



# 2020 FULL YEAR RESULTS

18 Feb 2021



**HOCHSCHILD**  
BEYOND MINING

# DISCLAIMER

---



*Some statements contained in this presentation or in documents referred to in it are or may be forward-looking statements. Any forward-looking information contained in this presentation has been prepared on the basis of a number of assumptions which may prove to be incorrect. Accordingly, actual results may vary or differ from those expressed in such statements, depending on a variety of factors. Forward-looking statements speak only as of the date on which they are made. Hochschild Mining plc undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.*

*Past performance of the Company or its shares cannot be relied on as a guide to future performance. Nothing in this presentation is to be construed as a profit forecast.*

*This presentation has been prepared solely for informational purposes and does not constitute, or form part of or contain any invitation or offer to any person to underwrite, subscribe for, otherwise acquire, or dispose of any securities issued by Hochschild Mining plc (or any subsidiary thereof) or advise persons to do so in any jurisdiction, nor shall it, or any part of it, form the basis of or be relied on in any connection with or act as an inducement to enter into any contract or commitment therefore. The information herein is only a summary, does not purport to be complete and has not been independently verified. No representation or warranty, either express or implied, is made as to, and no reliance may be placed for any purpose whatsoever on the information or opinions contained in this document or on its accuracy or completeness and no liability whatsoever is accepted for any loss howsoever arising from any use of this document or its contents otherwise in connection therewith.*

*This presentation has been prepared in compliance with English law and English courts will have exclusive jurisdiction over any disputes arising from or connected with this presentation.*

# KEY HIGHLIGHTS

---



- Strong financials despite impact of stoppages
- Prioritisation of employee health above business continuity
- Revenue: \$622m
- AISC at \$12.8/oz – below revised 2020 guidance
- EBITDA: \$271m
- Strong cash balance: \$232m
- Year-end net cash position for first time in 8 years
- Final dividend of 2.335cps (\$12m) with total dividends for 2020 of \$33m
- 2020 brownfield programme 75% complete; \$34m 2021 programme already started
- Portfolio optionality in early stage projects and Biolantanidos development

# COVID-19: RESPONSE UPDATE



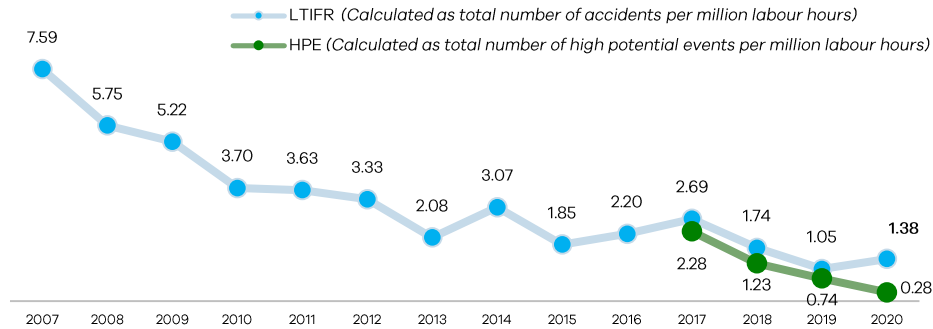
- Prioritisation of employee health over business continuity
- Communication campaigns in place since first Peruvian virus cases
- Strict health/distancing protocols implemented at all mines
- Full medical teams in place at operations with additional equipment acquired
- Additional community health and educational support & donations provided
- IT based system developed to monitor progress of Covid cases and aid shift-changes
- 2021 update:
  - Maintaining strict Covid-19 Hochschild protocols
  - Reinforcing medical equipment and personnel
  - Use of antigen tests prior to transfer to operations
  - Maintaining mental health support for employees and families
  - Reinforcing relationships with local medical facilities
  - Ready to respond to opportunity to vaccinate personnel and communities



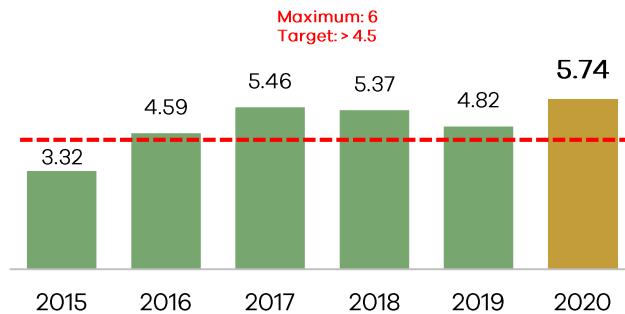
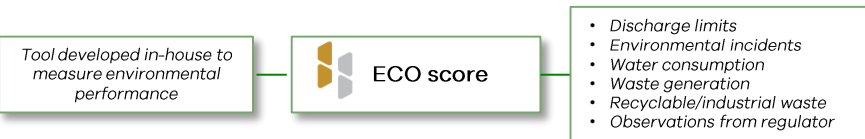
# 2020 ESG PERFORMANCE



## LTIFR/HPE



- LTIFR remains close to historical low
- “High Potential Events” (HPE) rate fell to 0.28
- Safety 2.0 programme launched
- ECO score equivalent for safety due to be launched soon: “SEGU” score



- Strong 2020 environmental performance: ECO Score of 5.74
- Highest score since inception in 2015
- Inmaculada: 5.88
- Pallancata: improved from 2.88 to 5.25
- ECO Score won “Sustainable Development Award” (Peruvian National Mining, Oil and Energy Association)
- 2020 ECO Score results to be certified by E&Y



# 2020 FULL YEAR RESULTS

Ramon Barua, CFO



**HOCHSCHILD**  
BEYOND MINING



\$m (pre-excep)	2020	2019	variation
<b>Revenue</b>	<b>621.8</b>	<b>755.7</b>	<b>(133.9)</b>
Cost of sales	(397.8)	(512.7)	114.9
<b>Gross profit</b>	<b>224.0</b>	<b>243.0</b>	<b>(19.0)</b>
Administrative exp.	(43.3)	(45.9)	2.6
Selling exp.	(12.8)	(21.1)	8.3
Exploration exp.	(32.8)	(38.0)	5.2
Others net	(27.4)	(25.7)	0.4
<b>Operating income</b>	<b>107.8</b>	<b>112.3</b>	<b>(4.5)</b>
Finance net	(19.4)	(7.1)	(12.3)
FX loss	(2.6)	(1.8)	(0.8)
<b>PBT</b>	<b>85.8</b>	<b>103.4</b>	<b>(17.6)</b>
Tax	(49.7)	(43.3)	(6.4)
<b>Net profit</b>	<b>36.2</b>	<b>60.1</b>	<b>(23.9)</b>
<b>Attrib. net profit</b>	<b>32.0</b>	<b>47.6</b>	<b>(15.6)</b>
<b>EPS</b>	<b>0.06</b>	<b>0.09</b>	<b>(0.03)</b>
<b>Adjusted EBITDA</b>	<b>270.9</b>	<b>343.3</b>	<b>(72.4)</b>

- Revenue decreased by 18% due to Covid-19 stoppages - expected lower volumes compensated by significantly higher prices
- Gross profit similar to 2019 reflecting higher prices despite inclusion in CoS of \$46.5m operational fixed costs during stoppages and ramp-up
- Admin expenses lower due to savings initiatives
- Selling expenses down due to stoppage in Argentina where export taxes are levied
- Exploration expenses reduced – brownfield/greenfield programmes delayed until H2 and completion in early 2021
- Other expenses mainly include increase of mine closure provision and lower care and maintenance expenses at idle assets
- Effective rate tax of 57.8%:
  - Impact of devaluation in Peru/Argentina affecting deferred income tax
  - Royalties/Special Mining tax
  - 31% net of royalties/devaluation impact
- Key exceptional items:
  - \$31.2m of direct Covid-19 response initiatives
  - \$8.3m reversal of impairment of San Jose

# COVID COST IMPACT



## Fixed costs during stoppages & reduced capacity

\$m	
Personnel	(32.1)
3 <sup>rd</sup> party services	(8.7)
Supplies	(1.7)
Depreciation & Amortisation	(1.8)
Others	(2.2)
<b>Total</b>	<b>(46.5)</b>

