HOCHSCHILD

18 February 2021

Hochschild Mining plc

Preliminary Results

Year ended 31 December 2020

Hochschild delivers robust performance in a challenging year

Resilient 2020 financial performance

- Strong balance sheet and financial performance despite impact of Covid-19 stoppages
- Revenue of $621.8 million (2019: $755.7 million)[1]
- Adjusted EBITDA of $270.9million (2019: $343.3 million)[2]
- Profit before income tax (pre-exceptional) of $85.8 million (2019: $103.4 million)
- Profit before income tax (post-exceptional) of $62.9 million (2019: $76.8 million)
- Basic earnings per share (pre-exceptional) of $0.06 (2019: $0.09)
- Basic earnings per share (post-exceptional) of $0.03 (2019: $0.06)
- Cash and cash equivalent balance of $231.9 million as at 31 December 2020 (2019: $166.4 million)
- Net cash of $21.6 million as at 31 December 2020 (2019: net debt of $33.2 million)
- Final proposed dividend of 2.335 cents per share ($12.0 million) bringing the full-year total dividend to $32.6 million (2019: $10.2 million)

Strong 2020 operational recovery[3]

- All-in sustaining costs (AISC) from operations of $1,098 per gold equivalent ounce (2019: $990) or $12.8 per silver equivalent ounce (2019: $11.5) below revised full year cost guidance of $1,200-$1,250 per gold equivalent ounce or $14.0-14.5 per silver equivalent ounce[4]
- Full year attributable production of 289,293 gold equivalent ounces (24.9 million silver equivalent ounces) at higher end of attributable production guidance of 280-290,000 gold equivalent ounces (24.0-25.0 million silver equivalent ounces)
- Strong operational recovery despite Covid-19 related stoppages
- Inmaculada drilling programme added 25.3 million silver equivalent ounces of reserves
- Promising results from the Corina deposit, the Saavedra area at San Jose and at Arcata

2020 ESG KPIs

- Strong ESG metrics despite impact of Covid-19 protocols
- Lost Time Injury Frequency Rate of 1.38 (2019: 1.05)[5]
- Accident Severity Index of 474 (2019: 54)[6]
- Water consumption of 231lt/person/day (2019: 206lt/person/day)
- Domestic waste generation of 1.18 kg/person/day (2019: 1.04kg/person/day)
- ECO score of 5.74 out of 6 (2019: 4.82)[7]

2021 outlook

- Production target of 360,000-372,000 gold equivalent ounces (31.0-32.0 million silver equivalent ounces)
- 4 million ounces of silver hedged for both 2021 and 2022 at an average price of approximately $27 per ounce to protect cashflows in Peru - ensures profitable production from existing resources, mainly at Pallancata whilst brownfield exploration team continues to look for additional near-term resources
- All-in sustaining costs expected to be $1,210-$1,250 per gold equivalent ounce ($14.1-14.5 per silver equivalent ounce)
- Total sustaining and development capital expenditure expected to be approximately $120-130 million
- Brownfield exploration budget expected to be approximately $34 million
- Greenfield and advanced project budget set at approximately $11 million
- $14 million budget for Biolantanidos rare earth deposit in Chile
- $7 million budget approved to begin construction of ore sorting pilot plant at Inmaculada

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[1] *Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts plus services revenue*
[2] *Please see the Financial Review page 16 for a definition of Adjusted EBITDA*
[3] *All equivalent figures calculated using the Company's 2020 average gold/silver ratio of 86:1. 2019 figures have been restated (previously calculated using a gold/silver ratio of 81:1)*
[4] *All-in sustaining cost per (AISC) silver equivalent ounce: Calculated before exceptional items and includes production cost excluding depreciation, other items and workers profit sharing in cost of sales, administrative expenses (excl depreciation), brownfield exploration, operating and exploration capex and royalties and special mining tax (presented with income tax) divided by silver or gold equivalent ounces produced, plus commercial deductions and selling expenses divided by silver or gold equivalent ounces sold using a gold/silver ratio of 86:1. The Arcata operation is excluded from the calculation of the AISC from operations in 2019.*
[5] *Calculated as total number of accidents per million labour hours*
[6] *Calculated as total number of days lost per million labour hours.*
[7] *The ECO Score is an internally designed Key Performance Indicator measuring environmental performance in one number and encompassing numerous fronts including management of waste water, outcome of regulatory inspections and sound environmental practices relating to water consumption and the recycling of materials.*

$000 unless stated	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Attributable silver production (koz)	**9,808**	16,808	(42)
Attributable gold production (koz)	**175**	270	(35)
Revenue	**621,827**	755,676	(18)
Adjusted EBITDA	**270,918**	343,332	(21)
Profit from continuing operations (pre-exceptional)	**36,192**	60,083	(40)
Profit from continuing operations (post-exceptional)	**20,426**	41,439	(51)
Basic earnings per share (pre-exceptional) $	**0.06**	0.09	(33)
Basic earnings per share (post-exceptional) $	**0.03**	0.06	(50)

Ignacio Bustamante, Chief Executive Officer said:

"We have delivered strong financial results in 2020, despite the impact of the Covid-19 related stoppages. Higher precious metals prices combined with strong free cashflow generation saw us finish the year in a net cash position for the first time in eight years. We have also made solid progress on our ongoing brownfield strategy with an increase in reserves at Inmaculada and promising results at the Corina, San Jose and Arcata deposits. This year, another ambitious programme is already underway with further exciting drill targets at all our current operations and projects throughout our southern Peru cluster. In addition, we look forward to progressing our greenfield and strategic alliance portfolio across the Americas."

A live conference call and audio webcast will be held at 2.00pm (London time) on Thursday 18 February 2021 for analysts and investors.
For a live webcast of the presentation please click on the link below:

https://webcasting.brrmedia.co.uk/broadcast/60086e36efe97358c10a1d3a

Conference call dial in details:
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Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this news release. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardised meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

About Hochschild Mining plc:

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCM.L / HOC LN) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates three underground epithermal vein mines, two located in southern Peru and one in southern Argentina. Hochschild also has numerous long-term projects throughout the Americas.

CHAIRMAN'S STATEMENT

It would be an understatement to say that 2020 was an unprecedented year for our Company. The rapid spread of Covid-19 across the world has affected everyone in ways which could not be imagined a year ago. However, the response from our employees, workers and contractors is to be highly commended. The pandemic has made the task of leadership significantly more challenging and I would like to thank our Chief Executive and his senior team for their dedication and commitment to the task of navigating our employees through the extraordinary circumstances that we faced. Indeed throughout Hochschild Mining, our people have displayed commitment, professionalism and perseverance despite a succession of challenges and we have succeeded in achieving solid results while focusing our efforts on the health of our entire team. This has made the adoption of our stringent protocols and changing work conditions an easier task. The strong culture of the Company, which has been embedded throughout our operations and offices over many years, provided a firm foundation for the adoption of our stringent health protocols and changing work conditions.

Our people are our business and during 2020 we have continued to implement the second iteration of our successful programme to promote a Safety-First culture: Safety 2.0. The delivery of this initiative has naturally been adapted in light of the challenges posed by the Covid pandemic through ongoing training and communication campaigns and the recognition of safe working. As reported in our interim results, we regrettably suffered an operational fatality at our Pallancata mine in the early part of the year and we must therefore continue with our efforts to ensure that safety is never compromised and remains a top priority.

2020 saw the launch of an Environmental Culture Transformation Plan, which we believe will help us ensure that our excellent environmental performance is sustained and strengthened though time. I am delighted to report that we achieved our highest year-end ECO Score which, as you may remember, is our award-winning internally designed measure to gauge the Group's overall environmental performance. Furthermore, the Group was recognised by the Peruvian Water Authority for the successful execution of our commitment to conserve our water usage footprint working collaboratively with our partner communities. This year we are working with a global consultancy to strengthen our greenhouse gas reporting and identify opportunities to reduce our energy use and design a long-term action plan to minimise our carbon emissions.

