4,590,004.00.); cumulative S /. 4,600,104
1997	February 25, 1997		Future receivables transferred to a special purpose trust established under foreign law. Underwriter Salomon Brothers Inc. "Salomon".
1997		$100,000,000.00	International issue of securitized bonds. Interest Rate 8.40% pa

Year	Date	Quantity	Description
1999		$100,000,000.00	IFC Long-term loan
2001			Newmont-leasing business equipment loading and hauling.

Source: Public records of Mining N° 39465.

The sequence noted down by the Public Records indicates that the contribution of real capital is the minimum ($2,116,000), according to records of January 14, 1992 and September 29, 1994; meanwhile there are numerous credit transactions that add $270,000,000 for this initial stage. It is also denoted that the associate World Bank-IFC acts as the first financier of the mining project.

3.1.1 Corporate capital

In the same record card of the Public Record of Mining N° 39465, there is access to the information to elucidate the composition of the Yanacocha Mining corporate capital.

Capitalization process Yanacocha			
Year	Corporate capital	$	%
1992	Cash contribution	10480	0
1993	cash contribution	2105520	0.53
2001	Capitalization utilities	206500000	51.86
2007	Capitalization utilities	189600000	47.61
		398216000	100

Source: Public records of Mining N° 39465.

Only 0.53 % of the corporate capital ($2,116,000) was contributed in cash by the proprietors of Yanacocha. After nine years of functioning they increased the capital taking the utilities of the business.

It is possible to analyse, therefore, the investment flow:

- Direct Investment: $2,116,000
- Earnings: $396,100,000

3.1.2 Net cash flow (1993-2004) of Yanacocha

The associates only contributed as capital for the biggest gold-mine of South America an insignificant quantity, $2,116,000.

The real funding of the mine was done through loans and not through national or international investment.

Only in 1993 the shareholders had already recovered their original investment 2.58 times ($5,449,407/$2,116,000).

Between 1993-2004, the shareholders of Yanacocha managed to get dividends for $1,107,758,000 with an investment of scarcely $2,116,000 – 525 times more – which implies a profitability of 52,5 % throughout every year, including 2001, when the international prices of the gold were in their lowest levels. This information reassures the idea what an extraordinary business to invest in the Yanacocha mine site was.

Net cash flow until 2004								
Year	Income Box				Output Box			Balance $
	Contribution partners	Loans	Investment Recovery	Net income	Payment of loans	Investment	Payment of dividends	
1993	2116000	35000000	2363413	5449407		27761000		17167820
1994		35000000	6735058	41494856	35,000,000	40973000		24424734
1995			14961660	81049422		35244000	61000000	24191816
1996			24306900	125534385		45060000	78000000	50973101
1997		100,000,000	51606457	135200000	35,000,000	113700000	115000000	74079558
1998			69129736	122100000		82500000	73000000	109,809,294
1999		100,000,000	62302000	134548000		126300000	80000000	200,359,294
2000			120973000	136734000		276900000	60066000	121,100,294
2001			153739000	80927000		292747000	10000000	53019294
2002			154527000	220847000		146200000	50692000	231,501,294
2003			127529000	313143000	100,000,000	205700000	300000000	66,473,294
2004			134152776	427975000		231900000	280000000	116,701,070
	2116000	270,000,000	922326000	1,825,002,070	170,000,000	1624985000	,107,758,000	

Prepared by the author. Source: Newmont and Complex Yanacocha.

3.1.3 Investments in Yanacocha

From the beginning of operations in 1993 up to the closing entry on December 31, 2013, Yanacocha has registered total investments of $6 billion which were aimed at the development of various activities: mining operations, acquisition of equipment, expansion of pads, construction of the coal plant and refinery, courts of heap leaching pads, environmental projects and of wastewater treatment, and the development of the mining project of Conga, among other disbursements.

From 1993 until 2013 the company also, spent $361,352,000 in new explorations, including the correspondents to the project of Mines Conga. These movements were possible thanks to the strong cash generation due to the high profitability of the business.

Annual investments Yanacocha and Exploration Expenses, 1992-2013		
Year	Annualized investment (In $)	Exploration Expenses ($)
1992	-	5917000
1993	27761000	4900000
1994	40973000	4051000
1995	35244000	11390000
1996	45060000	17482000
1997	113700000	10806000
1998	82500000	11194000
1999	126300000	9453000
2000	276900000	10349000
2001	292747000	12202000
2002	146200000	11121000
2003	205700000	12755000
2004	231900000	19294000
2005	255973000	25742000
2006	285031000	32254000
2007	284262000	26380000

Year	Annualized investment (In $)	Exploration Expenses ($)
2009	155455000	22968000
2010	385122000	10925000
2011	1287099457	12221000
2012	1179121883	39800000
2013	412607830	22000000
Total	6143125170	361352000

Prepared by the author. Source: Mining Operations Report - Complex Yanacocha Copyright 1990-2006 David F. Briggs, financial conditions Yanacocha 2005-2010 and statistical bulletin of Mining of the MEM 2000-2013.

It is observable from the year 2010 a maximization in the annual investment and the exploration costs due to the prioritization of new projects that the company has kept in portfolio, particularly the Conga project.

It is remarkable that this project, having a different business name and to appear as a different business company, has been paid as part of the costs of Yanacocha, deducting it of its taxes.

3.1.4 Reinvestment Program

According to the Presidential Decree N° 027-98-EF, the mining companies that apply their profits to programs of investment oriented to the expansion of activities and to the increase of its levels of productivity (Program of Reinvestment), will obtain tax benefits (credit of investment) of up to 80 % of the reinvested earnings with the previous approval of the ministry of Energy and Mines (MEM).

Under this law, in December 2001, Yanacocha obtained the approval of the MEM of its Program of Reinvestment for the financial period 1998 -2001, for an amount of $206,500,000.

After having accomplished with the execution of the program, the associates agreed to capitalize on reinvested earnings ($206,500.000), increasing the corporate capital of $2,100,000 to $208,600,000.

Later, in January 2002, Yanacocha sent to the MEM its Program of Reinvestment for the period 2001- 2004. In June 2003, the MEM issued a Resolution by which the request was approved

in the amount of $189,600,000. At the end of the 2003 financial period, Yanacocha transferred the approved total of retained profits to restricted profits, in consonance with the Program of Reinvestment approved.

In the same way the company should capitalize these earnings until December 31, 2006, after having obtained from the MEM the constancy of program execution Reinvestment.

3.1.5 Financial statements

Yanacocha is not obliged to publish his financial statements because the company decided not to trade on the stock exchange, benefiting from its status SRL , and it is not disclosed on his web page either.

This study collected information from various sources that allow building the analytical tables.

3.1.6 Accumulated income statement 1993-2013

To solve the mystery we have comprised the statements of income of twenty-one years from accumulating the statistics of three titles: tax revenue, revenue and profits.

Accumulated Income Statement Minera Yanacocha SRL		
Accumulated 1993 to 2013		
Items	$	%
Net Sales	21,647,542,215	100
Costs and expenses	-13,316,860,145	-61.52
Income tax	-2,592,354,000	-11.98
Net Income	5,738,328,070	-26.46

Source: Memoirs of Newmont-good luck and EE.FF. Yanacocha 2005-2010.

3.1.7 Accounting profits obtained

In accordance with the accumulated income statements from 1993 until 2013, Yanacocha has obtained a profit of $5,738,328,070. This result includes the loss declared by $562,307,000 in 2013 by including an expenditure of $1,038,548,000 with the subterfuge of deterioration of long duration assets.

3.2 Tax stability

3.2.1 The large gold mining tax exempt

Yanacocha has celebrated agreements of stability for the following projects: Maqui Maqui (1994), Cerro Yanacocha (1997), Carachugo (1999) and La Quinua (2003). The period of validity of each of them is fifteen years, from the date of subscription.

For the first three agreements (Maqui Maqui, Yanacocha and Carachugo), the rate of income tax is 30% **throughout** the period, whereas for the case of operations in The Quinua, the current tax rate is 29% from 2004.

Also, through tax stability agreements, the company was allowed to keep their financial statements in US dollars.

Warranty Conventions and protections for private investment – MEM					
Business	Project	Investment $	Term	Stabilized	
				Years old	Period
Minera Yanacocha	Carachugo	37038432	Jul. 92 /Dic.93	15	1995-2009
Minera Yanacocha	Maqui Maqui	63997803	Feb. 94 / Ago.96	15	1997-2011
Minera Yanacocha	Cerro Yanacocha	68901229	Set. 98 /Dic.96	15	2000-2014
Minera Yanacocha	Quinoa	57925792	Set. 98 /Dic.96	15	2004-2018
		227863256			

The structure of tax stability agreements obtained by Yanacocha shows that the intention was to shield her across the stage at which it was estimated that might follow exploiting the gold vein.

A paradox occurs: the most profitable company in the world has benefited from a tax exemption, paying less than other companies which are smaller in size, economic capacity and profitability rates, special arrangements which cannot be modified in the future.
The principles of the tax code say that taxation should be fair and equitable, those who have more pay more.... But in gold mining, these principles are not met.

3.3 The black year of Yanacocha

Why did 2013 make losses?

