

Peru's mining & metals investment guide

2019/2020



ProlInversión

Private Investment Promotion Agency - Peru



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About this mining & metals investment guide



"The difference between good investment decisions and bad investment decisions is the right information at the right time".



Paulo Pantigoso
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At the end of 2018, Peru just reported an uninterrupted growth of 20 years. This means that our GDP growth was almost 151%, more than doubling our economy during these two decades. There are three important sectors that should be highlighted, which boost our national economy: mining, agriculture, and tourism. Mining represents nearly 10% of GDP, the exploitation of minerals is one of the foundations of the national economy.

This is why EY Peru developed this mining & investment guide. The first, and still the finest, handbook of its kind. This document has been structured to serve as an initial step in the process of evaluating the mining landscape in Peru.

As such, it will be useful to those who contemplate at least the possibility of making long-term investments into the exploration and development of new mines in the country.

This publication has brought together several of the mining industry's leading professionals from EY Peru, with a mix of legal, tax, economic and accounting backgrounds, to share their unique insights and explain the key elements for a successful expansion by international mining and metals companies into Peru.

Within this guide we have examined various aspects usually taken into consideration by miners and investors from around the world before making critical decisions on the development of new mining operations. Included in this guide is an overview of Peru's political structure, business environment, macroeconomic profile, key indicators and outlook for the next years, geological potential, mining and metals sector trends and recent developments. The guide also provides access to essential information to assist foreign investors in understanding the regulations governing investment and in particular the legal, taxation and regulatory requirements to operate in Peru's mining sector.

First published in 2010, this guide has been designed to be easily consulted and to offer a balanced and objective account of areas of potential interest to foreign mining investors. In this sixth edition, we have chosen to leave the general structure of the 2017/2018 edition intact. We have, however, drawn from what we have learned from those who have used this reference booklet and from our own experiences, and included the most recent data available in January 2019 and some additional commentary on a variety of critical topics. The aim is to supply international exploration and mining companies (majors and juniors) with a fact base and critical information to facilitate and support their investment-making discussions and decisions.

We hope that this new material will be useful in the efforts to attract greater flows of foreign direct investment and that the flows in turn benefit the country.

We wish to express our appreciation to the Ministry of Foreign Affairs, the Ministry of Energy and Mines and the Private Investment Promotion Agency of Peru (ProlInversion) for their support in this project. Our special thanks are owed to Néstor Popolizio, Minister of the Ministry of Foreign Affairs; Ambassador Silvia Alfaro, Director General of Economic Promotion of the Ministry of Foreign Affairs; Miguel Incháustegui, Vice Minister of Energy and Mines; and Alberto Nécco, Executive Director of ProlInversion for mobilizing their respective teams to support and assist us in the production and distribution of this guide across the world.

"Peru is growing rapidly, creating new and better business opportunities. This changing environment requires stakeholders to keep updated with recent data in order to make better decisions".



Marcial Garcia
Mining & Metals Leader
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A note from **Marcial Garcia**

Peru is a global leader in the mining industry, which makes it a natural choice for international investors. It is one of the world's biggest producers of base and precious metals. Currently, it is the second largest producer of copper in the world and stands amongst the top four producers for silver, lead, zinc, tin and molybdenum.

Add to that important deposits of gold and non-metallic resources -such as phosphates and uranium- and it is unsurprising that Peru's economic fortunes have been tied to the mineralogy of the Andes Mountains for many centuries.

Despite mineral price volatility, mining investment continues to flow into the country and is one of the key motors of economic growth. The success of Peru's mining sector stems not only from an abundance of rich natural resources, but also from an attractive legal and tax regime designed to support the industry.

Peru enjoys political and macroeconomic stability. It has a steadily growing economy, which is largely driven by mineral production. The high rates of production have attracted USD 60 billion of inbound investment into Peru's mining sector in the last 10 years. But Peru has much more to offer. There are still an estimated USD 59 billion of mining projects waiting to be developed in the country over the next few years.

The mining sector has real potential for growth and further expansion. It holds golden opportunities for investors as much of the country is yet to be subjected to vast exploration, leaving an immense potential for future development. Peru also enjoys the advantage of having one of the lowest operating costs in the world and has a large pool of people trained and qualified as geologists, mining engineers and field technicians.

International investors are a crucial part of the growth and success of Peru's exploration and mining industry. Peru welcomes foreign investment with an open and stable mining regulatory environment. A foreign investment law guarantees the security of foreign and domestic investments. Furthermore, Peru is consistently undertaking measures to improve its business climate to attract more investment.

We invite you to contact us with your questions and we wish you all the best with your mining investment opportunities in Peru.



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Néstor Popolizio
Minister, Ministry
of Foreign Affairs

A note from Néstor Popolizio

The Peruvian people have been engaged in mining activities for centuries, and still, to this day mining represents an important vehicle for our country's development. Mining, within a sustainable and environmentally responsible framework, has an important impact on Peru's wider economy.

This year we expect the mining sector to grow by 3% and investment to increase by 23%. Mining is a source of income and job creation for Peruvians in a wide array of related and complementary activities. This explains our strong commitment with the mining industry, reflected in our Portfolio of Mining Projects which offers approximately USD 59 billion in investment opportunities. We hope that by 2021 we will have secured at least 40% of that investment and that the resulting projects will help lay the foundation for greater mining and social development in Peru.

The Peruvian government is fully committed to share the benefits that mining brings with as many citizens as possible, in part, by effectively channeling part of mining incomes towards local communities, especially those that are situated in remote areas. These benefits for remote communities situated near mining projects will help them to overcome poverty and contribute to their development. At the same time, the government is aware of its responsibilities, and clear in its commitment to work hand in hand with the investors, from the beginning, in order to generate the well-being of the population where mining investment will be directed. With this approach, we are sure that mining investment will be welcome, and communities will be assured that they will enjoy the benefits of Peru's vigorous mining sector.

In the last few years, Peru has developed a solid legal framework to protect mining investment and has worked towards consolidating our economic stability, resulting in sustained GDP growth at an average of 6% during the last decade, accompanied by exchange rate stability and low levels of inflation. Successive democratic governments and political stability is another of the Peru's achievements that has allowed Peru to undertake a full on fight against corruption. These successes and sustained efforts have helped to consolidate Peru as an attractive and safe destination for foreign investment.

Peruvians are convinced of the path we want to follow. We are confident that we have the desire and the tools to allow us to follow the path towards sustainable development. We are also confident that we are accompanied by world-class business partners, whose support will contribute to boost our economy and help us to transform investment into inclusive social development for the benefit of all our people. I welcome you to join us and invest in Peru.

Thank you.



PERU

Ministry
of Energy and Mines



Miguel Incháustegui
Peruvian Vice Minister
of Mines, Ministry of
Energy and Mines

A note from **Miguel Incháustegui**

For thousands of years, the peoples and civilizations that inhabited the territories that today make up Peru were aware of the huge diversity of minerals in its territories. Ancient Peruvians developed engineering works that were state of the art for their time, and worked pieces and tools in gold, copper and silver which today are displayed in the world's most important museums.

Today, these ancient traditions are even more deep-rooted than ever and our mining potential remains important. We are Latin America's leading producer of gold, zinc and lead, and the world's second largest producer of copper, zinc and silver. And we maintain important reserves in these and other metals.

Peru's attraction and recognition as a world leader in the mining industry is well documented and based on vast data, evidence and value associated to the country's geological potential, on the competitive edge in the principal inputs, and on a transparent and stable mining industry.

Mining investments make up a fundamental portion of the Peruvian economy, since both the exploration of mineral resources and the construction of new projects foster the continuing contribution of the mining industry to the country. Currently, Peru has a substantiated portfolio of 48 mine construction projects involving a global investment of more than USD 59 billion.

The shared vision of mining in Peru is highlighted as an inclusive and environmentally responsible industry, with one of its objectives being to promote the comprehensive development of the country, especially of the territories where these projects are being developed, requiring full environmental responsibility and ensuring the health of stakeholders.

We invite you to invest in Peru, a country that abides by the rule of law, works towards a modern mining industry, using socially and environmentally responsible and sustainable technological innovation, to contribute to the strength of the economy. With the aim of closing the inequality gap, to end poverty, and guarantee more and better opportunities for all Peruvians.



PERU

Ministry
of Foreign Affairs



Silvia Alfaro
General Director of
Economic Promotion,
Ministry of Foreign Affairs

A note from Silvia Alfaro

Dear friends,

During the last 15 years, Peru has built a solid economy reflected in the sustained increase of its GDP, its exchange rate stability and a low inflation rate. In addition, the responsible economic policy that the country has maintained throughout successive democratic governments, as well as its stable legal framework and the steps undertaken to strengthen our institutions, provide a favorable environment for doing business in the country. These measures continue to generate confidence in the business community that spreads to all parts of the Peruvian economy.

It is also important to highlight the efforts made in recent years by Peru to become a full member of the Organization for Economic Co-operation and Development (OECD), with the support of key member countries from the international community. This process has helped Peru to increase the standards and good practices promoted by the OECD. At the same time, Peru has made significant improvements to the quality of public policies and services provided by the state to its citizens.

Peru is a country whose wealth depends substantially on the mining sector. We are the second largest producer of copper and silver in the world, and one of the main producers of gold, among other strategic minerals. Peru also has the largest reserves of silver in the world, the third largest reserves in copper and zinc, and the sixth largest in gold.

During 2019, we expect further expansion of mining projects such as Toquepala - Southern, Quecher Main-Yanacocha, and B2 San Rafael - Minsur, in addition to the projects that started construction in 2018 and that will continue.

Other important projects have also been announced such as Quellaveco, the extension of Toromocho and Mina Justa, together represent estimated investment of USD 8.2 billion. Furthermore, it is projected that the size of mining investment will grow with a new portfolio of mining projects, representing an investment of more than USD 59 billion, over the coming years.

One of the key challenges of the mining sector is the need to generate greater added value linked to the industry, throughout the development of additional economic activities. In order to fulfill this objective, foreign investment will be necessary to support the transfer of skills and technology to related industries which in turn will generate higher levels of employment, higher incomes and better quality of life for our people.

All investments in this sector should be conducted in a responsible manner - both environmentally and socially. To achieve this, it is important that the public and the private sector collaborate in order to boost the growth of the mining industry while meeting commitments made by Peru related to the mitigation of climate change including the Sustainable Development Goals, and the prior consultation mechanism, among other initiatives.

Peru, along with Colombia, Chile and Mexico, are countries with similar strategies of development in the mining sector. Together these countries want to strengthen the integration, improve our competitiveness, innovation and the quality of our human capital.

All these challenges are reflected in the four fundamental pillars of the "Pacific Alliance", namely, the free circulation of goods, services, capital and people. As metal producing countries within the Pacific Alliance, membership of the Pacific Alliance gives us the opportunity to improve our technological development in the mining sector, share projects, train and exchange of workers, to turn Peru into one of the main mining hubs in the world.

In this context, it is both an honor and commitment of the Ministry of Foreign Affairs to be a partner in the development of this Guide with EY and Proinversion. It allows investors to learn more about one of the most important economic sectors of our economy.

May I encourage you to continue to invest in Peru and in its mining sector at such an interesting time of opportunity and change.



Alberto Ñecco
Executive Director,
ProlInversión

A note from **Alberto Ñecco**

As Peru's private investment promotion agency, at ProlInversión we have identified four strategic pillars to reaffirm our institution as one of the most mature and prestigious in the region.

First, we strive to become a hub of excellence, advising the government in the formulation of Public-Private Partnerships (P3) and asset-based (AP) projects, as well as strengthening the structuring of such projects, consolidating the whole promotion process of P3 and AP. To accomplish this goal it is critical that we can rely on top tier world class advisors (technical, legal, financial), as well as standardized contracts that provide the market with a degree of predictability. We have been increasingly achieving the former and, regarding the latter, recently awarded such an important landmark to an international top legal firm.

Our second major focus is to promote private investment where social and environmental management is a priority. Through the course of our work, we have identified the relevance of an efficient social and environmental management to guarantee sustainable, bankable projects that are beneficial to the whole country, with a focus on supporting decentralized endeavors.

The third pillar is our commercial strategy, where we have been applying an orderly, organized methodology to identify, segment and attract potential investors. Our commercial intelligence is highly specialized to target the more suitable markets and hunt for the right segmented investors for each project, diversifying the platform of potential bidders.

Lastly, we will continue our work at the talent and organizational efficiency level to improve our processes, relying in key performance indicators; hence, ensuring long-term sustainability for all the achieved improvements.

As a result of this framework we have been awarding critical projects in key sectors and mining has not been the exception. One flagship, awarded in February of 2018, was the Michiquillay copper project, with an estimated CAPEX of USD 2.5 billion. The success of this project relied on our technical structuring capabilities, complemented by the hiring of a bulge bracket top tier transaction advisor, the synergies with our counterpart, the Ministry of Energy and Mining (MINEM), as well as in the previous social work with the communities in order to properly communicate the enormous benefits to their families and region as a whole.

As such, Peru has continued to attract plenty of interest for its mining projects, both as state initiatives and unsolicited proposals, which could add to Michiquillay and other expected investments for the coming years in state concessions, such as Quellaveco and Toromocho, validating Peru as a top tier mining country and therefore forecasting a very favorable outlook for the sector in the medium term.

In this direction, it is important to mention the initiatives that we have been promoting more heavily at ProlInversión in the mining sector. These are the areas of no admission of petitions, which MINEM reserves as state-owned potential concessions (early stage with high potential) and later transfers to ProlInversión to conduct the private investment promotion tender.

As a whole, there is a pipeline of more than USD 10 billion for 2019-2021, not including significant mandates particularly in transport as well as water and sanitation, yet to be formally incorporated into the portfolio, which could easily take the pipeline to the USD 20 billion landmark. Certainly mining will also continue to be highly regarded in future mandates.

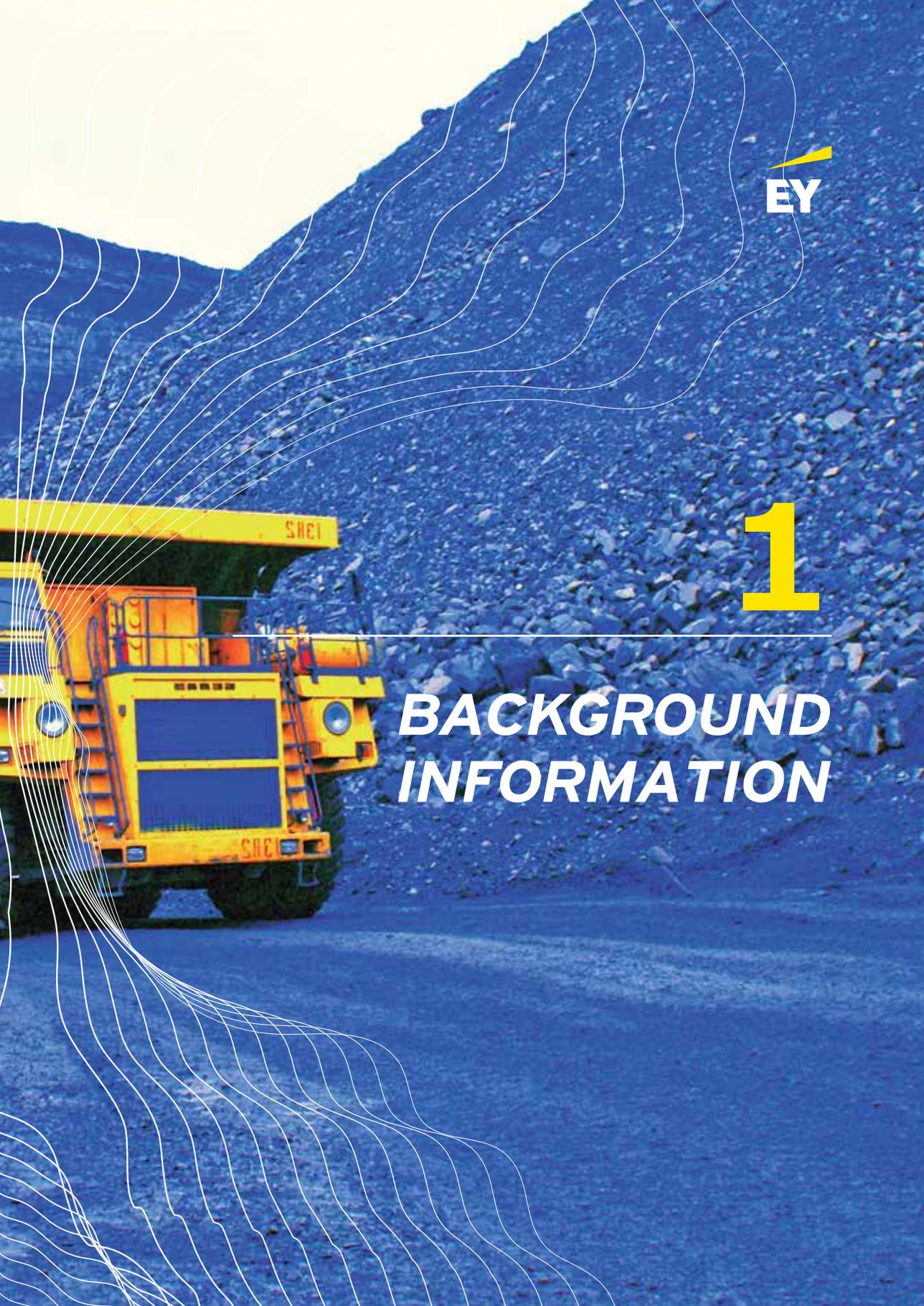
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1

BACKGROUND INFORMATION



1.1

Form of government

Peru's political history, like that of most Latin American countries, has swung between civil and military governments, since it gained its independence from Spain in 1821. However, there have been continuous democratic elections since 1980.

The last general elections took place in June 2016, when Pedro Pablo Kuczynski, a former World Bank economist and Wall Street banker, was elected president after a runoff ballot in which he defeated opponent Keiko Fujimori, the eldest daughter of former president Alberto Fujimori, by a narrow 50.1% to 49.9% margin.

Kuczynski's victory was widely applauded by international markets, because it represented the maintenance and improvement of investment-friendly policies. After less than two years in office, however, Kuczynski offered his resignation in the face of an impeachment vote.

Peru's first vice president and former regional governor, Martín Vizcarra, was sworn as president on March 23, 2018, after Congress voted to accept the resignation of President Kuczynski. After taking the oath of office before Peru's Congress, President Vizcarra promised that his government would fight corruption "head on". Vizcarra is expected to hold the post of president until July 2021.

According to the Political Constitution of 1993, the Peruvian government consists of an executive branch, an autonomous single chamber congress of 130 members and a judicial branch. The president and congress members are directly elected by popular vote every five years. A constitutional amendment passed in 2000 prevents immediate presidential re-election, but allows unlimited non-consecutive terms. Election is mandatory for all citizens between the age of 18 and 70.

Country overview

Government type

Constitutional republic.

Legal system

Based on civil law.

Executive branch

- Chief of state and head of government: President Martín Vizcarra Cornejo (since March 2018).
- Elections: Every five years by popular vote (non consecutive reelection). Next elections: April 2021.
- Cabinet: Council of Ministers is appointed by the president.

Legislative branch

- Unicameral congress.
- 130 seats.
- Members elected by popular vote, for a five-year term (non consecutive reelection).
- Next elections: April 2021.

Judicial branch

Judges are appointed by the National Council of the Judiciary: renamed National Justice Board after the 2018 Referendum.