Despite the difficulties posed by the pandemic and the resulting government-mandated restrictions, our Community Relations ("CR") team have continued with their valuable work to support local communities. Our focus on education, health and nutrition and economic development resulted in support for many community-run businesses and schools. We have previously established "Digital Centres" as a way of bringing internet access to our remote communities to achieve our social goals and this has proved fortuitous during the Covid crisis. Building on this experience, in 2020 we completed our "Keeping Connected" project which supported over 6,000 residents across 14 communities close to our mines to participate in online learning, help local businesses and keep families connected during these challenging times. To meet our communities' immediate health needs, our CR and health teams worked together throughout the year to donate food supplies as well as medical equipment to local hospitals and health centres. Further details on these and all our programmes will be available in the Sustainability section of the Annual Report and in the standalone ESG Report, which will be published during the second quarter of 2021.

Turning to our operations, the year was understandably impacted by events beyond our control and we were forced to shut all three of our operations in mid-March as both our host countries took steps to contain the spread of the virus. Despite a relatively quick restart in May, both Inmaculada and San Jose experienced additional Covid-related stoppages, although Pallancata in Peru operated without interruption for the remainder of the year. Nevertheless, we were able to reconfigure our mine plans and I was pleased to see us meeting our revised annual production and costs targets. We entered the crisis with a strong balance sheet which enabled us to finance the additional Covid-related expenses required by the business. In addition, with precious metal prices rising significantly, our business was able to generate strong free cashflow despite the ongoing disruption.

Our brownfield programme was impacted by the stoppages but we were able to obtain all necessary permits and start the drilling schedule mostly in the second half of the year and, as the year turned, began to get some exciting results. At Inmaculada, drilling achieved a significant increase in reserves whilst San Jose ended the year with some encouraging results in the Saavedra area close to the current mine. At Pallancata, we are still drilling nearby targets with a view to extending the life of the mine in the short term and this work will continue in 2021. In addition, results from the Corina deposit, to the north of Pallancata, could go some way to securing the long-term future of this mining area. Also promising, were early results from our new drilling programme to the west of our former Arcata mine with work continuing into 2021 to try to establish a new resource area for this historic deposit.

In the past 18 months, we have consistently stated the exciting potential of our investment in the Biolantanidos rare earths deposit in Chile where we believe we can create substantial shareholder value in an industry with very strong future demand characteristics and, crucially, in an environmentally-friendly manner. I am delighted to report that excellent progress was made in 2020 at this unique project by our dedicated management team and we can look forward to a key year in 2021 with the feasibility study due, as well as important permitting approvals. The rare earths industry has been very much in the media and financial market spotlight recently and we are confident that our deposit will play an important role in the supply of these vital commodities in the near future.

With regards to our Board composition, I am delighted that following a search process overseen by the Nomination Committee, Jill Gardiner joined as an Independent Non-Executive Director on 1 August. Naturally, her induction was adapted in light of travel restrictions but Jill's long-standing experience of the sector and corporate finance in Canada has already proven of great benefit to the Board.

2020 was another very strong year for precious metals driven by the enormous global monetary and fiscal response to the economic impact of the pandemic. The gold price had risen by 24% by the end of the year and silver increased by 47% enabling us to generate robust free cashflow despite the crisis and further strengthen our already healthy balance sheet. In April 2020, owing to the uncertainty caused by the crisis, the Board took the prudent decision to withdraw the proposal to pay the 2019 final dividend. However, following the encouraging second half recovery, a $21 million interim dividend was paid at the end of December. We fully recognise the need to continue to monitor the impact of the current Covid situation and therefore we have given much consideration to the subject of further capital returns. As a result, given the current net cash position and ongoing healthy price environment, the Board is pleased to propose a final dividend of 2.335 cents per share ($12.0 million).

The strength of our culture shone through this year and I am proud to be Chairman of such a Group and remain committed to overseeing the ongoing progress of our long-term strategy. We responded very quickly and appropriately to local and countrywide challenges in 2020 and these responses are a testament to the dedication, skills and ingenuity of our people. The Board and I will never be able to thank all of them enough for their extraordinary efforts during this time.

Eduardo Hochschild, Chairman
17 February 2021

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am proud of how our team has responded to the many challenges presented by Covid-19 during 2020. Everyone in the Company demonstrated care, good judgement and very hard work in ensuring the health and wellbeing of our people whilst remaining focused on achieving our business objectives. Understandably, the performance of our Company during the year was significantly impacted by the pandemic but despite the resulting adjustments to our operational targets, we were able to still deliver solid production and good cost control. When combined with significant precious metal price rises, we generated strong cashflows allowing us to invest in a comprehensive crisis response programme and leave the Company in a net cash position at the end of the year. Our exploration programme was also reconfigured to the new reality but we made encouraging steps in our aim to add reserves and deliver growth opportunities.

We remain committed to furthering our wide range of ESG initiatives in order to make a lasting positive contribution to society, whatever the circumstances. This year our focus has been on supporting our communities and various other stakeholders to overcome the health and economic crisis caused by the pandemic. We have adopted several policy initiatives, including revised and new sustainability, human rights, gender and diversity, compliance and community relations policies that will further strengthen commitment to operate responsibly. Our ECO Score continues to be one of our key environmental management tools and we are working hard to encourage our key suppliers to also adopt it so that we can further align our environmental strategies. Finally, we have implemented our Safety-First culture: Safety 2.0. programme and launched our Environmental Culture Transformation Plan to build on the progress achieved to date in this area.

We believe that our long-term strategy based on exploration, project delivery, value accretive acquisitions and solid ESG foundations remains key to driving our business and delivering returns for stakeholders.

Operations

Hochschild's output in 2020 was impacted by Covid-related stoppages at all our mines with the first major disruption lasting from the middle of March until the end of May. The crisis also resulted in substantial delays in permitting for exploration and operations for this year and beyond and we continue to work hard to overcome those delays.

At Inmaculada, we experienced a further halt to production in early July with another at San Jose in Argentina towards the end of the year. Overall production was 289,293 gold equivalent ounces (24.9 million silver equivalent ounces) which was understandably substantially lower than the 2019 figure of 465,336 gold equivalent ounces (40.0 million silver equivalent ounces). This was produced at an all-in sustaining cost of $1,098 per gold equivalent ounce ($12.8 per silver equivalent ounce) which reflected the reduced production rates. Inmaculada remained the cornerstone of the Company, producing 176,086 gold equivalent ounces (2019: 256,001 ounces) at $922 per gold equivalent ounce (2019: $811 per ounce), a pleasing result despite losing approximately a quarter's worth of output.

At Pallancata, despite the impact of the shutdown, the operation still had a steady period of production from the middle of the year onwards, delivering 4.8 million silver equivalent ounces (2019: 9.5 million ounces) at a cost of $15.6 per silver equivalent ounce (2019: $13.4 per ounce). In Argentina, San Jose initially experienced a shorter stoppage with production restarting in late April. However, restrictions on people's movement in the country resulted in a slow and difficult remobilisation whilst rising regional Covid infections in the Santa Cruz province led to a further 20-day stoppage in late November. Production was 9.7 million silver equivalent ounces (2019: 15.9 million ounces) with costs at $14.6 per silver equivalent ounce (2019: $13.3 per ounce).

Exploration

Our 2020 brownfield plans were also affected by the Covid-related delays and almost three months of the schedule was deferred. However, despite delays, we were able to obtain the permits required for 2020, reconfigure the programme and implement an aggressive series of campaigns for the remainder of the year in the surrounding areas of all three of our current mines. Our objectives remained the same in terms of upgrading our current resource base and discovering new potential resources. In this regard, we were broadly successful with approximately 75% of the programme completed and drilling achieving an increase in reserves of 25.3 million silver equivalent ounces at Inmaculada. This figure does not incorporate a portion of drilling from January 2021 and therefore not reflected in the 2020 audited ore reserves statement starting on page 54.

At San Jose, we were encouraged to see some positive drill results towards the end of the year in the Saavedra area close to where we are currently mining whilst, in the region surrounding Pallancata, exciting results from the second campaign at the Corina deposit to the north lead us to expect a maiden resource will be achieved in the next few months. Whilst there is still work to do to extend the current Pallancata mine life, we are hopeful that results at Corina may eventually secure the long-term future of production in the area. In addition, we also made a start on a new drilling campaign at our former mine, Arcata, and were highly encouraged by the first results from the area to the west of the mine with work expected to continue this year.

In Chile, work on our exciting Biolantanidos rare earths project has progressed well, notwithstanding a few minor delays resulting from the impact of the pandemic in the country. Key management personnel are in place and are advancing the various work streams including: brownfield drilling; updating the resource model; progressing the project's permitting; carrying out metallurgical tests and equipment piloting; and starting execution of the stakeholder engagement plan. The project is on track to complete a feasibility study towards end of the first half of the year.