The Annual Report 2013 presented by the Minas Buenaventura SAA Company provides information about its affiliates, including Compañía Minera Yanacocha SRL, which indicates that worked at a loss that year, earning a loss of $562,307,000.

For this reason also the area of income tax, which should normally appear with figures in brackets (negative) to deduct from the gross profit that year is listed as positive or assets of the company number, which is interpreted as advanced money to account in previous months, and that the State must return somehow

The 10.b note on page 79 of that document, gives account of this performance.

Statement of revenue and expenditure Year 2013	
Items	**$**
Income	1,487,327,000
Cost of Sales	(899,868,000)
Operating Expenses	(249,044,000)
Impairment of long-lived assets	(1,038,548,000)
Income (loss) before tax	(700,133,000)
Income tax	137,826,000
Net loss	(562,307,000)

Source: Annual memory 2013 Mines Good luck S.A.A.

It is obvious that there is incidence of lower production-sales, low international prices (not as dramatic) and an inexplicable overrun in the production which in 2013 reached a record level of $1.001 per troy ounce. But as the company itself admits, in that year there was a tremendous increase in provisions for impairment, as shown in the table presented in a special category called "Impairment of long-lived assets" in the amount of no less than $1,038,548,000, which is apparently inexplicable for a company with twenty years of continuous exploitation of precious metal of a vein that has entered in a stage of exhaustion.

How is it possible to understand that, just in the final phase of a project, a provision of this magnitude for the long term can be made?

It is not necessary to think long and hard to conclude that being in full controversy starting a new project, which would give continuity to the mine, such as Conga, where there have been various pre-investment expenditures (which have already been loaded on the rising costs of previous years) and currently is slowed by a strong social resistance, what has been done, with obvious knowledge of the tax authority is transferred that expense to the Yanacocha account. By doing this, it will be diluted as new investment and is charged to production costs, discounting taxes on mining activity.

Originally, Conga was a new name and a different project from Yanacocha, which would allow the exploitation of an area in which there is proven gold, silver and copper reserves. It could not be consonant, then, that the company in operations declares this investment as its own expense and depreciate it in one year.

To use money from Yanacocha for Conga legally partners, Newmont and Buenaventura, had previously paid tax on their profits, and only then made discretionary use of profits to be distributed. Following other procedure would have the appearance of an act of avoidance oriented the State, and incidentally the region Conga, to pay costs and failures to make the company succeed.

If the "impairment of assets" as stated in the Balance is discounted, the result of 2013 would have been different, becoming positive at $476,241,000, and income tax would be close to $137,000,000, with the company indicating having advanced it and now must be restored.

3.3.1 Investments and losses

1. The years when more investment of capital is registered were 2010, 2011, 2012 and 2013. Nevertheless, it was clear that at that stage the production was declining due to exhaustion of the mine. The investments that are recorded must belong therefore to the new Conga project. However, Yanacocha accounted for these investments as if they were assets that were to be used in their own production and, therefore, subject to depreciation. These disbursements should have been counted as new investment from another project.

2 Accounting Policy: In March 2004, the company reclassified mining concessions in charge and the development of projects of "intangibles" category to the "fixed assets".

Consequently, debt capitalized interests related to the financing of new projects would be considered as fixed assets and depreciated from the start of project operations within accounting Yanacocha.

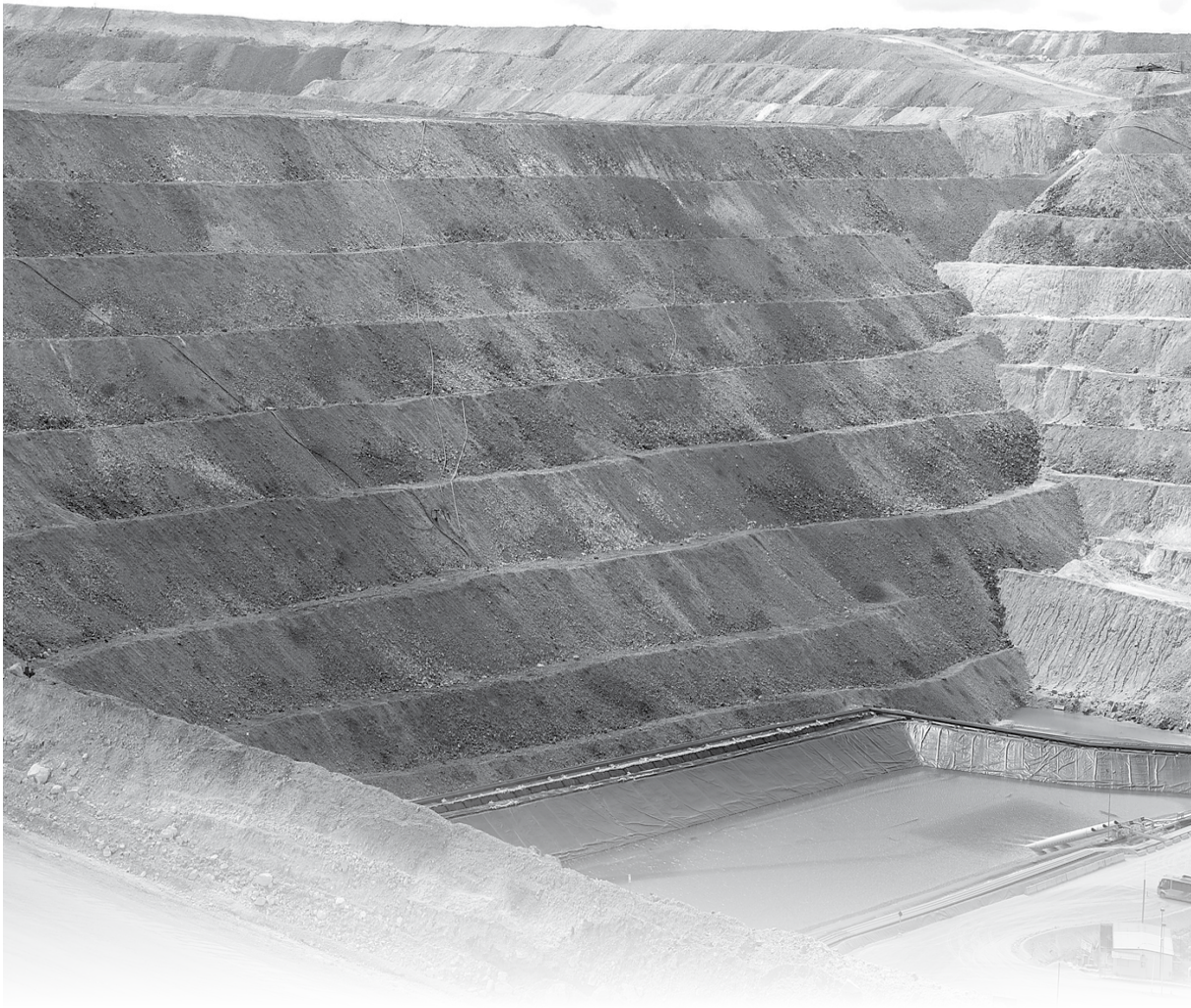
Of accounting profits earned in the period 1993-2013 for $5,738,328,070, it is seen that $2,687,758,000 were distributed to partners (years 1995-2009); $396,100,000 were capitalized; $2,654,470,000 remained as retained earnings for new projects, specifically to the Conga project that opened them the best prospects of continuing to operate on the subsoil of Cajamarca.

Obviously, it is not a matter of philanthropy that such a large amount was not distributed among the main partners, having it completely at hand. In fact, what is expected is that Conga would supply the big business that until then Yanacocha had been. It is just that it was not calculated that between 2011 and 2012 such a strong resistance was unleashed challenging the continuity of the star plan the following years. Hence the series of accounting maneuvers and the high cost that the company has made the state and region pay for their own failures.

Distribution of profits 1993-2013 ($)				
Period	Net Income	Ut. Distributed	Ut. capitalized	Ut. Retained
1993	5449407			5449407
1994	41494856			46944263
1995	81049422	61000000		66993685
1996	125534385	78000000		114528070
1997	135200000	115000000		134728070
1998	122100000	73000000		183828070
1999	134548000	80000000		238376070
2000	136734000	60066000		315044070
2001	80927000	10000000	206500000	179471070
2002	220847000	50692000		349626070
2003	313143000	300000000		362769070
2004	427975000	280000000		510744070
2005	535476000	180000000		866220070
2006	567865000	480000000		954085070

Period	Net Income	Ut. Distributed	Ut. capitalized	Ut. Retained
2007	244192000	100000000	189600000	908677070
2008	463814000	590000000		782491070
2009	712818000	230000000		1265309070
2010	591173000			1856482070
2011	705916000			2562398070
2012	654379000			3216777070
2013	-562 307 000			2654470070
Total	5,738,328,070	2,687,758,000	396100000	

Prepared by the author. Source: Memory Newmont-good luck and EE.FF Yanacocha 2005-2010.



4

From illusion to avoidance

4.1 The contributions of Yanacocha

Income tax and regional canon

Those who oppose to state intervention in the economy and the sovereignty over non-renewable natural resources argue that the most effective way to progress is to encourage private investment and grant the exploitation of natural resources to corporations in exchange for taxes.