International relationships

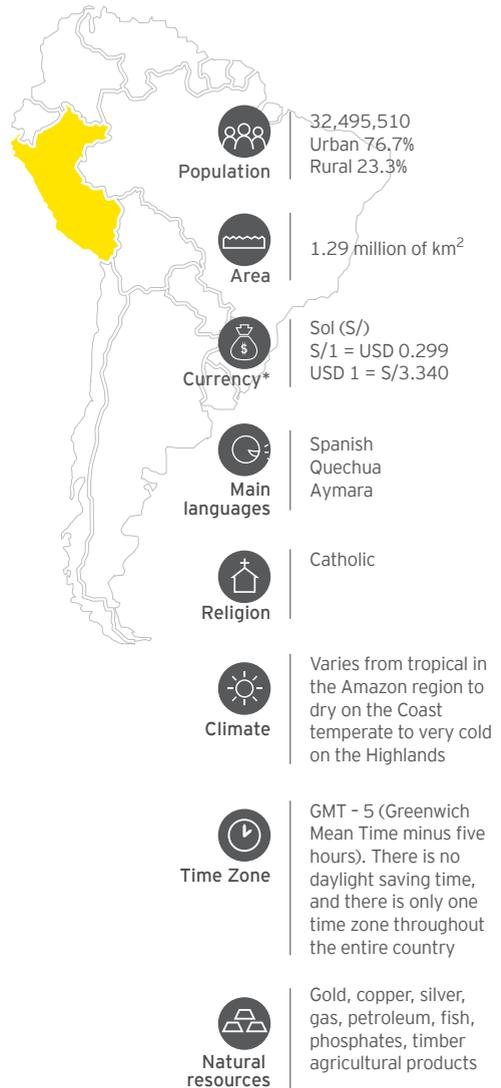
- Generally friendly.
- Member of the United Nations since 1945, member of the Security Council between 2006 and 2007.
- Member of the World Trade Organization since 1995.
- In 1998 became a member of the Asia Pacific Economic Cooperation (APEC) forum.
- In 2011 formed the Pacific Alliance with Chile, Colombia and Mexico.

Sources: Peruvian Constitution / CIA - The World Factbook / Ministry of Foreign Affairs

1.2 | Geography

Peru, located on west central coast of South America is bordered by the Pacific Ocean to the west, Chile to the south, Bolivia and Brazil to the east, and Colombia and Ecuador to the north. With a total land area of 1.29 million of km². Peru is the third largest country in South America after Brazil and Argentina. It may be divided geographically in three regions:

- ▶ The Coast (Costa), which is a narrow desert strip 3,080 km long that accounts for only 11.7% of Peru's territory even when it contains approximately 60.4% of the population. Lima, the political and economical capital of the country is located in this region;
- ▶ The Highlands (Sierra), which consists of the Andean Mountain Range, covers 27.9% of the territory and holds almost 26.9% of the population. This region contains the country's major mineral deposits; and
- ▶ The Amazon Jungle (Selva), is the largest region occupying 60.4% of Peru's territory. This region is rich in petroleum and forestry resources.



*Exchange rate as of 09/01/19
Sources: BCRP / INEI

1.3 | People

The estimated population of Peru for the year 2019 is 32.5 million, of which 10.5 million (approximately 32.2%) reside in Lima, the capital of the country. The labor force is estimated to be about 23.4 million.

The predominant religion is Roman Catholicism and the main official languages are Spanish and Quechua. Aymara is also spoken in some parts of the southern Highlands Region of the country. With respect to the literacy rate, 94.1% age 15 and over can read and write.

People overview

Population	32,495,510
Age structure	<ul style="list-style-type: none"> ▶ 0-14 years 26.7% (2018) ▶ 15-64 years 66.2% (2018) ▶ 65 years and over 7.1% (2018)
Growth rate	1.1% (2015 - 2018)
Birth rate	17.7 births/1,000 population (2018)
Death rate	5.7 deaths/1,000 population (2018)
Sex ratio	At birth 1.03 male/female
Life expectancy at birth	75.16 years (2018)

Source: INEI

1.4 | Currency

The Peruvian currency is the Sol (PEN). Peru has a free-floating managed exchange rate regime.

During 2018, the US Dollar (USD) to Peruvian Sol exchange rate reflected a depreciation of the Sol of 4.05% on average in the context of a still financially dollarized economy. Historically, the Peruvian Sol reached an all-time high of PEN 3.65 per USD in September of 2002 and a record low of PEN 1.28 per USD in August of 1992.

Banks are currently (January 9, 2019) buying USD at PEN 3.338 and selling USD at PEN 3.340. Parallel market rates are slightly different.

There are no restrictions or limitations on holding bank accounts in foreign currency or to remit funds abroad.

Exchange rate: Peruvian Sol to US Dollar (PEN / USD)



Sources: BCRP

1.5 | **Economic overview**

Peru, a country of 32.5 million people, is one of Latin America's fastest-growing economies. It has rich deposits of copper, gold, silver, lead, zinc, natural gas and petroleum. It is also a very diverse country due to climatic, natural and cultural variations of its regions. Peru's economy reflects its varied geography, an arid coastal region, the Andes further inland, and tropical lands bordering Colombia and Brazil. Abundant mineral resources are found mainly in the mountainous areas, and Peru's coastal waters provide excellent fishing grounds.

Economic overview	
External debt	USD 22.7 billion (2017)
Investment	21.8% GDP (2017)
Unemployment rate	5.0% (2017)
Population below poverty line	21.7% (2017)
Export partners	Canada, China, Germany, Italy, Japan, Spain, Switzerland, US, Venezuela
Export commodities	Gold, copper, zinc, crude oil and by-products, coffee, potatoes, asparagus, textiles, fish meal
Import partners	Argentina, Brazil, Chile, China, Ecuador, US
Import commodities	Petroleum and by-products, plastics, machinery, vehicles, iron and steel, wheat, paper

Sources: BCRP / Ministry of Economics and Finance / INEI / ECLAC

Mining is the dominant sector of the Peruvian economy. Substantial additional investment has flowed to the sector over the past 20 years. As a result there has been an increase in exploration and development activities. Peru is among the major producers of mineral commodities in the world. They account for nearly 60% of the country's total exports. Copper and gold are the most important mineral exports by value.

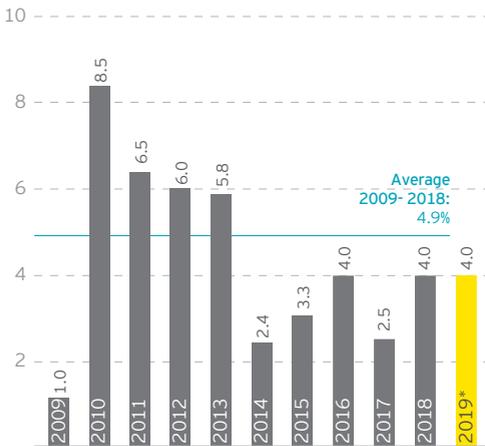
In recent years, Peru has achieved significant advances in social and development indicators as well as in macroeconomic performance, with very dynamic GDP growth rates, reduction of external debt, a stable exchange rate and low inflation. Peru's rapid expansion has helped to reduce the national poverty rate from 48.5% in 2004, to 21.7% of its total population in 2017. Extreme poverty declined from 17.4% to 3.8% over the same period.

The country has had continuous economic and political stability since the early 1990s. Peru has been one of the region's fastest-growing economies, over the past decade, with an average growth rate of 4.9% in a context of low inflation (averaging 2.7%). Prudent macroeconomic policies, investor-friendly market policies and the government's aggressive trade liberalization strategies combined to create a scenario of high growth and low inflation.

After a weak 2.5% growth in 2017, Peru's economy is gradually recovering and grew nearly 4% in 2018. The acceleration was largely driven by a recovery of mining export volumes, as several large-scale mines reached their full production capacity.

With the economy in solid footing, Peru's GDP growth will continue to be one of the strongest among peers. In 2019, economic growth is expected to be similar to 2018 levels, gradually accelerating to an average rate of 5%. The main drivers of this growth will be increased mining production, particularly copper, and increased public and private sector capital expenditure on several large public infrastructure projects.

Gross Domestic Product (Real Annual Percentage Variation)



*Estimated
Source: BCRP

The country's positive growth performance has much to do with the competent monetary and fiscal policy pursued particularly over the last decade, with falling levels of public indebtedness (from 44.5% of GDP in 2004 to just 24.9% in 2017) and foreign reserves reaching USD60.5 billion based on information available in December 2018.

This has gone hand in hand with trade and foreign direct investment (FDI) opening, operational independence of the central bank, and maximization of the revenues from the country's rich natural and mineral resources, with expenditures keeping pace. Among the countries that invest the most in Peru are Spain, the United Kingdom, the United States and China. Nearly a quarter of the total FDI is attracted by the mining sector and nearly half is split among the financial, communications and industry sectors.

Thanks to its strong macroeconomic performance, the main rating agencies - Standard & Poor's, Fitch and Moody's - upgraded Peruvian sovereign debt to investment grade and currently such credit rating isn't at risk. Peru also benefits from strengths such as the fairly large size of its market and its sophisticated and rather deep financial sector.

As a country rich in natural resources, Peru exports goods that are highly subject to price volatility, whereas it imports industrial goods, prices of which are less volatile. The country has benefited from a steady improvement in its terms of trade since 2000, which has had a positive impact on the trade balance. Moreover, the country has engaged in several bilateral and multilateral trade agreements that have opened new markets for its exports.

"Peru's economy continues to grow and the mining industry is the engine".



Elizabeth Rosado
Tax Partner
EY Peru

Peru belongs to the Andean Community, the Asia-Pacific Economic Cooperation (APEC) forum, the Pacific Alliance and the World Trade Organization. Peru has also maintained an aggressive trade policy that has allowed it to sign free trade pacts with the United States, Chile, Mexico, Nicaragua, Canada, Costa Rica, Japan, Panama, Thailand, Singapore, EFTA States (Iceland, Liechtenstein, Norway and Switzerland) the European Union, South Korea, Venezuela and China, opening the way to greater trade and investment.

In 2018, Peru recorded a trade surplus for the third consecutive year, mostly due to a rise in shipments of minerals like copper, gold, zinc, lead, iron and silver. Peru's main exports are minerals, raw materials for industry, fuels and fish meal; its major trade partners are the China, United States, Switzerland, Canada and Japan.

Notwithstanding Peru's improvements in macroeconomic stability, it still faces a number of important challenges that hamper its competitiveness potential.

For Peru to continue to grow in a sustained fashion going forward, a number of weaknesses will need to be tackled. This will include improving the quality of the institutional environment, upgrading the country's poor infrastructure (in particular its insufficiently developed transport infrastructure network) and educational standards. Peru's overdependence on minerals and metals subjects the economy to fluctuations in world prices.

Matching or beating the GDP growth rates that are required to undertake the necessary investments and reforms will depend mainly on how much of the USD 59 billion in mining investment for the next five to ten years actually goes ahead. Poverty levels and income and regional inequalities continue to loom as a cause of social unrest in the country. Not all Peruvians have shared in the benefits of growth, despite the government's efforts to increase social spending with the goal of reducing poverty in Peru and improving wealth distribution in the country.

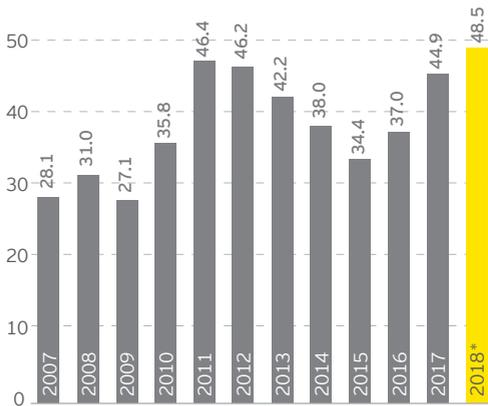
Main economic activities by region



	Fishing		Metal industry
	Petroleum		Smelting
	Oil refinery		Metallurgical industry
	Sugar refinery		Gold
	Fishmeal plant		Silver
	Natural gas		Copper
	Textile industry		Zinc
	Cement plant		Lead
	Chemical plant		Iron

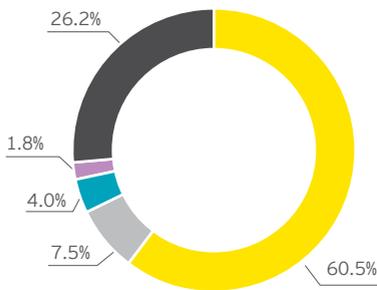
Source: University of Texas - Perry Castaneda Library Map Collection

Exports (in USD billions)



*Estimated
Source: BCRP

Exports by economic sector (2017)



Source: BCRP

GDP / Trade Balance

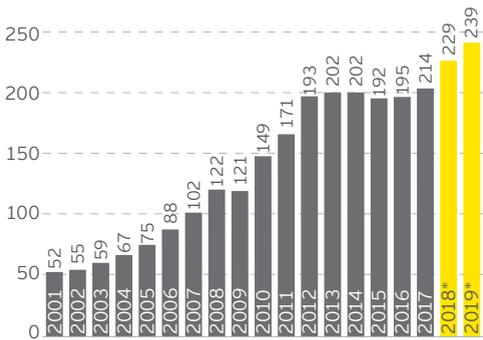
According to preliminary information published by the Central Reserve Bank, Peru's economy grew nearly 4% in 2018. Currently, the services sector is the main contributor of Peru's GDP, with nearly 60% of GDP stemming from this sector. The economy is expected to remain on a solid footing in 2019, as external demand will continue to prop up Peruvian exports and government's efforts to cut red tape should boost private investment.

For the third consecutive year, Peru's total exports grew in 2018, jumping to USD 48.5 billion, which is a historic record. The trade balance recorded an accumulated surplus of USD 6.3 billion (estimated), compared with a surplus of USD 6.5 billion in 2017. Looking forward, exports are expected to continue to grow in 2019.

Although the external sector's contribution to economic growth has been diminishing exports have remained strong. Increased output of minerals, especially copper, allowed for the surge in exports in 2018.

The main detraction from the external sector's contribution to growth stemmed from increasing imports, although capital goods imports have remained at healthy levels. Peru's imports are mainly composed of final and intermediate goods, as opposed to exports, in which minerals and ores account for the majority of overseas sales.

Peru's GDP (in USD billions)



*Estimated
Source: International Monetary Fund

GDP variations



*Estimated
Source: BCRP

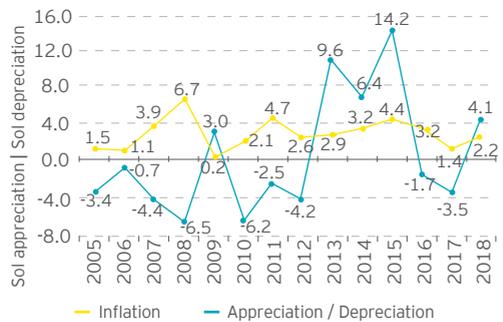
Devaluation and Inflation

The Central Reserve Bank of Peru (BCR) conducts a managed floating regime for the exchange rate of the PEN versus the USD. The Bank allows the market to determine the value of the currency, although it intervenes to avoid large fluctuations. The market value of the PEN fell 4.05% against the USD in 2018

The BCR started targeting inflation in 2001 and is now committed to keeping the annual inflation rate within a target range of 1% to 3%. The central bank's commitment to stable inflation has favored inflows of capital as well as exchange rate stability.

The annual inflation rate was 2.5% in 2018, remaining among the lowest in the region (1.4% in 2017). The Bank's officials also expect inflation to finish 2019 within the target range.

Appreciation / Depreciation and inflation



Sources: BCRP / Ministry of Economy and Finance

1.6 | **Infrastructure access**

It is expected that Peru will only realize its full economic potential after reducing its infrastructure bottlenecks. Estimates vary, but the investment required runs into billions of dollars. In the last decade, Peru has begun to take the necessary measures to improve its underprivileged infrastructure (transport facilities, electricity, water and communications) in order to promote new investments which will contribute to the development of the productive sectors of the country.

President Martín Vizcarra, who took office in March 2018, intends to continue with this trend and has announced that Peru will increase public investment in infrastructure during his administration. The fiscal plan sets to increase fiscal autonomy for regional authorities to reduce the profound regional inequalities in living standards across the country.

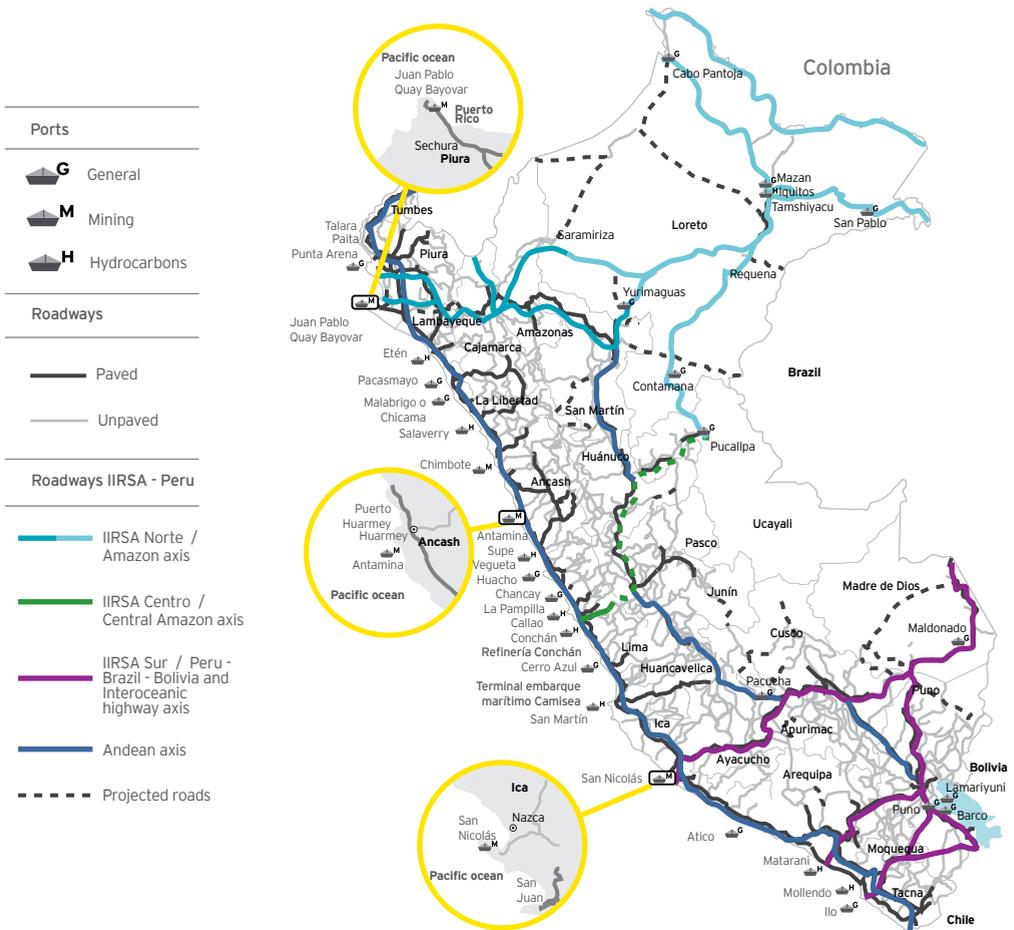
Mining is one of the sectors affected by this constraint since mining and metals companies need to have access to transportation facilities to deliver their products to national and international markets. These needs are in addition to the standard mine infrastructure. Well-developed infrastructure reduces the effect of distance between regions, with the result of truly integrating the national market and connecting it at low cost to markets of other countries and regions.

In recent years, it is not so much the lack of availability of financing but the lack of administrative capacity in the provinces for the spending shortfalls in infrastructure that contribute to feed anti-mining sentiments. Regional and local authorities are still sitting on billions of soles from canon, mining royalties and other levies collected over the last decade lying dormant in bank accounts, which could be used to fund new roads, hospitals, schools and water projects.

What is clear is that the private sector will need to respond to deliver the required investment in infrastructure. Doing so requires changes to historical approaches to infrastructure investment, which have typically been government-led, one which places private sector capital at the forefront. The Peruvian government has become very proactive providing the private sector with incentives to develop investment projects. For example, Peru's tax system includes provisions to grant a form of credit against income taxes to allow third-party investors to recover capital investments made in public infrastructure. Mining and metals companies are responding by building social infrastructure and involving communities at an early stage.



Infrastructure access map



Source: Ministry of Transport and Communications

1.7 | Peru's Investment-Grade Rating

Peru has maintained its investment-grade credit rating since Moody's Investors Services raised it to that level in December, 2009 matching moves made by Standard & Poor's and Fitch Ratings the previous year. Sound economic prospects, with GDP growth rates estimated at 4% over the medium term, are a key supporting factor for the investment-grade rating. The upgrade is also supported by the significant decline in Peru's fiscal and external vulnerabilities within a context of high and diversifying sources of growth with low inflation and strengthening macroeconomic fundamentals. It is expected that these trends will remain in place over the medium term despite an increasingly riskier international environment.