Our greenfield programme was also impacted but we saw encouraging progress from Snip in British Columbia where our partner Skeena Resources announced a maiden resource for the deposit in July, and we look forward to results from the project's second drilling campaign which has now completed. Third-party exploration work also began at the Horsethief project in Nevada.

Financial position

Despite the significant impact of the Covid crisis, our resilient production performance combined with a higher price environment has resulted in our balance sheet now sitting in an enviably strong position with cash and cash equivalents of $231 million at the end of December (31 December 2019: $166.4 million). This has meant for the first time in eight years, Hochschild ended the year with a net cash position, $21.6 million (31 December 2019: $33.2 million net debt).

Financial results

As discussed above, total Group production was significantly lower versus 2019 and consequently, despite a 28% rise in the average realised gold price achieved and a 35% rise in the silver price, net revenue was reduced to $621.8 million (2019: $755.7 million). All-in sustaining costs do not include approximately $47 million of fixed costs at the operations incurred during the stoppages and ramp-up (presented within cost of sales). However, we were able to finish slightly below our revised cost guidance at $12.8 per silver equivalent ounce (2019: $11.9 per ounce). Adjusted EBITDA of $270.9 million (2019: $343.3 million) mostly reflects the reduced production levels as well as a rise in mine closure provisions of $16.1 million. Pre-exceptional earnings per share of $0.06 (2019: $0.09 per share) includes the impact of an increase in finance costs in Argentina and of income tax arising from the impact of local currency devaluation in Peru and Argentina. Post-exceptional earnings per share was lower at $0.03 (2019: $0.06 earnings per share) mainly due to the exceptional after tax cost of $22.0 million of Covid-19 response initiatives which are deemed to be exceptional as they are incremental to the Group's regular business, are material impacts and are not expected to recur. This was partially offset by the exceptional after-tax gain of $6.2 million from the reversal of impairment at San Jose.

Outlook

We expect attributable production in 2021 of between 360,000 and 372,000 gold equivalent ounces (31.0 to 32.0 million silver equivalent ounces) assuming the silver to gold ratio of 86:1 (the average ratio for 2020). This will be driven by: 223,000-228,000 gold equivalent ounces from Inmaculada; an attributable contribution of 6.4 to 6.8 million silver equivalent ounces from San Jose; and 5.4-5.6 million silver equivalent ounces from Pallancata. The Company has also taken steps to protect cashflow generation in Peru, from the existing marginal resource base, mainly at Pallancata, by hedging the sale of 4 million ounces of silver at $27.10 per ounce for 2021 and a further 4 million ounces of silver at $26.86 per ounce for 2022.

All-in sustaining costs for operations are expected at between $1,210 to $1,250 per gold equivalent ounce ($14.1 to $14.5 per silver equivalent ounce). This forecast includes a rise in mine development costs at San Jose in order to increase reserves and an increase in development at Inmaculada. Grades at Inmaculada are expected to be lower due to the delay in mine development and permitting resulting from the Covid-related stoppages.

The budget for brownfield exploration is set at approximately $34 million with the greenfield and advanced project budget set at approximately $11 million. In addition, a budget of approximately $14 million has been allocated towards advancing the Biolantanidos project and includes approximately $5 million of further exploration costs. Finally, we have recently approved a $7 million budget to construct an ore sorting pilot plant at Inmaculada during 2021. We believe this project may eventually deliver significant improvements in recoveries at the mine and potentially help to optimise other key projects in Hochschild's portfolio.

2021 has started with the pandemic still heavily impacting both the countries we operate in. Precious metal price strength has continued but we will remain vigilant and we have the people and the cash resources to meet the challenges ahead. We also intend to continue investing for the future. We have scheduled another busy brownfield exploration programme involving drill targets across our portfolio with the aim of adding further high quality ounces to our resource base and optimising our early-stage projects. We will also continue to assess value-accretive acquisition opportunities and can look forward to the feasibility study at our Biolantanidos rare earths project towards the middle of the year.

Ignacio Bustamante, Chief Executive Officer
17 February 2021

OPERATING REVIEW

OPERATIONS

Note: All equivalent figures calculated using the Company's 2020 average gold/silver ratio of 86:1. 2019 figures have been restated (previously calculated using a gold/silver ratio of 81:1).

Production

In 2020, Hochschild delivered attributable production of 289,293 gold equivalent ounces or 24.9 million silver equivalent ounces, at the high end of the Company's revised forecasts published in early September but with the reduction versus 2019 reflecting the impact from Covid-related disruptions throughout the year

The overall attributable production target for 2021 is 360,000-372,000 gold equivalent ounces or 31.0-32.0 million silver equivalent ounces.

Total 2020 group production[8]

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Silver production (koz)	**11,821**	20,163
Gold production (koz)	**207.08**	321.58
Total silver equivalent (koz)	**29,631**	47,818
Total gold equivalent (koz)	**344.54**	556.03
Silver sold (koz)	**11,846**	20,062
Gold sold (koz)	**207.77**	317.52

Total production includes 100% of all production, including production attributable to Hochschild's minority shareholder at San Jose.

Attributable 2020 group production

	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Silver production (koz)	**9,808**	16,808
Gold production (koz)	**175.24**	269.89
Silver equivalent (koz)	**24,879**	40,019
Gold equivalent (koz)	**289.29**	465.34

Attributable production includes 100% of all production from Arcata, Inmaculada, Pallancata and 51% from San Jose.

Attributable 2021 Production forecast split

Operation	**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	74,000-79,000	6.4-6.8
Total	**360,000-372,000**	**31.0-32.0**

Costs

All-in sustaining cost from operations in 2020 was $1,098 per gold equivalent ounce or $12.8 per silver equivalent ounce (2019: $990 per gold equivalent ounce or $11.6 per silver equivalent ounce), higher than 2019 mainly due to the effect of less production resulting from the Covid stoppages impacting administrative expenses, exploration expenses and capex per ounce in all units. The increase was also due to lower grades at all mines mostly resulting from the revised mine plans also due to the stoppages. These effects were partially offset by savings from cash optimisation plans and local currency devaluation in both Peru and Argentina. These figures do not include fixed costs incurred at the operations during the stoppages as well as abnormal costs during the phases of reduced production capacity as well as $27.6 million of exceptional Covid-19 response initiatives.

The all-in sustaining cost from operations in 2021 is expected to be between $1,210 and $1,250 per gold equivalent ounce (or $14.1 and $14.5 per silver equivalent ounce). These levels mainly reflect higher expected mine production costs aligned with mine plans and a rise in mine development capex to increase reserves primarily in San Jose and Inmaculada.

[8] *Group production figures for 2019 include 394,000 silver equivalent ounces from the Arcata operation which was placed on care and maintenance in February 2019.*

2021 AISC forecast split

Operation	$/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
Total from operations	**1,210-1,250**	**14.1-14.5**

Inmaculada

The 100% owned Inmaculada gold/silver underground operation is located in the Department of Ayacucho in southern Peru. It commenced operations in June 2015.

Inmaculada summary	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Ore production (tonnes)	**948,937**	1,338,569	(29)
Average silver grade (g/t)	**154**	163	(6)
Average gold grade (g/t)	**4.33**	4.71	(8)
Silver produced (koz)	**4,034**	5,747	(30)
Gold produced (koz)	**129.17**	189.18	(32)
Silver equivalent produced (koz)	**15,143**	22,016	(31)
Gold equivalent produced (koz)	**176.09**	256.00	(31)
Silver sold (koz)	**4,020**	5,732	(30)
Gold sold (koz)	**129.70**	188.59	(31)
Unit cost ($/t)	**95.1**	93.3	2
Total cash cost ($/oz Au co-product)	**576**	504	14
All-in sustaining cost ($/oz Au Eq)	**922**	811	14

Production
The Inmaculada mine delivered gold equivalent production of 176,086 ounces in 2020 (2019: 256,001 ounces), with the reduction versus expectations due to the impact of two Covid-19 related stoppages during the year. These affected the operation firstly from mid-March until the end of May and secondly during most of July. Grades have proved to be slightly lower than originally budgeted due to delays in mine sequencing resulting from the stoppages.