The following table reflects the real contribution of mining to fiscal economy in relation to the sales and profits recorded:

Yanacocha: tax contribution 1993-2013					
Year	Annual sale $	Result Obtained	Net Income $	Tax Income $	Canon Generated $
1993	29,449,407	Utility	5449407	-	
1994	117,494,856	Utility	41,494,856	10,850,000	2,170,000
1995	213,049,422	Utility	81,049,422	33,513,000	6702000
1996	314,534,385	Utility	125,534,385	51,234,000	10,246,000
1997	345,418,990	Utility	135,200,000	50,344,000	10,068,000
1998	395,563,511	Utility	122,100,000	18,453,000	3,960,000
1999	485,100,000	Utility	134,548,000	39,394,000	7878000
2000	510,175,972	Utility	136,734,000	39,715,000	7943000
2001	539,895,000	Utility	80,927,000	16,481,000	3296000
2002	729,285,000	Utility	220,847,000	51,522,000	25,761,000
2003	1059951000	Utility	313,143,000	140,162,000	70,081,000
2004	1266550000	Utility	427,975,000	181,448,905	90,724,000
2005	1527609000	Utility	525,476,000	231,495,345	115,748,000
2006	1636009000	Utility	567,659,000	256,481,599	128,241,000

Year	Annual sale $	Result Obtained	Net Income $	Tax Income $	Canon Generated $
2007	1148546000	Utility	244,192,000	113,267,620	56,609,000
2008	1641301000	Utility	463,814,000	206,917,474	103,800,000
2009	2089119000	Utility	712,818,000	310,862,588	165,450,000
2010	1866779000	Utility	591,173,000	277,824,591	138,913,000
2011	2002602000	Utility	705,916,000	258,371,480	140,000,000
2012	2241782000	Utility	654,379,000	287,973,493	170,627,000
2013	1487327000	LOSS	562,307,000	137,826,000	0
Total	21647541543		5728122070	2438485095	1258217000

Prepared by the author. Source: Report Newmont Buenaventura, and EE.FF. Yanacocha 2005-2010.

As it is displayed, sales operations in twenty years amounted to $21, 647,541,543, of which are derived net income (after taxes) $5,728,122,070. In turn, the income taxes paid during twenty-one reached the sum of $2,438,485,095, of which a portion $1,258,217,000 is moved back to the region as canon.

The average annual tax levy on income from the operation of Yanacocha, in the period 2006-2013 considered high international prices, reached the figure of $196,734,106 (555.855.495 soles). The regional average fee for the same year amounted to $129,091,429.

4.2 Overvalued costs and avoidance

Yanacocha becomes more expensive to pay less tax

It has already been pointed out that from 2006 Minera Yanacocha has lived the strange phenomenon of systematic elevation of production costs at a rate that comes at some point higher than international prices, which according to all analysis have experienced a boom as it was never previously registered in length and contribution levels.

Being no reason for this to occur, as the low inflation which affect these costs and the fact that most of them are out of the loop of speculation that affects gold, the most likely hypothesis is that these costs have been raised deliberately charging them mainly on the side of indirect costs, as discussed in the previous section.

One way of approaching the seriousness of the problem is to compare the cost of sales of the two major gold mining companies nationwide. The following table shows an exercise on selling costs accounted for by each of them and the savings that would have represented to work in Yanacocha Cajamarca with the costs of Barrick-Ancash. The result is striking because it would have saved costs for $2,544,601,213 (excess costs incurred by the shareholders of Yanacocha), increasing net income by that amount in eight years. Therefore it means a loss in the collection of income tax by $763,380,364.

Comparative cost between Yanacocha and Barrick

Cost of Sales (x ounce)				Production Yanacocha Ounces $	Total Cost of Sales prices Yanacocha $	Total Cost of Sales prices Barrick $	Difference US $
Year	Yanacocha $	Barrik $	Difference $				
2006	205	92	113	2612000	535,460,000	240,304,000	295156000
2007	363	154	209	1564000	567,732,000	240,856,000	326876000
2008	385	172	213	1807000	695,695,000	310,804,000	384891000
2009	328	199	129	2058000	675,024,000	409,642,000	265482000
2010	459	239	220	1462000	671,058,000	349,418.000	321640000

Cost of Sales (x ounce)				Production Yanacocha Ounces $	Total Cost of Sales prices Yanacocha $	Total Cost of Sales prices Barrick $	Difference US $
Year	Yanacocha $	Barrik $	Difference $				
2011	583	376	207	1293123	753,890,709	486,214,248	267676461
2012	609	453	156	1345992	819,709,128	609,734,376	209974752
2013	885	420	465	1017000	900,045,000	427,140,000	472905000
							2544601213

Prepared by the author. Source: Annual Report 2006-2013 EE.FF Barrick and Yanacocha Buenaventura -Newmont- 2005-2010.

For technical comparability it should be noted that both companies perform similar operations, open pit mining gold and silver leaching material, melting on the site to make doré bars, which are sent to refineries abroad to achieve precious minerals bars. In both companies transnational shareholders with strong financial backing and broad business knowledge are involved. They also operate on the same tax and labor laws in the country; and both are gold producers, ranking first and second place, respectively. Therefore, there is sufficient homogeneity of situations to accept that their costs should be approximate.

4.3 Possible factors of avoidance

Analysis of financial and accounting strategies Yanacocha

The accounting profit for the period 1993-2013, for $5,738,328,070, obtained by Minera Yanacocha and reported according to their balance sheets includes the following items to consider:

a) The administrator shareholder, Newmont Peru, receives two dollars per ounce produced as remuneration, payable quarterly. (34,129,170 ounces of gold for two dollars). From 1993 until 2013 it has received $68,258,340.

b) The shareholder Minas Buenaventura (owner of Minera Condesa SA) collects royalties for 3% of the production valued. From 1993 until 2013 it has received a total of $633,572,306.

c) The investment recovery which includes assets via depreciation for use of the Conga project represents $3,434,627,140.

d) Exploration expenses Conga 2005-2013 reach $130,000,000.

e) The impact of the cost of loans, leasing and services provided, with each other, by companies belonging to the partners and shareholders should be taken into account: IFC, Newmont Peru SRL, Newmont Technologies Limited, Newmont USA, Chile SF Newmont, Newmont International Services Ltd and Buenventura Ingenieros SA and other operations associated with the Buenaventura group.

Certain of the above conclusions are drawn:

a) The cost of sales of Yanacocha, which claims to be a "very profitable" mine reaches throughout the period an average of 36% of total sales value, which is quite unusual in the sector and the Peruvian economy. For Barrick, the indicators for this relationship are 18.6%, slightly over half.

b) Yanacocha contract has legal, tax and administrative stability signed before 2004, so it is not reached by the Law No. 28258 of mining royalties and does not pay this tax to the

Treasury. However, the company charges in its accounts costs in its assumptions costs for royalties, which are actually a distribution between Newmont and Buenaventura partner.

c) If a company with high international prices hides their real profits, this is a tax fraud because it is charging expenses and unrealistic and unnecessary costs in the financial statements of the mine such as: payment of outlaw royalties, management fees mine operations, exploration and development costs and services provided through the tangle of group companies and the subterfuge of "impaired long-lived assets".

We also insert the following table of current assets, to measure the feasibility and operational efficiency of Yanacocha:

NON-CURRENT ASSETS		
Property, plant and investments		
Year	Yanacocha $	Production Gold (ounces)
2013	2,812,930,000	1017000
2012	3,502,061,000	1345992
2011	2,565,921,287	1293123
2010	1,809,298,000	1461620
2009	1,475,919,000	2058180
2008	1,491,209,000	1810338
2007	1,378,086,000	1555938
2006	1,224,428,000	2608414
2005	1,014,933,000	3333088

Prepared by the author.
Source: Report 2005-2013Newmont and Buenaventura-EE.FF. Yanacocha 2005-2010.

It is found that Yanacocha increased, since 2005, investments in property and plant (fixed asset) incessantly while gold production declined rapidly. Does any miner in the world invest more to produce less? This is beyond any parameter.

From reading the financial statements is discovered, then, an irrefutable truth: Yanacocha began investing rapidly since 2005 on another project (Conga), which was supposedly new investment and would bring fresh money into the country. The partners themselves, Newmont and Buenaventura, cannot hide it in their financial reports. All costs and expenses of the "new investment" have been expensed to Yanacocha and this procedure was consented by the tax system and other control agencies such as SUNAT .

4.3.1 Adjusting accounting costs to approach reality

The above-described operations allow us to formulate the following question: how much have they inflated costs and/or expenses?

To approach the reality and measure the impact on Net income less (depending balances) on the exercise of twenty years (1993-2013), we have established the following table which breaks down the fictitious expenses of real and allows approximate a real utility.