Peru's investment grade rating (long term debt in Foreign Currency)

Country	S&P	Fitch	Moody's
Chile	A+	A	A1
Peru	BBB+	BBB+	A3
Mexico	BBB+	BBB+	A3
Colombia	BBB-	BBB	Baa2
Uruguay	BBB	BBB-	Baa2
Paraguay	BB	BB	Ba1
Brazil	BB-	BB-	Ba2
Bolivia	BB-	BB-	Ba3
Argentina	B	B	B2
Ecuador	B-	B-	B3
Venezuela	SD	RD	C

As of December 2018

Sources: Standard & Poor's / Fitch Ratings / Moody's

The strong support for sound trade and macroeconomic policies from the current administration of President Vizcarra remains a precondition for Peru to maintain its investment-grade rating.

It is well known that countries with investment grade ratings gain a higher level of confidence that generates more foreign and domestic investment. The risk premium demanded by multinationals and foreign investors is slashed after the upgrade. At the same time, the investment horizon is elongated.

The same occurs with domestic investment. Local investors gain more self-confidence, thus allowing themselves to consider opportunities with lower rates of return. The impact is immediate, as consumers gain access to credit with more favorable terms.

The upgrade to investment grade has brought Peru a lot of positive attention worldwide. More importantly, it has had a positive impact on the local economy. For this reason, nowadays, many multinational corporations eye the country more seriously, as higher private investment is flowing into the country. This should contribute to alleviate a still complex social situation in Peru, by achieving improvements in employment and decreases in poverty.



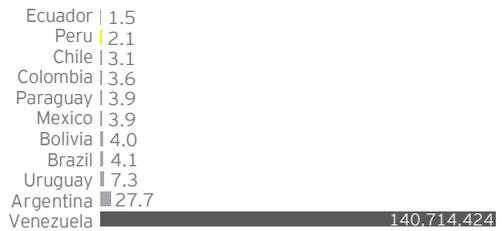
"Overwhelming feedback from foreign companies is that Peru is a good country to do business with".



Jorge Acosta
Advisory Services Leader
EY Peru

As shown in the chart below, a recent international survey indicates that Peru will have one of the lowest inflation levels of the region, with a projected inflation rate of 2.1% in 2019.

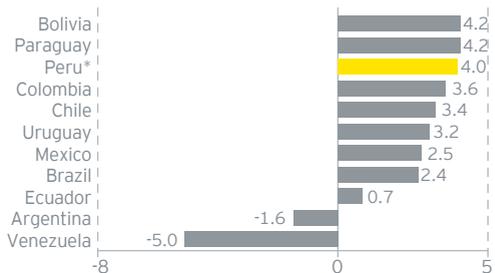
Estimated inflation rates in Latin America (2019)



Sources: Latin America Consensus Forecast (December 2018) / BCRP

Peru is expected to grow at a rate that will be well above the Latin American average. The central bank estimates that Peru's GDP will grow 4.0% in 2019, as noted in the following chart.

Estimated Latin American GDP growth rates (2019)



*Peru's Central Bank estimates a 4.0% growth in 2019
Source: IMF



1.8

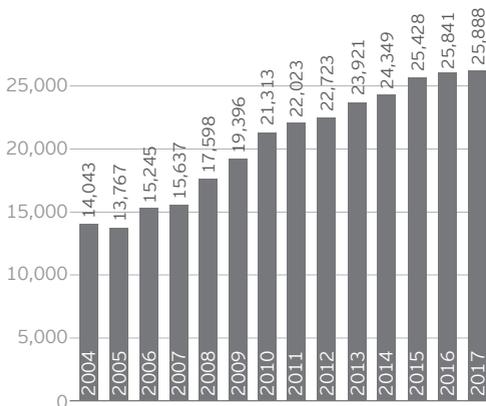
Investment promotion conditions

a Foreign investment legislation and trends in Peru

The Peruvian government is committed to pursuing an investor-friendly policy climate. It actively seeks to attract both foreign and domestic investment in all sectors of the economy. It has therefore taken the necessary steps to establish a consistent investment policy which eliminates all obstacles for foreign investors, with the result that now Peru is considered to have one of the most open investment regimes in the world.

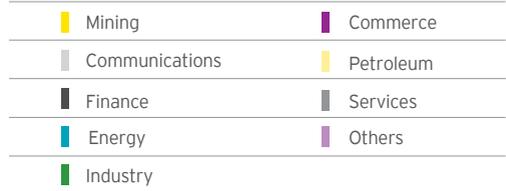
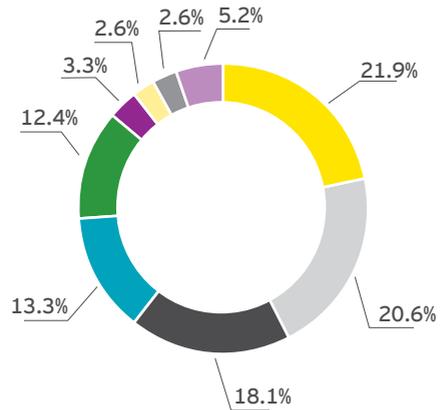
In an attempt to reduce the political risk perception of the country, Peru has adopted a legal framework for investments which offers automatic investment authorization and establishes the necessary economic stability rules to protect private investors from arbitrary changes in the legal terms and conditions of their ventures and reduces government interference with economic activities.

Foreign direct investment in USD millions



Source: ProlInversion

Foreign direct investment by industry (2017)



Source: ProlInversion

Foreign direct investment (FDI) reached USD 6.8 billion in 2017 and USD 8 billion in 2018 (estimated). FDI is largely seen as a catalyst for economic growth in the future. The United States, United Kingdom, The Netherlands, Spain, Brazil and Chile appear as Peru's leading investors. FDI is concentrated in the mining, financial, electricity, telecommunications, and industry sectors.

The Peruvian government guarantees foreign investors legal stability on income tax regulations and dividend distributions. Foreign investors entitled to obtain tax and legal stability are those willing to invest in Peru, in a two-year term, at least USD 10 million in the mining and/or hydrocarbon sectors; USD 5 million in any other economic activity or to acquire more than 50% of the shares of a privatized state-owned company.

Peruvian laws, regulations, and practices do not discriminate between national and foreign companies. Accordingly, national treatment is offered to foreign investors. There are no restrictions on repatriation of earnings, international transfers of capital, or currency exchange practices. The remittance of dividends, interests and royalties has no restrictions either. Foreign currency may be used to acquire goods abroad or cover financial obligations so long as the operator is in compliance with the relevant Peruvian tax legislation.

b Settlement of investment disputes

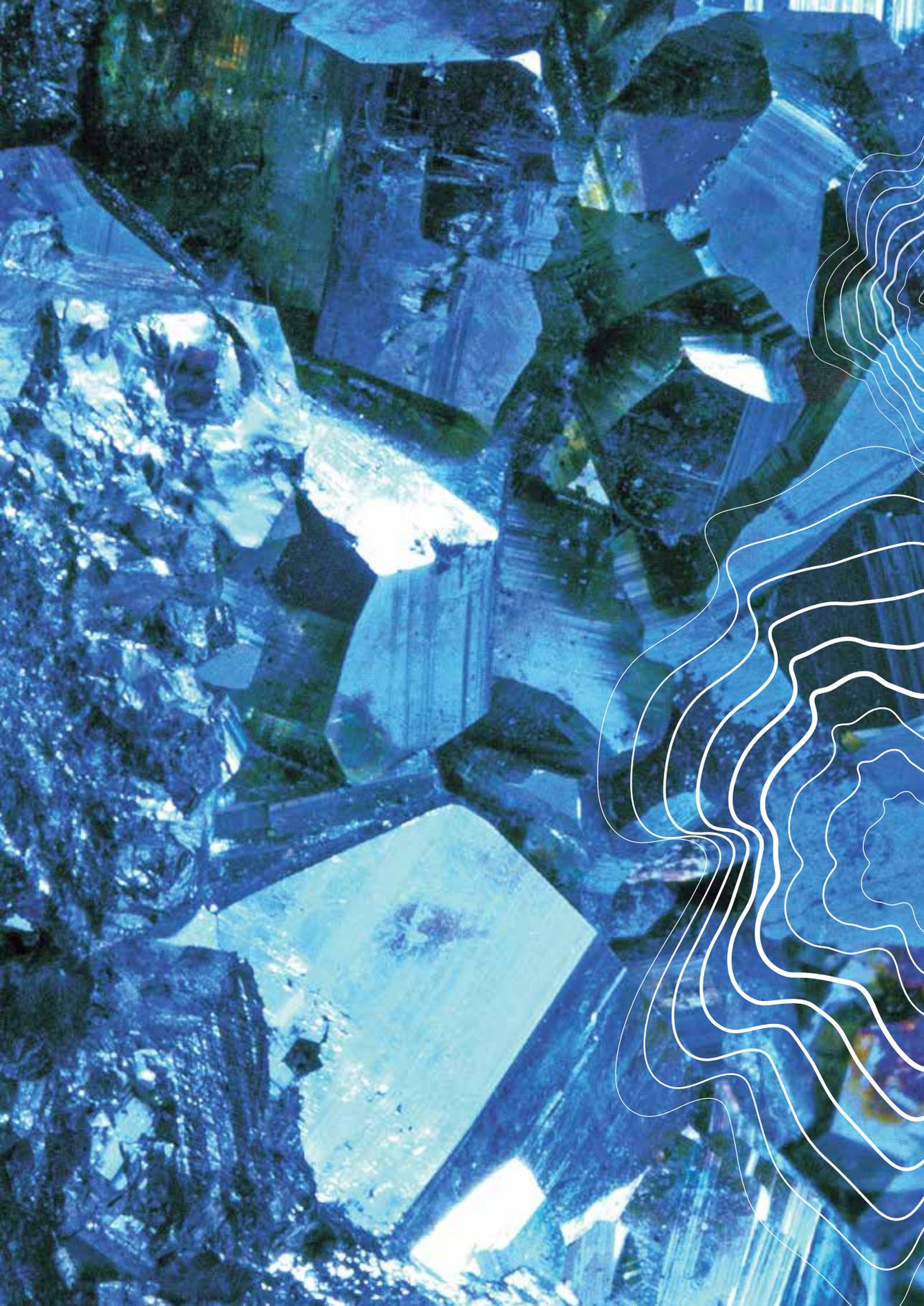
Foreign investors are protected against inconvertibility, expropriation, political violence and other non-commercial risks through access to the corresponding multilateral and bilateral conventions such as the Overseas Private Investment Corporation (OPIC) and the Multilateral Investment Guaranty Agency (MIGA). Also, Peru has joined the International Convention for Settlement of International Disputes (ICSID) as an alternative to settle disputes arising between investors and the government. In addition, Peru has signed more than thirty bilateral investment treaties with different countries from around the world.

"While foreign investors can find a secure and favorable investment climate in Peru, they can equally benefit from all incentives offered to local investors".



Marcial Garcia
Mining & Metals Leader
EY Peru







2

***GEOLOGY
AND MINING***

2.1 | Importance of Peru's mining sector

The mining sector is, and has always been very important to the national economy of Peru. Its well-known mining tradition dates back to the pre-Inca times, and goes on through the Inca, colonial and republican periods. In each of those stages, mining has been one of the major activities in the country's development. Traditionally it has contributed about half of the country's export revenues.

Peru is one of the most extensively mineralized countries of the world. It currently plays host to some of the world's major mining companies, including, Glencore, Freeport-McMoRan, Rio Tinto, Anglo American, MMG, Chinalco and Barrick. Since the liberalization of the industry in the 1990s local and foreign investment has been deployed to develop major modern mines.

Peru has a well recognised mineral wealth. It is considered one of the top ten richest mineral countries in the world. It is one of the world's biggest producers of base and precious metals. Currently, it is the world's second largest producer of copper and it is also a major producer of gold, silver, zinc, among other minerals. Peru has 10.3% of the world's copper reserves, 4.3% of its gold, 17.6% of its silver, 12.2% of zinc, 6.8% of lead and 2.2% of tin reserves, according to the most recent data published by the US Geological Survey.

Metal production ranking

		World							
Metal	2010	2011	2012	2013	2014	2015	2016	2017	
Silver	2	3	3	3	3	3	2	2	
Zinc	3	3	3	3	3	3	2	2	
Tin	3	3	3	3	4	4	6	5	
Lead	4	4	4	4	4	4	4	4	
Gold	6	6	5	5	7	6	6	6	
Copper	2	3	3	3	3	3	2	2	
Molybdenum	4	4	4	4	4	4	4	4	

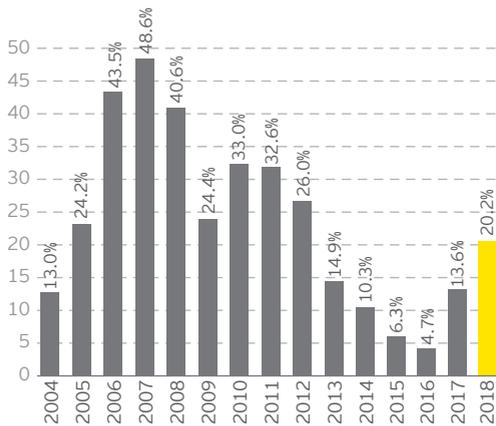
		Latin America							
Metal	2010	2011	2012	2013	2014	2015	2016	2017	
Silver	2	2	1	1	2	2	2	2	
Zinc	1	1	1	1	1	1	1	1	
Tin	1	1	1	1	1	1	1	1	
Lead	1	1	1	1	1	1	1	1	
Gold	1	1	1	1	1	1	1	1	
Copper	2	2	2	2	2	2	2	2	
Molybdenum	2	2	2	2	2	2	3	2	

Source: U.S. Geological Survey



According to estimates, today the mining sector accounts for nearly 10% of the GDP, while mineral export revenues reached USD 27.2 billion in 2017, representing 60.5% of the country's total exports. Copper was the leading export metal, in terms of value, followed by gold, lead, zinc, iron, silver, tin and molybdenum. The mining sector is also important for the generation of employment for *thousands of Peruvians and represents one of the main sources of fiscal revenues.*

Corporate Income Tax paid by the Mining Sector (% of total)



*Estimated 2017

Sources: Ministry of Energy and Mines / SUNAT

It is estimated that Peru has some 200 operating mines and a pile of major projects currently waiting to be developed worth USD 59 billion. The United Kingdom is the largest foreign investor in Peru in mining projects, followed by China, Canada and Mexico. Of the new mining investments expected to be developed, USD 42.2 billion is planning to be allocated to copper projects, which represent the 71% of the total.

"By any measure Peru is a giant of the global mining industry and is well placed to ride out a period of relatively low prices".



David Warthon
Tax Partner
EY Peru



Peru's mineral production

Production	Units	2013	2014	2015	2016	2017	2018/p
Copper	FMT	1,375,641	1,377,642	1,700,814	2,353,859	2,445,584	2,436,951
Gold	Fine gr.	151,486,072	140,097,028	146,822,907	153,005,897	151,964,040	142,642,543
Zinc	FMT	1,351,273	1,315,475	1,421,218	1,337,081	1,473,073	1,474,674
Silver	Fine gr.	3,674,282,968	3,768,147,178	4,101,567,717	4,375,336,687	4,417,986,781	4,162,657,973
Lead	FMT	266,472	277,294	315,525	314,422	306,784	289,195
Cadmium*	FMT	695	769	757	820	797	765
Iron	FMT	6,680,659	7,192,592	7,320,807	7,663,124	8,806,452	9,533,871
Tungsten	FMT	35	77	139	0	0	-
Tin	FMT	23,668	23,105	19,511	18,789	17,790	18,601
Molybdenum	FMT	18,000	17,018	20,153	25,757	28,141	28,034

*Refining

Source: Ministry of Energy and Mines

Total mining investments in Peru (USD)

	2013	2014	2015	2016	2017	2018/p
Beneficiation plant	1,414,373,690	889,682,461	446,220,610	238,198,426	286,720,393	1,411,676,115
Mining equipment	789,358,144	557,607,616	654,233,735	386,908,382	491,197,398	656,606,475
Exploration	776,418,375	625,458,907	527,197,097	377,053,519	484,395,158	412,524,042
Preparation	404,548,165	420,086,095	374,972,373	349,690,539	388,481,559	761,288,310
Infrastructure	1,807,744,001	1,463,521,224	1,227,816,025	1,079,320,196	1,556,537,971	1,084,149,410
Others	3,671,179,592	4,122,853,398	3,594,184,486	902,392,511	720,684,303	621,190,528
Total	8,863,621,966	8,079,209,701	6,824,624,326	3,333,563,573	3,928,016,782	4,947,434,879

Source: Ministry of Energy and Mines

2.2 | Mining potential

Increasingly, Peru is being targeted for inbound investment and is perceived by international mining and metals companies as a global player. This is partly due to the scale of opportunity where most of its territory is yet to be subjected to vast exploration and partly as a result of its attractive legislation and regulatory environment.

Although Peru is endowed with large deposits of a variety of mineral resources, it is estimated that only 0.30% of the country's total territory is being explored. Likewise, only a small percentage of Peru's mineral reserves are being exploited. It is estimated that only 1% of its territory is under exploitation. According to recent mining statistics, Peru's production rates are minimal with regards to the country's mineral potential. However, through modern techniques and equipment, a vast potential of diverse marketable minerals are increasingly becoming available from previously inaccessible regions.

Peru has numerous mineralized belts and mineral provinces, a wide variety of world-class ore deposits and a very dynamic mining community. It is regarded as one of the countries with largest and diversified mineral resources in the world. In addition, Peru has an excellent geographical location, in the center of South America, with easy access to the Asian and North American markets.

Within Latin America, Peru has, perhaps, the greatest untapped potential for new discoveries and production. Peru's clear and simple mining law and excellent geological potential has helped the country to attract one of the largest budgets for minerals explorations and development in the world. However, it is believed that Peru has the capacity to double or triple current level of output, especially in base metals.

"Future returns will only be competitive in the long term if the right decisions over capital are made now".



Enrique Oliveros
Transactions & Corporate
Finance Services Leader
EY Peru



Peru's potential for copper and precious metals is well documented. In the 2017 Mineral Commodity Summary, published by the US Geological Survey and the US Department of Interior, it was estimated that it housed reserves of 81 billion tonnes of copper, 2,300 tons of gold and 93,000 tons of silver.

The following table lists Peru's estimated reserves in 2017 of major minerals, such as copper, gold, zinc, silver, lead, iron ore and tin. These mineral reserves represent "proven" (measured) and "probable" (indicated) categories and exclude quantities reported as "possible" (inferred). For this purpose, reserves were defined as being well delineated and economically recoverable volumes of minable ore from mines committed to production.

Reserves (2017)

Metal	Metric Tons
Copper (in thousands)	81,000
Gold	2,300
Zinc (in thousands)	28,000
Silver	93,000
Lead (in thousands)	6,000
Tin	105,000
Molybdenum (in thousands)	2,200

Source: U.S. Geological Survey

Peru's favourable geology and significant undeveloped mineral resources constitute a very important comparative feature, which has driven many mining companies to commit to invest in the country's mining sector.