## Exceptional Covid-19 response initiatives

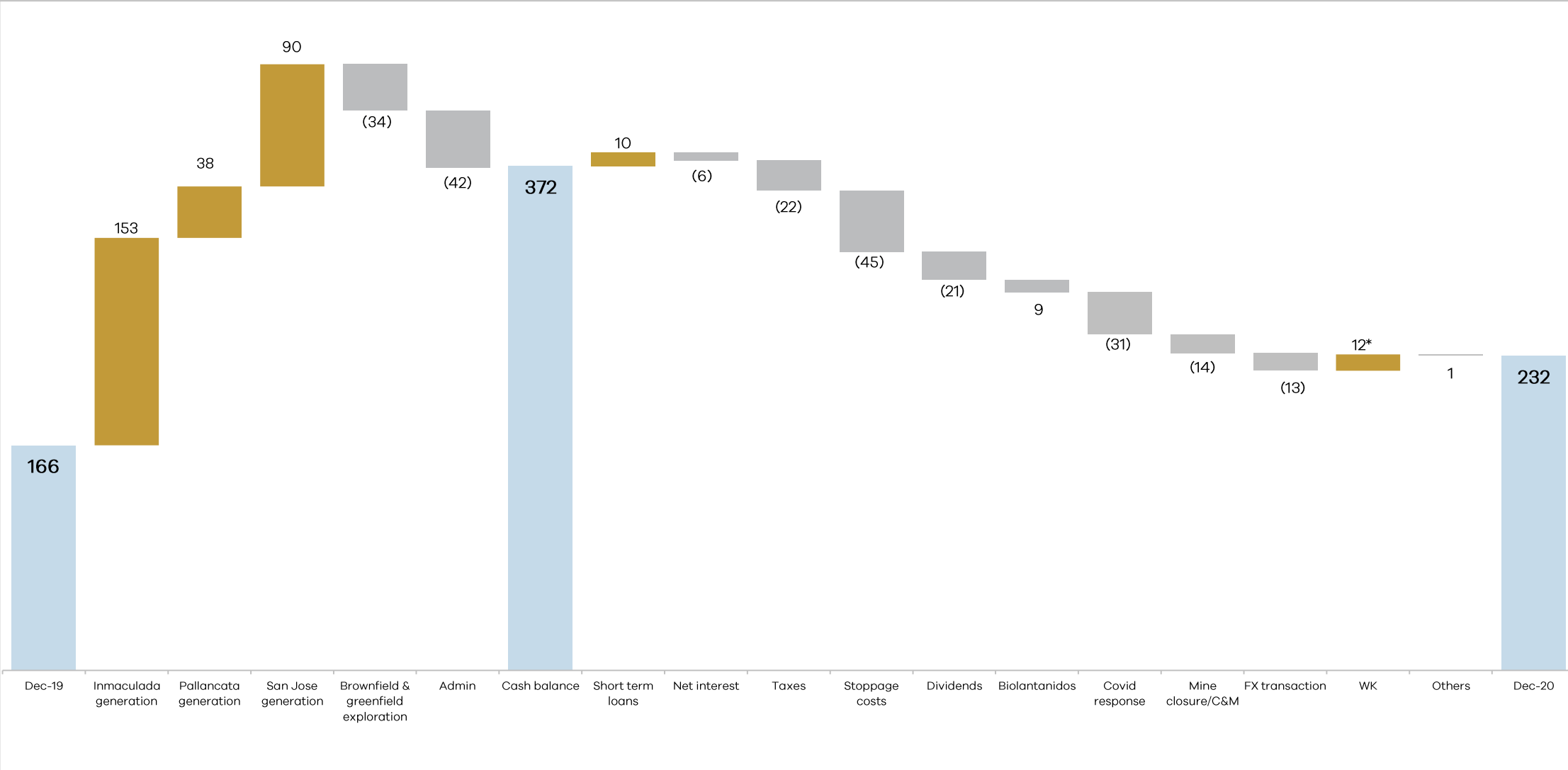
\$m	Peru	Argentina	Total
Personnel	4.6	-	4.6
Donations	1.4	0.1	1.5
3 <sup>rd</sup> party services	16.9	5.7	22.6
Others	2.5	0.1	2.6
<b>Total</b>	<b>25.4</b>	<b>5.9</b>	<b>31.2</b>

## 2021 outlook

- Expected to reduce significantly in 2021 due to:
  - Peruvian government not expected to mandate further industry stoppages
  - IT systems developed to track employees
  - More effective/rapid/lower cost testing
  - Reduced expenses for quarantine lodging
  - Guidance for 2021: \$10-15m



# BALANCE SHEET - EVOLUTION OF 2020 CASH BALANCE



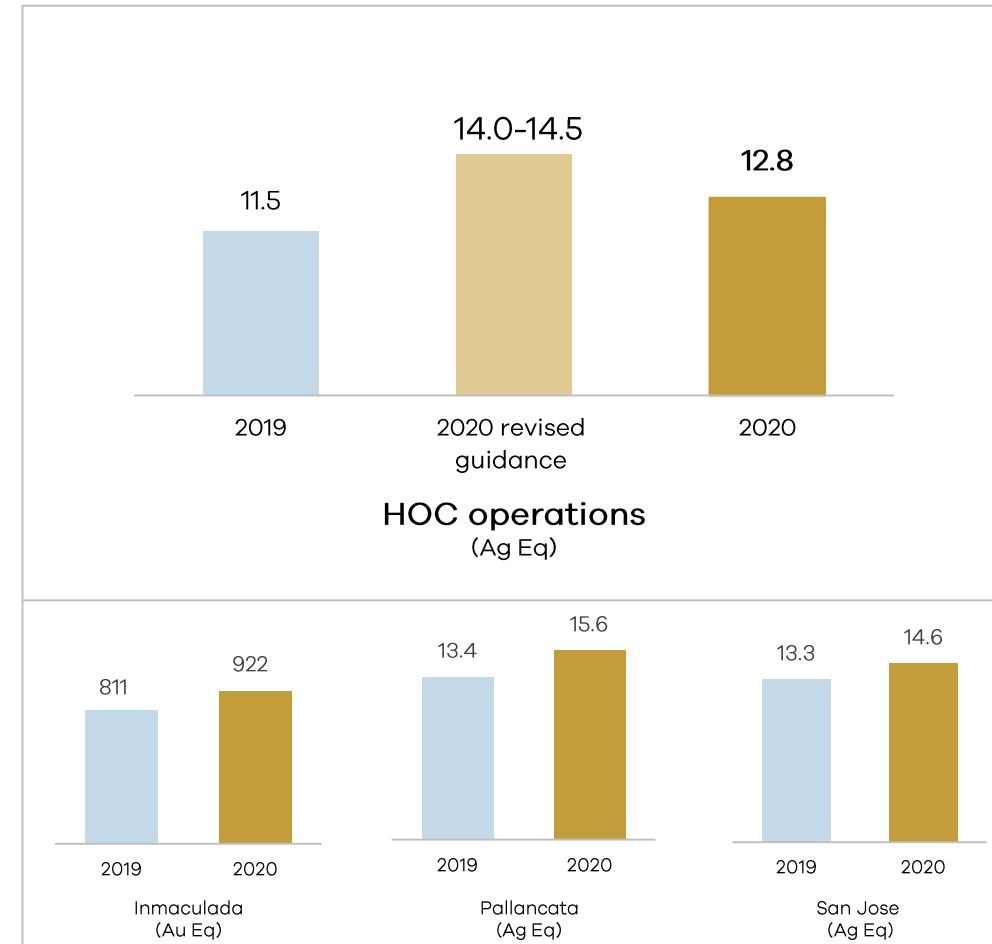
\*Does not include increase of income tax payables of \$10m nor change of mine closure provisions of \$9m, mainly in Ares

# COSTS



- AISC lower than guidance due to:
  - Lower production costs resulting from higher proportion of mechanised mining methods
  - Postponed capex - mainly mine developments
  - Exploration programmes delayed until H2 and completion in early 2021
  - Higher grades than expected in San Jose
  - AISC does not include fixed costs during stoppages & ramp-up + exceptional Covid-19 response initiatives

All in sustaining costs\*  
(\$/oz)

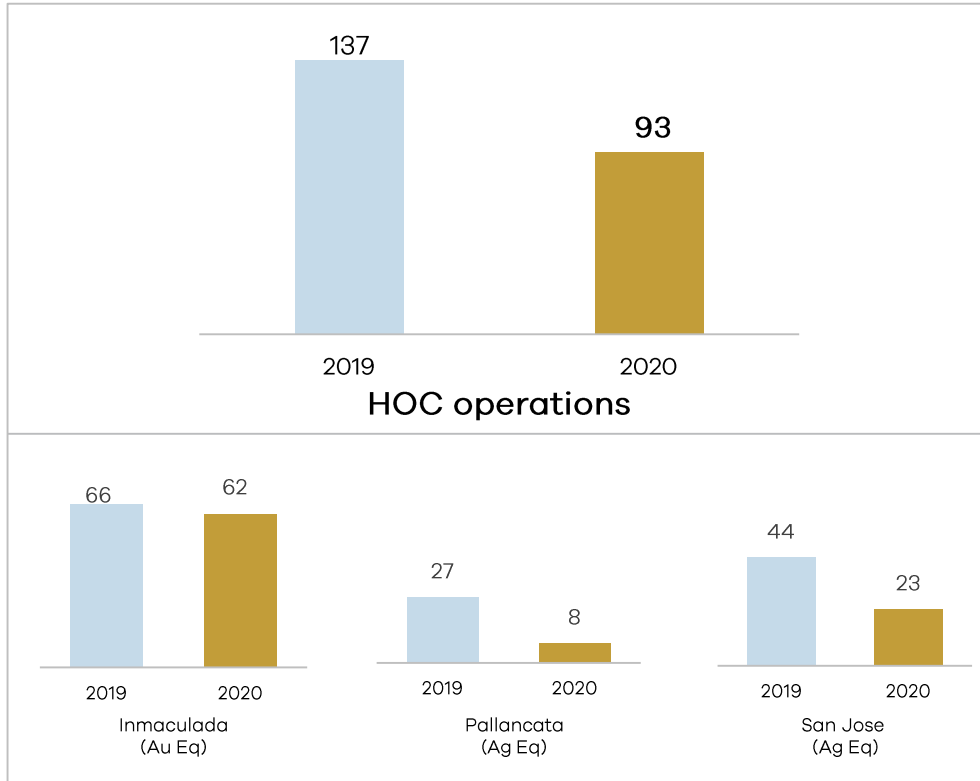


\*Please note 2020 and 2019 equivalent figures calculated using the average gold/silver ratio for 2019 of 86x.