Accounting Adjustment		
Concept	**$**	
ACCOUNTING gain Yanacocha	5,738,328,070	**Accounting Utility**
Adjustment:		
Expense Manager Newmont	68,258,340	Advancement of utilities
Spending royalties to Buenaventura	633,572,306	Advancement of utilities
Depreciation Yanacocha / Conga	3,434,627,140	Payback
Exploration expenses Conga	130,000,000	Expenses third
Interest Expense (IFC)	?	Advancement of utilities
Services affiliates	?	Advancement of utilities
REAL Gain Yanacocha	10,004,785,856	Utility Real

We appreciate that the accounting income for the period 1993-2013 which reached the figure of $5,738,328,070 becomes a true value of more than $10,004,785,856, with legal and tax implications. This is the approximate economic-financial management of these successful investors who have shown so much power over national affairs reality.

4.3.2 Investment resources Yanacocha Conga

Below we transcribe the agreement Yanacocha directory of August 26, 2011, based on the strategies to be followed to open a new front in mining operations through the Conga Project:

1.2 The President continued to report that as it was known to the members of the executive committee , it had been agreed to proceed with the implementation of the Conga Project so dated on August 10, 2011 Mr. Carlos Santa Cruz Bendall and Apolinar Guzman Jr. signed on behalf of the Company, the following warrants ("Full Notice to Proceed"):

a) Letter MYCFL-442 / 11GEN1076 dated August 19, 2011, addressed to the company Fluor Chile SA Engineering and Construction (FCIC) in order to proceed with the project implementation under the terms of the Contract No. GEN01076 signed between the company and FCIC and up to the amount of$555'075,900.

b) Letter MYCFL-441 / 11GEN1075 dated August 19, 2011, addressed to the Company Services Mining Branch Inc of Peru (SMISDP) in order to proceed with the project implementation under the terms established in the contract N° GEN001075 subscribed between society and SMISDP and up to the amount of $2,168,149,100.00.

The President also reported that those Full Notice to Proceed were accepted by FCIC and SMISDP respectively August 24, 2011. After discussion, the Executive Committee unanimously agreed to ratify the signing of the Full Notice to Proceed before mentioned by Mr. Carlos Santa Cruz Bendall Peruvian nationality and identified with ID No. 07879078 and Apolinar Guzman Jr. US citizen and identified with passport No. 712426834 on behalf of society in the foregoing terms.

Conga approved investment is $2,723,225,000.00 in total.

In turn, the Annual Report of the Statistical Bulletin of Mining produced by the MEM in the Mining Sector Investment, reports the following investment figures executed by Yanacocha.

Yanacocha Mining Investment				
2010 $	2011 $	2012 $	2013 $	Total $
302,380,000	1148457417	1023074395	303,760,192	2777672004

The technical demonstration of the use of resources to finance the Yanacocha Conga project is obvious just crossing the agreement information directory and Yanacocha mining statistical bulletin issued by the MEM.

4.3.3 Exports of Yanacocha and taxes

It seems to be obvious that, changes in gold prices in the international market remained export earnings uptrend, even despite the relative decline in production / export volumes considered. If this was so, it would have been logical that the share of income tax on export earnings should have been reinforced.

But what you see in the picture is that the next seven years, since 2006, the proportion is rather low, having years such as 2007 and 2008 in which they drop several points. The only years where there is a changing trend are 2011 and 2012, when there are record prices. But in 2013, with still very high prices, there are negative results that require the government to open a tax credit for mining $137,826,000.

Prices, exports and taxes				
Year	Gold Price	Export $	Impto. Income $	Exp / Imp. %
2006	604.58	1,636,009,000	250950000	15.34
2007	697.41	1,148,546,000	115582000	10.06
2008	872.72	1,641,301,000	204887000	12.48
2009	973.62	2,089,119,000	322695000	15.45
2010	1225.29	1,866,779,000	270635000	14.5
2011	1569.53	2,002,602,000	302699000	15.12
2012	1669.84	2,241,782,000	386311000	17.23
2013	1411	1,487,327,000	-137 826 000	-9.27

Prepared by the author. Source: Annual Report 2006-2013
Newmont and Buenaventura Yanacocha EE.FF 2005-2010.

5

Paid and unpaid taxes

5.1 The State which wants to live by mining

And the mine eluding taxes

The Presidential candidate Ollanta Humala used to talk about mining windfall tax. Between the first and second round of the Presidential elections he withdrew the idea of a general tax reform, keeping only the idea of windfall taxes for the mining industry, which was assumed as a simple deduction. If companies obtain high prices effortlessly, the country needs to charge an additional plus, off-rate of income tax. The winner of the 2006 election had said something similar as well.

But neither eight nor three years ago there was political will to comply the raised promise. Governments in power sought formulas arranged with mining companies and there were never windfall taxes. In the most widespread idea, Yanacocha should be one of the companies with higher windfall by record prices of gold in the world market.

The present study has shown that in the case of mining in Cajamarca there were no excess profits but overruns, which adjusted downward the tax base. The following chart is our own responsibility and gives an idea of how these facts were.

Statement of Income			
Accumulated 1993-2013			Difference $
Items	Accountant $	Real $	
Net sales	21,647,542,215	21,647,542,215	0
Costs and expenses	-13,316,860,145	-9,050,402,359	4,266,457,786
Taxable	8,330,682,070	12,597,139,856	4,266,457,786
Imp. Income	-2,592,354,000	-3,779,141,957	-1,186,787,957
Net income	5,738,328,070	8,817,997,899	3,079,669,829

Prepared by the author based on available information.

We affirm that on an income of $21,647,542,215, for the entire period of operation of the mine (1993-2013), there has been a distortion cost $4,266,457,786, reducing notably the tax base. In the accounting profit, i.e., as reported by Yanacocha, the tax payable reaches $2,592,354,000. Instead, correcting the distortion it should have paid $3,779,141,957.

What the company dodged from the State, and incidentally from the regions (the canon is derived from income tax), is of the order of $1,186,787,957. Utilities not accounted with this method come to be $3,079,669,829.

5.1.1 Evidence of tax avoidance

To set a confirmation by accounting procedures that we have a distortion of tax obligations of a powerful company, we have made a recalculation exercise in the relationship between recorded sales and those that would result from multiplying volume and price, which presents a high consistency.

The second exercise is to apply of tax price wave, assuming that the proportion should also be driven by the best sales results, but precisely at this point is that consistency is not achieved.

Recalculation of sales to measure the impact of new gold prices only the period 2006-2013.									
Recalculation Sales								Sales Accountants $	Difference $
Year	Gold (Troy ounces)	p.u. prom. $.	Value $	Silver (Troy ounces)	p.u. prom. $	value $	Accumulated $		
2006	2608144	604.58	1576831700	3612354	11.57	41794936	1618626635	1,636,009,000	-17382365
2007	1555938	697.51	1085282314	2307500	13.42	30966650	1116248964	1,148,546,000	-32297036
2008	1810338	872.72	1579918179	3515900	15.01	52773659	1632691838	1,641,301,000	-8609162
2009	2058180	973.62	2003885212	4367257	14.68	64111333	2067996544	2,089,119,000	-21122456
2010	1461620	1225.29	1790908370	3561991	20.13	71702879	1862611249	1,866,779,000	-4167751
2011	1293123	1569.53	2029595342	1348004	35.17	47409301	2077004643	2,002,602,000	74402643
2012	1345992	1669.87	2247631661	553.092	31.17	17239878	2264871539	2,241,782,000	23089539
2013	1017000	1411	1434987000	555,000	23.86	13242300	1448229300	1,487,327,000	-39097700
							14088280713	14,113,465,000	-25184287
							(1)	(2)	(3)

The table shows that the recovery in sales by the procedure of recalculation using the current gold prices, fulfilled the elementary correlation raising prices increased sales recalculated as accounting.

If we compare (1) the accumulated recalculation as sales and (2) the accounting sales, disclosed in the statements of income, we obtain (3) an immaterial difference of $25,184,287.

Recalculation of income tax to measure the impact of new gold prices in the period 2006-2013

Applying the same procedures and percentages based on the rise in international prices, we measured changes in the tax burden. However, the result is quite different from what would be expected as a proportionality between increased sales and revenues and funds raised.

This is seen in the table presented below.

Recalculation of Income Tax							
Gold prices Evolution 2006-2013				Increase by Gold price hike	Income Tax		
Year	Prices	Increase			Recalculated	Paid	Difference
	$	$	%	$	$	$	$
2006	604.58	0	0	250,950,000	250,950,000	250,950,000	-
2007	697.41	92.83	**15.35**	38,520,825	289,470,825	115,582,000	173,888,825
2008	872.72	175.31	**25.14**	72,772,965	362,243,790	204,887,000	157,356,790
2009	973.62	100.90	**11.56**	41,875,382	404,119,173	322,695,000	81,424,173
2010	1,225.29	251.67	**25.85**	104,464,806	508,583,979	270,635,000	237,948,979
2011	1,569.53	344.24	**28.09**	142,861,240	651,445,218	302,699,000	348,746,218
2012	1,669.84	100.31	**6.39**	41,627,349	693,072,568	386,311,000	306,761,568
2013	1,411.00	-258.84	**-15.50**	-107,426,248	585,646,320	-137,826,000	723,472,320
					3,745,531,872	**1,715,933,000**	**2,029,598,872**
					(1)	(2)	(3)

The method of recalculation applied to income tax, which is based on what was paid in 2006 and applied the percentages of increase in gold prices since 2007, shows the following: a material difference of $2,029,598,872 (3), between the income tax paid (2) and the recalculated tax income (1).