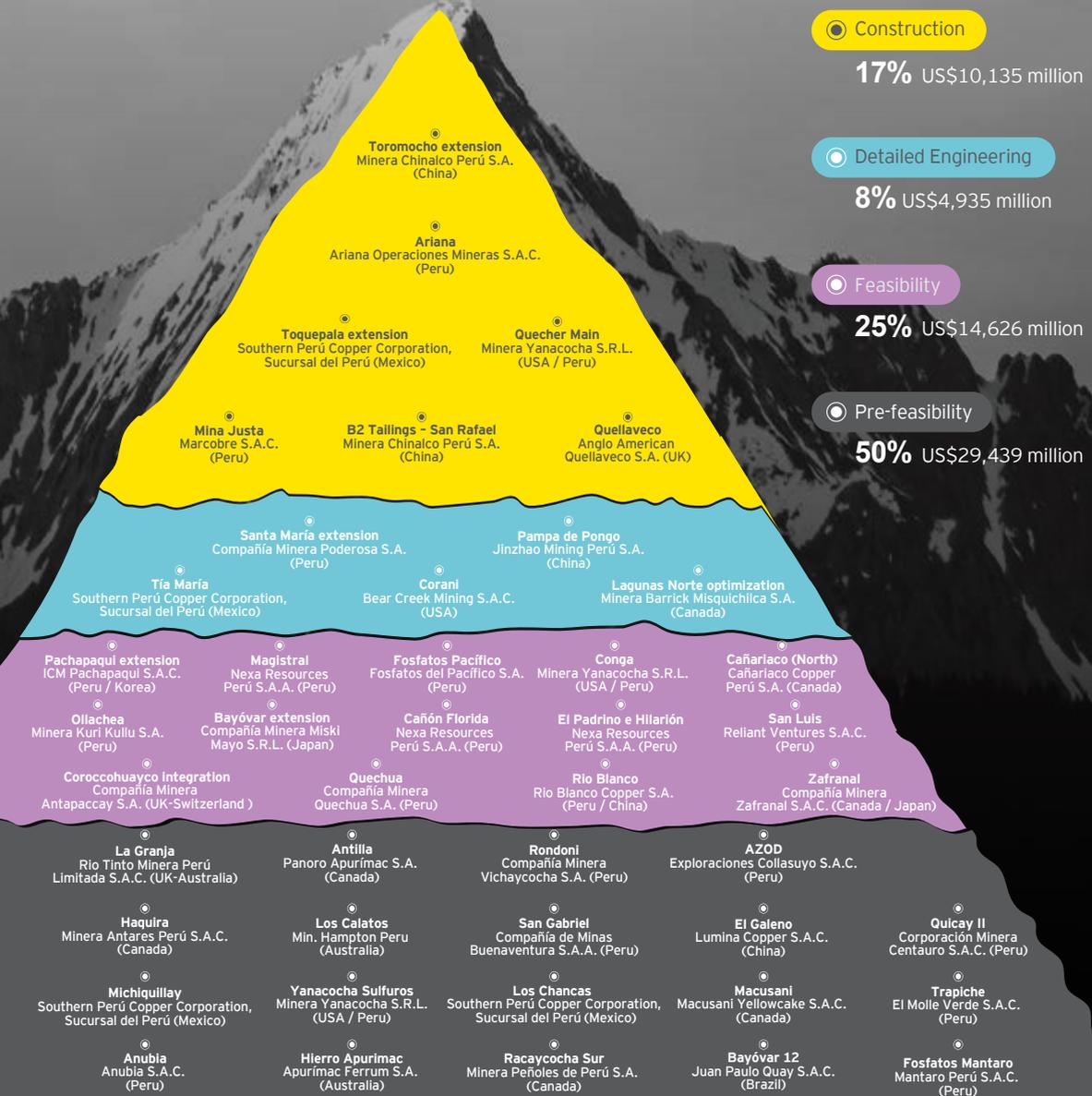
There is an estimated USD 59 billion of mining projects waiting to be developed in the country, although many of them are on a smaller scale than recent projects. The Ministry of Energy and Mines lists 48 main projects in different stages of development targeting a variety of metals and minerals.

Portfolio of Mining Projects

According to the Ministry of Energy and Mines (MEM) investment in mining during 2018-2021 is estimated to be equivalent to USD 59.1 billion. 71% shall be invested in copper projects and the majority of the remaining percentage shall be used in gold and iron projects. The following graph and table show the 48 portfolio projects, which comprise those that involve the construction of new mines (greenfield), the extension or restructuring of existing ones (brownfield), as well as those involving the reuse of tailings (greenfield).

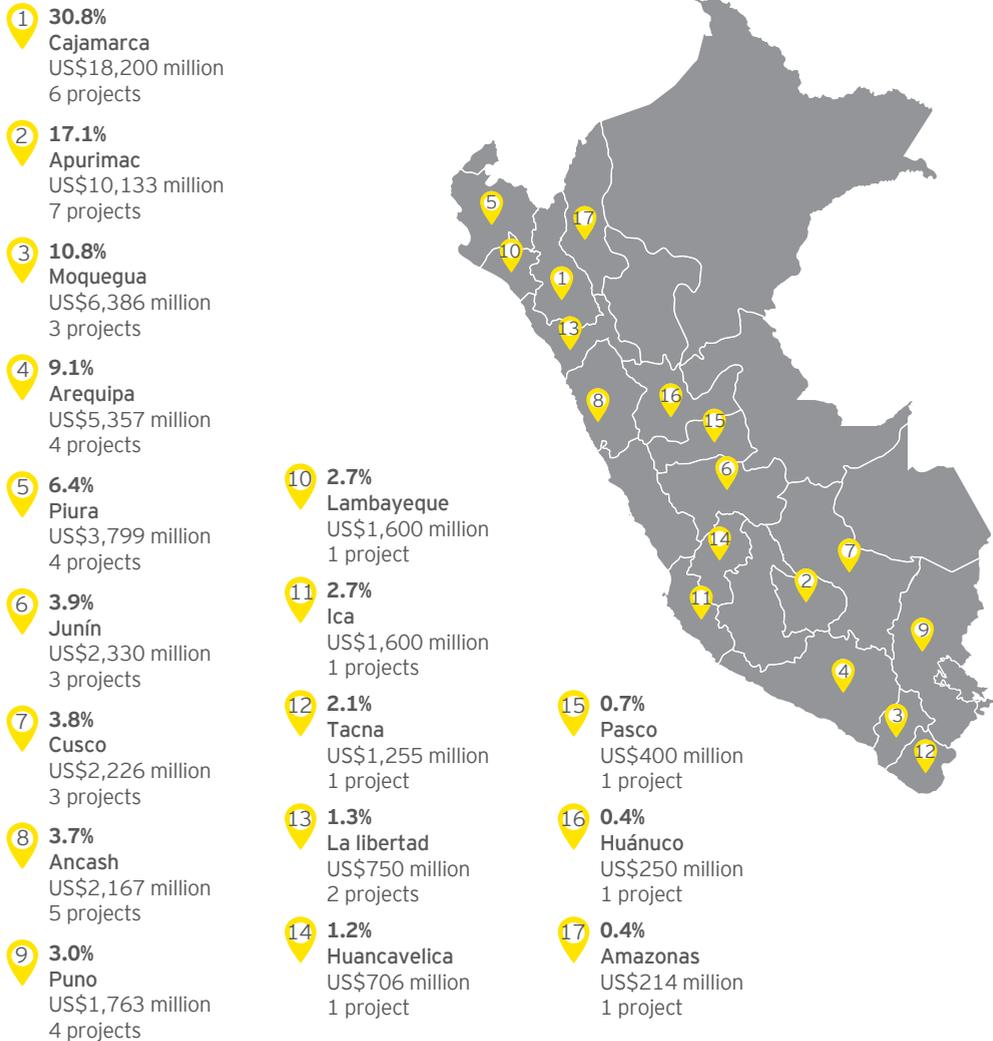
Out of the 48 projects, seven are currently in the construction phase, which amount to an aggregate investment sum of USD 10.1 billion. The production stage of these projects is expected to begin between 2018 and 2020. Likewise, five projects are in the detailed engineering stage with an investment of USD 4.9 billion; 14 projects are in the feasibility stage with an investment of USD 14.6 billion; and the remaining projects are in the pre-feasibility phase with an investment of USD 29.5 billion.

- Cotabambas
Panoro Apurimac S.A.
(Canada)
- Don Javier
Junefield Group S.A.
(China)
- Pukaqaqa
Nexa Resources
Perú S.A.A. (Peru)



Projects are shown in random positions / Portfolio estimated as at October 2018
Source: Ministry of Energy and Mines (MEM)

Geographical Location of the Mine Construction Projects



Project portfolio estimated as at October 2018

Source: Ministry of Energy and Mines (MEM)

Mine Construction Project Portfolio

Construction start date	Commissioning	Project	Operator	Region	Main ore	Current stage	Aggregate Investment in (USD Millions)
In construction	2018	Toquepala extension	Southern Perú Copper Corporation, Sucursal del Perú	Tacna	Copper	Construction	1,255
	2019	Quecher Main	Minera Yanacocha S.R.L.	Cajamarca	Gold	Construction	300
	2019	B2 Tailings - San Rafael	Minsur S.A.	Puno	Tin	Construction	200
	2020	Toromocho extension	Minera Chinalco Perú S.A	Junín	Copper	Construction	1,355
	2020	Ariana	Ariana Operaciones Mineras S.A.C	Junín	Copper	Construction	125
	2020	Mina Justa	Marcobre S.A.C.	Ica	Copper	Construction	1,600
	2022	Quellaveco	Anglo American Quellaveco S.A.	Moquegua	Copper	Construction	5,300
2019	2020	Santa María extension	Compañía Minera Poderosa S.A.	La Libertad	Gold	Detailed Eng.	110
	2021	Optimización Lagunas Norte	Minera Barrick Misquichilca S.A.	La Libertad	Gold	Detailed Eng.	640
	2022	Pachapaqui extension	ICM Pachapaqui S.A.C.	Áncash	Zinc	Feasibility	117
	2022	Corani	Bear Creek Mining S.A.C.	Puno	Silver	Detailed Eng.	585
	2022	Coroccohuayco integration	Compañía Minera Antapaccay S.A.	Cusco	Copper	Feasibility	590
	2022	Tía María	Southern Perú Copper Corporation, Sucursal del Perú	Arequipa	Copper	Pre-feasibility	1,400
2020	2023	Pampa de Pongo	Jinzhao Mining Perú S.A.	Arequipa	Iron	Detailed Eng.	2,200
	2023	Yanacocha Sulfuros	Minera Yanacocha S.R.L.	Cajamarca	Copper	Pre-feasibility	2,100
	2023	Zafranal	Compañía Minera Zafranal S.A.C.	Arequipa	Copper	Feasibility	1,157
2021	2023	Anubia	Anubia S.A.C.	Apurímac	Copper	Pre-feasibility	90
	2023	Los Chancas	Southern Perú Copper Corporation, Sucursal del Perú	Apurímac	Copper	Pre-feasibility	2,800
	2023	Quicay II	Corporación Minera Centauro S.A.C	Pasco	Gold	Pre-feasibility	400
	2023	San Gabriel (Former Chucapaca)	Compañía de Minas Buenaventura S.A.A.	Moquegua	Gold	Pre-feasibility	431
	2024	Fosfatos Pacífico	Fosfatos del Pacífico S.A.	Piura	Phosphate	Feasibility	831
	2024	Haquira	Minera Antares Perú S.A.C	Apurímac	Copper	Pre-feasibility	1,860

continues...

...continuation

Mine Construction Project Portfolio							
Construction start date	Commissioning	Project	Operator	Region	Main ore	Current stage	Aggregate Investment in (USD Millions)
2022	2023	Magistral	Nexa Resources Perú. S.A.A.	Áncash	Copper	Feasibility	480
	2025	Michiquillay	Southern Perú Copper Corporation, Sucursal del Perú	Cajamarca	Copper	Pre-feasibility	2,500
To be defined	To be defined	Bayóvar extension	Compañía Minera Miski Mayo S.R.L.	Piura	Phosphate	Feasibility	300
		Antilla	Panoro Apurímac S.A.	Apurímac	Copper	Pre-feasibility	250
		AZOD (Accha y Yanque)	Exploraciones Collasuyo S.A.C.	Cusco	Zinc	Pre-feasibility	346
		Bayovar 12	Juan Paulo Quay S.A.C.	Piura	Phosphate	Pre-feasibility	168
		Cañariaco (North)	Cañariaco Copper Perú S.A.	Lambayeque	Copper	Feasibility	1,600
		Cañón Florida (Former Bongará)	Nexa Resources Perú S.A.A.	Amazonas	Zinc	Feasibility	214
		Conga	Minera Yanacocha S.R.L.	Cajamarca	Gold	Feasibility	4,800
		Cotabambas	Panoro Apurímac S.A.	Apurímac	Copper	Pre-feasibility	1,533
		Don Javier	Junefield Group S.A.	Arequipa	Copper	Pre-feasibility	600
		El Galeno	Lumina Copper S.A.C.	Cajamarca	Copper	Pre-feasibility	3,500
		El Padrino e Hilarión	Nexa Resources Perú. S.A.A.	Áncash	Zinc	Feasibility	470
		Fosfatos Mantaro	Mantaro Perú S.A.C.	Junín	Phosphate	Pre-feasibility	850
		Hierro Apurímac	Apurímac Ferrum S.A.	Apurímac	Hierro	Pre-feasibility	2,900
		La Granja	Río Tinto Minera Perú Limitada S.A.C	Cajamarca	Copper	Pre-feasibility	5,000
		Los Calatos	Minera Hampton Perú S.A.C	Moquegua	Copper	Pre-feasibility	655
		Macusani	Macusani Yellowcake S.A.C.	Puno	Lithium	Pre-feasibility	800
		Ollachea	Minera Kuri Kullu S.A.	Puno	Gold	Feasibility	178
		Pukaqaqa	Nexa Resources Perú S.A.A.	Huancavelica	Copper	Pre-feasibility	706
		Quechua	Compañía Minera Quechua S.A.	Cusco	Copper	Feasibility	1,290
		Racaycocha Sur	Minera Peñoles de Perú S.A.	Áncash	Copper	Pre-feasibility	1,000
		Río Blanco	Río Blanco Copper S.A.	Piura	Copper	Factibilidad	2,500
		Rondoní	Compañía Minera Vichaycocha S.A.	Huánuco	Copper	Pre-feasibility	250
		San Luis	Reliant Ventures S.A.C.	Áncash	Silver	Feasibility	100
Trapiche	El Molle Verde S.A.C.	Apurímac	Copper	Pre-feasibility	700		
Total		(48 projects)					59,134

Portfolio estimated as at October 2018
Source: Ministry of Energy and Mines (MEM)

Mining Exploration Project Portfolio

Projects with Environmental Impact Assessment instruments approved, but that have not yet communicated the exploration activities start date

Nº	Exploration project	Type of exploration	Operator	Region	Aggregate Investment (in USD Millions)
1	Arabella	Brownfield	Empresa Minera los Quenuales S.A.	Lima	1.7
2	Arcata	Brownfield	Compañía Minera Ares S.A.C.	Arequipa	6.0
3	Ares	Brownfield	Compañía Minera Ares S.A.C.	Arequipa	2.0
4	Atalaya (3rd Amendment to semi-detailed EIA)	Greenfield	Compañía Minera Santa Luisa S.A.	Ancash	2.0
5	Berlín	Greenfield	Minera Quilca S.A.C.	Ancash	1.3
6	Caylloma 1,2 and 3 - B Stage (3rd Supporting Technical Report - STR, 1st amendment to semi-detailed EIA)	Brownfield	Minera Bateas S.A.C.	Arequipa	14.3
7	Ccelloccasa	Greenfield	Compañía de Minas Buenaventura S.A.A.	Ayacucho	0.7
8	Chacapampa	Greenfield	Anthony Mining S.A.C.	Apurímac	0.8
9	Champapata	Brownfield	Empresa Minera Los Quenuales S.A.	Lima	1.0
10	Chololo	Greenfield	Questdor S.A.C.	Moquegua	0.8
11	Colorada	Greenfield	Newmont Perú S.R.L.	La Libertad	0.5
12	Esperada	Brownfield	Empresa Minera Los Quenuales S.A.	Lima	1.0
13	Haispe	Greenfield	Minera Haispe S.A.C.	Arequipa	0.9
14	Huilacollo (Amendment to Environmental Impact Declaration - EID)	Greenfield	Corisur Perú S.A.C.	Tacna	0.8
15	Machcan	Brownfield	Nexa Resources Atacocha S.A.A.	Pasco	24.0
16	Malpaso I	Brownfield	Pan American Silver Huarón S.A.	Huánuco	1.1
17	Mayra	Greenfield	Compañía De Minas Buenaventura S.A.A.	Arequipa	1.0
18	Palca	Brownfield	Compañía Minera Poderosa S.A.	La Libertad	14.9
19	Pampa de Pongo Zone 4 (Amendment to EID)	Greenfield	Jinzhao Mining Perú S.A.	Arequipa	4.1
20	Pinaya	Greenfield	Kaizen Discovery Perú S.A.C.	Arequipa	2.0
21	Platino	Greenfield	Iox Internacional Mines and Minerals Private Limited - Sucursal del Perú	Puno	0.5
22	Pucamarca Regional	Brownfield	Minsur S.A.	Tacna	2.2
23	Racaycocha (4th amendment to semi-detailed EIA)	Greenfield	Minera Peñoles de Perú S.A.	Ancash	12.0
24	Santa Cruz (STR,- EID)	Greenfield	Minera Peñoles de Perú S.A.	Ancash	0.7
25	Satata Icuco	Brownfield	Minera Aurífera Retamas S.A.	La Libertad	1.5
26	Shahuindo	Brownfield	Shahuindo S.A.C.	Cajamarca	13.2
27	Shuco	Brownfield	Empresa Administradora Cerro S.A.C.	Pasco	0.5
28	Tinajas	Greenfield	Hpx Perú Holdings S.A.C.	Arequipa	1.0

continues...

...continuation

Mining Exploration Project Portfolio					
Projects with Environmental Impact Assessment instruments currently being processed					
Nº	Exploration project	Type of exploration	Operator	Region	Aggregate Investment (in USD Millions)
29	Agua Blanca	Brownfield	La Arena S.A.	La Libertad	2.1
30	Anamaray (2nd amendment to semi-detailed EIA)	Greenfield	Compañía de Minas Buenaventura S.A.A.	Lima	1.5
31	Berenguela	Greenfield	Sociedad Minera Berenguela S.A.	Puno	10.8
32	Cañón Florida (4th amendment to semi-detailed EIA)	Greenfield	Nexa Resources Perú S.A.A.	Amazonas	8.4
33	Carhuacayán Zone 2 (STR - Amendment to semi-detailed EIA)	Greenfield	Compañía Minera Vichaycocha S.A.C.	Junín	1.0
34	Colorado (STR - Amendment to semi-detailed EIA)	Brownfield	Minera Yanacocha S.R.L.	Cajamarca	2.0
35	Corocochuayco (2nd amendment to semi-detailed EIA)	Greenfield	Compañía Minera Antapaccay S.A.	Cusco	21.0
36	Cotabambas-Ccalla (2nd amendment to semi-detailed EIA)	Greenfield	Panoro Apurímac S.A.	Apurímac	35.0
37	Cristo de los Andes 1	Greenfield	Minera Antares Perú S.A.C.	Apurímac	5.2
38	La Granja (12th amendment to semi-detailed EIA)	Greenfield	Rio Tinto Minera Perú Limitada S.A.C.	Cajamarca	33.3
39	La Quinoa (2nd semi-detailed Environmental Impact Statement - EIS)	Brownfield	Minera Yanacocha S.R.L.	Cajamarca	1.0
40	Los Calatos (STR - Amendment to semi-detailed EIA)	Greenfield	Minera Hampton Perú S.A.C	Moquegua	13.0
41	Maqui Maqui (3rd amendment to semi-detailed EIA)	Brownfield	Minera Yanacocha S.R.L.	Cajamarca	0.5
42	Marina Cinco	Brownfield	Consorcio de Ingenieros Ejecutores Mineros S.A. (CIEMSA)	Puno	0.8
43	Oyama Triunfo	Brownfield	Volcan Compañía Minera S.A.A.	Junín	0.6
44	Quenamari (1st amendment to semi-detailed EIA)	Brownfield	Minsur S.A.	Puno	6.0
45	Romina 2	Brownfield	Compañía Minera Chungar S.A.C.	Lima	2.5
46	San José 2	Brownfield	Minera Yanacocha S.R.L.	Cajamarca	2.3
47	San Miguel	Greenfield	Brexia Goldplata Perú S.A.C.	Cusco	1.4
48	San Pedro	Brownfield	Pan American Silver Huarón S.A.	Pasco	4.0
49	Shalipayco (2nd amendment to semi-detailed EIA)	Greenfield	Compañía Minera Shalipayco S.A.C	Junín	2.0
50	Sierra Nevada y Maluelita	Brownfield	Compañía Minera Argentum S.A.	Junín	4.1
51	Soledad	Greenfield	Chakana Resources S.A.C.	Ancash	4.3
52	Tambomayo (Amendment to semi-detailed EIA)	Greenfield	Compañía de Minas Buenaventura S.A.A.	Arequipa	1.5
53	Tantahuatay 4 (Amendment to semi-detailed EIA)	Brownfield	Compañía Minera Coimolache S.A.	Cajamarca	28.0
54	Virú	Greenfield	Core Minerals (Perú) S.A.	La Libertad	2.0
Total					306.5

Portfolio estimated as at March 2018

Source: Ministry of Energy and Mines (MEM)

2.3 | **Recent developments and future trends in the mining industry in Peru**

a *Peru consolidates itself as the world's second copper producer*

Peru's recent political instability has not had a major impact on the mining sector, as illustrated by the strong volume of investment flows to fund mining exploration and development activities in different regions of the country. After three consecutive years of depressed spending, the mining industry in Peru showed signs of life in 2017, with an aggregate investment of USD 4.9 billion, a 15.7% increase compared with 2016.