Costs
All-in sustaining costs were $922 per gold equivalent ounce (2019: $811 per ounce) with the increase versus 2019 due to the impact of Covid stoppages on production and therefore on opex and capex per ounce and to lower gold grades, partially offset by savings from cash optimisation plans and local currency devaluation. Fixed costs of $11.7 million incurred during the stoppages and ramp-ups are not included in the figure in addition to $13.5 million of exceptional Covid-19 response initiatives.

Pallancata

The 100% owned Pallancata silver/gold property is located in the Department of Ayacucho in southern Peru. Pallancata commenced production in 2007. Ore from Pallancata is transported 22 kilometres to the Selene plant for processing.

Pallancata summary	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Ore production (tonnes)	**519,611**	915,877	(43)
Average silver grade (g/t)	**247**	278	(11)
Average gold grade (g/t)	**0.87**	1.01	(14)
Silver produced (koz)	**3,679**	7,259	(49)
Gold produced (koz)	**12.93**	25.95	(50)
Silver equivalent produced (koz)	**4,790**	9,491	(50)
Gold equivalent produced (koz)	**55.70**	110.36	(50)
Silver sold (koz)	**3,654**	7,161	(49)
Gold sold (koz)	**12.80**	25.45	(50)
Unit cost ($/t)	**101.2**	83.8	21
Total cash cost ($/oz Ag co-product)	**13.1**	9.6	36
All-in sustaining cost ($/oz Ag Eq)	**15.6**	13.4	16

Production
Pallancata produced 4.8 million silver equivalent ounces in 2020 (2019: 9.5 million ounces) with the reduction versus the original forecast (7.2 million ounces) due to the effects of the single Covid-19 related stoppage from mid-March to early June. In addition grades dropped moderately in line with the mine plan.

Costs
All-in sustaining costs were at $15.6 per silver equivalent ounce (2019: $13.4 per ounce). The mining of lower grade areas and reduced production resulting from the stoppages led to increases versus 2019 but were partially offset by savings from cash optimisation plans, lower expected capex and local currency devaluation. Fixed costs of $4.9 million incurred during the stoppage and ramp-up not included in the figure in addition to $8.2 million of exceptional Covid-19 response initiatives.

San Jose

The San Jose silver/gold mine is located in Argentina, in the province of Santa Cruz, 1,750 kilometres south west of Buenos Aires. San Jose commenced production in 2007. Hochschild holds a controlling interest of 51% and is the mine operator. The remaining 49% is owned by McEwen Mining Inc.

San Jose summary	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Ore production (tonnes)	**401,202**	544,165	(26)
Average silver grade (g/t)	**357**	443	(19)
Average gold grade (g/t)	**5.63**	6.81	(17)
Silver produced (koz)	**4,108**	6,846	(40)
Gold produced (koz)	**64.99**	105.48	(38)
Silver equivalent produced (koz)	**9,697**	15,917	(39)
Gold equivalent produced (koz)	**112.76**	185.08	(39)
Silver sold (koz)	**4,172**	6,846	(39)
Gold sold (koz)	**65.28**	102.82	(37)
Unit cost ($/t)	**199.4**	219.2	(9)
Total cash cost ($/oz Ag co-product)	**11.1**	9.6	16
All-in sustaining cost ($/oz Ag Eq)	**14.6**	13.3	10

Production
Production at San Jose in 2020 totalled 9.7 million silver equivalent ounces (2019: 15.9 million ounces). Whilst the mine restarted operations in late April 2020, following the first Covid-19 stoppage, continuing restrictions on the movement of people in Argentina throughout the remainder of the year resulted in a revised mine plan and lower grades. A further stoppage due to an increase in Covid-19 infections in the region occurred for 20 days from 15 November to 5 December 2020. A reduced level of staff remained on-site thereafter to oversee the final production of the unit's revised 2020 output target following permission from the Santa Cruz provincial authorities to restart operations.

Costs
All-in sustaining costs were at $14.6 per silver equivalent ounce (2019: $13.3 per ounce) with the operation impacted by the effect of lower ounces produced versus 2019 resulting in higher opex and capex per ounce. In addition, the mining of lower grade areas and higher inflation in the country also contributed to the increase. These were partially offset by savings from cash optimisation plans and by local currency devaluation. Fixed costs of $28.0 million incurred during the stoppage and phased ramp-up are not included in the figure in addition to $5.9 million of exceptional Covid-19 response initiatives.

EXPLORATION

Inmaculada

In 2020, the brownfield programme commenced in the first quarter before the programme was halted in mid-March due to the Covid crisis. The programme resumed in the third quarter with a total of almost 28,000m of resource and potential drilling carried out by the end of the year on the Shakira, Juliana, Thalia and Millet East veins, amongst others, to add resources to the resource base and discover new ounces. A summary of significant drill results from 2020 are presented below:

Vein	Results (potential/resource drilling)
Bety	IMS-20-001: 1.0m @ 1.3g/t Au & 94g/t Ag
Lady	LAD-19-001: 1.3m @ 1.5g/t Au & 120g/t Ag
Lady Sur	LAD-19-002: 0.9m @ 5.7g/t Au & 17g/t Ag LAD-19-003: 1.4m @ 27.0g/t Au & 113g/t Ag
South vein	IMM-20-002: 0.8m @ 15.0g/t Au & 1,753g/t Ag
Noel	HUA-20-008A: 1.1m @ 5.0g/t Au & 179g/t Ag
Shakira	HUA-19-008: 3.1m @ 5.1g/t Au & 252g/t Ag HUA-20-008A: 1.3m @ 2.5g/t Au & 259g/t Ag IMS-20-019: 1.3m @ 1.3g/t Au & 70g/t Ag IMS-20-020: 2.9m @ 2.2g/t Au & 159g/t Ag IMM-20-022: 1.2m @ 22.1g/t Au & 21g/t Ag IMM-20-023: 5.6m @ 9.0g/t Au & 397g/t Ag IMS-20-025: 3.0m @ 5.2g/t Au & 241g/t Ag IMS-20-032: 7.6m @ 2.5g/t Au & 287g/t Ag IMS-20-036: 2.5m @ 4.7g/t Au & 337g/t Ag IMS-20-048: 1.8m @ 2.0g/t Au & 119g/t Ag IMS-20-049: 4.6m @ 14.0g/t Au & 303g/t Ag
Millet	IMS-20-041: 1.2m @ 2.7g/t Au & 150g/t Ag IMS-20-042: 7.2m @ 2.2g/t Au & 153g/t Ag
Angela extension	IMS-19-006: 1.2m @ 8.1g/t Au & 60g/t Ag IMS-20-035: 3.5m @ 3.1g/t Au & 76g/t Ag
Tula	TLO-20-014: 1.1m @ 7.7g/t Au & 236g/t Ag TLO-20-016: 1.8m @ 1.5g/t Au & 82g/t Ag TLO-20-018: 1.2m @ 2.5g/t Au & 95g/t Ag TLO-20-020: 1.8m @ 6.4g/t Au & 158g/t Ag
Diana	DIV-20-069: 1.1m @ 2.3g/t Au & 72g/t Ag DIV-20-072: 1.0m @ 2.7g/t Au & 93g/t Ag
Perla	SBE-20-060: 0.8m @ 4.1g/t Au & 60g/t Ag SBE-20-061: 1.1m @ 3.2g/t Au & 166g/t Ag
Lucrecia	SBE-20-039: 1.0m @ 2.0g/t Au & 131g/t Ag SBE-20-042: 0.9m @ 3.7g/t Au & 81g/t Ag
Noelia	SBE-20-046: 0.8m @ 3.2g/t Au & 90g/t Ag SBE-20-065: 6.1m @ 8.8g/t Au & 1,086g/t Ag
Peta	DIV-20-050: 1.3m @ 3.7g/t Au & 50g/t Ag

Just over 100,000m of infill drilling was also carried out up until the middle of January 2021 with the result that the reserve base was increased by 25.3 million silver equivalent ounces. However, the 2020 audited Full Year Reserves and Resources statement (on pages 54-56) does not include the results of January 2021 drill work which will be included in the 2021 statement.

During the first quarter of 2021, the goal is to carry out 2,500m of potential drilling in the extension of the Angela vein as well as the Eduardo vein structure. Drilling is also expected to start later in the year in areas further away from the current mine to identify new potential resources.