All this leads to say that the price increase of an ounce of gold (which reached triple) had no correlation with tax receipts, constituting a quite unusual economic fact.

5.1.2 No impact of rising gold prices in taxation confirms tax avoidance

The extraordinary increase in the price of gold produced from 2006, to $605, and 2012, of $1,669.62, only impacted on sales, rising dramatically in value, but not in the collection

of income tax. It is as if the price increase does not apply to income tax when logic and economic realities indicate that the revenue should increase to $3,745,531,872 instead of just the paid $1,715,933,000. This recalculation test revealed a difference of $2,209,598,872.

We have already stated that the State was dodged by $1,186,787,957, a figure that is obtained by specific identification of unnecessary expenses and other projects. It should be clarified that there is no discrepancy in the figures on lower income taxes paid by Yanacocha, from the financial statements and the data provided by the recalculation, which is a typical consistency analysis.

5.1.3 New economic phenomenon

Peru is the only country where the extraordinary increase in gold prices, which tripled, is not reflected in the levying of income tax. That is, Yanacocha has a structure of "very special" costs where increasing income produced by unplanned rising prices is automatically absorbed immediately by higher production costs, sales and administrative to absorb the improvement originated in changes in the international market.

5.1.4 Information transparency

In the website published by Minera Yanacocha, there is a link "The company-figures", where statistical information of the company by 2012 can be found, which left out the "bad results of 2013", when losses were recorded and taxes were not paid. There is also no specific information on mining and costs.

This website is not contributing to an honest and serious discussion about the benefits and problems of the largest and richest gold mine exploitation in the country, which certainly is not the exclusive concern of the company but to all Peruvians and especially people in Cajamarca.

To compensate for the gaps in the information that the mining presents to the public, we have reviewed the reports, specialized information exchanged among companies, State reports and other sources.

This research is an invitation not only to Yanacocha, but all large companies that extract huge profits from the exploitation of Peruvian natural resources, to be transparent in the information they provide to the country.

To illustrate the situation we present the document balance contained in the Report of Buenaventura 2013, indicating the financial results of the company for that year.

Statement of Financial Position Minera Yanacocha SRL Al: 31.12.2003					
Active	**$**	**%**	**Passive**	**$**	**%**
Current assets	952,276,000	25.29	Current liabilities	182,918,000	4.86
Non-current assets	2,812,930,000	74.71	Non-current liabilities	483,664,000	12.85
			Heritage	3,098,624,000	82.3
Total Assets	3,765,206,000	100.00	Total Liabilities	3,765,206,000	100.00

Source: Report Minas Buenaventura 2013

For the purpose of transparency, the authors of this study required from the Banco Central de Reserva the following information about Yanacocha, as follows:

> *"I request a single copy of all the information recorded annually in the registration of foreign investment (or equivalent) on behalf Minera Yanacocha SA / SRL or its shareholders: (i) Newmont Second Capital Corporation (ii) International Finance Corporation - IFC (iii) Compañía Minera Condesa SA"*

And the response of the Central Bank, the steering of monetary policy which should require to the Ministry of Economy and Finance (MEF) and SUNAT if warn inconsistencies in the numbers of large companies were found:

> *"While the department BOP receives information from the companies for the construction of the Balance of Payments statistics, we are not authorized to provide this information to others, as the data are provided to us under confidentiality character. In order to help you find public information orientation to find information that is* **public domain** *will be provided in the attachment document."*

In turn we addressed to Proinversión to request specific information about capital formation of the mining company, receiving in reply a letter stating:

> *Regarding your request received in our institution under the Law of Transparency and Access to Public Information (HTD No. 8314-2014); in the attached electronic file, we refer the information of interest.*

And the attached file is a trade of 1995, in which the Secretary General CONITE (National Commission for Investment and Foreign Technology), Carlos Herrera, addresses Enrique Normand, representative of Newmont, to reflect the Yanacocha capital increase during the second year of operations, up to four million 600 thousand soles.

This is how the State contributes to the fulfillment of the Law of Transparency for Peruvians to know what happens to the national heritage that belongs to us.

6

Legal framework

6.1 Evolution of the legal regulations

In parallel to the development of Yanacocha

The 1990s are abundant in investment legislation, taxation and mining, which substantially changed the principles that had governed these activities for many years. In the following decade some decisions, without changing the general standard, were completed. The following table is a compilation of these regulations which boosted effectively new mining investments, but brought new problems in return.

29-Aug-91	DL 662-Establish Legal Regime stability to foreign investment.
06-Nov-91	DL 708-law promoting investment in the mining sector dictates.
08-Nov-91	DL 757- Framework Law for the growth of private investment dictated.
14-Jan-92	Yanacocha Mining Company SA is established
21-Feb-92	RS No. 102-92 -PCM has Appointment of Alberto Benavides de la Quintana as president COPRI-Centromín Peru for privatization.
04-Jun-92	DS 014-92-EM-TUO General Mining Law.
26-Apr-93	Directorial Resolution No. 046-93-EM-DGM expropriated 609.44 hectares to Community C. Negritos paying S /. 60982.58.
29-Dec-93	Fujimori constitution promulgated incorporating the Contract Law formula, which makes contracts between the State and individuals with no review and removes control of Congress.
30-Dec-93	DL-775 Exemptions "General Sales Tax (IGV)" gold dust and rough for non-monetary purposes.
10-Mar-97	DL 973-The scheme establishes anticipated recovery of VAT.
25-Mar-98	S.D. No. 027-98-EF-dictated rules for the application of tax benefits to earnings to ensure increasing mining production.
05-Sep-00	27342-Law regulates legal stability agreements under DL 662-757.
06-Sep-00	27343-law regulates the legal stability contracts under sectorial laws.
08-Jan-02	27623-Regime Law recovery of VAT by mining companies at the exploration stage.
14-Oct-03	Law 28090-mine closure law dictated.
03-Jun-04	Law 28258-mining royalties law dictated.

Tax Incentives

The basic strategy for attracting investment and expansion of the metal mining sector was to generate multiple incentives of taxation, which could be related to the stability over time and the elimination of certain obligations.

a. Stability agreements

According to the new Peruvian law, investors can subscribe stability agreements with the government of Peru in two ways: the first is called general scheme and the second relates to so-called special regimes corresponding to each particular sector (mining and oil) .

a.1. Juridical Stability agreement

Under the general scheme, investors establish Legal Stability Agreements with the Peruvian government to grant them various rights for a period that is normally ten years;

- Stability with no modification of the current income tax at the time of signing the agreement, with respect to dividends and distribution of profits regime even if there are changes in tax legislation in the country.
- Stability of the monetary policy of the Peruvian government, under which foreign currency can be freely bought or sold at any rate offered by the market and funds (remittances), can be sent abroad without requiring prior authorization.
- The right of non-discrimination between foreign and local investors, so that any benefit for national enterprises reach foreign ones as well

a.2. Tax stability agreement for mining companies

When companies are protected by the special regime stability in mining, they may enter into contracts and guarantees stability and measures to promote investment to ensure special rights for the next ten or fifteen years:

- Stability of the general tax regime. In the case of income tax, the effective tax rate is stabilized at the time of signing the agreement, plus 2%.
- Stability of the general administrative regime.
- Free disposal forex (foreign exchange) to be derived from exports.
- No discrimination in the exchange rate.
- Free product marketing.
- Stability of special tax refund schemes, temporary imports, etc.

b. Recovery rate of VAT

To promote investment in the mining industry, an exceptional recovery rate of General Sales Tax (IGV), for holders of mining concessions that had not commenced operations and were in the exploration stage was set. In addition to this scheme, only applied to the mining industry, there is a regime of anticipated recovery of VAT applicable to any industry companies (including mining) in the pre-operational stage (e.g. construction stage).

b.1. General scheme of anticipated recovery of VAT for companies in the pre-operative stage

Article 2 of Legislative Decree No. 973 states that companies that are in pre-operational stage (including mining companies under construction) may, if requested, to recover the VAT levied on the import and / or acquisition of any new capital goods, new intermediate goods, services and construction contracts during the pre-operative stage, provided that in the case of goods and services are to be used directly in the implementation of projects.

b.2. VAT recovery regime for mining companies at the exploration stage

Under Article 1 of Law No. 27623, holders of mining concessions have the right to fully recover the VAT paid related to the activities during the exploration stage transactions. To access this regime, mining companies must meet certain conditions: being in pre-operational phase and mineral exploration activities within the country and sign an Exploration Investment Agreement with the government for a minimum investment of 500 thousand dollars, expressed in national currency.

c. Tax works

The scheme works by tax started in 2008. The companies who take the benefit have the option to pay part of their taxes through the implementation of regional infrastructure works in some of the poorest regions of the country. To that end, companies must meet certain conditions, such as signing agreements with regional and local governments, and obtain authorization for listings Proinversion projects or new projects.

The amount invested by the company can be used as a tax credit of up to 50% of their income tax last fiscal year.