Despite significant global market volatility, 2018 will now be remembered as the year in which Peru consolidated itself as a key mining country worldwide. Copper production jumped from 1.6 million tonnes in 2015 to 2.4 million tonnes last year, a 50% increase, solidly placing Peru as the second largest copper producer in the world after Chile.

Freeport McMoRan's Cerro Verde is the largest producer of copper, followed by Las Bambas, which is operated by Melbourne-based MMG Ltd. Peru's third giant copper unit is Antamina, a joint venture between BHP Billiton, Glencore, Teck and Mitsubishi Corporation. Other mines that produce more than 100,000 mt/y include Southern Peru's two units (Cuajone and Toquepala), Glencore's Antapaccay, Chinalco's Toromocho and Hudbay Minerals' Constancia mine.

The Peruvian government has set a goal of increasing copper production by another 30% by 2021 as a new wave of world-class mining projects have begun construction, like Anglo American's USD 6 billion greenfield Quellaveco project and Minsur's USD 1.6 billion Mina Justa. But that's not all. These projects are part of a USD 59 billion portfolio of mining investments that could further increase Peru's copper output and continue to close the gap with Chile.

"Despite Peru's recent political instability, 2018 saw the approval of a new wave of world-class projects. Anglo American's USD 6 billion Quellaveco project and Minsur's USD 1.6 billion Mina Justa mine are two of the most important. These greenfield projects are part of a USD 59 billion portfolio of mining investments that could double Peru's copper output".



Marcial Garcia
Mining & Metals Leader
EY Peru

b Mining policy trends

Peru has a long history of major minerals projects and the mining industry is widely recognized as a driver of growth and a job provider.

The role of the government over exploration, mining, smelting and refining of minerals is limited to that of a regulator, promoter and overseer. The government has privatized most of its assets in the mining sector. In contrast with the situation two decades ago, large mining operations are now held by domestic and foreign privately-owned mining companies. Private domestic interests own most of the medium and small-sized mining operations.

"Peru offers significant advantages, creating a very attractive and competitive climate for mining investor".



Victor Burga
Audit Mining & Metals Leader
EY Peru

The marketing of mineral products in Peru is unrestricted, both domestically and externally. Thus, mining companies are not under the obligation neither to satisfy the internal market before exporting its mining products nor to sell them at "official" prices or terms. Nowadays, Peru offers mining investors significant commercial advantages and ample freedom not only to sell their products to the buyer offering the best terms, but to import the machinery and equipment they might require for their mining activities at a lower cost and with less bureaucratic requirements than ever before.



Peru's approach towards its mineral sector development is showing favorable results. International mining companies perceive Peru as an attractive target for their investments. Examples include Anglo American (UK / South Africa), Rio Tinto (UK / Australia), Glencore (Switzerland), Barrick Gold (Canada), Newmont (United States), Gold Fields (South Africa), Freeport- McMoRan (United States), Vale (Brazil), Grupo Mexico (Mexico), Minmetals (China), Jiangxi Copper, Aluminum Corp of China (China), MMG Limited, Zijun Mining Group and Shougang Corporation (China).



c Social license to operate

Achieving a social license to operate is the single most important challenge that the mining industry faces in Peru. Income and regional inequalities continue to be a source of social conflicts, which have had a negative impact on a number of mining projects. Achieving a social license to operate is one challenge, maintaining it is another. The key to both is communicating value through the concept of shared value and, more broadly, of corporate social responsibility, which must be part of mining companies' operations.

"Corporate social responsibility and a mining company's social license to operate have become critical for modern miners - and the mining sector in Peru is no exception".



Beatriz Boza
Corporate Governance
and Sustainability Leader
EY Peru

In recent years Peru has seen a number highly publicized mega projects being postponed over environmental or community concerns, strikes and anti-mining protests, including the USD 4.8 billion Conga project (Minera Yanacocha) and the USD 1.4 billion Tía María project (SPCC). There is strong evidence that community groups are manipulated by politicians, anti-mining NGOs and other groups with wider political agendas.

The need for a social license to operate is readily accepted by the mining and metals sector. By managing an effective communication process highlighting the positive impact of mining through productive, profitable and sustainable development initiatives can show the government, communities and other stakeholders how their presence in the country can create positive economic and social contributions.

Miners are taking different approaches to win over communities and ensure they maintain their “social license” during the duration of the project. The major mining and metals organizations are trying to implement systems to share and measure the benefit of their operations, demonstrating that they not only make communities wealthier but healthier. This relies on working with local communities to create shared value, listening to what they want, rather than just coming up with initiatives that are not tailored to their needs. Community support for a project is partly dependent on its economic participation and local employment is an important element of that.

A structural change in the way proceeds from mining are allocated and spent could be an option in the future. Meanwhile, the government is increasingly seeking to fill the gap between community expectations and existing legislation which require community consultation for the development of new projects with increased regulations.



Although the International Labor Organization Convention No. 169 requires that indigenous and tribal peoples are consulted on issues that affect them, the implementing regulations attempted to exclude mining development projects from this obligation. The Supreme Court, however, has issued a binding decision providing for the application of the Convention to all indigenous persons without exceptions.

Indigenous communities should be consulted from the outset, even from pre-exploration, to identify and ideally eliminate potential issues. Communities need to clearly see a full range of benefits from mining, from financial gain to improved infrastructure and expanded business opportunities. Many of these benefits will ensue as a result of a new mine; however, companies need to be more adept at communicating the benefits to the communities at the time of consultation.

d *Environmental concerns*

Government still faces the important challenge of formalizing illegal gold miners, who have destroyed 53,000 hectares of the Amazon rain forest with mercury. It is estimated that they concentrate 20% of Peru's gold production. At this point, the Peruvian government has approved a widespread ban on illegal mining to rid the country of a dangerous practice that leads not only to extensive environmental damage and deforestation, but to criminal activities associated with them. It remains to be seen whether this administration will be able to handle this ecological dilemma effectively on the short-term, restoring law and order in areas such as the Madre de Dios region.

e *Exploration trends*

The latest World Exploration Trends (WET) report from S&P Global Market Intelligence reveals that global spending on mining exploration rose to an estimated USD 8.4 billion in 2017, compared with USD 7.3 billion in 2016. This represents the first annual increase in exploration after four consecutive years of declining investment.

The recovery in the overall mining industry and improved investment conditions, have encouraged producers to launch, expand or resume drilling programs on their most promising projects over the past two years. As a result, exploration activity reached levels not seen since early 2013. Given the still relatively strong metal prices, it is estimated that the global exploration budget in 2018 increased by a further 15% to 20%. Considering mining's cyclical nature, however, there is a risk that market volatility and ongoing instability in global and national politics could have a negative impact - not just for exploration budgets around the world but on the mining sector in general.

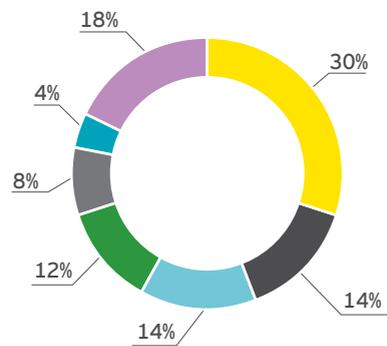
Although there is a wide variation in the scale of exploration programs by major, intermediate and junior companies, there is data from different sources that suggests that most majors and intermediate companies are increasingly focused on advanced projects to move them towards production or in some cases to make them attractive for acquisition. Conversely, the emphasis of junior companies remains on early-stage exploration or grassroots work. Many major producers are focused on mine site exploration spending as they view it as a more economical and less risky means of replacing and adding mineral reserves.



Not surprisingly, Peru has not been immune to the general trend in overall mining exploration activity. It has significant number of projects actively being explored in different regions, as illustrated by the strong volume of investment flows to fund drilling activities.

In fact, according to S&P Global Market Intelligence's WET 2018 report, Peru was one of the top 5 destinations for exploration in the world in 2017 with 7% of the global budget. This can be explained by Peru's perceived advantages in terms of geology, legal stability and low costs for mining development. The level and success of exploration today will strongly influence Peru's future competitiveness in mineral production.

Worldwide non - ferrous exploration 2017

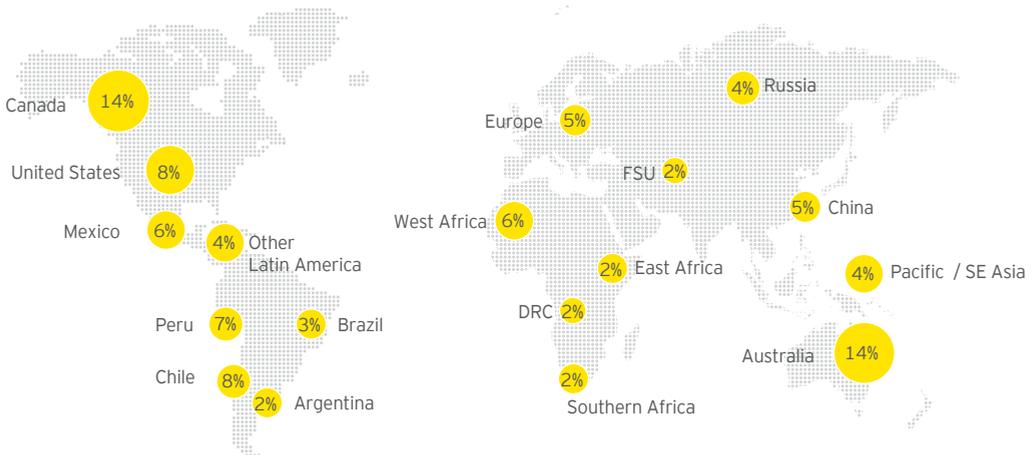


Latin America	United States
Australia	Pacific / Southeast Asia
Canada	Rest of the World
Africa	

Source: SNL Metals & Mining

"Despite mineral price volatility, foreign mining and metals companies are determined to invest in Peru. Cash, however, is only available for good and lower risk projects".

Exploration budgets for the top ten countries (2017)



Other locations account for 2%

Source: S&P Global Market Intelligence





3

MINING TAX AND LEGAL FRAMEWORK

3.1 | Mining terms

Peru has a comprehensive legal framework that clearly defines rights, obligations and responsibilities for all stages of the development process of mineral resources. Mining operations are undertaken under a resource regime based on an administrative act, where the grant of a mining right depends on the strict compliance with the procedure laid down in the Law for the grant of that title and not on administrative discretion. The absence of administrative discretion leaves the right to mine more firmly ensured within Peru's mining legal framework than under other regimes.

The right to explore, extract, process and/or produce minerals in Peru is granted by the Peruvian government in the form of mining and processing concessions. Requirements for obtaining them are determined by law and the application and granting process are relatively simple and clear. The rights and obligations of holders of mining concessions and processing concessions are currently set forth in the General Mining Law. This law clearly determines the terms and conditions under which those mining activities are allowed in Peru; including the way in which mining rights can be obtained and maintained, how they can be lost, what are the obligations of their holders, etc. The law also makes provision for contracts permitting options over mineral rights, assignments and mortgages.

Mining concessions may be separately granted for metallic and non-metallic minerals. The same mining concession is valid for exploration and for exploitation operations; hence there is no complicated "conversion" procedure. Mining concessions are granted on a "first come, first served" basis, with provision for an auction if simultaneous claims are made. A separate processing concession is available, granting the right to concentrate, smelt or refine minerals already mined. No concession is required to trade in minerals and exports by producers are not restricted.

To obtain a mining concession, the law requires that the area is free of restrictions and that the applicant is clearly identified, able to carry out the proposed activities and pays application and license fees. The application process is managed by INGEMMET, the mining and geology institute. The terms and conditions, rights and obligations of mining concessions are not subject to any discretionary discretion or negotiation. Applications are publicly disclosed and processed in the order they are filed. The successful awards are disclosed to the public in the mining cadaster, which is available on line. This system guarantees both openness and transparency of the allocation process. Mining concessions can also be obtained through the assignment of concessions previously granted by to independent or related parties.



a *Security of tenure*

The constitutional protection of property rights and the reasonable completeness and unambiguousness of the General Mining Law in Peru gives mining and metals companies the possibility to obtain a clear and secure title for mining development.

Under Peru's current legal and regulatory regime, mining concessions have an indefinite term provided that: (i) a minimum annual level of production or investment is met and (ii) an annual concession fee is paid. The irrevocability of mining rights subject to the fulfilment of these obligations provides security of tenure within the mining regime in Peru and reasonably assures the transition between the exploration and mining phases.

Failure to meet the minimum production requirement within a ten-year term will result in the payment of a penalty, until the fifteenth year following that in which the concession was granted. From that point forward the loss of the mining concession may only be avoided by paying a penalty and demonstrating investments in the mining rights of amounts more than ten times greater than the penalty to be paid. The mining concession will unfailingly be lost if the minimum production requirement is not met by the twentieth year.

These rules have been amended with effect from 1 January 2019, to extend the term granted to the titleholders of mining concessions for reaching minimum production to 30 years. Under the new rules, mining concessions will only be cancelled if minimum production is not reached by the thirtieth year following the year in which the concession was granted, but the titleholder is required to pay a penalty as from the eleventh year. However, such penalty will not apply if they invest at least an amount ten times greater than the penalty to be paid.

In order to calculate the production and investment in each mining concession, the titleholder may create an operating unit, or "Unidad Económica Administrativa", provided the mining rights are all within a radius of five, ten or twenty kilometers, depending on the type of mineral produced.

Processing concessions enjoy the same duration and tenure as the mining concessions, subject to the payment of a fee based on nominal capacity for the processing plant or level of production. Failure to pay such processing fees or fines for two years could also result in the loss of the processing concession.

b *Mineral and surface land ownership*

In Peru, as in many other countries, the state retains ownership of all subsurface land and mineral resources. The ownership of extracted mineral resources, however, is vested on the titleholders of mining concessions.

Under Peruvian law, there is a differentiation between the surface land property and that of natural resources. It is often the case that the titleholders of mining concessions (which confer them the right to explore and mine underground ore reserves in the area of the claim) are not the owners of the surface land.



Clear administrative procedures which holders of mining concessions must follow to gain access to privately owned land for mining activities have been established in the General Mining Law in order to avoid potential conflicts with third parties after a mineral deposit has been discovered. Pursuant to Peruvian regulations, all operators of mining areas in Peru are required to have an agreement with the owners of the land surface above the mining rights or to establish an easement upon such surface for mining purposes. Expropriation procedures have been considered for cases in which landowners are reluctant to allow mining companies to have access to a mineral deposit. The administrative decision originated from these procedures can only be judicially appealed by the original landowner with respect to the amount of his compensation.

c *Right to transfer mining rights*

Mining rights can be transferred by their private holders with no restrictions or requirements, other than to register the transaction with the Public Mining Register. The Mining Law clearly defines the rules for the transfer of a mining concession and regulates other so-called mining contracts, such as option contracts, concession assignment agreements, mortgages, joint venture agreements, among others. These legal definitions do not only benefit those "junior" mining companies specialized in obtaining exploration and mining rights to sell them to medium and large-sized mining companies, but it also is convenient for those mining holders who for one reason or another are no longer interested on maintaining a mining right in Peru.

d *Size of exploration blocks / Duration of exploration rights*

Concessions for exploration and exploitation of mineral resources are granted in areas that can go from 100 hectares to 1,000 hectares per concession, except in marine zones, where the concession could reach an area of up to 10,000 hectares.

As it has been mentioned before, a concession is irrevocable, as long as its holder complies with all the obligations imposed by the Law. Among these obligations is the requirement to reach a minimum production in a ten year term. However, if the required minimum production is not obtained on time the mining holder has the opportunity to pay a penalty in order to maintain its mining right. The flexibility of these terms gives the concession holder ample freedom to plan the magnitude and timing of investments in the concession, as well as to decide whether or not to put the property into production.

e *Availability of mineral agreements*

In Peru, mining companies may enter into agreements with the government to obtain a series of guarantees and benefits. These contracts, however, do not intend to supplement or stand in place of the Mining Law. In fact, they are not even referred to the terms and conditions under which a mining concession is obtained, maintained or terminated, but rather to investment promotion issues such as the possibility to obtain judicial, tax, foreign exchange and commercial stability.

f *Options to acquire an equity participation*

The Peruvian policy towards government participation in mining ventures harmonizes with the world-wide current trends. Rather than participate directly as a partner in the mineral operations, Peru shares-in its benefits through fiscal mechanisms.

g *Government policies on the sale of mineral products*

The sale of mineral products is also unrestricted, both domestically and externally. Therefore, mining operators are not under the obligation neither to satisfy the internal market before exporting their mining products nor to sell them at “official” prices or terms.



h *Environmental matters*

In recent years, Peru has enacted a new regime of environmental laws, which establishes the main environmental guidelines and principles applicable in Peru. Pursuant to these laws, the Ministry of Energy and Mines of Peru (“MEM”) and the Environmental Ministry have issued regulations mandating environmental standards for the mining industry and reviews and approves environmental studies for mining operations. These laws and related regulations significantly increased the level of environmental regulation previously in effect in Peru and established a number of environmental management standards as well as guidelines with respect to particulate emissions in air, water quality, exploration, tailings and water discharged, among other requirements.

Under these environmental regulations, new mining development and production activities are required to file and obtain approval for an Environmental Impact Study (“EIS”), which incorporates technical, environmental and social matters, before being authorized to commence operations. The Environmental Evaluation and Oversight Agency, (“OEFA”) monitors environmental compliance. OEFA has the authority to carry out unexpected audits and levy fines on mining companies if they fail to comply with prescribed environmental standards.

In addition, mining companies must prepare, submit and execute plans for the closing of mines, or Closure Plans, and grant environmental guarantees to secure compliance with Closure Plans during the life of the concession. The guarantee must cover the estimated amount of the Closure Plan and may be in cash, trusts, and any other guarantee contemplated in the Banking Law.

3.2 | *Peruvian mining fiscal system*

a *Overview*

The economic attractiveness of exploring in a country is strongly influenced by the fiscal system that applies to deposits that are discovered and subsequently developed. If tailored properly, fiscal terms are able to achieve overall objective of collecting an adequate share of the economic benefit generated by the mining industry for the government while maintaining high levels of exploration and production activities. In practice, however, it has proven extremely difficult for mining countries to implement fiscal packages that satisfy the interests of both host governments and mining companies.

The Peruvian legal framework clearly defines the fiscal regime applying to the mining sector, including restrictions for modifying tax provisions through fiscal stabilization agreements. As it has been designed, Peru's mineral sector fiscal system tends to be progressive after the mine reaches certain level of profit.

Fiscal systems which are progressive come the closest to create the flexible conditions needed to achieve the dual objective of collecting an adequate share of the economic benefit generated by the mining industry for the government while encouraging the exploration and development of valuable resources. Progressive fiscal systems adjust to the actual profitability of each project and, therefore, they tend to enable a fair and reasonable allocation of economic benefits and risks between the mining investor and the host government, whatever the cost, price and risk scenario. Under such schemes the host government's cut, in percentage terms, is higher on large and profitable mines than on small and marginal deposits.

If the profitability of a project increases due to favourable price or cost conditions, then the host government's share of the mineral rent also increases, but if the profitability decreases as a consequence of downward movement in the price of minerals or an unexpected increment in costs, then the government take also decreases. For this reason, in practice, this kind of fiscal systems are generally preferred by mining companies.



At a glance

Income Tax rate ⁽¹⁾ (²)	29,5%
Dividends	5,0%
Modified Mining Royalties	1% to 12% imposed on operating mining income. A minimum royalty of 1% of sales is applicable.
Special Mining Tax	2% to 8.4% imposed on operating mining income.
Special Mining Burden	4% to 13.12% imposed on operating income ⁽³⁾ .
Good standing fee	USD 3/ha/yr.
Capital allowances	Accelerated depreciation, exploration write-offs.
Investment incentives	Tax losses can be carried forward for 4 years or indefinitely; stabilization agreements; VAT recovery.

(1) Mining companies with tax stabilization agreements are subject to a 2% premium.

(2) In addition, they must pay an 8% employee profit sharing.

(3) Is intended only for mining companies with tax stabilization agreements in place prior to October 1, 2011.

**b Fiscal regime****► Corporate Income Tax**

Companies that are tax resident in Peru are subject to corporation tax on their worldwide taxable income. Tax resident companies are those incorporated in Peru. Nonresident entities and branches and permanent establishments of foreign companies are taxed on income from Peruvian sources only.