# CAPITAL EXPENDITURE & EXPLORATION



Operations sustaining & development capex  
(\$m)



Exploration expenditure  
(\$m)

Operation	2019	2020
<b>Brownfield</b>		
Inmaculada	9.9	4.2
Pallancata	7.2	4.7
San Jose	9.7	9.7
<b>Total</b>	<b>26.8</b>	<b>18.6</b>
<b>Greenfield</b>		
Personnel & other	6.7	6.8
<b>TOTAL</b>	<b>44.0</b>	<b>33.9</b>
<i>Opex</i>	38.0	32.2
<i>Capex</i>	6.0	1.7

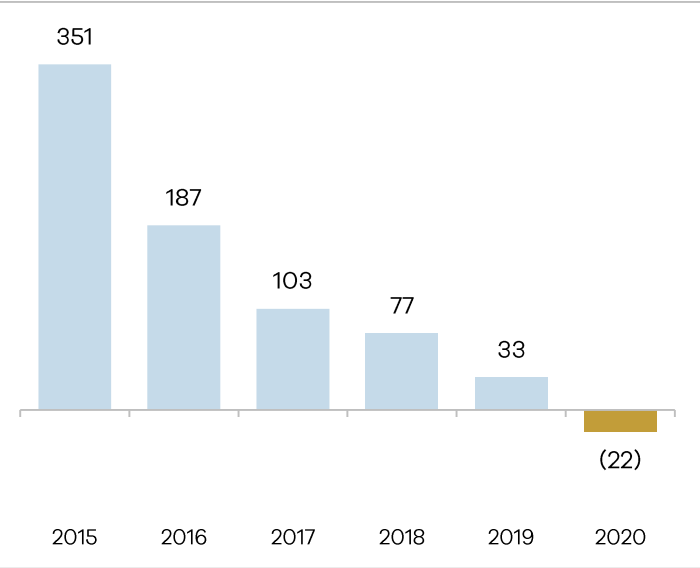
- Capex postponed due to stoppages, partially offset by the first stage of Inmaculada's tailings dam capacity expansion
- Deferrals mainly include mine development and infill drilling (already included in 2021 guidance)
- Operations capex do not include Biolantanidos: \$9m



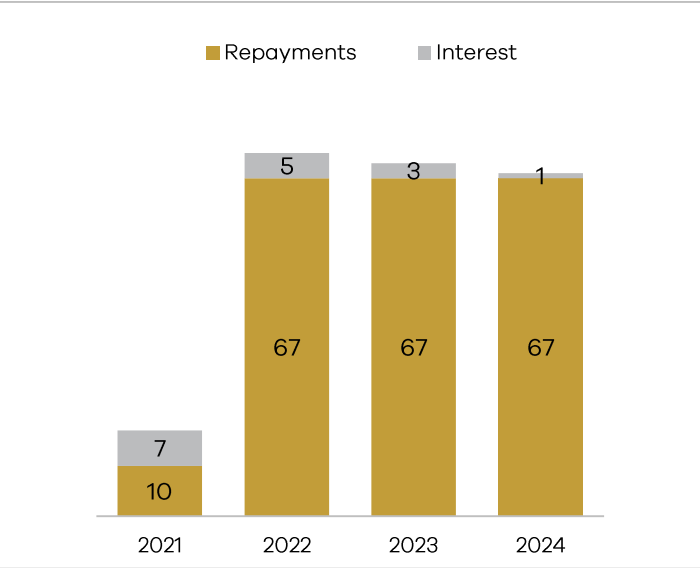
# STRONG FINANCIAL POSITION

- Robust balance sheet
- Cash balance: \$232m
- Net cash: \$22m
- \$21m interim dividend paid in Dec 2020
- **Final dividend declared: \$12m**

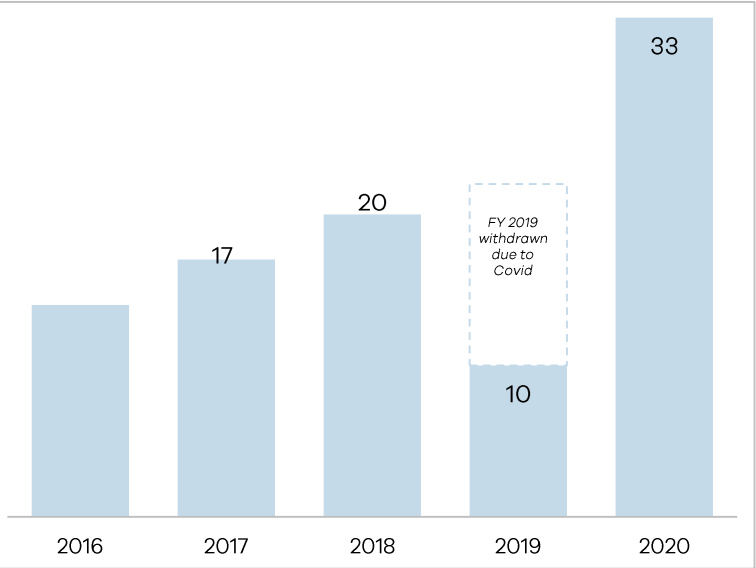
Net debt (\$m)



Debt & interest payment schedule (\$m)



Dividends (\$m)





# 2020 FULL YEAR RESULTS

Ignacio Bustamante, CEO



**HOCHSCHILD**  
BEYOND MINING

# OPERATIONAL UPDATE



- All mines currently operating normally
- Strong recovery despite Covid stoppages
- 2020 revised production and cost targets achieved
- 2021 guidance:
  - Production: 31-32moz/360,000-372,000oz (Ag Eq/Au Eq)
  - 4moz Ag hedged @ \$271/oz for 2021 to protect cashflows from existing resources at Pallancata
  - AISC: \$14.1-14.5/\$1,210-\$1,250 per ounce (Ag Eq/Au Eq)
  - Capex: \$120m-130m
  - Brownfield exploration: \$34m
  - Greenfield exploration: \$11m; BioLantanidos: \$14m
  - \$7m: ore sorting pilot plant at Inmaculada

## 2021 guidance

<b>Production</b>	Oz Au Eq	Moz Ag Eq
Inmaculada	223,000-228,000	19.2-19.6
Pallancata	63,000-65,000	5.4-5.6
San Jose (100%)	74,000-79,000	6.4-6.8
<b>Total</b>	<b>360,000-372,000</b>	<b>31.0-32.0</b>
<b>AISC</b>	\$/oz Au Eq	\$/oz Ag Eq
Inmaculada	1,040-1,080	12.1-12.5
Pallancata	1,440-1,480	16.8-17.2
San Jose	1,370-1,400	15.9-16.3
<b>Total</b>	<b>1,210-1,250</b>	<b>14.1-14.5</b>
<b>Capex</b>	Sustaining & development expenditure (\$m)	
Inmaculada	67-72	
Pallancata	6-8	
San Jose (100%)	47-50	
<b>Total</b>	<b>120-130</b>	
<b>Exploration</b>	\$m	
Brownfield	34	
Greenfield	11	
Biolantanidos	14	

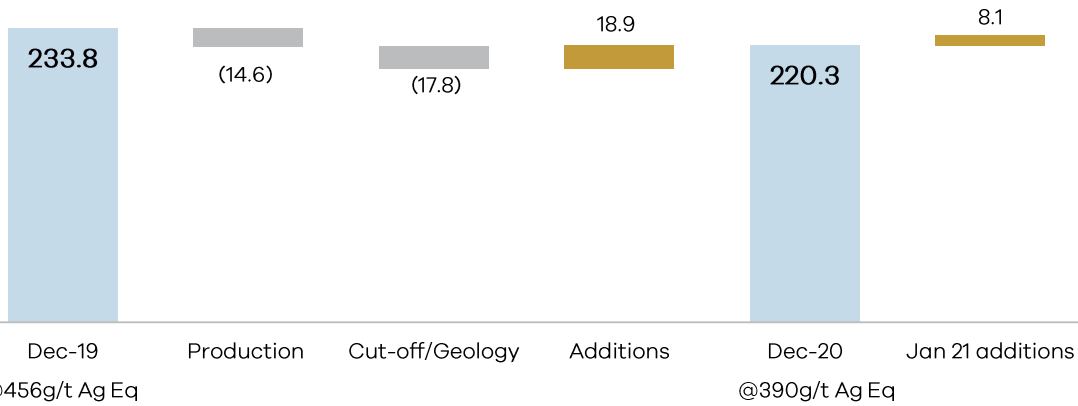
Strong free cashflow generation set to continue