Pallancata

Pallancata's 2020 drilling programme was also affected by the Covid-related stoppage which halted work for the entire second quarter. In the first few months of the year, long hole drilling was executed from underground towards the Anomalia NE, Royropata, Veta 1, Mercedes, Luisa and Erika veins and 1,880m of drilling tracing the continuity of the Pallancata vein. The potential drilling campaign which took place mostly in the second half of the year involved almost 23,000m of drilling and was targeted towards the Elva, Oscar-Ignacio, Erika and Luciano veins and again the continuation of the Pallancata vein. A summary of drill results from 2020 are presented below:

Vein	Results (potential/resource drilling)
Paola	DLLU-A206: 0.9m @ 1.3g/t Au & 479g/t Ag
Karina	DLLU-A206: 1.1m @ 6.8g/t Au & 539g/t Ag
Pallancata C	DLPL-A932: 4.6m @ 3.0g/t Au & 790g/t Ag
Puka	DLHU-A49: 1.9m @ 1.1g/t Au & 351g/t Ag
Oscar-Ignacio	DLER-A27: 2.0m @ 4.4g/t Au & 478g/t Ag

Although no inferred resources were added during the year, the brownfield exploration team believes there remains potential to identify additional resources to extend the short-term life of the Pallancata mine. In the first half of 2021, the plan is to execute 3,000m of potential drilling to continue to test the continuity of the Pallancata vein as well as the Oscar-Ignacio and Luisa-Paola structures and also the potential extension to the Pablo vein. 1,500m of drilling is also planned for Cochaloma.

Corina
At Corina, to the north of Selene, 2,318m of resource drilling was executed towards the end of 2020 in the Corina structure with the key results below:

Vein	Results (potential drilling)
Corina	DHCOR-20015: 25.7m @ 2.5g/t Au & 23g/t Ag *including 2.5m @ 10.1g/t Au & 62g/t Ag* DHCOR-20018: 1.3m @ 1.2g/t Au & 14g/t Ag DHCOR-20019: 4.8m @ 1.4g/t Au & 23g/t Ag DHCOR-20020: 23.3m @ 4.9g/t Au & 43g/t Ag DHCOR-20021: 9.3m @ 3.9g/t Au & 47g/t Ag *including 2.3m @ 8.4g/t Au & 88g/t Ag* DHCOR-20022: 1.2m @ 1.4g/t Au & 3g/t Ag DHCOR-20025: 4.8m @ 3.6g/t Au & 19g/t Ag

Drilling continues with resource and potential drilling in the Corina vein and associated structures to the north east of the system. A maiden resource is expected to be established in the next few months.

San Jose
At San Jose, 2,889m of potential drilling was executed before the stoppage in the first quarter in the Micaela Oeste, Emily, Karina and Carlos structures. When exploration restarted in the second quarter, further potential drilling was carried out throughout the remainder of the year towards the Ayelen, Erika, Mara, Sigmoide Julia, Sigmoide Luli, Emilia, Salvador, Micaela Oeste, Cindy and Saavedra targets. Resource drilling was also executed in the Betania and Isabel structures. A total of close to 45,000m of drilling was carried out in 2020 whilst, in the second quarter of the year, a Titan geophysics survey was completed.

Vein	Results (potential drilling)
Micaela Oeste	SJD-2070: 0.9m @ 9.6g/t Au & 207g/t Ag
Carlos	SJD-2084: 1.9m @ 3.5g/t Au & 1,024g/t Ag
Odin	SJD-2103: 2.8m @ 17.1g/t Au & 591g/t Ag SJD-2109: 0.9m @ 6.9g/t Au & 126g/t Ag SJM-505: 2.6m @ 11.0g/t Au & 968g/t Ag
Julia	SJD-2108: 1.0m @ 7.0g/t Au & 812g/t Ag SJD-2110: 1.2m @ 5.8g/t Au & 197g/t Ag
Erika	SJD-2114: 0.8m @ 1.5g/t Au & 332g/t Ag
New vein 1	SJD-2110: 0.9m @ 8.0g/t Au & 398g/t Ag
Isabel	SJD-2145: 0.8m @ 1.7g/t Au & 449g/t Ag SJD-2210: 1.6m @ 5.6g/t Au & 648g/t Ag SJD-2211: 1.6m @ 3.7g/t Au & 376g/t Ag
Horiz.Savedra	SJD-2154: 2.4m @ 4.9g/t Au & 19g/t Ag
Emilia	SJM-511: 0.9m @ 1.8g/t Au & 248g/t Ag
Cindy	SJM-518: 1.2m @ 3.8g/t Au & 407g/t Ag
HVS	SJD-2140: 3.4m @ 10.0g/t Au & 523g/t Ag
Kospi	SJD-2129: 1.4m @ 6.2g/t Au & 1,309g/t Ag
Sig. Luli	SJM-507: 1.1m @ 14.9g/t Au & 295g/t Ag SJM-508: 1.5m @ 2.4g/t Au & 248g/t Ag
Alina	SJD-2176: 1.2m @ 1.1g/t Au & 319g/t Ag
Ramal HVNX	SJD-2184: 1.2m @ 4.0g/t Au & 557g/t Ag SJD-2188: 1.3m @ 13.8g/t Au & 3,149g/t Ag
Betania (Saavedra)	SJD-2207: 4.0m @ 1.4g/t Au & 760g/t Ag
Luisa	SJD-2210: 0.9m @ 2.2/t Au & 722g/t Ag

During the first quarter of 2021, 2,000m of resource drilling is planned at the Betania and Isabel veins with campaigns also continuing at the Saavedra area, the Telken zone close to Cerro Negro and at Aguas Vivas to the north west of San Jose.

Arcata
Following the early receipt of the exploration permit at Arcata in the fourth quarter, 5,022m was drilled in the Fatima, Tres Reyes and the West veins with selected results below:

Vein	Results (potential drilling)
Fatima	DDH-609-S20: 3.0m @ 1.4g/t Au & 760g/t Ag
Tres Reyes	DDH-611-S20: 1.3m @ 1.5g/t Au & 313g/t Ag
Jenny	DDH-611-S20: 0.9m @ 0.7g/t Au & 204g/t Ag

A further 3,000m of drilling is planned for the first quarter of 2021 at the Baja, Fatima and Tres Reyes veins.

Crespo
At the Crespo open pit project close to Arcata, 1,973m of potential drilling was carried out in the fourth quarter of the year to confirm the lateral continuity of the orebody as well as a potential deepening of the breccia and testing of the surrounding colluvial deposits.

Target	Results (potential/resource drilling)
Lateral extension	DDH-CRE-2001: 26.2m @ 1.2g/t Au & 82g/t Ag
Extension at depth	DDH-CRE-2002: 16.5m @ 0.3g/t Au & 14g/t Ag DDH-CRE-2002: 12.8m @ 0.3g/t Au & 1g/t Ag
Colluvial	ROT-CRE-2009: 30.0m@ 0.2g/t Au & 8g/t Ag ROT-CRE-2010: 12.0m@ 0.2g/t Au & 5g/t Ag

When the team returns in the second quarter after the rainy season, the programme will continue with 2,000m of drilling aimed at the extension and deepening of hydrothermal breccias and the colluvial deposits.

BIOLANTANIDOS

At the 100% owned Biolantanidos rare earths deposit in Chile, despite minor delays due to Covid-19, progress on the feasibility study was maintained with key advances made in geology, processing and equipment testing. The project's environmental permitting process continued to move forward and in addition, further brownfield targets were identified which are expected to increase the project's resources. Finally, the rare earths dedicated team grew as several key employees were added to the Biolantanidos organisation, including a new General Manager. The project remains on track to deliver a feasibility study towards the end of the first half of 2021.

GREENFIELD AND BUSINESS DEVELOPMENT

Hochschild's strategy with regards to its greenfield exploration programme is to maintain and drill a balanced portfolio of early-stage to advanced opportunities using a combination of earn-in joint ventures, private placements with junior exploration companies and the staking of properties.

In 2020, there was considerable disruption to the programme from the Covid-19 crisis but exploration work was possible later in the year at: the Cooke Mountain gold project owned by Adamera Minerals Corp in Washington State, U.S. the Horsethief project owned by Allianza Minerals Ltd in Nevada, U.S.; Los Cuarentas owned by Riverside Minerals in Sonora, Mexico along with Sarape owned by Orogen Royalties also in Sonora; and the Illipah project owned by EMX Royalty Corp also in Nevada.