The corporate income tax rate is 29.5% from 1 January 2017. In addition, a Dividend Tax at a rate of 5% is imposed on distributions of profits to nonresidents and individuals by resident companies and by branches, permanent establishments and agencies of foreign companies. (See Dividends in Section g).

Mining companies in Peru are subject to the general corporate income tax regime. However, if the taxpayer has signed a Stabilization Agreement, an additional 2 percentage addition is applied, meaning the combined corporate income tax rate becomes 31.5%. Companies find tax stabilization very attractive and are generally willing to pay the premium.

Taxable income is generally computed by reducing gross revenue by cost of goods sold and all expenses necessary to produce the income or maintain the source of income. Certain types of revenue, however, must be computed as specified in the tax law, and some expenses are not fully deductible for tax purposes.

Business transactions must be recorded in legally authorized books of account that are in full compliance with the International Financial Reporting Standards (“IFRS”). The books must be kept in Spanish and must be expressed in Peruvian currency. However, accounting records may be kept in foreign currency (i.e. US dollars) where a stability agreement has been entered into. (see Stability regime in Section f).

50% of income tax paid by a mine to the Central Government is to be remitted as “Canon”, by the Central Government back to the regional and local authorities of the area where the mine is located.

► Tax loss relief

Taxpayers may choose to carry forward their Peruvian tax losses in accordance with system (a) or (b) below. If a particular system is not chosen by the taxpayer, the Tax Administration applies system (a).

- (a) Losses incurred in a year may be carried forward and set off against profits arising in the following 4 years; or
- (b) Losses incurred in a year may be carried forward and set off against 50% of future profits of the following years indefinitely.

Generally, losses from Peruvian source income may be offset against any Peruvian source income (except for losses from certain derivative financial instruments). Foreign source losses may only be offset against foreign source income, and may not be carried forward.

There is no loss carry back system in Peru.

► Administration

There is a mandatory year-end of 31 December. Tax returns must be filed by the end of March or beginning of April the following year, depending on the taxpayer number.

Companies and branches must make monthly advanced payments of their annual corporate income tax, based on the company's monthly net income. Monthly advance payments are due on the 9th to the 15th business day, according to a schedule.

► Ring Fencing

The accounts for income tax purposes of different mining projects owned by the same company may be consolidated. Losses from one project or concession can be set against profits from another project or concession. There is thus no ring fence between projects or concessions, only between companies even when they are members of the same group. Stability agreements, however, are made by project. It is therefore possible for different projects within the same company to be subject to different rates and calculation rules.

► Capital gains

Capital gains derived by resident entities are taxed at the normal corporate tax rate (29.5%). As general rule, capital gains derived by nonresident entities from Peruvian sources are subject to tax at a rate of 30%. However, in case of the sale of stock or securities in a Peruvian company, the tax rate is reduced to 5% if the transfer is made within the local stock exchange.

C Capital allowances

► Trade or business expenses

Corporate expenses incurred in generating taxable income are generally deductible for corporate income tax purposes, subject to certain exceptions and limitations.

► Tax depreciation

Companies may depreciate the acquisition cost of fixed assets for corporate income tax purposes.

A depreciation rate of 20% for mining and processing equipment and 5% for real estate is granted to mining investors who have stability agreements in place with the Peruvian government. (see Stability regime in Section f).

Where a stability agreement is not in place, the general tax rules provide that other than for buildings and constructions, tax depreciation must match accounting depreciation on the same basis (straight-line, production units, or another basis).

The maximum annual depreciation rates allowed for tax purposes under the general tax rules is restricted, as summarised in the table below.

Buildings and constructions*	5%*
Vehicles	20%
Machinery and equipment for construction, mining and oil activities	20%
Machinery and equipment for other activities	10%
Data processing equipment	25%
Other fixed assets	10%

*This is a fixed rate rather than a maximum rate

► Pre-operative expenses

General

Pre-operative expenses are expenses incurred for a company starts generating income for mineral sales. There are a number of different types of pre-operative expenses which carry different treatments.

General pre-operative expenses (e.g. administrative expenses) may either be expensed in the year production commences, or be amortized evenly over a period of up to ten years from the year in which production commences.

Exploration expenses

For exploration expenses (e.g. drilling and surveys), taxpayers can choose to either expense these costs in the year they are incurred or amortize the costs evenly over the useful life of the mine from the year minimum production is achieved. This is an annual choice with respect to the costs incurred in each year. In one year, taxpayers may elect to capitalise their exploration costs for subsequent amortization and the next year they may claim a deduction. The annual election is irrevocable.

► Mineral properties

Costs incurred in acquiring mining concessions and investments in prospecting and/or exploration work up to the date the legally required minimum production is achieved, should be capitalised and subsequently amortized by an annual percentage based on the life of the deposit.

This percentage is calculated by dividing the total estimated proven and probable reserves by the minimum production requirement according to law.

A literal approach has resulted in the period of amortization being calculated by reference to the number of hectares of the mining site rather than the productive life of the deposit.

Accordingly, this interpretation could create situations in which the life of the deposit determined by the above formula has no correlation with the productive life of the deposit measured in real terms.

The amortization period established by the mining company must be notified to the tax administration with the first annual income tax return in which the amortization begins.

The mine operator can choose to deduct from its income the prospecting and/or exploration work during the fiscal year in which these expenditure is incurred. Expenditure for exploration incurred after the concession has reached the minimum mandatory production stage can be deducted in the fiscal year it is incurred, or amortized at an annual rate based on the estimated life of the mine.

► Feasibility studies and other evaluation expenses

Depending on the nature and timing, feasibility studies and other evaluation expenses may either be classified as development costs or as pre-operative expenses.

Development costs are costs that relate to the access to mines (e.g. roads, ramps and ventilation systems) before a company starts generating income from mines. Pre-operative expenses are other general costs relating to the period before a company starts generating income.

Where feasibility studies and other evaluation expenses are treated as development costs, these may be:

- i) expensed in the year they are incurred, or
- ii) amortized over a period of three years from the year they were incurred.

Where feasibility studies and other evaluation expenses are treated as pre-operative expenses, these may be:

- i) expensed in the year production commences, or
- ii) amortized evenly over a period of up to ten years from the year in which production commences.

► Mine site development costs

Taxpayers have an annual choice of electing to deduct development costs in the year they were incurred or amortize them over a period of up to three years from the year they were incurred. Taxpayers may not change their election with respect to the development costs incurred in the year concerned.

► Public service infrastructure costs

Costs incurred by mining companies in infrastructure for public use such as ports, airports, energy plants, schools, hospitals, roads or recreational facilities can be expensed as incurred, if approved by the government, after complying with specific requirements.

► Other investments in communities

Many companies make other investments in communities impacted by mining for the purpose of their sustainable development, so that when the mine closes the affected communities will be able to carry on with social and alternative economic activities. These investments are often characterised as Corporate Social Responsibility (“CSR”) expenditure.

Where CSR expenditure relates to public infrastructure such as schools, road or hospital building, the mining law grants a deduction, subject to compliance with specific requirements and approval from the government. There are no specific provisions in Peru's tax law which grant a deduction for other CSR expenditure. The tax authorities generally treat CSR expenditure as non-deductible donations or charitable contributions. To reduce the risk of challenge, CSR expenditure should be derived from a contractual or legal obligation, such as to comply with the obligations assumed under the Environmental Impact Assessment required by law.

► **Rehabilitation and closure costs**

Rehabilitation costs can only be expensed in the year they are incurred. This means that accruing for the expenditure is not deductible. Payments or bonds into a fund are not deductible. Payments to a third party are arguably not deductible until the rehabilitation has been performed. Thus, single mine companies may receive no effective tax deduction for this expenditure, given that it is generally incurred at the end of the life of the mine, at a time when often there is insufficient income to offset the deduction against. Under current tax law, Peru does not have a loss carry back system. Therefore, in some cases the loss cannot be utilized.



d Mining taxes, duties and royalties

Mining producers may also be subject to the Modified Mining Royalty ("MMR"), Special Mining Tax ("SMT") and Special Mining Burden ("SMB").

Each of these mining levies is calculated on operating income as determined for book purposes instead of for income tax purposes. Operating income is defined as revenues generated from the sale of mineral resources less (i) cost of goods sold ("COGS") and (ii) operating expenditures. "Book" refers to Peruvian statutory reporting and is required to be prepared under IFRS. To calculate tax base for the new levies, companies begin with statutory book operating income and make certain adjustments, such as to disallow interest expense (whether booked as part of COGS or operating expenses) and to prorate exploration expenditure over the life of the mine.

Generally, depreciation and amortization taken into account for the purposes of these levies is equal to the amount of book depreciation and amortization. However, in particular situations there are differences between book value and tax value related to assets subject to depreciation and amortization. Such differences are due to the fact that the MRT, SMT and SMB do not allow depreciation and amortization related to accounting revaluations.

As discussed further below, some companies will be subject to the MMR and SMT, while those with pre-2011 tax stabilization agreements may be subject to the SMB. Each of these levies is deductible in determining the company's corporate income tax.

► Modified Mining Royalty ("MMR")

In 2004, Peru implemented a mining royalty based on sales. This regime has been substituted by the MMR that is currently in force.

The MMR now applies to operating income, rather than sales. The MMR is payable on a quarterly basis with marginal rates ranging from 1% to 12%. The royalty rate increases as the operating margin increases. Companies must pay at least the minimum royalty rate of 1% of sales, regardless of profitability. The payments are deductible for corporate income tax purposes.

► Special Mining Tax ("SMT")

The SMT is a tax imposed in parallel to the MMR, and applies to the operating profit derived from sales of metallic mineral resources. The SMT is applied to operating mining income based on a sliding scale, with progressive marginal rates ranging from 2% to 8.40%. The payments are due quarterly and are deductible for corporate income tax purposes.

► Special Mining Burden ("SMB")

The SMB is a "voluntary" payment for mining companies with pre-2011 stability agreements, to contribute towards public spending.

The SMB is computed on a quarterly basis also based upon operating income, with marginal rates ranging from 4% to 13.12%. MMR payments, if applicable, are creditable against SMB payments.



e *Indirect taxes*

A 18% Value Added Tax (VAT) applies to the following transactions:

- Sale of goods within Peru
- Services performed or used within Peru
- Construction contracts performed within Peru
- First sale of real estate by the builder
- Importation of goods from outside Peru, regardless of the status of the importer

VAT paid upon acquisition of goods or services can be deducted from VAT related to the sale of finished products or services.

Exporters are reimbursed for any VAT paid on the acquisition of goods and services. Exporters can apply such reimbursement as a credit to offset VAT or corporate income tax liabilities.

f *Incentives*

Stability regime

Mining companies may enter into several types of Stabilization Agreements that assure that a given set of rules, mainly about aspects of the tax regime, will remain unchanged for a certain number of years. Such stability agreements are commonly entered into by mining companies. They use standard terms and are not specifically negotiated with individual taxpayers.

Two types are ruled by the Foreign and Private Investment Legislation and three others by the General Mining Law. They are not mutually exclusive.

(i) Under the Foreign and Private Investment

Legislation: stability contracts entered with "Proinversion" (the private investment promotion agency of Peru), are generally available to (i) qualified foreign and national investors and (ii) the company that received the investment. Such a stability contract maintains stability with respect to the corporate income tax regime and the rate of tax on distributions of profits to the parent investor. They also guarantee the unrestricted right to remit profits abroad, free availability of foreign currency, stability of the labor hiring regime and non-discrimination between foreign and national investors. The contract is effective for 10 years. To qualify, the mining investor must invest a minimum of USD10 million within two years of entering the contract.

(ii) Under the General Mining Law: mining concession holders can be entitled to a broader range of stability benefits which can be effective for 10, 12 or 15 years depending on investment size and mine production capacity. These stability agreements cover tax rates and methods to calculate tax based of all major government taxes, duties, royalties and other similar payments. They also maintain free marketing of mineral products for export or domestic sale; no foreign exchange controls in respect of foreign currency generated by exports; free convertibility into foreign exchange of local currency generated by mineral sales and non-discrimination on exchange matters.

Stability is important to investors as it reduces fiscal uncertainty. The main requirements are as follows:

- 10 year - the investment must equal at least USD20 million and be allocated to start up an operation with a production capacity of 350 to 5,000 metric tons per day (MTPD).

- 12 year - this agreement targets production of at least 5,000 MTPD and requires an investment of USD100 million for a start-up operation, or USD250 million to capitalize an existing operation.

- 15 year - for mining concessions with an initial capacity of no less than 15,000 MTPD or capacity expansion plans to achieve a capacity of no less than 20,000 MTPD that require an investment program of no less than USD 500 million.

- Benefits under stability agreements are limited to the investment defined in the feasibility study on the basis of which the stability agreement was signed. However, companies entering into 15 year stability agreements can include subsequent investments of at least USD 25million provided that those investments are pre-approved by the Ministry of Energy and Mines.

Stabilization Agreements entered under the mining law carry a price for mining companies - they come with a corporate income tax rate surcharge of 2 percentage points, resulting in a corporate income tax rate of 31.5%.

Accelerated tax depreciation is available as an incentive for mining companies entering into a 15 year stability agreement. In these circumstances, they are entitled to apply an annual tax depreciation rate of up to 20% (straight-line) for most mining and processing equipment, other than mine buildings and constructions which are still subject to a 5% depreciation rate. The 20% tax depreciation benefit is not limited to the amount of depreciation recorded for accounting purposes. This can reduce the present value of taxes owed and therefore increasing the overall net present value of the project.

The maximum depreciation rate of 20% needs to be approved by the General Mining Bureau. The taxpayer can elect to use a different depreciation rate each year, simply by notifying the National Superintendence of Tax Administration (“SUNAT”), so long as the 20% limit is not exceeded.

The 12 year agreement carries the right to keep accounts for tax purposes in U.S. dollars. The Peruvian Congress is considering an amendment to the law to also allow companies entering into 15 year stability agreements to retain accounting records in foreign currency.

Following the signing of a stability agreement there is a pre-operative phase, and once this phase is complete (and the mine is able to start producing), it must be approved by the Ministry of Energy and Mines.

The term of a 15 year stability agreement commences at the beginning of the first fiscal year in which the pre-operative phase is complete and approved. However, taxpayers may choose to take benefits of the agreement during the pre-operative phase up to 8 fiscal years before approval.



Early recovery VAT system

An early recovery VAT system allows for recovery of the VAT credit in relation to acquisitions of goods and services, construction contracts, importations and other transactions if the entity requesting the refund is in the pre-operative stage and, consequently, has not begun to make any sales or exports that would enable them to recover the input VAT against output VAT.

Depending on the quantum of the expenditure to which this system applies, this can have a significant favourable effect on cash flows and consequential on the net present value of the project.

The early recovery system is restricted to companies that make a minimum investment commitment of USD5 million on projects with a preoperative stage of at least two years.

The early recovery of VAT is available in respect of purchases of goods and services made after the date of submission of the application for Proinversion. VAT incurred on expenditure prior to that time cannot be recovered under this regime but can be recovered under the normal regime.

There is also an early recovery VAT system for the acquisition of goods and services required for mining exploration. Under this regime, the VAT paid is refunded without having to wait until a commercial discovery takes place or production begins. This regime includes a final waiver of VAT if the exploration is unsuccessful.

For this purpose, certain administrative requirements shall be fully met. For example, mining companies must enter into the so-called “Exploration Investment Agreement” with the Peruvian government, making a minimum investment commitment of USD 0.5 million in mining exploration. In this case, VAT recovery is restricted to the VAT paid after the Agreement is signed.

g *Withholding taxes*

► Dividends

A 5% Dividend Tax applies to profits distributed to nonresidents and individuals from 1 January 2017. A 4.1% rate applies to profits earned up to 31 December 2014, and a 6.8% rate applies to profits earned from 1 January 2015 to 31 December 2016. This is the case regardless of when the profits are distributed. For these purposes, the first-in, first-out rules will come into play.

The Dividend Tax applies to distributions by Peruvian companies, and Peruvian branches, permanent establishments and agencies of foreign companies. This tax is generally withheld at source.

Dividends received by one tax resident company from another tax resident company currently are not taxable.

► Interest

Interest paid to non residents is generally subject to a withholding tax at a rate of 30%, but may be reduced to 10% or 15% under a tax treaty. For interest paid to unaffiliated foreign lenders, the rate is reduced to 4.99% if all the following conditions are satisfied:

- For loans in cash, the proceeds of the loan are brought into Peru as foreign currency through local banks or are used to finance the import of goods;
- The proceeds of the loan are used for business purposes in Peru;
- The participation of the foreign bank is not primarily intended to avoid the tax treatment applicable to transactions between related parties (i.e. the use of back-to-back loans is consequently precluded); and
- The interest rate does not exceed the LIBOR plus 7% points.



► **Technical Assistance Services**

Payments for technical assistance services used within Peru are subject to withholding tax at a rate of 15%, regardless of the country where the services are rendered. To ensure the application of the 15% rate, the local service recipient must obtain and present to the Tax Authorities upon request a report issued by an audit firm certifying that the technical assistance was effectively provided. Otherwise a withholding tax rate of 30% applies. This is only required, however, when the fees under the corresponding agreement for the technical assistance exceeds of 140 tax units (each tax unit is equivalent to PEN 4,200 in 2019).

► **Royalties**

Peruvian source royalties paid for the use of intangible property (e.g. know-how, patents, trademarks, design, model, plan, secret formula or process) are subject to withholding tax at an effective rate of 30%, but may be reduced under a tax treaty.



h Financing considerations

► **Thin capitalization**

Interest on loans received from related parties until 13 September 2018 in excess of a 3:1 debt to equity ratio is not deductible. This limit also applies to interest on loans received from unrelated parties after that date.

Beginning 1 January 2021, a new set of thin capitalization rules will come into play. Under these rules, the interest that exceeds 30% of earnings before interest, taxes, depreciation and amortization (EBITDA) of the preceding year will not be deductible. Interest that is not deducted may be carried forward for up to four years, but will always be subject to the 30% of EBITDA limitation.

i Worker's profit sharing

Mining Companies are obliged to pay a workers participation of 8% on the net profits of the Company. The total sum received by the worker must amount up to 18 times its monthly salary, and the balance must go to a special educational, social and recreational fund. Disbursements are decided by a Board comprised of representatives of Mining Companies, Peruvian government and the workers.

The amount paid is allowed as a tax deduction for corporate income tax purposes. Not all foreign governments recognize this as a creditable tax and double taxation can thus occur.

j Other tax aspects

► Good standing fee

This is also known as a Validity Tax and is calculated based on the area in mining concession from the moment the claim is filed. The fee is USD3/ha/yr and it is deductible for corporate income tax purposes.

Reduced fees are applicable for small mining producers (USD1/ha/yr) and for artisanal mining producers (USD0.5/ha/yr).

► Temporary net assets tax

The Temporary Net Assets Tax ("ITAN") is levied at 0.4% on company's net assets with value in excess of PEN 1 million (approximately USD 0.3 million). It has to be paid only by taxpayers that have already started "productive operations" at 31 December of the preceding year. This means that entities on a pre-operative stage are tax exempt, until their first year of operations. They will only be subject to the ITAN the following year.

Taxpayers are allowed to use ITAN payments as a credit to offset income tax liabilities. If at the end of a fiscal year the ITAN paid exceeds the annual income tax due, taxpayers can request the refund of the excess.

► Tax on financial transactions

The financial transaction tax is charged at a rate of 0.005% on deposits and withdrawals from Peruvian bank accounts, including checking accounts.

► Complementary Mining Pension Fund

Employers (i.e. mining companies) are required to contribute 0.5% of their annual income before tax to the Complementary Mining Pension Fund, while mining workers contribute 0.5% of their monthly gross salaries during their employment in order to receive defined benefits upon retirement. Contributions made by the employing company are deductible for corporate income tax purposes.

► Regulatory fees

Regulatory fees are imposed and collected in Peru from specific categories of regulated entities, including those operating in the mining sector. Mining companies pay these fees based on a percentage of their monthly revenues to the Supervisory Agency for Investment in Energy and Mining of Peru- OSINERMIN (0.13%) and the Environmental Monitoring Agency of Peru - OEFA (0.11%) to recover the regulatory costs associated with enforcement activities, policy and rulemaking. Non-payment of regulatory fees on a timely manner may result in penalties and interests. Such fees are deductible for corporate income tax purposes



Although the amount of regulatory fees collected, during each fiscal year, should reasonably be equal to the amount appropriated for such fiscal year for the performance of the activities described above, in practice, the amount collected could be higher because of the way in which the regulatory fees have been structured.