# RESOURCES 2020 VERSUS 2019

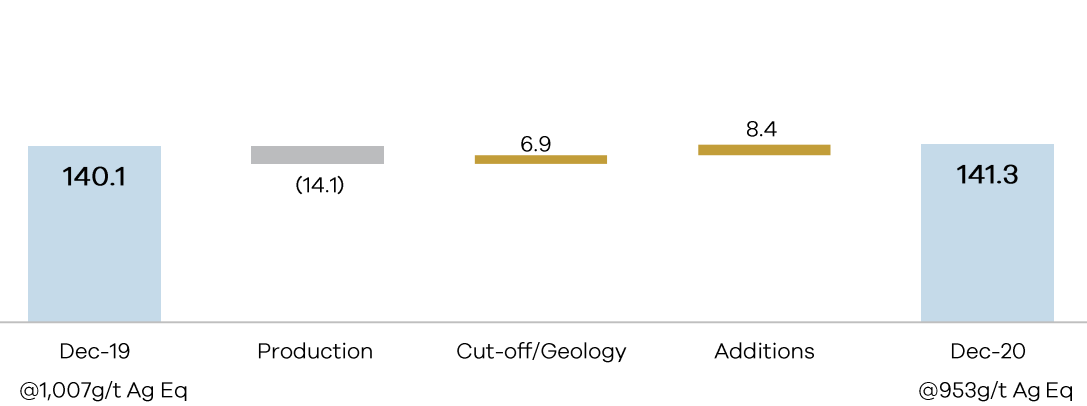


moz Ag Eq\*

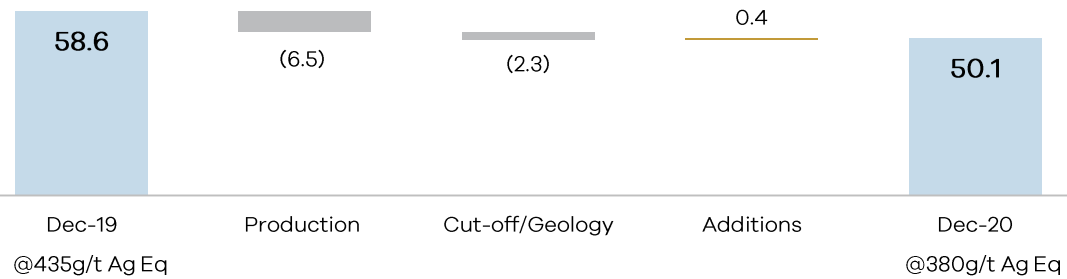
## Inmaculada



## San Jose



## Pallancata

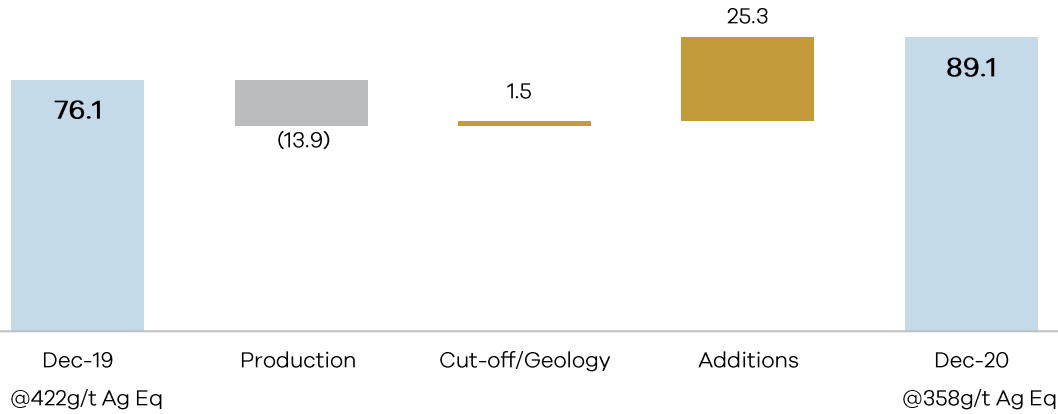


# RESERVES 2020 VERSUS 2019

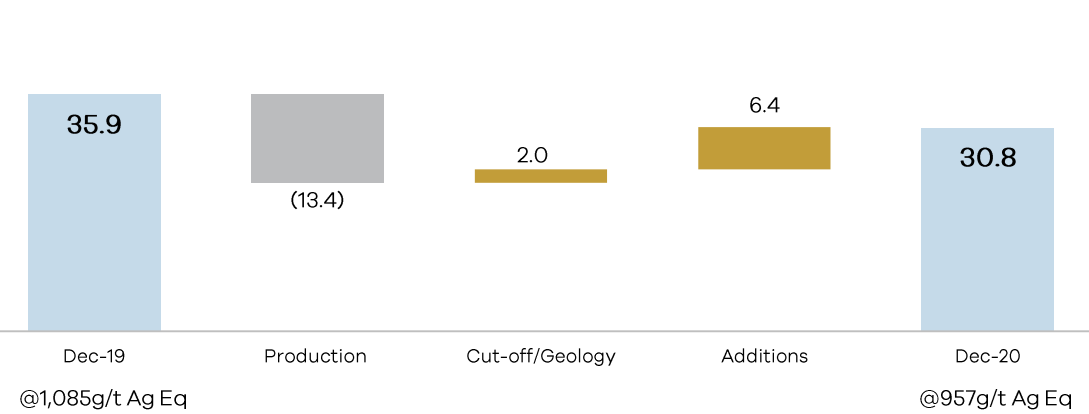


moz Ag Eq\*

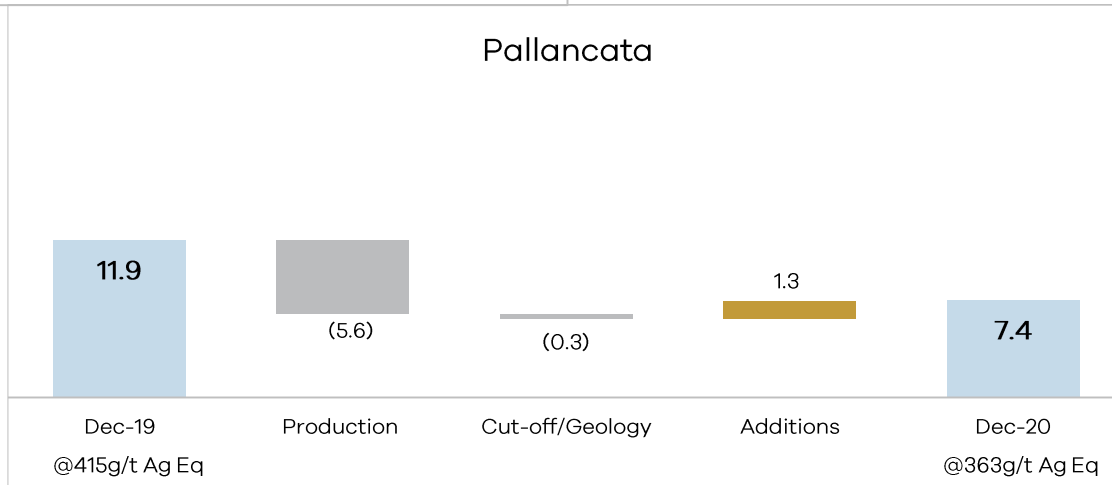
## Inmaculada



## San Jose

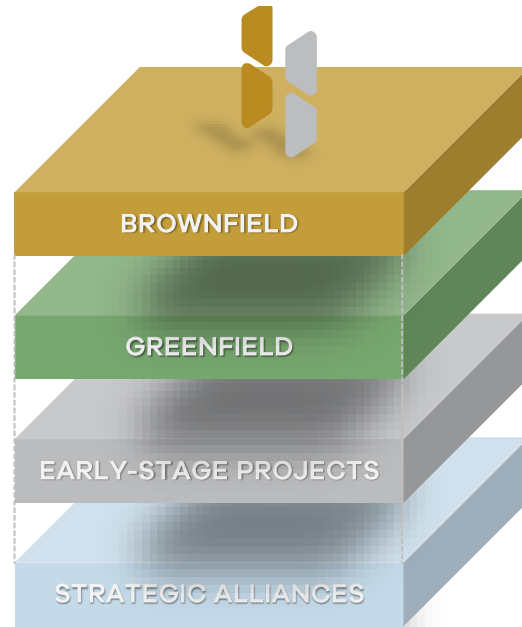


## Pallancata





# GROWTH STRATEGY



- LOM increases
- Improve quality of resources
- Spare capacity available
- Streamlining portfolio
- Staking properties
- Progressing drill-ready projects
- Optimising early-stage projects
- Further drilling
- Advancing Biolantanidos deposit
- Early-stage
- Control (Acquisition/JVs)
- Geological upside
- ROIC:12-15%

Focus on exploration-led growth

# BROWNFIELD DRILLING CAMPAIGNS ACROSS THE REGION



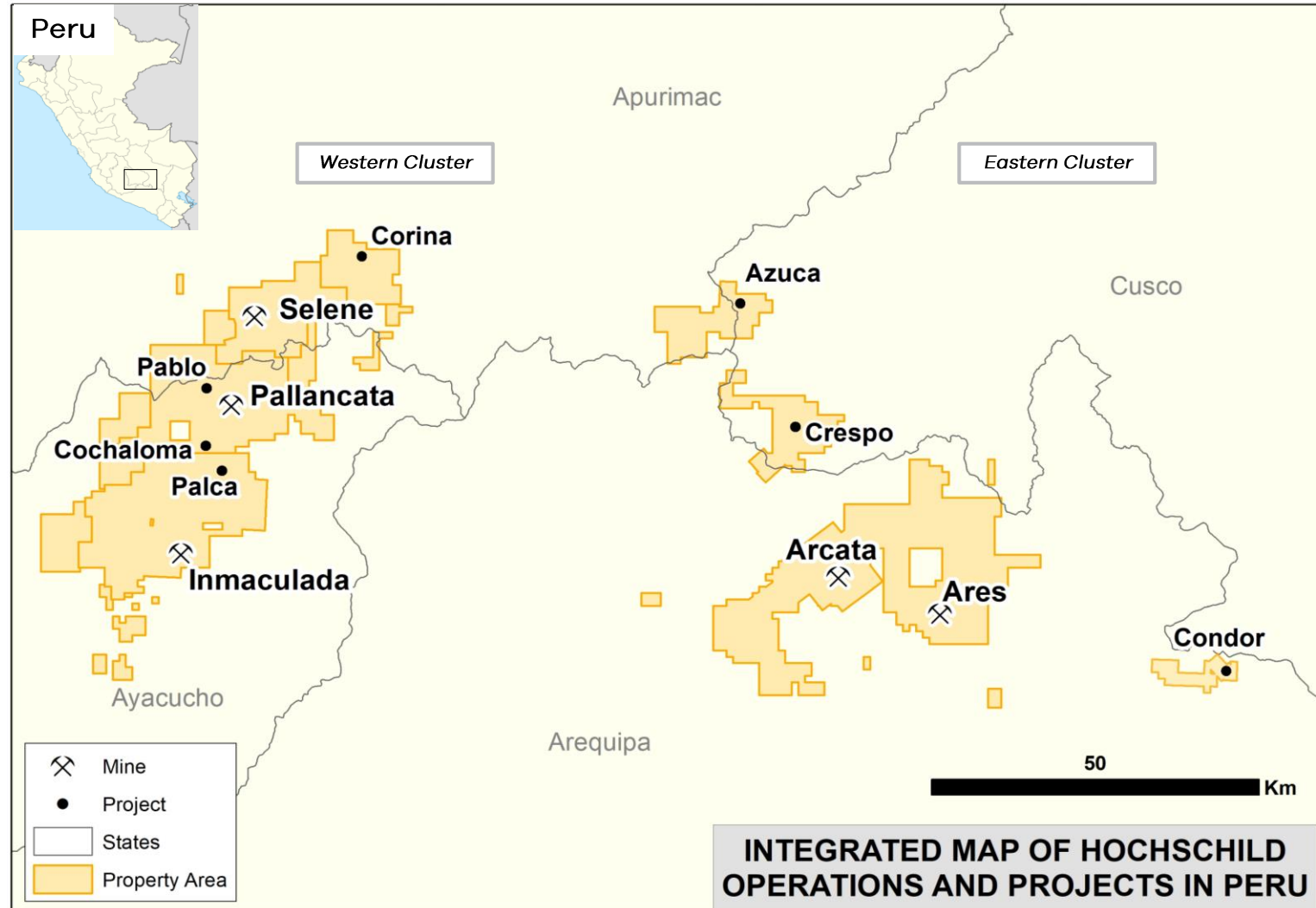
## 2021 programmes:

Inmaculada

Pallancata  
Cochaloma  
Palca  
Corina

Crespo  
Arcata  
Ares  
Condor

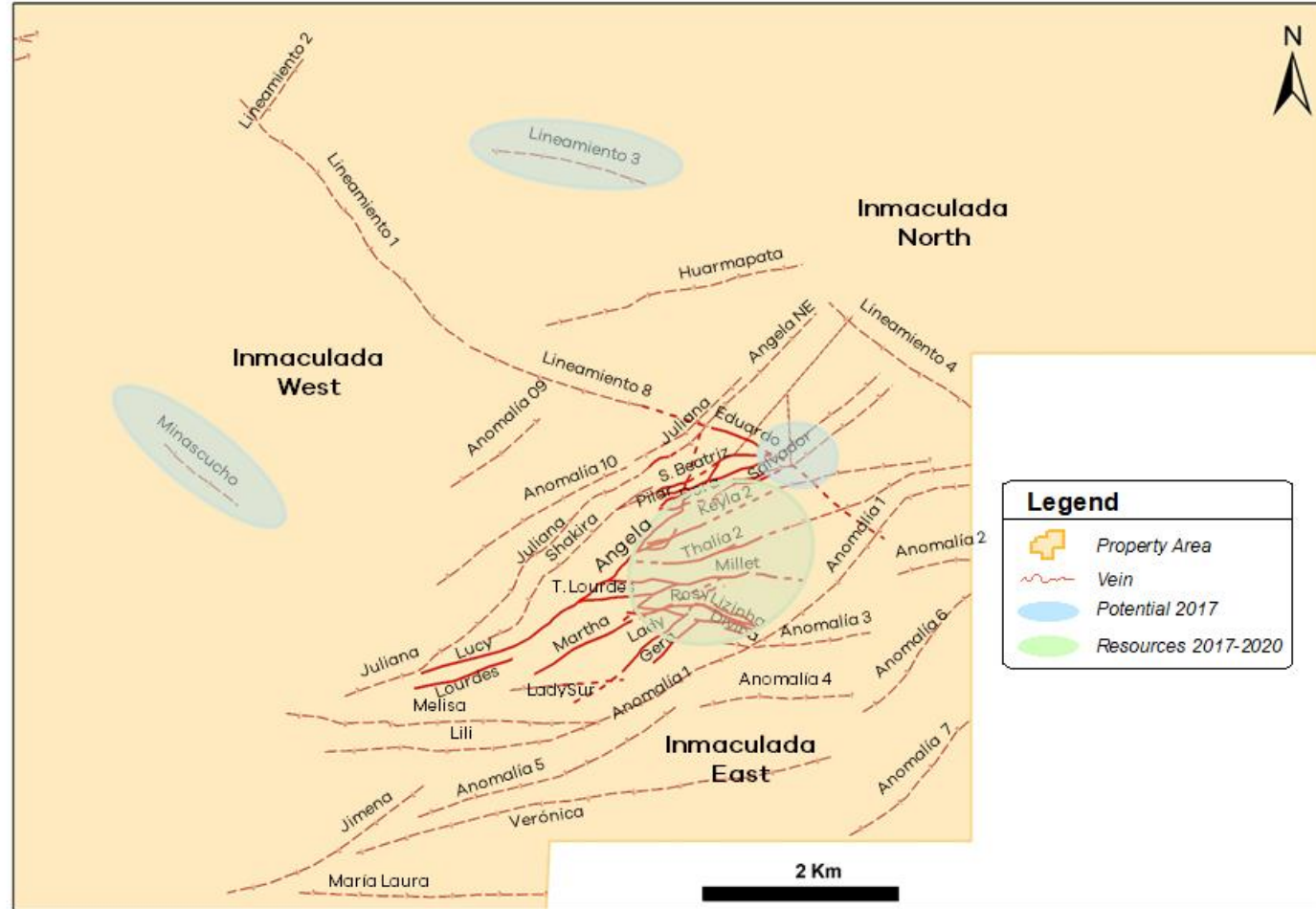
San Jose (Argentina)



# INMACULADA EXPLORATION

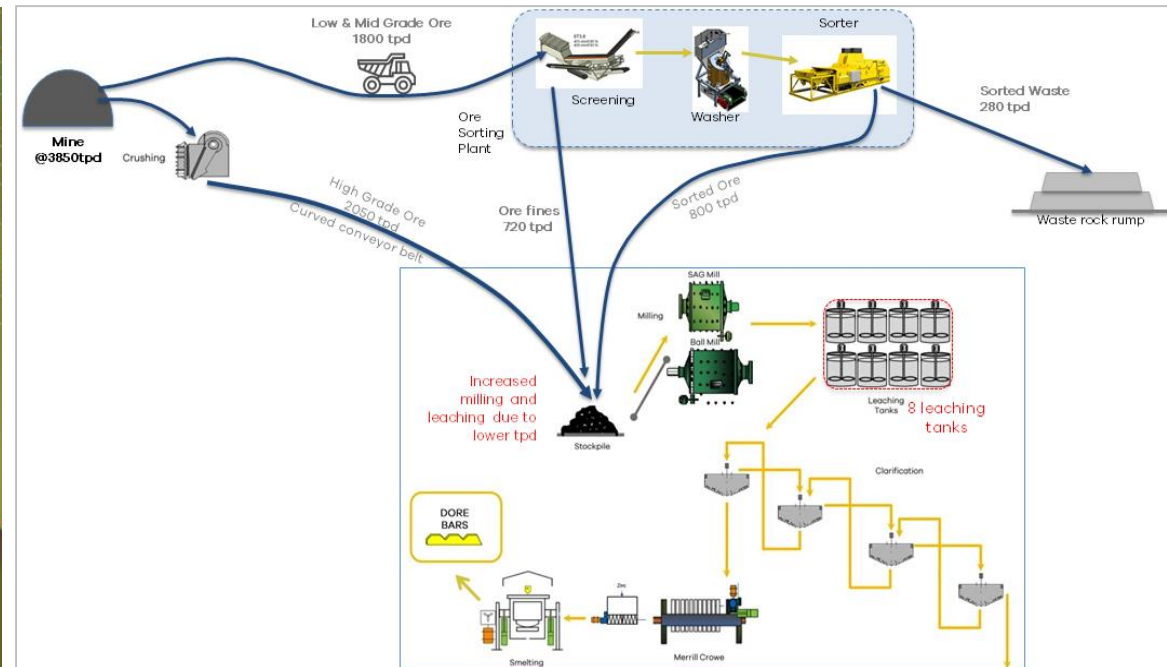
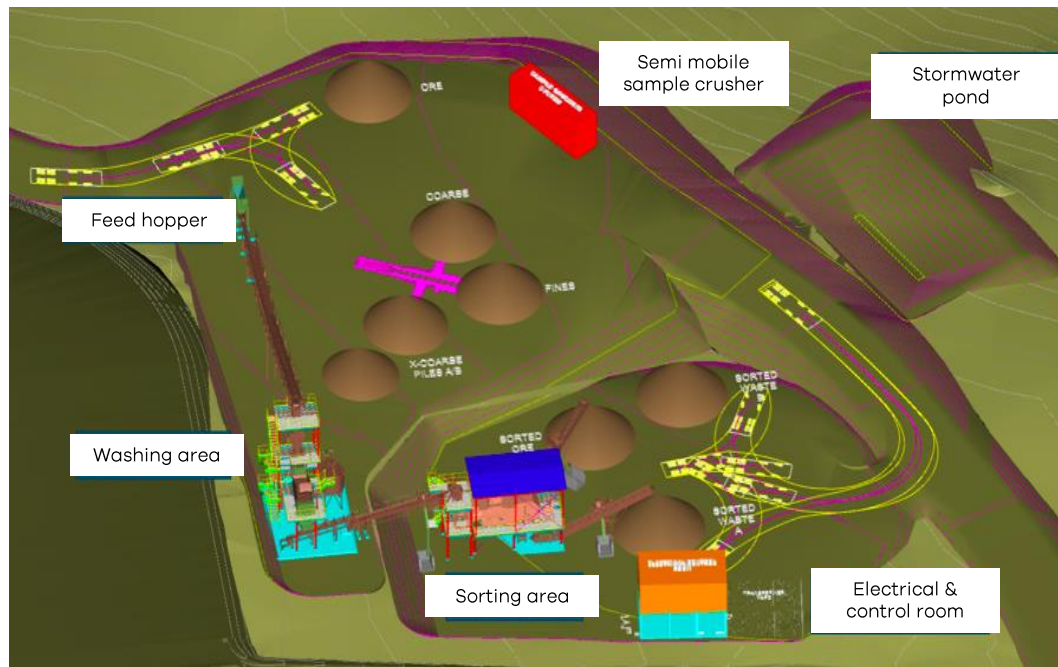


- Young vein district with potential to incorporate further new resources from large land package
- 2020 drilling focused on Shakira, Juliana, Angela North and minor veins around main Angela vein
- 35,000m programme in 2021
- Focus on:
  - Angela North
  - Lineamiento 3
  - Minascucho
- 2020 drill programme resulted in addition of:
  - 25.3moz Ag Eq of reserves
  - 27.0moz Ag Eq of resources