In 2021, the greenfield and advanced project budget is set at $11 million and the Company expects to drill five to six prospects in Peru, the U.S. and Mexico.

Snip
At Snip in the Golden Triangle of British Columbia, Hochschild's partner, Skeena Resources Limited, announced a maiden resource in July 2020 at their 100%-owned Snip Gold Project in northwest British Columbia, Canada.

The underground constrained Indicated resources include 244,000 ounces of gold hosted within 539,000 tonnes at an average gold grade of 14.0 g/t Au. Resources within the Inferred category include 402,000 ounces of gold hosted within 942,000 tonnes at an average gold grade of 13.3 g/t Au (Table 1). In the determination of reasonable prospects for economic extraction, long hole stoping is contemplated. Sensitivities to the gold cut-off are presented in Table 2.

Table 1: Snip Indicated and Inferred underground resources reported undiluted at a 2.5 g/t Au cut-off grade within stope optimised mining shapes.

	Domain	Tonnes (000)	Contained Grade Au (g/t)	Contained Metal Au (000 oz)
Indicated Mineral Resources				
	Main – V	165	12.8	68
	Main – S	337	15.0	163
	Twin West	37	10.4	12
Total Indicated		**539**	**14.0**	**244**
Inferred Mineral Resources				
	Main – V	287	13.1	121
	Main – S	599	13.4	258
	Twin West	56	12.4	23
Total Inferred		**942**	**13.3**	**402**

Skeena has recently completed a second drilling campaign to follow up on the first campaign from 2019 with the aim of expanding the resource. Results from the programme are pending.

In September 2018, Skeena granted Hochschild an option to earn a 60% undivided interest in Snip by spending twice the amount Skeena had spent since it originally optioned Snip from Barrick. Under the Heads of Agreement agreed between Skeena and Hochschild, Hochschild had three years from the closing (by 16 October 2021) to provide notice to Skeena that it wishes to exercise its option. Once exercised, Hochschild will have three years to:

- incur expenditures on Snip that are no less than twice the amount of such expenditures incurred by Skeena from 23 March 2016 up until the time of exercise of the Option by Hochschild. As of 30 June 2020, Skeena had incurred C$18.9 million of expenditures at Snip;
- incur no less than C$7.5 million in exploration or development expenditures on Snip in each 12-month period of the Option Period; and
- provide 60% of the financial assurance required by governmental authorities for the Snip mining properties

The reporting currency of Hochschild Mining plc is U.S. dollars. In discussions of financial performance, the Group removes the effect of exceptional items, unless otherwise indicated, and in the income statement results are shown both pre and post such exceptional items. Exceptional items are those items, which due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and to facilitate comparison with prior years.

Revenue

Gross revenue [9]

Gross revenue from continuing operations decreased by 18% to $641.4 million in 2019 (2019: $780.3 million) due to the effects of the production stoppages during the year resulting from the Covid-19 crisis. This was partially offset by a strong rise in average realised precious metal prices.

Gold

Gross revenue from gold in 2020 decreased to $376.9 million (2019: $449.0 million) due to the 35% fall in gold sales arising from the production stoppages. This was partially offset by a 28% increase in the average realised gold price.

Silver

Gross revenue from silver fell in 2020 to $264.5 million (2019: $331.2 million) due to a 41% fall in silver sales arising from the production stoppages. This was partially offset by a 35% increase in the average realised silver price.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for 2020 and 2019:

Average realised prices	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Silver ounces sold (koz)	**11,846**	20,062
Avg. realised silver price ($/oz)	**22.3**	16.5
Gold ounces sold (koz)	**207.77**	317.52
Avg. realised gold price ($/oz)	**1,814**	1,414

Commercial discounts

Commercial discounts refer to refinery treatment charges, refining fees and payable deductions for processing concentrate, and are deducted from gross revenue on a per tonne basis (treatment charge), per ounce basis (refining fees) or as a percentage of gross revenue (payable deductions). In 2020, the Group recorded commercial discounts of $19.7 million (2019: $24.7 million) with the decrease explained by the significant reduction in production. The ratio of commercial discounts to gross revenue in 2020 was 3% (2019: 3%).

Net revenue

Net revenue was $621.8 million (2019: $755.7 million), comprising net gold revenue of $370.1 million (2019: $441.6 million) and net silver revenue of $251.6 million (2019: $314.0 million). In 2020, gold accounted for 60% and silver 40% of the Company's consolidated net revenue (2019: gold 58% and silver 42%).

Reconciliation of gross revenue by mine to Group net revenue

$000	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Silver revenue			
Arcata	**-**	4,984	-
Inmaculada	**84,651**	90,110	(6)
Pallancata	**83,405**	121,494	(31)
San Jose	**96,472**	114,623	(16)
Commercial discounts	**(12,932)**	(17,258)	(25)
Net silver revenue	**251,596**	313,953	(20)
Gold revenue			
Arcata	**-**	873	-
Inmaculada	**230,255**	262,033	(12)
Pallancata	**24,154**	37,237	(35)
San Jose	**122,483**	148,901	(18)
Commercial discounts	**(6,810)**	(7,460)	(9)
Net gold revenue	**370,082**	441,584	(16)
Other revenue	**149**	139	7
Net revenue	**621,827**	755,676	(18)

Cost of sales

Total cost of sales before exceptional items was $397.8 million in 2020 (2019: $512.7 million). The direct production cost excluding depreciation was lower at $218.2 million (2019: $327.7 million) mainly due to the Covid-related stoppages. Unallocated fixed costs

[9] *Includes revenue from services*

at the operations incurred during the stoppages as well as abnormal costs during the phases of reduced production capacity were $46.5 million and are shown separately below. Depreciation in production cost fell to $113.1 million (2019: $184.4 million) due to lower extracted volumes across all operations. This figure does not include $1.8 million of depreciation incurred during the stoppages (also shown below within fixed costs during operational stoppages and reduced capacity line). The change in inventories was $17.3 million in 2020 (2019: $(3.8) million) due to a reduction in products in process (stockpiles and precipitates).

$000	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% Change
Direct production cost excluding depreciation	218,212	327,660	(33)
Depreciation in production cost	113,146	184,388	(39)
Other items and workers profit sharing	2,632	4,445	(41)
Fixed costs during operational stoppages and reduced capacity	46,480	-	-
Change in inventories	17,323	(3,782)	(558)
Cost of sales	397,793	512,711	(22)

Fixed costs at the operations during stoppages and reduced capacity

$000	
Personnel costs	32,117
Third party services	8,948
Supplies	1,698
Depreciation and amortisation	1,818
Others	1,899
Total	**46,480**

Unit cost per tonne

The Company reported unit cost per tonne at its operations of $119.9 per tonne in 2020, a 4% increase versus 2019 ($115.8 per tonne) mainly due to the expected lower tonnage rate at Pallancata. This was partially offset by lower temporary costs at San Jose as a result of using a higher proportion of mechanised mining due to Covid-related restrictions on staffing levels.

Unit cost per tonne by operation (including royalties)[10]*:*

Operating unit ($/tonne)	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Peru	97.5	89.4	9
Inmaculada	95.1	93.3	2
Pallancata	101.2	83.8	21
Arcata	-	182.2	-
Argentina			
San Jose	199.4	219.2	(9)
Total	119.9	115.8	4

Cash costs

Cash costs include cost of sales, commercial deductions and selling expenses before exceptional items, less depreciation included in cost of sales.