► Social Security contribution

The Peruvian Health Social Security Office (EsSalud) runs the National Health System (NHS). The employer contributes 9% of total payroll to the NHS. EsSalud provides employees disability, illness, maternity and death benefits, as well as medical care.

According to the Health Care Law, the NHS will be complemented by the health programs and plans that the employers may grant to their workers with their particular health services or with private Health Care Companies (Empresas Prestadoras de Salud - EPS) that shall be authorized to carry out such activities.

The employers may elect the healthcare plan or program for their employees; however, they shall previously submit it to their vote. Employees, who would like to remain in the NHS, may do so.

The employers that provide healthcare through the complementary plans and programs are also obliged to pay the 9% contribution to the NHS. However, employers may use a portion of the expenses incurred in healthcare as credit against the 9% contribution.

The Health Care Law and regulations also foresee a complementary insurance for workers that carry out activities that are deemed to involve a significant level of risk such as mining activities. This insurance coverage shall be provided by the employer.

Employees are also required to elect either to contribute to the National Pension System (NPS) or to the Private Pension System (PPS). The contribution rate on average is 13% of salary in the NPS and 12.75% in the PPS, and is withheld from payments made to employees.

For mining employers, an additional 4% must be contributed to the PPS, with 2% payable by the employee and 2% is payable by the employer. Both pension systems provide employees retirement, disability pensions and funeral costs. Employers are responsible for withholding employees' contributions from monthly salaries.

► Transfer pricing rules

Peru has adopted transfer pricing rules which are largely based on the OECD guidelines. These rules also apply to transactions with unrelated entities in non-cooperative and low-tax jurisdictions or whose revenues, profits or income are subject to a preferential tax regime. Transfer pricing documentation requirements follow the three-tiered approach, set out by the OECD in the final reports under Action 13 of the BEPS Action Plan, consisting of a local file, a master file, and a Country-by-Country report (CbCR).

In line with guidance issued in OECD BEPS Action 10, Peru has implemented rules on the treatment of import and export transactions that involve products, for which a quoted price is used by independent parties to set prices (i.e. commodities). These rules establish that the arm's-length price for Peruvian income tax purposes must be determined under the CUP method by reference to the price quoted on a public exchange.

The actual pricing date or period of pricing dates should be used as a reference to determine the price for the transaction, as long as independent parties in comparable circumstances would have relied upon to the same pricing date. The taxpayer needs to notify the Peruvian tax authority (SUNAT) of the actual pricing date or period of pricing dates used to determine the price for the transaction within 15 working days prior to the date of shipment or disembarkation.

In the event the notification is not presented, it is incomplete or contains inconsistent information, SUNAT may determine the price for the commodity transaction by reference to the quoted price on: (i) the shipment date of the commodities exported; or (ii) the disembarkation date of the commodities imported.

If the selected transfer pricing method is different from the CUP, the taxpayer needs to provide the local tax authority with the supporting documentation that explains the economic, financial and technical reasons as to why the selected transfer pricing method is the most appropriate one.

► Tax treaties

Peru has entered into double tax treaties with Brazil, Canada, Chile, South Korea, Mexico, Portugal and Switzerland. It has also signed an agreement to avoid double taxation with the other members of the Andean Community (Bolivia, Colombia and Ecuador) under which the exclusive right to tax is granted to the source country.

The principal purpose of this still reduced income tax treaty network is to prevent taxes from interfering with the free flow of international trade and investment by mitigating international double taxation with respect to certain income items. This, however, is not a static list. Some existing tax treaties are being renegotiated and others are in various stages of negotiation with countries such as Spain, Sweden, Italy, The Netherlands, Singapore, Thailand, France, Qatar, United Arab Emirates and the UK.

Except for the tax treaty with the other Andean Community countries, tax treaties entered into by Peru generally follow the OECD Model, although they incorporate provisions that are derived from the UN Model, to give more weight to the source principle than does the OECD Model.

Each of the treaties currently in force between Peru and other countries deals with the same matters. Many of the treaties contain common provisions addressing the same issue. It should, however, be noted that Peru's tax treaties show a remarkable degree of individuality, considering that almost every treaty is different in at least some respects. For that reason, it is essential to analyze the specific treaty that may apply to a particular tax issue.

► Stamp Tax

None.

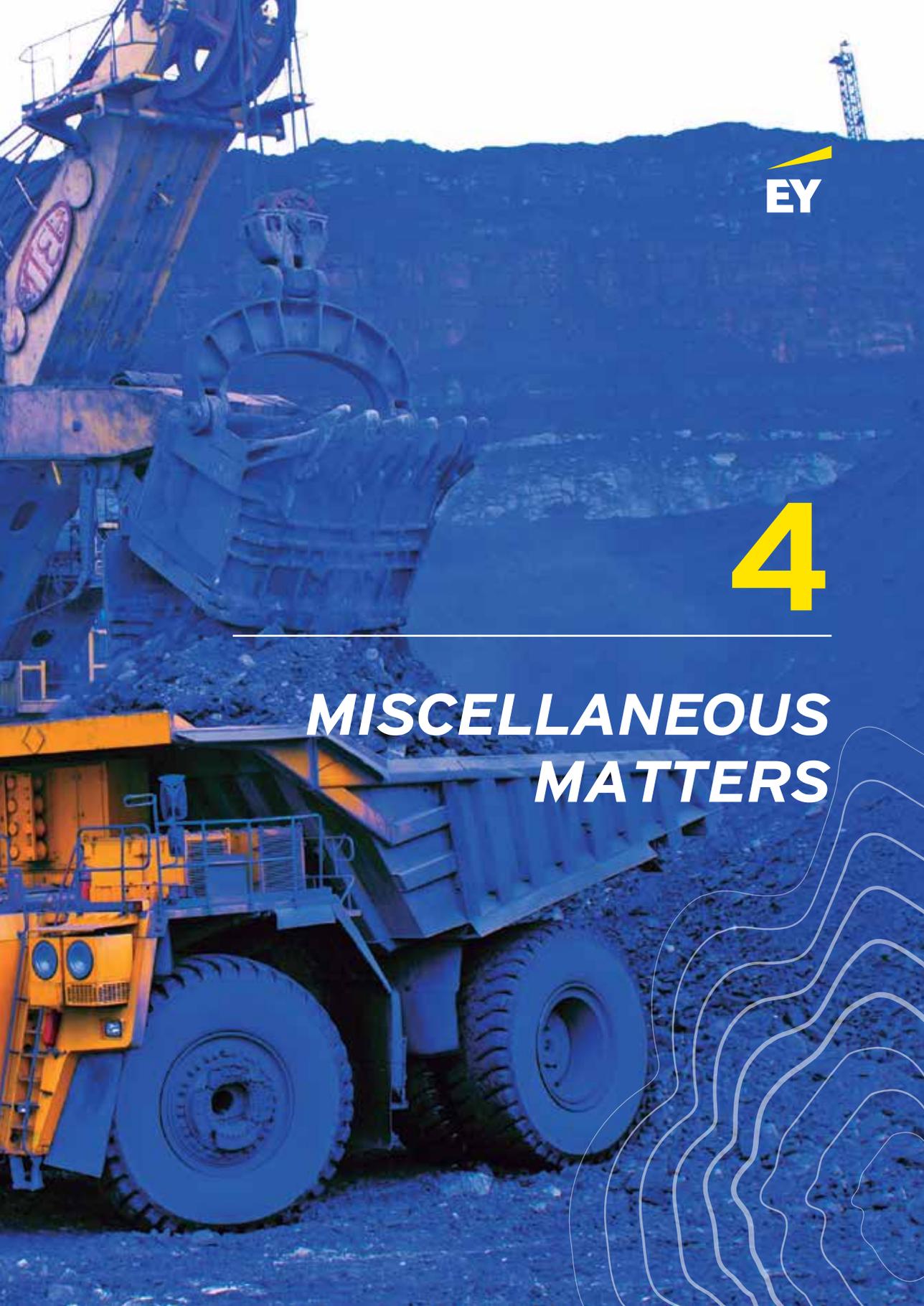
► Exchange controls

None.



4

MISCELLANEOUS MATTERS



4.1 | Starting a business in Peru

Mining activities can be carried out in Peru through a number of investment vehicles. In practice, the three forms of legal organizations most commonly used by foreign investors are the corporation (Sociedad Anónima - S.A.), limited-liability company (Sociedad Comercial de Responsabilidad Limitada - S.R.L.) and the branch (sucursal), although Peruvian company law also provides for other forms of legal entities, including two special forms of corporations: the closely held corporation (Sociedad Anónima Cerrada) and the public corporation (Sociedad Anónima Abierta).



a Requirements of an S.A.

A corporation (Sociedad Anónima - S.A.) is composed of shareholders whose liability is limited to the value of their shares. The S.A. is managed by a board of directors and one or more managers. To form an S.A., investors (i.e. the shareholders) must sign the deed of incorporation before a public notary and file it with the Mercantile Registry. The registrar receives the public deed and proceeds to register the company. The registrar is also interconnected with the Tax Authority (SUNAT) to register the company as a taxpayer and obtain the tax identification number (Registro Único de Contribuyente, RUC). The bureaucratic and legal steps that an investor must complete to incorporate and register a new standard SA normally take between 15-30 days. Notary fees are up to 1% of capital, depending on the company size, the length of the public deed, and the initial capital contribution. The registration fees are also paid to the notary.

The incorporation documents must include, at least:

- The company's name.
- Business purpose and duration.
- The company's domicile.
- The name, nationality, marital status and residence of any individual shareholder and name, place of incorporation and address of any corporate shareholder (a minimum of two shareholders are required to set up an S.A.).
- The names of the initial directors, managers and agents.
- The start-up date of operations.
- The capital structure (the shares nominal value and the total number of shares), classes of shares, if applicable, and details of individual initial capital contributions (whether in cash or kind). Sufficient proof that a minimum of 25% of capital stock has been paid into a bank before registration must also be provided.

Capital

Capital is divided into shares which may be freely transferred unless such transfers are restricted by the corporate bylaws. There are no minimum or maximum capital requirements although issued capital must be fully subscribed and at least 25% thereof paid in upon incorporation. Capital may be supplied in cash or in kind. Value of non-monetary contributions must be reviewed and approved by a majority of the board of directors within 60 days of incorporation and may be challenged in court during the following 30 days.

An S.A. must set aside at least 10% of net profits after taxes in a legal reserve fund till this amounts to 20% of capital. Loss of more than two-thirds of subscribed capital normally requires liquidation of the company.

Founders, shareholders

An S.A. must have a minimum of two individual or corporate shareholders, with no requirements as to their nationality or residence.

The shareholders' general meeting is the supreme body of the S.A. and has powers of decision on any subject and the exclusive power of decision with respect to dissolution, amendments of the corporate bylaws and a capital increase or reduction, among other key corporate decisions.

Board of directors

An S.A. must have a minimum of three directors, with no maximum number provided by the law. There are no requirements as to their nationality or residence. Directors need not be shareholders, and they serve one to three-year renewable terms.

Directors may be elected by cumulative voting, in which each share has as many votes as there are directors to be elected, and shareholders either accumulate their votes in favor of one candidate or distribute them among several. A quorum is half the board membership plus one. The board of directors has all the powers vested in it by law and the corporate by-laws.

Requirements of a Corporation ("S.A.") in Peru

Management

One or more managers are named (and removed) by the board of directors, unless bylaws stipulate naming by a general shareholders meeting. When only one manager is appointed, he/she will be the general manager. There are no nationality requirements. Legal entities can also be appointed as managers.

Types of shares

Shares must be nominative and they represent the unit into which the proprietary interests in a corporation are divided. As a general rule, each share gives the right to one vote, but non-voting shares may be issued. Different classes or series of shares may be issued, with different rights and/or obligations. Shares must be recorded in the Share Register Book.

All shares must have the same par value but may be issued at a premium or at discount from par. Corporations may purchase their own shares in certain circumstances. Bylaw restrictions on transfer of shares are permitted.

Control

An annual general meeting is required. Bylaws may specify a higher quorum and larger majorities than those laid down by law. The minimum quorum for a general meeting is 50% of capital on the first call and any number on the second call. Most decisions are taken by a simple majority of the paid-up voting shares represented. For major decisions, such as capital increases or decreases or corporate bylaw changes, the minimum quorum is two-thirds of total voting shares represented on the first call and 60% on the second call, and the decision requires an absolute majority of total voting shares represented.

b Closely held corporation

A corporation can be classified as closely held if it does not have more than 20 shareholders and its shares are not listed in the Stock Exchange. The closely held corporation has certain features found in a limited-liability company (for example, limited liability of equity owners, absence of freely transferable equity shares and no requirement for a board of directors).

c Public corporation

A corporation will be considered "public" where (i) it has undertaken an initial public offering (IPO) or stock market launch to sale its stock to the public; (ii) it has more than 750 shareholders; (iii) at least 35% of its shares is held by at least 175 shareholders, each of whom owns at least two per thousand (0.002%) but no more than 5% of the shares representing the corporation's capital (iv) it is incorporated as a public corporation; or (v) all the shareholders with voting rights agree unanimously to subject the company to the legal regime applicable to public corporations.

d Limited Liability Company

The Limited Liability Company or S.R.L. is subject to registration procedures, reporting and accounting requirements similar to those for the S.A. The minimum number of owners is two, the maximum 20, whose liability is limited to their capital contributions. At least 25% of each participant's contribution to capital must be paid in upon founding. The S.R.L.'s capital is divided into and represented by participating interests which cannot be denominated shares and which are not freely negotiable certificates.

Capital holdings may be transferred outside the company only after they have been offered through the management to other partners or the company itself and they have declined to purchase the offered interests. Further restrictions on transfers may be set out in the bylaws. As a general rule, an S.R.L. is managed and represented by all its partners. However, the partner's general meeting may entrust the company's management to one or more managers who need not be partners in the S.R.L. or Peruvian citizens. Decisions are determined by a majority of capital contributions.

The S.R.L. is subject to registration procedures, reporting and accounting requirements similar to those for the S.A. The minimum number of owners is two, the maximum 20, whose liability is limited to their capital contributions. At least 25% of each participant's contribution to capital must be paid in upon founding. The S.R.L.'s capital is divided into and represented by participating interests which cannot be denominated shares and which are not freely negotiable certificates. Capital holdings may be transferred outside the company only after they have been offered through the management to other partners or the company itself and they have declined to purchase the offered interests. Further restrictions on transfers may be set out in the bylaws. As a general rule, an S.R.L. is managed and represented by all its partners. However, the partner's general meeting may entrust the company's management to one or more managers who need not be partners in the S.R.L. or Peruvian citizens. Decisions are determined by a majority of capital contributions.

4.2 | Customs duties

The main characteristics of the S.R.L. of entity are:

Limited liability	Partners are not personally liable for the corporation's liabilities.
Centralized management	Partners general meeting and one or more managers (no board of directors is required).
Transfer of interest	Transfer of partners' interest to third parties is subject to approval by the existing partners and must be registered in the public register.
Continuity	Death, illness, bankruptcy, retirement or resignation of any partner does not cause the dissolution of the entity.

e Establishing a branch

Procedures for organizing a branch in Peru are similar to the procedures applicable to organizing corporations or limited liability companies. It takes between two to three weeks to register a branch once the necessary documents have been submitted to the Peruvian notary. These include copies of the parent firm's corporate charter and bylaws, minutes of the shareholders agreement to set up a branch in Peru, certification of the branch's address, assigned capital and line of business, notifications of the appointment and powers of a legal representative in Peru; and a Peruvian consul's certification that the parent company is duly constituted in the country of origin and entitled to set up a branch in a foreign country.

a Rates and Tax bases

The applicable customs duties and taxes are summarized below:

Tax	Rate	Tax bases
Custom duties*	0%, 6% and 11%	Customs Value**
VAT	18%	Customs Value + customs duties

* Customs duties rates depend on the kind of items imported. Capital goods are generally subject to a 0% rate.

** The World Trade Organization (WTO) rules are applicable to arrive at customs value.

b International Trade Agreements

Peru's development strategy is based on an economy opened to the world and competitive in its export offer. It has been a successful strategy that has permitted the country to consolidate its foreign trade as an instrument for economic development and the reduction of poverty.

International trade negotiations, which have benefited from rigorous macroeconomic management and its consequent stability, have allowed the Peruvian economy to gradually tackle and reduce its external vulnerability in times of crisis such as in the current international situation. In recent years, Peru has negotiated Free Trade Agreements (FTA) with large and medium-sized markets.

As of 2017, 89% of Peru's exports are covered by Free Trade Agreements (FTAs) currently in force. This enables Peruvian products to enter, subject to the rules of origin of each trade agreement, under preferential conditions to over 55 countries, including the United States, China, Canada, Japan, South Korea, Thailand, Singapore and the member countries of the European Union, MERCOSUR, among others.

This market openness and the trade agreements that Peru has signed have permitted an increase in the number of exported products and exporting companies, particularly in non-traditional exports. Despite the fact that exports of traditional products still represent 73% of the country's total exports, it is clear that the trade agreements have allowed the country to diversify its offer of non-traditional goods.

Additionally, these trade agreements are a valuable instrument for attracting direct foreign investment and boosting increased productivity in companies, as well as the transfer of technology through the lower cost of imports of capital goods and quality inputs. Trade agreements provide an incentive to the processes of convergence of international standards, which has enabled more Peruvian companies to improve their management and logistics practices.

c *Other considerations*

Mining companies are not exempt from import duties, but under certain circumstances can benefit from temporary import privileges that have the effect of differing duties. The customs legislation allows the temporary import, for an 18-month period of certain capital goods without the payment of the customs duties and import taxes (e.g. machinery and equipment). For these purposes, it is necessary to grant a guarantee for the unpaid taxes (and compensatory interest) and the referred goods must be re-exported before the end of the aforementioned term.

This regime will be applicable to the extent that the goods are identifiable and destined to specific purpose in a specific location. They also need to be re-exported within a specified period of time without having undergone any change except normal depreciation arising from their use.



4.3 | Labor legislation

a Job stability

In accordance with the Constitution, employees are protected against arbitrary dismissal.

This right, called “job stability”, is granted to employees who work for the same employer for more than four hours per day in average, after a three month trial period. Once this period is completed, the employees are regarded as permanent and can only be dismissed under circumstances concerned with their behavior at work or ability to carry out their duties.

Employers may enter into employment contracts for an undetermined period of time or for fixed terms. Temporary or fixed term contracts are expressly foreseen by Law and are basically allowed for cases such as business expansion, production increments, temporary activities, extraordinary circumstances and seasonal activities. These contracts must be entered into in writing and communicated to the labor authority.

Workers on permanent contracts are entitled to mandatory severance payments if they are dismissed without cause. In Peru, the current mandatory severance pay (a key component in ensuring job stability) is set at 1.5 monthly salaries for each year of service. Workers under fixed term contracts are also legally entitled to a severance pay, equivalent to 1.5 monthly salaries for each month that remains pending to complete the term of the contract. In any case, the maximum severance payment is twelve salaries. Alternatively, the employee can demand the restitution to the same job he had. The law allows collective dismissals under certain circumstances such as acts of God or force majeure, financial or technical streamlining, dissolution, bankruptcy or operating downsizing without having to grant the severance payment.

b Employees' benefits

Employers are required to provide the following benefits for employees:

- Family allowance equivalent to PEN 65.4 (approximately)
- One month paid vacation per year
- One month salary bonus in July and December
- One month salary per year (approximately) as severance indemnity which should be deposited in advance with a bank elected by the employee. Deposits are regarded as final payments of the accrued liability
- Profit sharing in cash, which is calculated on the employer's taxable income and distributed among the employees. The rates are 5%, 8% and 10% depending on the employer's activity (8% for mining). This benefit does not apply to companies employing less than 20 individuals
- All these benefits are deductible for income tax purposes

Employers can negotiate with workers earning a monthly salary higher than 2 tax units (PEN 8,400 in 2019) a total annual compensation, including all the benefits described above, except for the profit sharing.

c *Expatriates*

Expatriates working in Peru and foreign corporations carrying out activities in Peru are subject to Peruvian labor laws. As a general rule, foreign employees should not exceed 20% of total personnel. Additionally, wages paid to foreign employees should not exceed 30% of total payroll cost. Such limits can be waived for professionals and specialized technicians or management personnel of a new entrepreneurial activity or in case of a business reconversion.