This system generates profits for private companies and, presumably, also for the States:

Exchange gains in the tax system works	
For Business	**For the State**
Retrieves the total investment (with an annual revaluation of 2%)	Maintains or increases local economic dynamism
Their image associated with works of social impact	Accelerate the implementation of works
Improving the efficiency of their corporate social responsibility programs	Execution efficiency and simplification of procedures
For construction companies, is an additional way to get public works	Free technical and financial resources.

In practice, Yanacocha does not pay royalties for being protected by the tax stability contracts established by Legislative Decrees 662 and 757 which were renewed with Law 27342 on September 6, 2000, a week before the release of the first "vladivideo" by tax stability contracts.

The voluntary contribution or mining "óbolo" do not worth the money left to pay for mining royalties. The right to reinvest their profits "without paying taxes on those earnings" is still used by mining despite the law was repealed and for having "stability contracts". But companies also evade taxes by selling their shares abroad, to avoid paying for the profits obtained by selling at a higher price its shares.

6.1.1 Regulations for the Control of Mining Activities conducted by regulatory institutions

a. Law No. 27474. - Control Act Mining Activities.

b. Law No. 28964. - Law that transfers powers supervision and control of mining activities to OSINERG.

c. Presidential Decree 049-2001-EM. - (1) Approved Control Regulations Mining Activities.

d. Directorial Resolution 128-2001-EM / DGM. - Approves general guidelines for the preparation of Annual Programs Control Rules Mining Safety and Health and Environmental Protection and Conservation.

e. Directorial Resolution 127-02-EM / DMG. - formats Approve control standards Mining Safety and Health, Protection and Conservation of the Environment and Tax Stability Contracts.

f. Directorial Resolution 343-2004-MEM / Approve formats DMG. - control standards Mining Safety and Health and Environmental Protection and Conservation.

g. Directorial Resolution 060-2003-EM.- They provide that holders of mining activities report to the Regional Directorate of Energy and Mines occurrences of casualties and emergencies, mining health, safety and environmental problems.

h. Directorial Resolution 636-2004-MEM / DMG. - Approve control formats of Rules Mining Safety and Health and Environmental Protection and Conservation.

i. Directorial Resolution 238-2001-EM / DGM. - create the "Register of Supreme External Auditors" in the Mining Department.

j. Ministerial Resolution 092-2002-EM / VMM. - Approve models of Contract Location Services to be held with the External Inspector for fiscalization purposes relating to mining activities.

k. Presidential Decree 018-2003-EM.- Amends Regulations Mining Safety and Health, Control of Mining Activities and various titles of the TUO (Unique text ordered the Tax Law) of the General Mining Law.

l. OSINERGMIN N° 640-2007-OS / CD - Approve Rules for Administrative Sanctioning Procedure of OSINERMING.

6.2 Are there alternatives?

State controls against avasion

Yanacocha is considered in the list of tax administration as part of the so-called Top Contributors (PRICOS), by which their importance (representing the bulk of national revenue) are treated differently and make their returns and payments to the tax authority directly.

SUNAT, within its organizational structure, maintains a monitoring and compliance management of these taxpayers, including large corporations and powerful economic groups. They also established at the official address of each PRICO, an inspector to audit and report operations performed in day to day. With all these actions, SUNAT concludes that there is a high level of control of what is declared, but not in the undeclared.

SUNAT disregarded the supervision of the Income Tax Category 3rd due to the lack of specialists, as they were removed from office during the dictatorship of Fujimori. Only since 2007 audits started, but unaware of this tax audit. (LATINEZ Luis Carpio, former head of SUNAT). So evasion of tax Income Category 3 is significant.

However, SUNAT must be concerned to eradicate tax evasion pursuant to paragraph 14 of Article No. 62 of the Tax Code. To do this they must make systematic Comprehensive Income Audits 3rd Category quickly and timely. When fully audited, sales without invoice will be detected as well as purchase of invoice to pay less VAT, purchase of goods without invoice and sales of such purchases without invoice and various forms of tax evasion bordering the tax crime.

Fully control the Income Tax 3rd category will allow the SUNAT to review, among other expenses, those related to payroll (income 5th), professional fees (income 4th), payment of interest on loans made with related, royalty payments to individuals and payment of rentals.

6.2.1 Tax avoidance

Legal artifices within the framework of the tax law are used, i.e., the grey areas are searched within the code used for personal gain, for reducing the taxable income using mechanisms that the current legal framework allows or do not prohibit directly.

Whenever the SUNAT makes its diagnosis they find that large companies do part of their transactions through tax heavens to avoid being taxed in Peru. But they do not do anything, despite knowing that avoidance is high in terms of income tax (50%).

6.2.2 Anti-avoidance law

On July 18, 2012 Legislative Decree 1121 was approved by modifying two general rules of the current tax code to incorporate texts on avoidance. The rule XVI specifically says: "In case alleged avoidance of tax rules are detected, SUNAT is entitled to demand the tax debt or decrease the amount of balances or credit, tax losses, tax credits or eliminate the tax advantage, subject to the refund of the amount that would have been returned unduly."

To the present this anti avoidance regulation has not yet applied. On 25 September 2013, Tania Quispe stated: "We will not apply the general anti avoidance regulation without clear rules" (sic).

The actions of systemic corruption are repeated, i.e., the authority has to ask permission to impose authority. "You have to agree on the application of the law" with those who have obligation to comply the law. The world is upside down.

7 Conclusions

1. Large-scale gold mining begins in Peru in the 90s. The vein of Yanacocha ended up to be the largest in Latin America and one of the largest in the world. The mine property was the subject of a dispute between the original partners, but a controversial court decision with obvious political interference decided that the oldest member who had made the initial explorations had to sell his share to the other two.

2. The visible presence of Yanacocha in Cajamarca dates from 1992. Since then, the company has had a significant political, economic, social and environmental impact in the region and has assumed a prominent place in the national ranking of large corporations. The company has a transnational partner and a national partner, both with extensive experience in gold mining, and additionally has a share of IFC, World Bank financial entity, which has acted as financial guarantee in multiple operations. Yanacocha is created as a corporation that is then transformed into a limited company, thus avoiding the entry of new partners and the delivery of relevant information to the Stock Exchange.

3. The land currently under possession of Yanacocha were owned by communities and peasant families who were pushed to sell, under pressure from expropriation without sufficient information about the wealth beneath the soil. In turn, Yanacocha mining acquired all that existed on these lands, achieving complete mastery of a vast territory, a larger area than some Cajamarca provinces. The exploitation of the mine has generated a demand for jobs that the company has tended to cover, if possible, through the mechanism of contracts and outsourced companies.

4. The history of Yanacocha in the department of Cajamarca has been marked by multiple conflicts related to environmental issues and the protection of water for agriculture and drinking water production. The most significant in two decades have been the mercury contamination of Choropampa community (2000); the resistance at the start of operations in the Cerro Quilish (2004-2006); and the intense conflict of Conga (between 2011 and 2012). Relations between the company and the people are very marked by these events.

5. Yanacocha reserves make it a major producer of gold and silver. In twenty years they have extracted 34 million troy ounces of gold metal that if you could update prices represent about $50,000,000,000, about a quarter of the annual GDP. The top production year was 2005, and there is a downward trend from 2010, by exhaustion of the main vein, which is prompting new projects.

6. The international price of gold has lived a truly spectacular rise at least since 2006, which was due to various circumstances. To Yanacocha, this has represented a substantial increase in revenue per troy ounce sold. One way to check this is to compare income between 2005 (year of higher production) and 2012 (year of higher price), thus establishing that even though the first year it was almost double that in the second in the latter the value of sales exceeded roughly 50% from 2005.

7. This study, however, has shed light on a very strange and suspicious fact: the rapid increase in production costs in parallel with international prices, in some years to score an even higher percentage gain than prices in the same period, which lacks any logical explanation. This determines, finally, that the revenues recorded pre-tax decrease significantly and what could be the expectation of tax collection and canon, in a less favorable international situation is thwarted. Discriminated the composition of these costs, they are found to grow much more the indirect ones than the direct costs. This scandalous distortion has never been observed by the SUNAT, the MEF or the Central Reserve Bank.

8. Yanacocha excessively high costs since 2006 weaken the myth of the cheap and profitable mine. The study has proven that if they had worked with Barrick costs from 2006 to 2013, which is the second gold mining in the country and operates under equivalent conditions, they would have obtained a much higher income before taxes and would have been paid more in taxes and royalties. The inflation of costs, however, is decipherable from their own business information that proves that management expenses and royalties paid between partners, the funds used for exploration in the Conga project and the costs incurred up to the present for that purpose (Conga is a new project and a different company name) impose hidden costs that are partially financed with unpaid taxes.

9. The study has concluded that Yanacocha earnings are accountable underestimated, stating the amount of $5,700,000,000 in twenty years when they can easily exceed $10,000,000,000 if they download the fictitious expense , which also could be increased if the statistics of financial transactions among partners would be taken into account. This conclusion leads to establish that only through the overruns concept, it would be producing an avoidance of $186,000,000 during the period 1993-2013.

10. By recalculating sales and income taxes in order to link directly the steady rise in international prices, the existence of a serious distortion was confirmed as there is consistency between prices and higher sales but not between prices and higher taxes.