## Drilling Angela North in 2021

# ORE SORTING PILOT PLANT



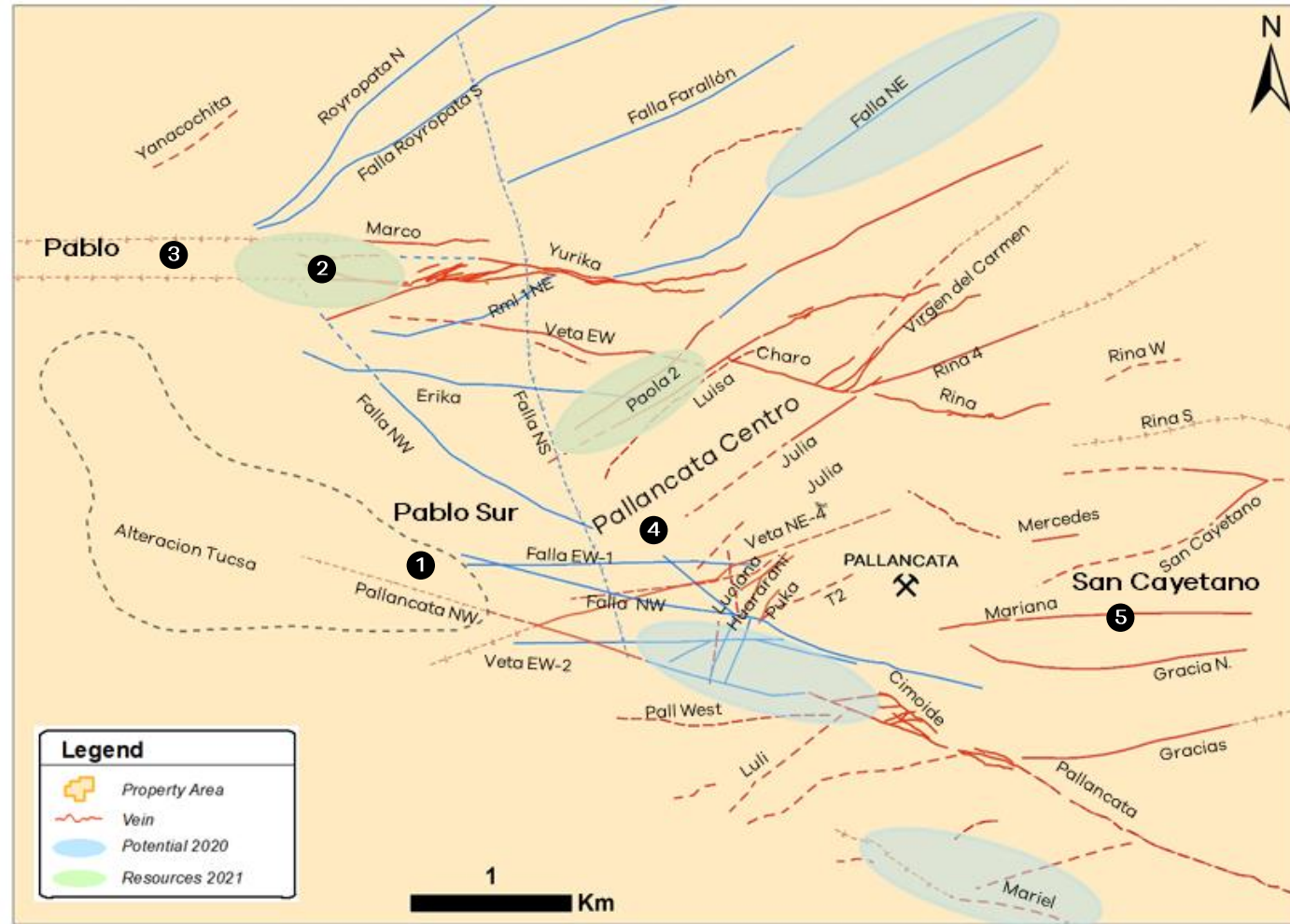
- \$7m project approved to construct ore sorting pilot plant at Inmaculada
- Set for completion towards the end of 2021
- Strong potential to:
  - Improve recoveries
  - Increase size of Inmaculada plant
  - Improve economics of Hochschild's near term projects

Ore sorting pilot plant to be operational end Q4

# PALLANCATA EXPLORATION



- Short LOM - strategy of adding economic ounces close to current operations
- 2020 surface drilling intersected structures but without economic value
- Good targets remain for 2021:
  - 1 Pablo South (underway)
  - 2 Pablo Piso
  - 3 Pablo extension
  - 4 Pallancata Central
  - 5 San Cayetano (2022)
- Significant potential to add long-term resources from regional projects
  - Corina
  - Cochaloma
  - Palca

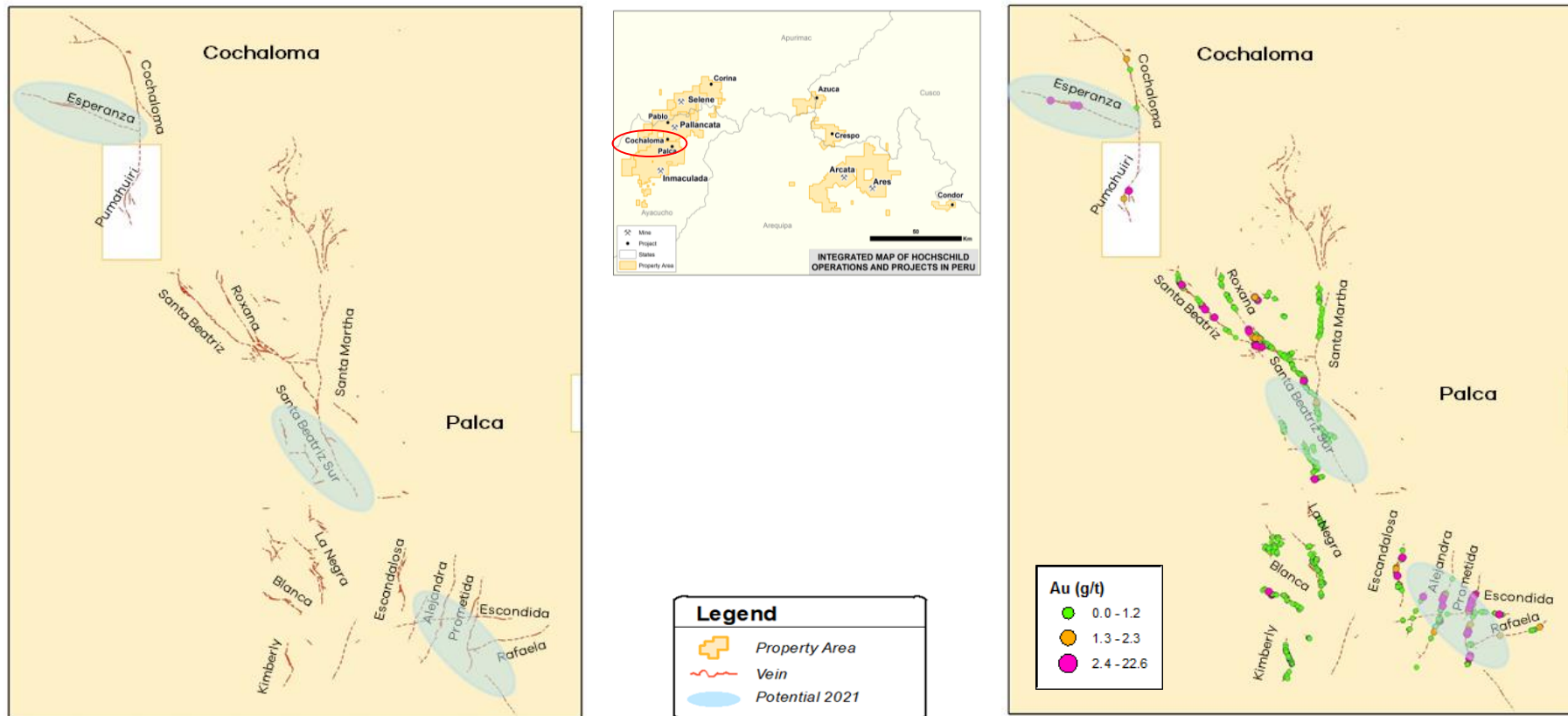


Potential remains in area surrounding current mine

# PALLANCATA: PALCA AND COCHALOMA



- Palca: drilling has found resources at Escondida vein; drilling will continue to add inferred resources; drilling for potential in Santa Beatriz, Roxana & Santa Marta veins
- Cochaloma: Esperanza Vein/Cochaloma vein drilling started in Jan 2021 – programme finished in April 2021