Cash cost reconciliation[11]

Year ended 31 Dec 2020

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	**102,135**	**62,181**	**107,119**	**271,435**
(+) Cost of sales[12]	154,950	83,272	113,091	**351,313**
(-) Depreciation and amortisation in cost of sales	(55,338)	(28,608)	(30,716)	**(114,662)**
(+) Selling expenses	417	632	11,705	**12,754**
(+) Commercial deductions[13]	2,106	6,885	13,039	**22,030**
Gold	*117*	*1,102*	*5,715*	***6,934***
Silver	*1,989*	*5,783*	*7,324*	***15,096***
Revenue	**314,906**	**100,674**	**206,098**	**621,678**
Gold	230,255	23,052	116,775	**370,082**
Silver	84,651	77,622	89,323	**251,596**
Others	-	-	-	**-**
Ounces sold				
Gold	129.7	12.8	65.3	**207.8**
Silver	4,020	3,654	4,172	**11,846**

[10]Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively
[11]Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales
[12]Does not include Fixed costs during operational stoppages and reduced capacity of $46.5 million
[13]Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore

Group cash cost ($/oz)				
Co product Au	576	1,112	930	**778**
Co product Ag	6.8	13.1	11.1	**9.3**
By product Au	119	(1,658)	160	**23**
By product Ag	(31.9)	10.4	(3.7)	**(8.9)**

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	**127,690**	**90,705**	**152,873**	**378,931**
(+) Cost of sales[14]	206,199	129,771	169,955	**512,711**
(-) Depreciation and amortisation in cost of sales	(81,570)	(51,195)	(49,862)	**(182,676)**
(+) Selling expenses	481	996	19,444	**21,071**
(+) Commercial deductions[15]	2,580	11,133	13,336	**27,825**
Gold	*194*	*1,772*	*5,582*	***7,674***
Silver	*2,386*	*9,361*	*7,754*	***20,151***
Revenue	**352,143**	**147,598**	**250,715**	**755,676**
Gold	262,033	35,465	143,339	**441,584**
Silver	90,110	112,133	107,376	**313,953**
Others	-	-	-	**139**
Ounces sold				
Gold	188.6	25.4	102.8	**317.5**
Silver	5,732	7,161	6,846	**20,062**
Group cash cost ($/oz)				
Co product Au	504	857	850	**698**
Co product Ag	5.7	9.6	9.6	**7.8**
By product Au	187	(1,210)	367	**141**
By product Ag	(23.5)	7.5	0.6	**(3.5)**

Co-product cash cost per ounce is the cash cost allocated to the primary metal (allocation based on proportion of revenue), divided by the ounces sold of the primary metal. By-product cash cost per ounce is the total cash cost minus revenue and commercial discounts of the by-product divided by the ounces sold of the primary metal.

All-in sustaining cost reconciliation [16]

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2020

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	86,874	51,534	79,804	218,212	-	218,212
(+) Other items and workers profit sharing in cost of sales	1,383	1,249	-	2,632	-	2,632
(+) Operating and exploration capex for units[17]	62,128	7,506	21,681	91,315	447	91,762
(+) Brownfield exploration expenses	2,526	4,652	9,720	16,898	3,745	20,643
(+) Administrative expenses (excl depreciation)[18]	3,768	1,205	5,590	10,563	30,533	41,096
(+) Royalties and special mining tax[19]	3,098	990	-	4,088	3,119	7,206
Sub-total	**159,777**	**67,136**	**116,795**	**343,707**	**37,592**	**381,299**
Au ounces produced	129,173	12,925	64,987	207,085	-	207,085
Ag ounces produced (000s)	4,034	3,679	4,108	11,821	-	11,821
Ounces produced (Ag Eq 000s oz)	15,143	4,790	9,697	29,631	-	29,631
Sub-total ($/oz Ag Eq)	10.6	14.0	12.0	11.6	-	12.9
(+) Commercial deductions	2,106	6,885	13,039	22,030	-	22,030
(+) Selling expenses	417	632	11,705	12,754	-	12,754
Sub-total	**2,523**	**7,517**	**24,744**	**34,784**	**-**	**34,784**
Au ounces sold	129,697	12,798	65,280	207,776	-	207,776
Ag ounces sold (000s)	4,020	3,654	4,172	11,846	-	11,846
Ounces sold (Ag Eq 000s oz)	15,174	4,754	9,786	29,715	-	29,715
Sub-total ($/oz Ag Eq)	**0.2**	**1.6**	**2.5**	**1.2**	**-**	**1.2**
All-in sustaining costs ($/oz Ag Eq)	**10.7**	**15.6**	**14.6**	**12.8**	**-**	**14.0**
All-in sustaining costs ($/oz Au Eq)	**922**	**1,341**	**1,253**	**1,098**	**-**	**1,208**

All-in sustaining cash costs do not include $44.7 million of fixed costs without depreciation incurred at the operations during the stoppages and abnormal costs during the phases of reduced production capacity. Also, not included in the figure are the exceptional Covid-19 response initiatives of $27.6 million corresponding to the operating mine units. These effects would have an impact on the AISC from main operations of $1.5/oz Ag Eq and $0.9/oz Ag Eq respectively.

[14] Does not include Fixed costs during operational stoppages and reduced capacity of $46.5 million
[15] Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore
[16] Calculated using a gold/silver ratio of 86:1. 2019 figures have been restated (previously calculated using a gold/silver ratio of 81:1)
[17] Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments
[18] Administrative expenses does not include expenses from the Biolantanidos project ($179,000)
[19] Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Arcata	Corporate & others	Total
(+) Production cost excluding depreciation	124,814	75,590	120,529	320,933	6,727	-	327,660
(+) Other items and workers profit sharing in cost of sales	1,902	1,976	567	4,445	-	-	4,445
(+) Operating and exploration capex for units[20]	66,435	26,605	41,406	134,446	42	2,470	136,958
(+) Brownfield exploration expenses	3,976	7,116	9,753	20,845	1,065	3,954	25,864
(+) Administrative expenses (excl depreciation)[21]	3,917	1,642	6,215	11,774	44	31,669	43,487
(+) Royalties and special mining tax[22]	3,510	1,471	-	4,981	47	3,429	8,457
Sub-total	**204,554**	**114,400**	**178,470**	**497,424**	**7,925**	**41,522**	**546,871**
Au ounces produced	189,180	25,952	105,478	320,611	966	-	321,577
Ag ounces produced (000s)	5,747	7,259	6,846	19,851	311	-	20,163
Ounces produced (Ag Eq 000s oz)	22,016	9,491	15,917	47,424	394	-	47,818
Sub-total ($/oz Ag Eq)	**9.3**	**12.1**	**11.2**	**10.5**	**20.1**	**-**	**11.4**
(+) Commercial deductions	2,580	11,133	13,336	27,049	776		27,825
(+) Selling expenses	481	996	19,444	20,921	150		21,071
Sub-total	**3,061**	**12,129**	**32,780**	**47,970**	**926**	**-**	**48,896**
Au ounces sold	188,585	25,446	102,824	316,855	662	-	317,515
Ag ounces sold (000s)	5,732	7,161	6,846	19,738	323	-	20,062
Ounces sold (Ag Eq 000s oz)	21,951	9,349	15,688	46,988	380	-	47,368
Sub-total ($/oz Ag Eq)	**0.1**	**1.3**	**2.1**	**1.0**	**2.4**	**-**	**1.0**
All-in sustaining costs ($/oz Ag Eq)	**9.4**	**13.4**	**13.3**	**11.5**	**22.5**	**-**	**12.5**
All-in sustaining costs ($/oz Au Eq)	**811**	**1,148**	**1,144**	**990**	**1,938**	**-**	**1,072**

Administrative expenses

Administrative expenses were reduced by 6% to $43.3 million (2019: $45.9 million) due to cash optimisation measures implemented during the year as a result of the Covid-19 crisis.

Exploration expenses

In 2020, exploration expenses decreased to $32.8 million (2019: $38.0 million) mainly due to slower execution of the budgeted greenfield and brownfield programmes as a result of the Covid-19 lockdown.

In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the Inferred or Measured and Indicated categories. In 2020, the Company capitalised $1.7 million relating to brownfield exploration compared to $6.0 million in 2019, bringing the total investment in exploration for 2020 to $34.5 million (2019: $44.0 million).

Selling expenses

Selling expenses were reduced to $12.8 million (2019: $21.1 million) principally due to the fact that in Argentina, which levies export taxes, the San Jose operation was stopped for a significant period of time.

Other income/expenses

Other income was lower at $3.6 million (2019: $9.0 million) mainly due to a reduction in income from logistics services at the Matarani warehouse of $4.1 million.

Other expenses before exceptional items were lower at $28.9 million (2019: $33.9 million) mainly due to lower care and maintenance expenses at Arcata and Ares of $5.6 million (2019: $9.5 million), partially offset by higher increase in the provision for mine closure of $16.1 million (2019: $13.6 million), mainly as a result of the incremental budget to close the Ares tailings dam. Other expenses also include lower corporate social responsibility tax in Argentina at $2.7 million (2019: $3.8 million) and lower adjustment to receivables in Peru of $1.0 million (2019: $3.7 million).