11. The study confirmed the hypothesis that real investment for the Yanacocha project was almost negligible. Doing the analysis of the current share capital, proves that the own disbursement of the main partners does not exceed the $2,000,000, divided between $1,200,000 Newmont (that is what is counted as FDI) and $800,000 of Buenaventura. Subsequent capital increases are paid with retained earnings, i.e., the project is self-financing. It is also found that there has been intense financial transactions between partners to provide financial liquidity for operations, which has represented an additional cost to the project.

12. The study raises the issue about a possible way of avoidance, which must be better investigated: the production of the third resource from Yanacocha, mercury, which occurs at the mine in amounts exceeding the needs of the company and that are sold in Cajamarca and Lima, without being recorded as revenue. There are not controls on the distribution of the product either, which is highly polluting and a possible link to the demand for informal or illegal mining.

13. To carry out this work we have made use of information, reworked by researchers who assume full responsibility for the content and pictures presented. The review of public information of the company (website) is outdated and is notoriously inadequate. Governmental entities subject to the transparency law denied information as being "confidential" or they merely submitted documents that were also available to researchers. We used public records to confirm the corporate aspects.

14. Mining taxation is high according to the law, and so can also be by relation to other sectors. But the study shows that even amid their peak, taxation can be avoided with almost the complicity of supervisory and control authorities in this anomalous situation.

8

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Association of Supreme Audit Report Internal Revenue Chile (AFIICH).

Beyond Conga - José de Echave and Alejandro Diez.

Chapter 4, Peru - International Center for Development Research (IDRC) Learning while Working.

Annexed documents

Annex I

Mining tax evasion in Chile

Report of the Association of Supreme Audi Internal Revenue Chile (AFIICH)

All copper companies have substantial operating profits because the price of copper has exceeded the highest nominal levels in its history. But private mining companies are not required to report balances: to avoid paying income tax, they can massively resort to various practices of avoidance.

Other forms of tax evasion and avoidance

1. The costs and expenses of these mining companies in Chile are increased by importing new and used equipment and machinery which are purchased as new equipment price to related companies, which also depreciate rapidly, although accelerated depreciation should be only applied to new equipment and capital goods.

2. The mining transnational and all foreign companies in Chile, present as "expenses" various technical, legal and market consultations, made by related companies or the headquarters abroad, consultancies that are not always necessary or you cannot check whether have been carried out effectively. The aim of these consultancies is increase the cost incurred in Chile and transfer profits abroad in the form of advice and various fees.

There are other more direct forms of tax evasion, such as declaring concentrated grades (metal content of gold, copper, etc.) lower than the actual or turn a blind eye to other precious metals that contain these concentrates. Exporting transnational Chilean companies copper count with a great ally, the national customs service, which do not have the sufficient means to control all the concentrate shipments stuff, and this fact facilitates the commission of this deception, which is another type of tax evasion. In that sense, transnational companies commit the same offense of the trader who does not deliver the invoice by a sale simply because there is no supervision to control it at the time.

Annex 2

Letter from Banco Central de Reserva

Dear Mr. Wiener,

Subject: Request for Foreign Investment Data Yanacocha

Even though the Department of Balance of Payments receive information from companies for the construction of the Balance of Payments statistics, we are not authorized to provide this information to others, as the data are provided to us under confidentiality character.

In order to help you find public information will be provided in the attachment orientation to find information that is of public domain.

That is all for the present.

Best regards,

BANCO CENTRAL
DE RESERVA DEL PERÚ

Donita R. Rodríguez Zegarra

Annex 3

Letter from Proinversión

Dear Mr. Wiener:

Regarding your request entered our institution under the Law of Transparency and Access to Public Information (HTD No. 8314-2014); we said that in the attached electronic file, we refer the information of interest.

It is worth emphasizing that this record was made in 1994, so that the document corresponds to the requirements stipulated in Board Resolution No. 002-94 CONITE-EF / 35, which regulated at the time the registration of foreign investment.

Yours Truly

ProInversión
Agencia de Promoción de la Inversión Privada

Carlos Vargas Ocampo

Annex 4

Yanacocha Press

Yanacocha

PRESS

Mr. Wiener said to Diario Uno in a note published Thursday 16 entitled "Yanacocha avoided over a billion dollars," indicating that the company would have used legal rules in their favour to avoid paying taxes by declaring losses $562 million in 2013, thus affecting the mining canon of the region where it operates. Given this incorrect and reckless information, the company states:

- Mr. Wiener said that Yanacocha reported financial losses and, consequently, did not pay income tax for the year 2013. This information is absolutely false, as the company paid for that year a tax on income exceeding 175 million dollars. This figure is easily verifiable through the audited financial statements of our company, which are of public domain available through the CONASEV.

- The financial loss referred to by Mr. Wiener was caused by falling production at Yanacocha, the decline in metal prices, and provisions for impairment. However, this does not mean it has not paid income tax because the tax is calculated on the taxable income and not on the financial results.

- Mr. Wiener also indicates that Yanacocha used generating provisions for impairment losses for the year, to "absorb" the costs incurred in the Conga Project. This is also false: the investment in the Conga Project has been recorded as fixed assets and not generate any effect on the results, until the moment the Conga project has begun operations.

- Mr. Wiener points out in his article that "There are years when in full production decline depreciation increased". Further he notes that "There is also increased royalties, income which is transferred to Buenaventura". This is also wrong: tax

depreciation of assets is done according to the provisions of the legal system and is completely independent of production levels or performance of the company.

With respect to royalties paid to Buenaventura, it is false that have increased. On the contrary, they have been decreasing proportionally as production has declined.

- Finally, Mr. Wiener notes that "Yanacocha do not declare higher profits and therefore do not improve their taxes due to an unusual increase in production costs", noting that these costs are higher than in other mining operations gold. A serious and diligent variations in earnings analysis and its impact on taxes, should have considered a set of variables such as fluctuations in prices, production levels generated, the grade of mined ore, the ratio of mineral movement versus movement disassemble, among other considerations that are unique to each mining operation and affect positively or negatively the performance in a given year.

It is surprising that neither Mr. Wiener nor Diario Uno have requested information about our company, before publishing this case study. We believe that a fundamental practice of journalism is to verify the information, which was not performed in this case, damaging thereby the reputation of our company.

Yanacocha rejects the irresponsible statements of Mr. Wiener, published by Diario Uno, in the sense of having eluded taxes. The determination and payment of taxes by Minera Yanacocha has been made in strict compliance with current tax legislation, which is constantly monitored by the National Superintendence of Tax Administration (SUNAT).

Lima, October 17, 2014
Office of Communications

Annex 5

Response to Yanacocha

Raúl Wiener

to statements made by Diario Uno, after presenting the results of the study "The Large-scale Mining pays the taxes they should pay?" Held in partnership with the accountant Juan Torres Polo, at a forum sponsored by the Financial Transparency Coalition.

I imagine that after reading texts with my signature referred to the same subject and having access to the study which is available on the website of Latindaad, the lords of the mine will have to make new press releases. It would certainly be a valuable opportunity to clarify two substantial issues:

1. In a period of high international gold prices, Yanacocha recorded a dramatic increase in production costs, mainly of indirect costs over direct costs, without justification, reducing the annual utility that might have been expected, and therefore the taxes.

2. The Conga project is not registered as new investment, as applicable, with separate accounts of Yanacocha, but as part of the expense of Yanacocha, allowing the company to charge an exceptional big sum of money to the year 2013 $1,038,000,000 by "Impairment of Long-Lived Assets", which draws to a loss in the year of $562,000,000 affecting taxes.

The responses of the mine

In addition to pleading me wrong and reckless, four times false and irresponsible, and calling "study course" to a document that does not know, Yanacocha intended that no information has been requested from the company. But it happens that all the research, which is not a type of journalistic material and Yanacocha mistakes with the interview of Diario Uno, uses as a source of statistics from the company itself and its two main partners.

Here there is a presentation based on the bibliography:

Unaudited Internal Condensed Consolidated Financial Statements 2010 issued by Yanacocha.

Consolidated Financial Statements (audited) 2008-2007 issued by Yanacocha.

Financial Statements (audited) 2006-2005 issued by Yanacocha.

Minera Yanacocha SRL Annual Report - May 2010 issued by Apoyo & Asociados.

Minera Yanacocha SRL Quarterly Report - September 2009 issued by Apoyo & Asociados.

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Annual Report of Compañía de Minas Buenaventura SAA-years 2013-2012-2011-2010-2009-2008-2007-2006-2005-2004-2003-2002-2001-2000-1999.

Public Mining Registry No. 39465-SUNARP.

Electronic Item No. 11346147, SUNARP Legal Person record.

Therefore, we are discussing with figures from Yanacocha, and the most that we could have ask the company, that is not characterized by transparency (to the point that so far it is under discussion whether doré bars actually have the gold composition and silver they say, or if there is more gold which is not declared) is if their information is true. Let have a look at the case of 2013.