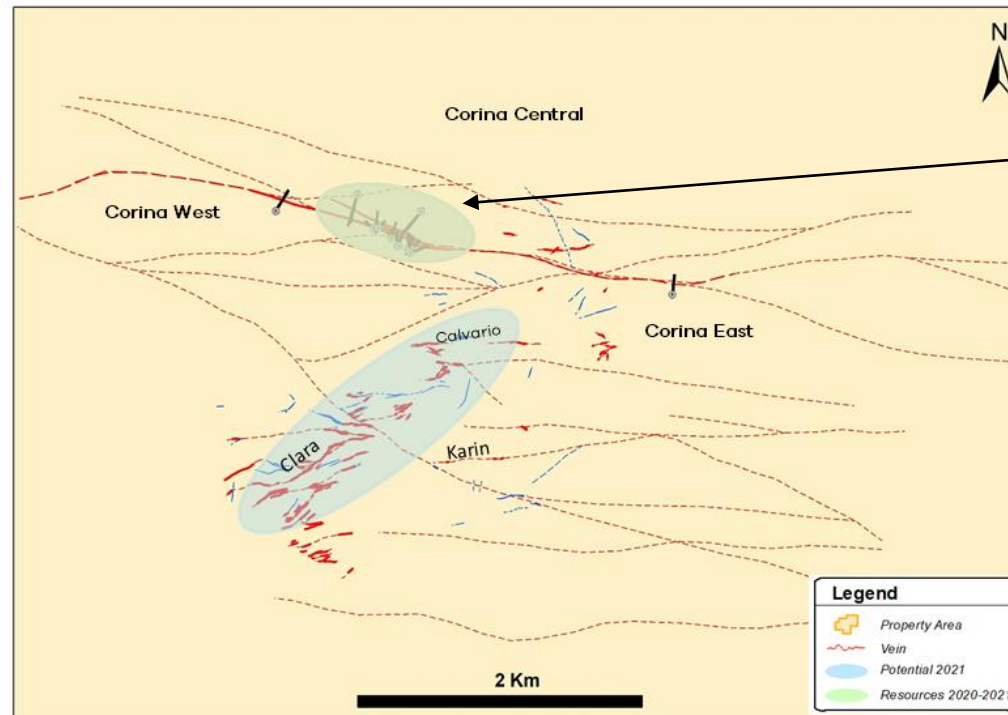
Drilling continuing in 2021 at exciting Cochaloma & Palca targets



- Low sulphidation epithermal gold/silver target close to Selene plant
- 2019/2020 drilling delivering significant gold-silver intercepts
- Initial maiden resource of 8.9moz @329 Ag Eq g/t, 12.4m width
- 2021 programme will focus on Corina East, Calvario, Clara, Karin areas

2019/20 selected intercepts

Drill Hole	True width (m)	Au (g/t)	Ag (g/t)
<b>2019</b>			
COR19005	3.50	8.97	32.00
COR19007	15.70	4.56	53.69
COR19007	4.60	1.10	27.64
COR19010	16.00	6.00	28.68
COR19010	3.70	7.66	17.66
COR19010	7.65	4.08	37.93
<b>2020</b>			
COR20015	25.69	2.53	22.69
<i>Including</i>	<i>2.47</i>	<i>10.07</i>	<i>61.97</i>
COR20020	23.27	4.86	43.34
<i>Including</i>	<i>3.80</i>	<i>21.60</i>	<i>117.58</i>
COR20021	9.33	3.87	46.59
<i>Including</i>	<i>2.31</i>	<i>8.44</i>	<i>88.33</i>
COR20022	1.18	1.36	2.50



Long-term option to feed nearby Selene plant

# SAN JOSE

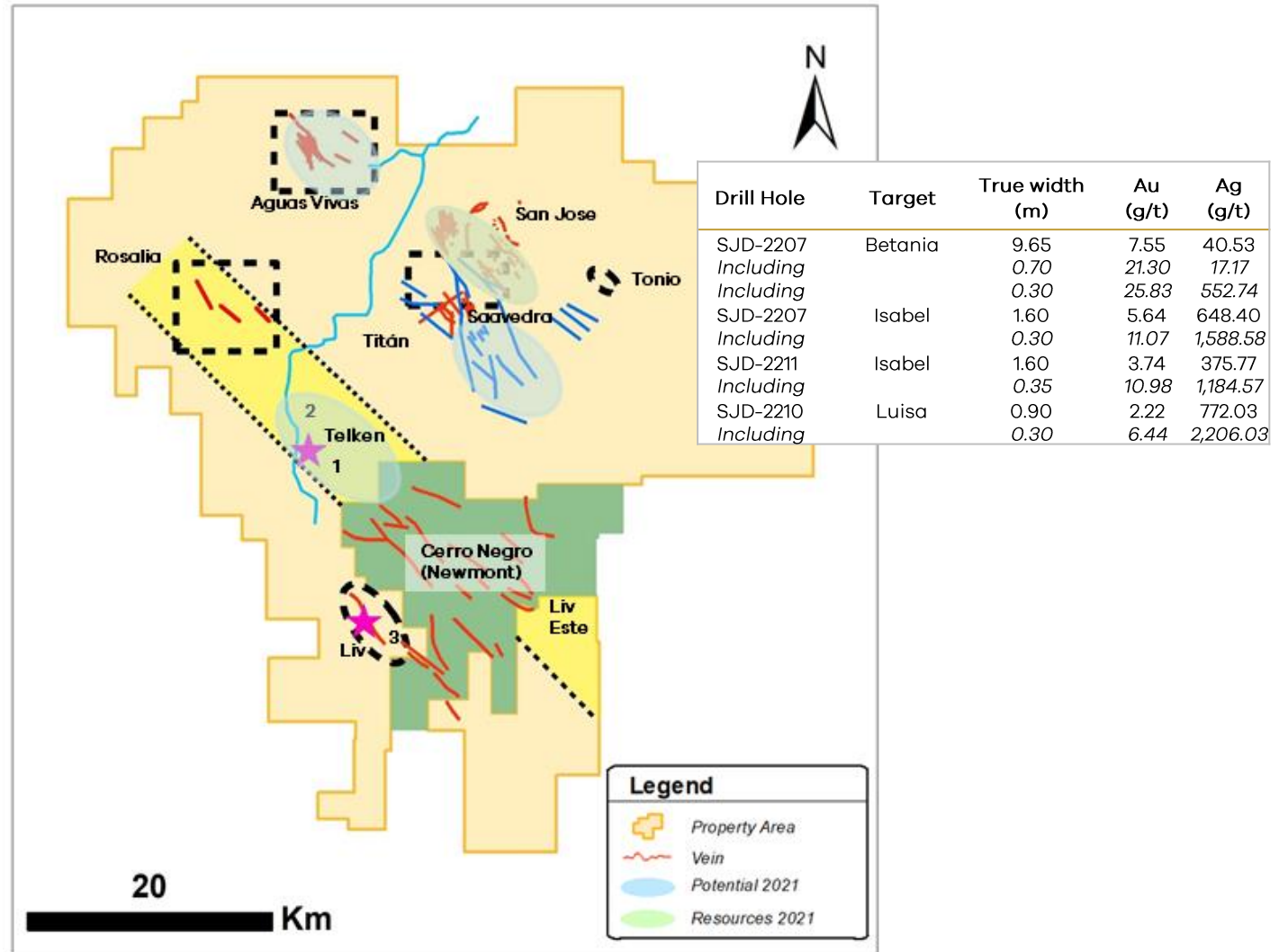


2020:

- Drilled San Jose vein extensions, Saavedra West, Telken, Rosalia

2021 exploration focused on:

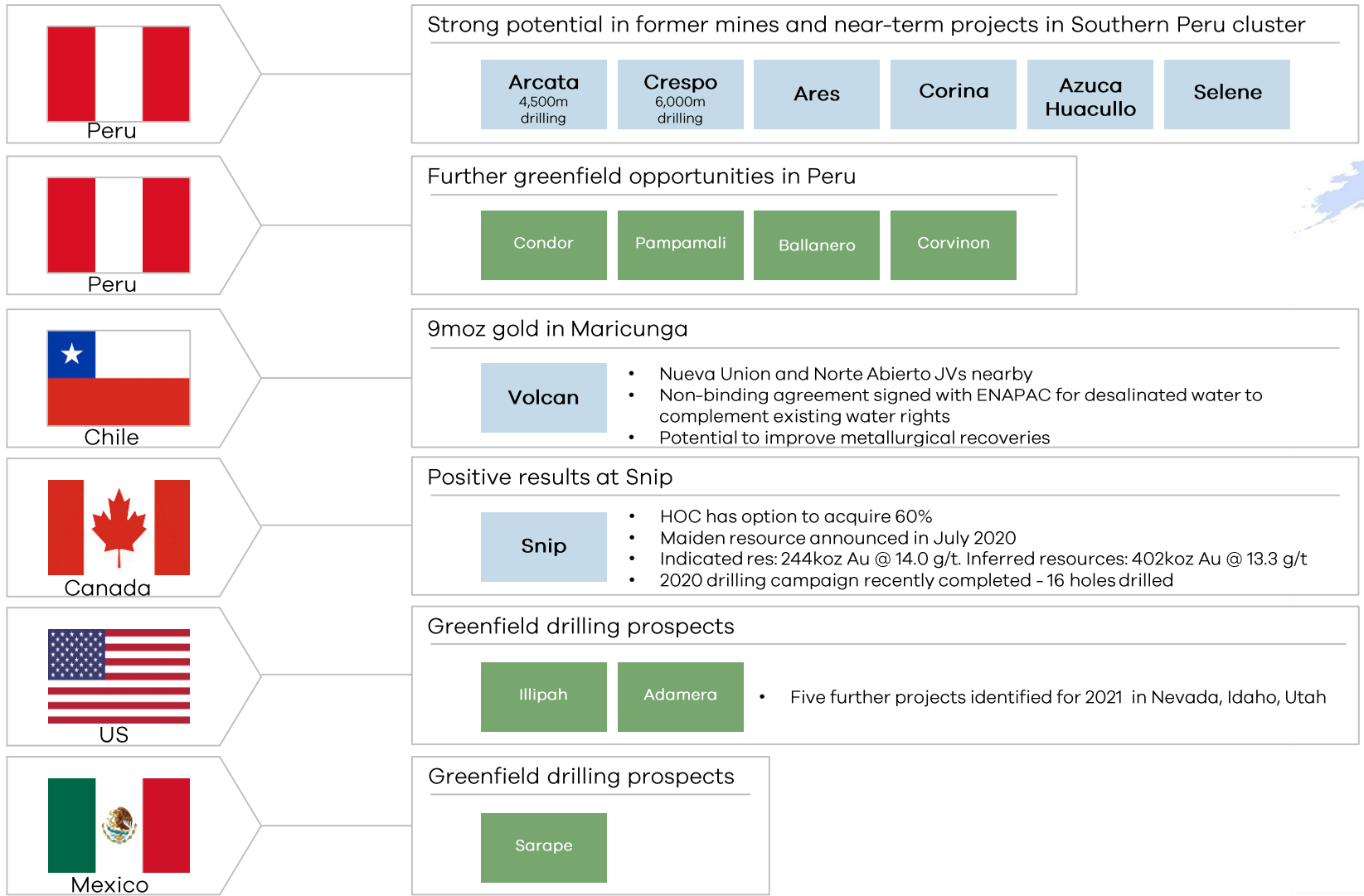
- High grade areas close to current mine (e.g. Isabel-Luisa veins)
- Saavedra East including promising Betania vein structure
- Titan target to the south west of San Jose
- Continuing to explore Telken area next to Newmont's Cerro Negro