No restrictions apply to foreign individuals working in Peru with Peruvian immigrant visa, individuals married to Peruvians or having Peruvian children, parents or siblings and foreign investors with a permanent investment in Peru with revenues of at least 5 tax units (PEN 21,000 in 2019; approximately USD 6,230).

Expatriate employees should register their employment contract with the labor authorities and obtain a special non-immigrant work visa. No additional work permit is needed.

d *Immigration*

Foreigners can enter Peru under the following migratory qualifications:

Visa	Rate	Tax bases
Tourist visa	Temporal	This visa does not allow to perform paid activities.
Business visa	Temporal	This visa does not allow to perform activities that can be considerable Peruvian source income. This visa allows the expatriate to sign contracts.
Work visa	Resident or Temporal	This visa allows to work in Peru. Suppose the existence of a work contract with Peruvian company duly approve by the labor ministry.
Designated employee visa	Temporal	This is a visa that applies for an employee of a foreign company. The following documents must be submitted to the migratory authority: service agreement and the assignment letter. Those documents must be legalized by the Peruvian consulate and the Peruvian foreign minister.
Work visa for service providers	Resident	Investment or independent work.
Immigrant	Resident	No restrictions.

4.4 | Accounting standards

As a general rule, income obtained for personal work or civil, commercial or any other type of business carried out within the Peruvian territory is considered to be Peruvian source income. However, non-resident individuals entering the country temporarily to perform the following activities are not taxed for revenues obtained in their home country, since they are not considered as Peruvian source income:

- Acts that precede a foreign investment or any other business;
- Supervision or control of an investment or business, (i.e. gathering data or information, meeting public or private sector personnel, etc.);
- Hiring local personnel; and,
- Signing agreements or similar documents.

Any other amount an expatriate receives in cash or in kind, as a compensation for work carried out within Peru, is considered as Peruvian source income and, consequently, will be taxable.



a Public Issuers

Entities under the supervision of the Superintend of Stock Markets (SMV by its acronyms in Spanish), except for financial institutions which are under the supervision of Superintend of Banks and Insurances, must prepare and file its financial statements using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b Private entities

The Peruvian Business Corporation Law establishes that the financial statements of companies incorporated in Peru must follow the Peruvian GAAP and other legal provisions on the matter. The Peruvian Accounting Standards Board has established that Peruvian GAAP is equivalent to the accounting standards as issued by the IASB, duly approved by the Peruvian Accounting Standards Board. Supplementary, companies in Peru can use US GAAP by analogy.

Certain IFRS internationally in force are not immediately used in Peru since the Peruvian Accounting Standards Board takes some time in studying and introducing these standards into Peru.

c IFRS for mining entities

Although the following is not a comprehensive list of the issues in mining entities, it should contribute to the understanding of the main accounting topics affecting the financial statements of the mining entities:

► Inventories

Critical spare parts are to be classified as property, plant and equipment and not as inventories. These items are subject to depreciation.

► Exploration and evaluation costs

There is diversity in acceptable accounting treatments. Some entities capitalize exploration and evaluation costs, while others record as expenses when incurred.

► Development costs

Costs incurred to develop a property, including additional costs to delineate the ore body and remove impurities it contains, are capitalized. These costs are amortized when production begins, on the units of production method over the expected useful life of the ore body.

► Stripping costs

- As part of the mining operations, the entities incur waste removal costs (stripping costs) during the development and production phases. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of constructing the mine and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when mine starts production.
- Stripping costs incurred during the production phase (production stripping costs) are generally considered to create two benefits, being either the production of inventory or improved access to the ore mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a non-current asset, referred to as a stripping activity asset. This asset is subsequently depreciated using the units of production method over the expected useful life of the component identified of the ore body that has been made more accessible to the activity.



► Impairment of long-lived assets

- Entities must assess, at each reporting date, whether there is an indication that an asset may be impaired. If an indication exists, or when annual impairment testing for an asset is required, the entities estimate the recoverable amount of the cash generating unit (CGU). The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the CGU.
- When the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.
- IFRS contains specific rules for the calculation of the value in use (discounted cash flows) related to key assumptions as prices, discount rate, exchange rates and capital expenditures.
- IFRS requires the reversal of impairment losses recorded in prior years for assets subject to depreciation and amortization.
- IFRS requires the performance of an annual impairment test for assets not subject to depreciation and amortization (for example, goodwill), independently of the existence or not of impairment indicators.

► Depreciation of property, plant and equipment

- It is required to depreciate the assets using a components approach.
- There are potential risks in connection with the accounting treatment of major maintenances.
- Companies need to consider the use of the units-of-production method to depreciate/amortize the assets used in the mine site, instead of using the straight-line method.
- IFRS need to consider the estimation of the residual value of the fixed asset in order to determine the depreciable amount.
- The residual values, useful lives and methods of depreciation must be reviewed at year-end. Any resulting impact is adjusted prospectively.

► Functional currency

Most of the mining entities keep their accounting records in US dollars, which is the functional and presentation currency.



► Decommissioning liabilities

- When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on a risk-free rate. In addition, the capitalized cost is depreciated and/or amortized based on the useful life of the asset.
- Changes in the estimated timing of rehabilitation, changes to the estimated future costs or changes in the risk-free rate are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the related asset. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of the asset. If it does, any excess over the carrying amount is taken immediately in the statement of profit or loss.
- For closed mines, changes to estimated costs or risk-free rate are recognized immediately in the statement of profit or loss.

► Revenues

- Revenue from sale of concentrates and metals is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.
- Contract terms for the sale of metal in concentrate to customers allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the quotation period). Adjustments to the sales price occurs based on movements in quoted market prices up to the date of final settlement.

- Sales contracts for metal in concentrate that have provisional pricing features are considered to contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate, and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted with final liquidations. The embedded derivative is originated by the metals prices since the date of issuance of the provisional liquidation until the date of issuance of the final settlement.
- The embedded derivative, which does not qualify for hedge accounting, is initially recognized at fair value with subsequent changes in the fair value recognized in the statements of profit or loss until final settlement. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

► Financing costs

- IFRS requires an entity to capitalize borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. An entity shall recognize other borrowing costs as an expense in the period in which it incurs them.
- There may be difficulties to determine the borrowing costs to be capitalized, specifically the exchange difference that is regarded as an adjustment to interest costs.

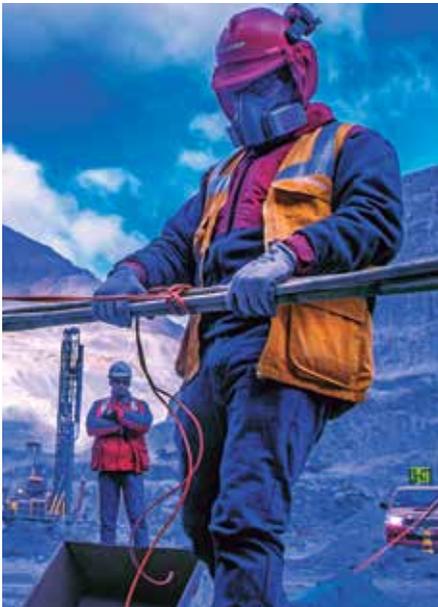


5

APPENDIX



Mining sector regulators and stakeholders



| Regulators

- ▶ **General Bureau of Environmental Health - DIGESA**
(www.digesa.sld.pe)

This is the technical-regulatory body in aspects related to basic sanitation, occupational health, hygienic food, zoonosis and environmental protection. It issues regulations and assesses environmental health processes in the sector. It is an entity under the Ministry of Health.

- ▶ **General Bureau of Mining Environmental Matters - DGAAM**
(www.minem.gob.pe)

This is the technical-regulatory body responsible for proposing and assessing the Mining Sector's environmental policy, proposing laws or issuing the necessary rules. It also focuses on promoting environmental protection activities in mining activities.

- ▶ **General Mining Bureau - DGM**
(www.minem.gob.pe)

This is the MINEM Mining Line Unit responsible for ruling and promoting activities to assure the rational use of mining resources in harmony with the environment.

- ▶ **Geological, Mining and Metallurgical Institute - INGEMMET**
(www.ingemmet.gob.pe)

This is the public agency responsible for granting the titles to mining concessions, administrating the national mining register and processing, administrating and issuing geo-scientific information on the national territory in order to promote investment in Peru.

- ▶ **Hydric Resources Intendance of the National Institute of Natural Resources - INRENA's IRH**
(www.inrena.gob.pe)

This is the highest technical-regulatory authority responsible for promoting, overseeing and controlling the policies, plans, programs, projects and rules on the sustainable use of hydric resources nationwide. It is part of the National Institute of Natural Resources (INRENA).

- ▶ **Mining Council**
(www.minem.gob.pe)

Highest-level administrative court of last resort over all mining matters that are subject to resolutions by agencies under the Ministry of Energy and Mines (DGM, DGAAM, INGEMMET, and others).

- ▶ **Ministry of Agriculture - MINAG**
(www.minag.gob.pe)

This is the entity that promotes the development of organized agrarian producers in productive chains, in order to achieve an agriculture that is fully developed in terms of economic, social and environmental sustainability.

- ▶ **Ministry of Energy and Mines - MINEM**
(www.minem.gob.pe)

This is the central and governing body for the Energy and Mining Sector, a part of the Executive Branch. Its purpose is to formulate and assess national policy in matters of sustainable development in mining-power activities. It is the governing authority in environmental matters in reference to mining-energy activities.

- ▶ **Ministry of Labor and Employment Promotion - MTPE**
(www.mintra.gob.pe)

This is the body governing labor in Peru, with all powers necessary to lead the implementation of policies and programs for generating and improving employment, and also responsible for enforcement of legislation for labor matters.

- ▶ **National Environmental Council - CONAM**
(www.conam.gob.pe)

This is the nation's environmental authority. Its purpose is planning, promoting, coordinating, controlling and safeguarding the nation's environment and natural heritage. It sets the balance among socio-economic development, the sustainable use of natural resources and preservation of the environment.

- ▶ **National Superintendency of Tax Administration - SUNAT**
(www.sunat.gob.pe)

A decentralized public entity in the Economy and Finance Sector that enjoys economic, administrative, functional, technical and financial autonomy. It is the main tax-collecting agency in the Peruvian economy.

► **Presidency of the Cabinet - PCM**
(www.pcm.gob.pe)

This is the technical-administrative body covered by the Executive Law; its highest authority is the President of the Cabinet. It coordinates and conducts follow-up on the Executive's multi-sector policies and programs, coordinates actions with Congress and independent constitutional bodies, among others.

► **Supervisory Body of Private Investment in Energy and Mines - OSINERGMIN**
(www.osinergmin.gob.pe)

This is the regulatory, supervisory body that regulates, enforces and oversees the activities undertaken by internal public- or private-law legal entities and individuals in the electricity, hydrocarbons and mining sub-sectors.

► **Technical Board of Irrigation District - ATDR**

Operational, functional and planning units oriented towards the conservation and development of the hydric resources within a hydrographic river basin. Their function is to administer waters for agricultural and non-agricultural uses, in accordance with approved cultivation and irrigation plans.

► **Environmental Assessment and Supervisory Board - OEFA**
(www.oefa.gob.pe)

The OEFA is the guiding entity of the National Environmental Assessment and Supervisory System (SINEFA) and is responsible as such for the evaluation, supervision, and auditing of the compliance with environmental laws nationwide, integrating the efforts of the State and society in a coordinated and transparent manner to ensure the effective management and protection of the environment.



Stakeholders

- **Sociedad Nacional de Minería, Petróleo y Energía - SNMPE**
(www.snmpe.org.pe)

Non profit organization, groups the companies related to the mining, oil & gas and energetic activities in the country.



ProInversion

ProInversion is the Peruvian investment agency in charge of the promotion of business opportunities with high growth and profitability expectation in Peru. Its purpose is to promote investment unrelated to the Peruvian government by private parties in order to boost Peru's competitiveness and development and to improve the well being of the population.

Likewise, its vision is to be considered by investors and by the population as an efficient and strategically for the development of Peru's investments. ProInversion provides information to potential investors regarding the incorporation of a legal entity, identifying investment by industries, investment projects (granted and pending) among other.

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How can we help?

Services for the mining sector

Our services

EY has a global focus on mining and metals, with over 12,000 specialist global professionals including mining engineers, mineral process specialists and geologists. Our global team is closely networked and share industry and technical knowledge to provide our clients with a seamless global service. Some of our specialist mining & metals based services include:

- 1 ▶ Environment and sustainability**
Providing an extensive range of services in areas such as sustainability reporting and assurance, sustainability strategy, reputation issues, environmental risk management, greenhouse gas emissions advisory, renewable energy and emissions trading.
- 2 ▶ Mining advisory**
Improving supply chain responsiveness to demand volatility; delivering core business re-engineering (e.g. merging a number of mines into one management structure), and delivering mine-based projects aimed at reducing costs or increasing production.



+12,000 *Global professionals specialized in mining & metals*

3 ▶ **Mergers and acquisitions advisory**

Mergers and acquisitions, at either the holding company or asset level, require specific knowledge and skills in order to complete transactions. The knowledge and skills required relate to the regulatory environment, including the rules and regulations of each country's stock exchange, accounting, legal, structuring and taxation disciplines in addition to an understanding of transaction value-drivers.

4 ▶ **Valuation and business modelling (V&BM)**

Providing a range of services to companies in the mining sector including valuations for purchase price allocation/acquisition accounting, tax planning, finance and stamp duty purposes and has specialists with extensive skills ranging from valuations of businesses and intangible assets to specialised mining capital equipment and real estate.

Our valuations personnel have experience in the extraction, beneficiation, refining, smelting and processing of base metals, bauxite, coal, diamonds, gold, iron ore, limestone, mineral sands, nickel, salt, etc. Further V&BM has deep expertise in model builds and reviews and is able to construct or review life of mine cash flow models as part of an acquisition strategy.

5 ▶ **Project finance advisory**

Advising on the development, optimisation and implementation of finance plans covering the full range of project financing options for resources projects; non and limited recourse debt and tax effective leasing structures for coal mines, gold mines, copper mines, mineral sands producers and other resources project as well as a number of associated infrastructure projects such as preparation plants, conveyor systems and gas pipelines.

6 ▶ **Transactions advisory**

Our global transaction capability covers over 80 countries and comprises over 5,000 professionals. These transaction professionals work across many elements of the transaction life cycle in the deal critical areas of financial due diligence, tax due diligence and structuring, valuation and business modelling and transaction integration.

7 ▶ **Transaction integration**

Providing commercial and operational due diligence, integration planning and methodology development, synergy assessment, and integration program management; corporate strategy advice on market opportunities and areas to exploit along the mining value chain, as well as practical operational advice in areas such as overhead and capital expenditure cost reduction, process efficiency, supply chain and procurement, and in functional areas such as finance and human resources.



Our strength in the mining and metals sector

EY's mining and metals professionals combine technical capabilities with a thorough understanding of the industry's operating processes, strategic and operating risks, growth drivers, regulatory considerations, and market dynamics.

We use our wide experience of working with the world's largest mining and metals companies to help you to address your key business issues. This might involve helping you to overcome current sector issues such as rising costs where we can help you to streamline operational and business processes, and improve productivity on key profit drivers.

In this environment of increased sector consolidation, we can assist you with your divestment strategies, to ensure that you realize full value at exit. If you are looking to expand your operations to new regions, you can draw on our deep understanding of how to manage operational risks—both political and otherwise.

EY has a number of multi-service line solutions to help our clients meet these challenges.

EY thought leadership



Business risks facing mining and metals 2019-2020

The top risks facing mining and metals in 2019-2020 reflect a new era of disruption from both within and outside of the sector. This report identifies the top ten global business risks that pose the greatest challenges to the mining and metals sector.



Optimize for today? Build for tomorrow?

Stronger financial health has enhanced mining and metal companies' options in accessing financing for growth. What choices will you make?





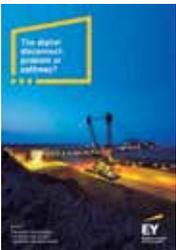
Digital mining: the next wave of business transformation

Discover how mining and metals companies can take the “digital wave” approach to transformation to help improve their digital effectiveness.



Good Mining (International) Limited

This paper contains an illustrative set of financial statements for Good Mining (International) Limited (Good Mining) and its subsidiaries (the Group), prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2018.



The digital disconnect: problem or pathway?

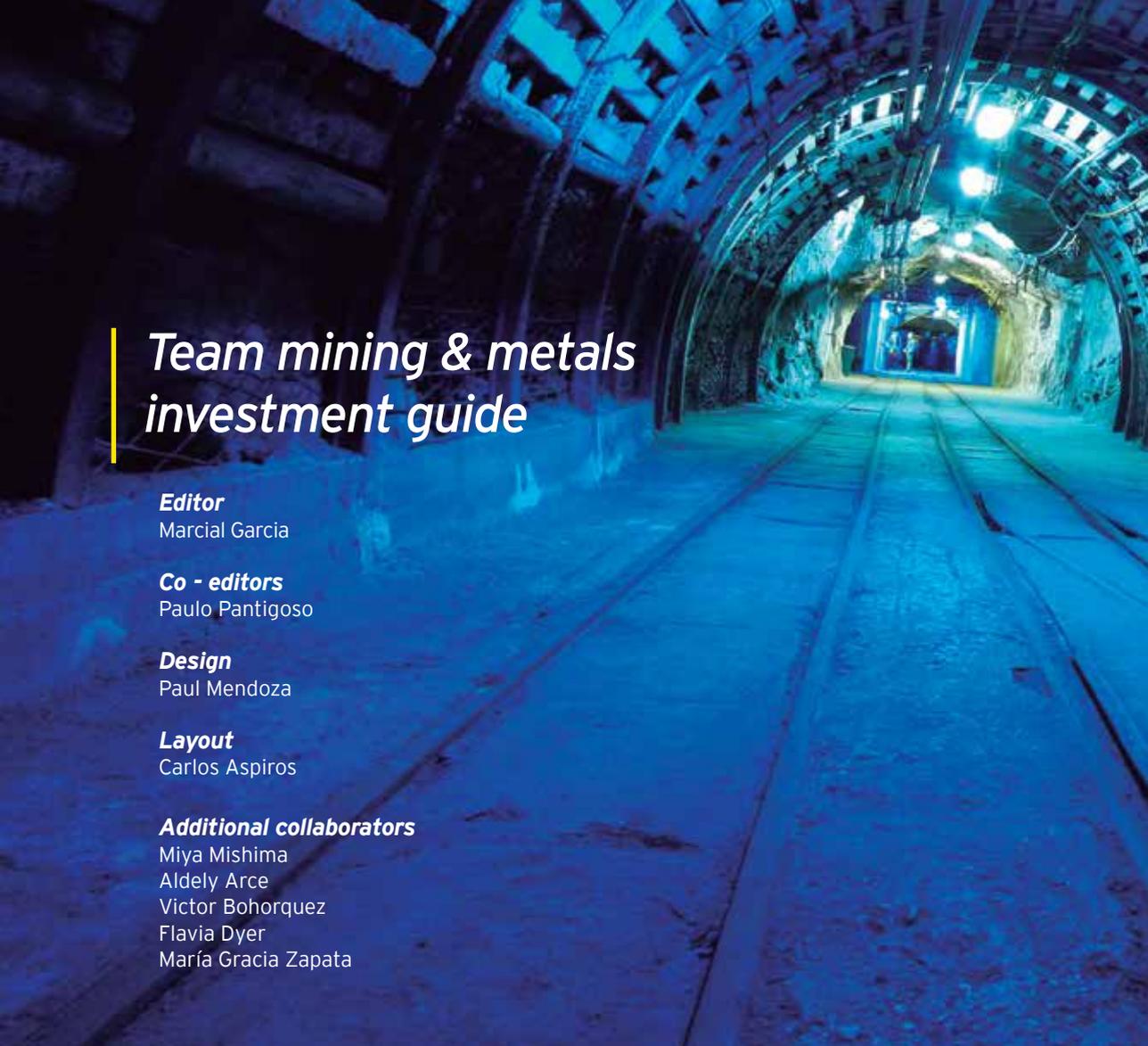
to achieve a sustainable productivity improvement, mining companies need to adopt an integrated end-to-end business approach from market to mine. Discover one of the key steps that reduce variability in the organization, enhance an end-to-end approach and improve decision-making.



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