The first year with losses

The following table has been extracted from the annual report of Minas Buenaventura, in the category of associates:

Statement of Income and Expenditure Year 2013	
Items	**$**
Income	1,487,327,000
Cost of sales	(899,868,000)
Operating Expenses	(249,044,000)
Impairment of long-lived assets	(1,038,548,000)
Income (loss) before tax	(700,133,000)
Income tax	137,826,000
Net loss	(562,307,000)

Source; Annual Report 2013 Minas Buenaventura SAA

On revenue of $1,487,327,000, representing a drop of 33% from the previous year due to lower production and lower price, Yanacocha states that its sales costs are $899,868,000 and operating expenses $249,044,000. So far the figures move more or less on a regular basis. But even at this point there were distributing profits to share and taxes to pay. But what changes the situation completely is the addition of a fourth category, which first appears in the accounts of Yanacocha, called "Impairment of Long-Lived Assets".

These assets represented in a single year a payment of $1,038,548,000, which automatically produces a loss before tax of $700,133,000. In accounting terms this is expressed in taxes that were already developed during the year, which is regarded by the company as payment despite the losses, so are counted positively. By 2014, Yanacocha has to deduct$137.826 million more which have been paid in a year with losses. Yanacocha must think we're all distracted and can separate tax financial results as if they exist in separate worlds. That is to say, Yanacocha loses money but continues to contribute to the country with it.

Moreover, to explain why they lose 562 million, the lords of the mine justifies by pointing the reduction in production, low price and provisions for impairment. Can Yanacocha depreciate at the end of the vein of ore in high monetary values? The question is relevant to the existence of the category: "Impairment of Long-Lived Assets", that the company eludes but it must have been thought long since committed over a billion dollars and must have been arranged with the SUNAT. Our hypothesis is that behind this money are the incurred costs of the Conga project. The reasons which support our thinking are the directory agreement of August 26, 2011, when it is approved to boost Conga at a cost of $2,723,225,000 and the subsequent course of events leading to almost derail the project.

Make Conga among Yanacocha costs is a way to remove its feature of new investment and force the state to finance part of the cost, expenses deducted before declaring taxes. Yanacocha claims they have registered Conga as an asset, and we have not doubted that they have done so, as a Yanacocha active, as if buying equipment and supplies for the old company when it was for the new, to which we add only that just speeding depreciate these new assets to reduce its investment loss, making financial loss of the old mine to be closed.

The dance of the costs

We do not ask the observer to make detailed calculations of costs when the question is much more basic: why do a unit cost per ounce produced until 2005 which was under $200 jump to over 250 (2006) 400 (2007-2009), 550 (2010), 700 (2011-2012) and 1001 (2013)? This rise in costs is not normal and is even more inconsistent compared to the costs of the second gold mining in Peru.

Having worked with Barrick costs, Yanacocha would have increased earnings by about $2,500,000,000, which is at least a serious inconsistency. Although this is a critical topic, which evaluates the behaviour of large mining companies, we have not heard of an investigation that precedes us. And it should be clearly stated that avoidance is a way to get around the law, within the law. Unnecessary statements about the firm's attorneys have formally set incredible information, making it ''legal''.

That's the old problem of Peru, just that some fear to give it a name.

Journal One
19/10/14

Annex 6

How does a transnational company lie?

Raúl Wiener

1) As soon as it became known the study information "Do large-scale Mining pays taxes they should?" prepared by me and the accountant Juan Torres Polo, the Office of Communications Empresa Minera Yanacocha, for obvious policy management, went straight for the jugular, and I was faced as follows:

"Mr. Wiener said that Yanacocha reported financial losses and, consequently, did not pay income tax for the year 2013. This information is absolutely false, as the company paid for that year a tax on income exceeding 175 million dollars. This figure is easily verifiable through the audited financial statements of our company, which are publicly available through the CONASEV.

Several asked me if this could be true. Is there now a company in the world which ends in loss and pay taxes? But the manipulation is barely hidden beneath the sound of the words "absolutely false" to refer to the information presented. Yanacocha indeed advanced taxes in 2013, as all companies do. But when they make them they turn those advanced taxes into the form of assets in a State credit for them.

Consider the following table we have obtained after the end of the study:

Notes to Consolidated Financial Statements (thousands of$)			
Income statement for the years ended December 31	**2013**	**2012**	**2011**
Income	1487327	2241782	2002602
Cost of Sales	(899.868)	(820.370)	(754.412)
Operating Expenses	(233.419)	(304.055)	(340.153)
Ingre. (Expense) Financial	2,152	(763)	11,312
Impairment of Long-Lived Assets	1038548	-	-
Other net expenses	(17.777)	(75.904)	89.266
Income (loss) before income taxes	(700.133)	1040690	1008615
Gains taxes	137.826	(386.311)	(302.699)
Income (loss)	(562.307)	654.379	705.916

It can be seen that in years when there are profits taxes appear in brackets (negative) because they have to be deducted from gross income to obtain the net. In the year of the loss in figures set by Yanacocha, taxes included as positive and are discounted down the final loss. Ergo: Yanacocha does not pay taxes in 2013, and advances for income tax are returned immediately or by term credit. Who is lying?

But we insist on falsehoods. All accounting information repeatedly pointed out that any tax that the company is entitled to recover amounts to $137,826,000. But the Communications Office with impudence indicates that they would have made a payment exceeding 175 million income. Why is there an inconsistency? Obviously it is about 38 million beyond accounting note, which probably corresponds to adding the income tax withheld to the officers and employees of the company for the fourth and fifth category, which does not belong to Yanacocha, although the company deducts and pay.

Finally, all the lords of the mine send us to CONASEV to see the miracle of losses taxpayers. And we do it. And then we learn that CONASEV does not know Yanacocha, because it is not a corporation, but a Limited Liability Company. Who is lying?

2) But after releasing his first accusation of falsehood, the second goes:

"The financial loss referred to by Mr. Wiener was caused by falling production at Yanacocha, the decline in metal prices, and provisions for impairment. However, this does not mean it has not paid income tax because the tax is calculated on the taxable income and not on the financial results ".

The same this argument is repeated over and over: the loss is due to falling production and lower prices. That is clear in the income column. But even with less volume and export value, the result would have been positive generating profits and taxes, if there were no "Impairment of long-lived assets" category, for $1,038,548,000, representing about 70% of total revenue. In other words, they spent almost a year exclusively to pay this bill, and almost everything else remained in loss.

I must assume that it is to this specific item to which the Communications Office refers modestly, speaking of "impairment losses" as the third leading cause of financial loss. But, why has there been such urgency to provide in a single year such a great deal of money for the future impairment of "long life" assets?

And as if, the Office would like to teach me a lesson about taxation, again the next logical pirouette comes: there was a loss, but this does not imply that no tax is paid, because they

are calculated on the taxable income and not on financial ones. Frankly, the mediocrity of the officials who speak on their behalf should add as a likely cause of the losses. So there are now financial results (as the ones appeared on the chart) that have nothing to do with taxes, and tax results are where the taxes are calculated from. Taxes are derived. Since this is not a problem of truth or falsehood, but of brutality.

3) And to close this overview of how the great company of gold handles their information and imputes falsehood to the person who tries to go further in the analysis, read the third paragraph:

"Mr. Wiener also indicates that Yanacocha used generating provisions for impairment losses in the financial year to 'absorb' the costs incurred in the Conga Project. This is also false: the investment in the Conga Project has been recorded as fixed assets and has not generated any effect on the results, until the moment the Conga project has begun operations ".

Again, nonsense. First, it is true, that so called provisions for "impairment" are the ones which determined the loss of 2013. Second, because these provisions in the future that are made so quickly in one year, may only correspond to a very valuable and recent good that can lose value, and that led to the field of Yanacocha called Conga. They themselves say that Conga is a Yanacocha "asset" and this has been an active rather mixed up until today.

If it is appreciated what happened, you will see that Yanacocha is charging the costs of this "asset" for years to income while publicly the lie about a "new investment" that would bring four billion dollars to the country was maintained. It was removed from the rising costs of the same company that consuming the benefit from higher prices, while on its way to exhaust the vein, and of course cutting tax payments and royalties. They do not like being reminded of this because they like entangled things: having a new investment, which is an expenditure of an old one.

But let see an additional detail, which is the phrase "Conga has been recorded as fixed assets and not generate any effect on the results," which closely resembles that taxes are not in the financial statements but tax results. Do Yanacocha live in a world of bubbles? If they enter the fixed costs of a new investment in an operating one, of course the results will be affected. Or does the money stays in a limbo? What they will not do is provide their own results: revenue, profits, and losses. But Yanacocha has gone beyond because they have depreciated in advance these assets, considering the political risk that Conga never starts working.

No one may also believe that SUNAT has not audited a company that sells at exceptional prices and not raise their taxes proportionately, including in its financial reporting unusual costs, and that in 2013 gave losses for future "impaired long duration assets ". Here's a flagrant complicity that may have to do with how the government assured Yanacocha that the project would start but it did not. But if was the case it would mean they make the country and the region pay the Humala temerity and Newmont-Buenaventura stubbornness of wanting to impose on the will of the population of Cajamarca. Not only were killed, wounded, persecuted people and brutal rupture between the central government and the region, but foul play with the numbers to compensate mining.

This is a serious issue, and Congressmen and media are compelled to reinforce this complaint and to assert national interests.

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