Promising recent drill results show potential to add further high grade resources



# ADDITIONAL OPPORTUNITIES TO DELIVER UPSIDE



## Developing options across the Americas

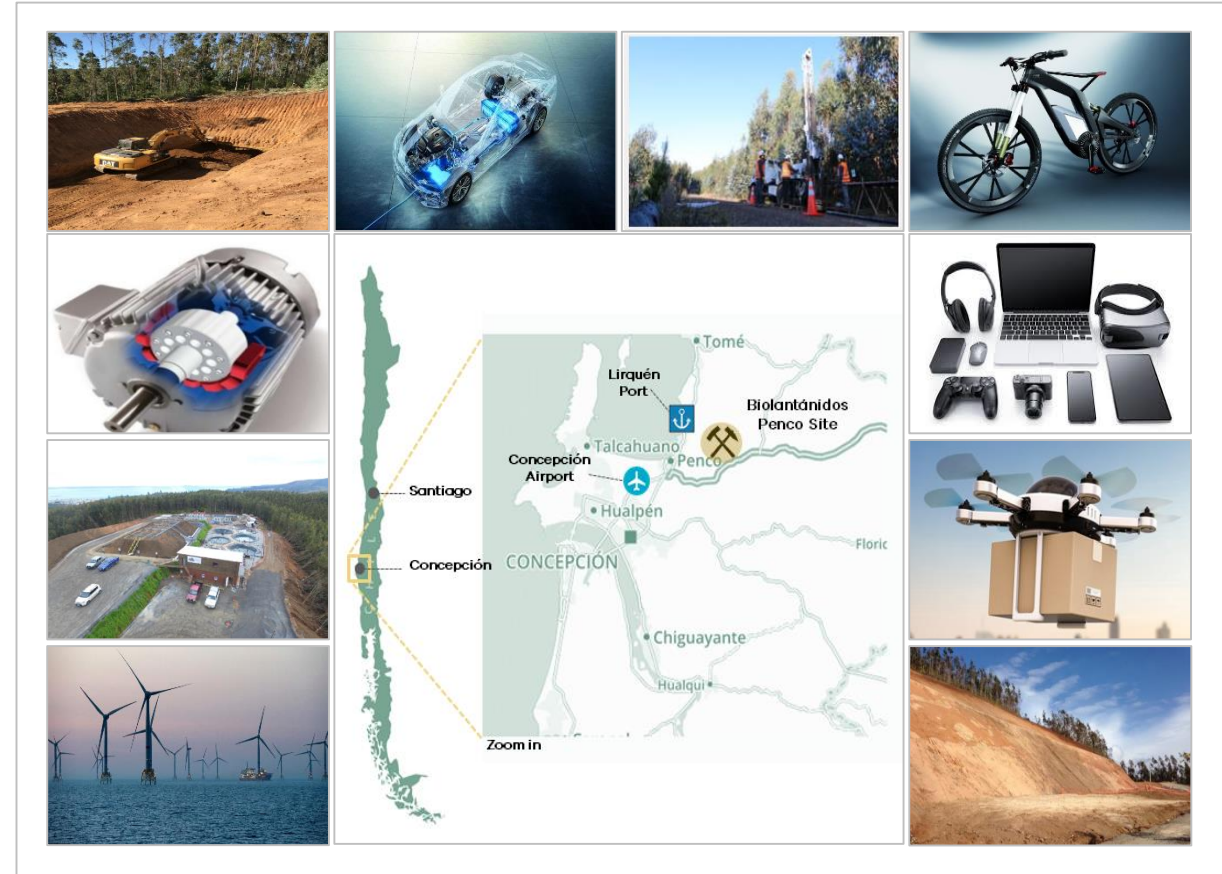
# BIOLANTANIDOS RARE EARTHS PROJECT



- Biolantánidos (Chile): one of the few heavy rare earth projects in Western World
- Ion Adsorption Clay deposits (mostly in China) are lowest cost sources of rare earths globally
- Special concentration of high demand rare earths – Terbium, Dysprosium, Praseodymium and Neodymium
- Low technical risk - simple mining and extraction process
- Environmentally friendly process to extract rare earths with no tailings dam
- Low capex, modular processing facility allowing for staged growth
- World class investment jurisdiction with long mining history
- Key management personnel in place

## 2021 goals

- Complete metallurgical optimisation
- Continue to advance environmental permitting process
- Complete equipment testing
- Increase projects resources with already identified brownfield targets
- Deliver revised feasibility study (end H1 2021)



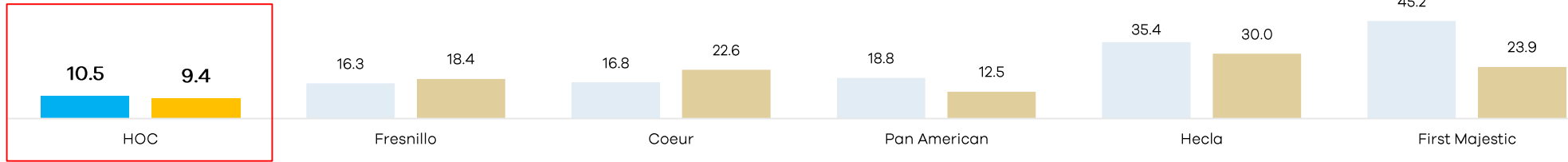
On track for revised feasibility study at end H1 2021

# HOCHSCHILD REMAINS UNDERVALUED VS PEER GROUP

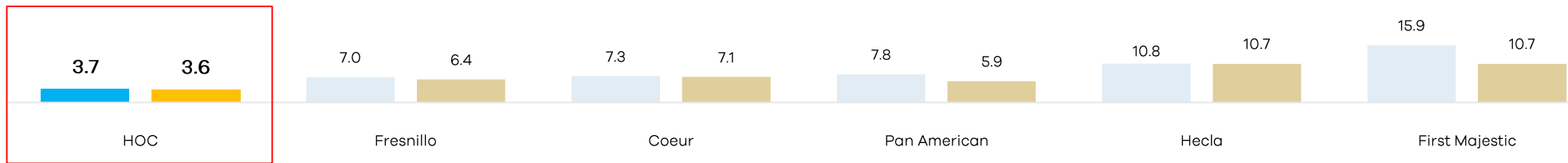


■ 2021e ■ 2022e

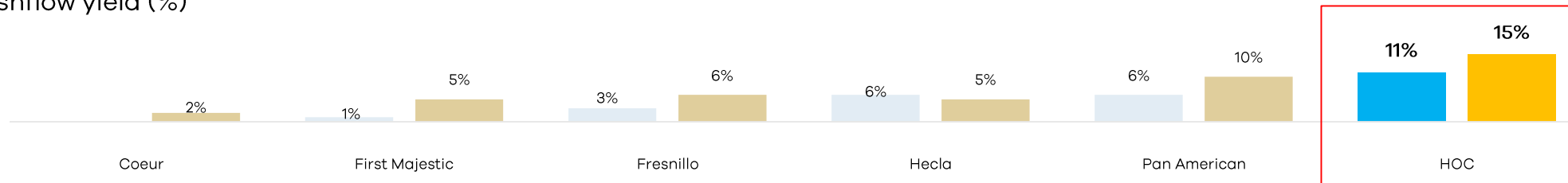
P/E (x)



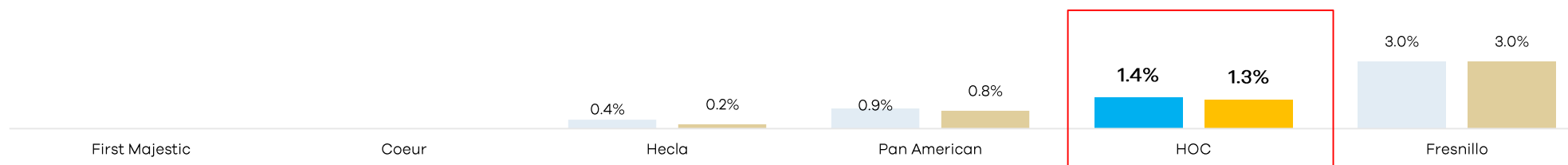
EV/EBITDA (x)



Free cashflow yield (%)



Dividend yield (%)



# CONCLUSION

---



- Strong performance despite material Covid stoppages
- Revised production targets achieved with better than expected costs
- Significant free cashflow generation - net cash position
- \$21m interim dividend paid in Dec; further \$12m final dividend announced
- Significant 2021 brownfield programme scheduled
- Exciting Biolantanidos rare earths project close to feasibility stage
- Attractive optionality in Greenfield, Early-stage projects and M&A strategy
- Opportunity to generate substantial shareholder return

OUR BUSINESS IS OUR PEOPLE



Contact: Charlie Gordon  
Head of Investor Relations  
[charles.gordon@hocplc.com](mailto:charles.gordon@hocplc.com)

**Hochschild Mining plc**  
17 Cavendish Square, London, W1G 0PH  
Tel: +44 (0)20 3709 3260  
[www.hocplc.com](http://www.hocplc.com)



**HOCHSCHILD**  
BEYOND MINING