Adjusted EBITDA

Adjusted EBITDA decreased by 21% to $270.9 million (2019: $343.3 million) primarily due to the fall in revenue resulting from the operational stoppages due to the Covid crisis and in spite of significantly increased precious metal prices.

Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs, foreign exchange losses and income tax plus non-cash items (depreciation and amortisation and changes in mine closure provisions) and exploration expenses other than personnel and other exploration related fixed expenses.

[20] *Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments*
[21] *Administrative expenses does not include expenses from the Biolantanidos project ($160,000)*
[22] *Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*

$000 unless otherwise indicated	Year ended 31 Dec 2020	Year ended 31 Dec 2019	% change
Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange loss and income tax	**107,837**	112,276	(4)
Depreciation and amortisation in cost of sales	**116,480**	182,676	(37)
Depreciation and amortisation in administrative expenses and other expenses	**2,158**	2,480	60
Exploration expenses	**32,795**	37,965	(14)
Personnel and other exploration related fixed expenses	**(6,486)**	(6,316)	3
Other non-cash income, net [23]	**18,134**	14,251	27
Adjusted EBITDA	**270,918**	343,332	(21)
Adjusted EBITDA margin	***44%***	*45%*	

Finance income

Finance income before exceptional items of $4.2 million increased from 2019 ($2.9 million) mainly due to an increase in the fair value of the Group's holding in Americas Gold & Silver Corporation shares of $1.1 million (resulting from the sale of the San Felipe deposit).

Finance costs

Finance costs before exceptional items increased from $10.0 million in 2019 to $23.6 million in 2020, principally due to foreign exchange transaction costs to acquire $14.4 million dollars in Argentina, which resulted in a loss of $12.8 million (2019: $3.0 million). Also, costs increased as a result of interest expenses from the incremental debt raised in Peru in December 2019 ($200 million medium term loan which was a $50 million debt increase in the country) and the short term debt raised in Argentina to improve the cash position to pay for Covid expenses ($10 million as of December 2020).

Foreign exchange (losses)/gains

The Group recognised a foreign exchange loss of $2.6 million (2019: $1.8 million loss) as a result of exposures in currencies other than the functional currency – the Peruvian sol and the Argentinean peso which both depreciated in 2020.

Income tax

The Company's pre-exceptional income tax charge was $49.6 million (2019: $43.3 million). The increase in the charge is explained by the non-cash impact of local currency devaluation in Peru and Argentina which reduced the tax bases and impacted the deferred income tax by $11.7 million (2019: $1.5 million). There was also a negative impact from non-deductible expenses related to buying US dollars in Argentina of $4.1 million. The currency devaluation impact on income tax was partially offset by lower profit in line with lower production volumes.

The effective tax rate (pre-exceptional) for the period was 57.8% (2019: 41.9%), compared to the weighted average statutory income tax rate of 30.8% (2019: 30.9%). The high effective tax rate in 2020 versus the average statutory rate is mainly explained by the impact of local currency devaluation increasing the rate by 13.6%, the impact from Royalties and the Special Mining Tax which increased the effective rate by 8.4%, the impact of non-deductible expenses related to buying US dollars in Argentina (4.8%) and the impact from lower profit in the period which amplifies the effect of minor non-deductible expenses.

Exceptional items

Exceptional items in 2020 totalled a $15.8 million loss after tax (2019: $18.6 million loss after tax). Exceptional items mainly included Covid-19 response initiatives of $31.2 million distributed between cost of sales and other expenses, as well as the reversal of impairment of the San Jose mine unit of $8.3 million, partially offset by the associated tax effect.

The Covid initiatives include: incremental personnel expenses which are mainly one-off bonuses paid to those workers required to oversee critical processes during period of suspension; donations; accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units; and additional transportation costs to facilitate social distancing. These items are presented as exceptional as they are incremental to the Group's regular business, resulting from initiatives to respond to the impact from Covid-19. They are material impacts and are not expected to be recurring. In 2019, there was the payment of termination benefits due to the restructuring process generated by the temporary suspension of operations at the Arcata mine unit ($12.2 million) and the impairment of Pallancata ($14.7 million), partially offset by their corresponding tax effect.

[23] *Adjusted EBITDA has been presented before the effect of significant non-cash (income)/expenses related to changes in mine closure provisions and the write-off of property, plant and equipment*

Covid-19 response initiatives[24]

$000	Peru	Argentina	Total
Personnel	4,594	-	**4,594**
Donations	1,364	123	**1,488**
Third party services	16,928	5,667	**22,595**
Others	2,470	80	**2,550**
Total	**25,356**	**5,870**	**31,226**

The tax effect of these exceptional items was a $7.2 million tax gain (2019: $7.9 million tax gain). The total effective tax rate was 68.0% (2019: 44.8%).

Cash flow and balance sheet review

Cash flow:

$000	**Year ended 31 Dec 2020**	Year ended 31 Dec 2019	Change
Net cash generated from operating activities	**195,374**	283,259	(87,885)
Net cash used in investing activities	**(112,229)**	(203,613)	91,384
Cash flows generated (used in)/generated from financing activities	**(12,411)**	9,211	(21,622)
Foreign exchange adjustment	**(5,208)**	(2,204)	(3,004)
Net increase in cash and cash equivalents during the year	**65,526**	86,653	(21,127)

Net cash generated from operating activities decreased from $283.3 million in 2019 to $195.4 million in 2020 mainly due to lower Adjusted EBITDA of $270.9 million (2019: $343.3.0 million).

Net cash used in investing activities decreased to $112.2 million in 2020 from $203.6 million in 2019 mainly due to the impact of the acquisition of the Biolantanidos project in 2019 and lower mine developments due to the Covid-related stoppages at the operations.

Cash from financing activities decreased to an outflow of $12.4 million from an inflow of $9.2 million in 2019, primarily due to lower net debt raised in 2020 of $10.8 million (2019: $44.0 million) and the payment of $20.9 million of dividends in 2020 (2019: $31.3 million).

Working capital

$000	**As at 31 December 2020**	As at 31 December 2019
Trade and other receivables	**78,196**	73,618
Inventories	**42,362**	62,600
Derivative financial liabilities	**(1,500)**	-
Income tax payable, net	**(20,709)**	(11,005)
Trade and other payables	**(114,415)**	(120,537)
Provisions	**(25,504)**	(16,249)
Working capital	**(41,570)**	(11,573)

The Group's working capital position improved in 2020 from $(11.6) million to $(41.6) million. The key drivers were: lower inventories of $20.2 million; higher income tax payable of $(9.7) million; and higher provisions of $(9.3) million. These effects were partially offset by lower trade and other receivables of $4.6 million and lower trade and other payables of $6.1 million.

Net debt

$000 unless otherwise indicated	**As at 31 December 2020**	As at 31 December 2019
Cash and cash equivalents	**231,883**	166,357
Non-current borrowings	**(199,554)**	(199,308)
Current borrowings [25]	**(10,778)**	(234)
Net cash/(debt)	**21,551**	(33,185)

The Group's reported net cash position was $21.6 million as at 31 December 2020 (31 December 2019: net debt of $33.2 million). The Group benefited from strong cashflow generation resulting from the high precious metal prices and this was only moderately offset by an increase in current borrowings in Argentina.

[24] *Covid-19 response initiatives are distributed between cost of sales and other expenses. Cost of sales mainly includes the expenses related to the operating mine units (Inmaculada, Pallancata, San Jose) of $27.6 million. Other expenses includes corporate expenses and expenses from non-operating units of $3.6 million.*

[25] *Includes pre-shipment loans and short term interest payables*

Capital expenditure[26]

$000	Year ended 31 Dec 2020	Year ended 31 Dec 2019
Arcata	105	42
Pallancata	7,506	26,605
San Jose	23,030	43,623
Inmaculada	62,128	66,435
Operations	**92,769**	136,663
Biolantanidos[27]	8,650	60,726
Other	6,505	7,727
Total	**107,924**	205,116

2020 capital expenditure of $107.9 million (2019: $205.1 million) mainly comprised of operational capex of $92.8 million (2019: $136.7 million) with the decrease versus 2019 resulting from deferred capex at all operations due to the impact of the Covid-19 pandemic.

[26] *Includes additions in property, plant and equipment and evaluation and exploration assets (confirmation of resources) and excludes increases in the expected closure costs of mine asset*
[27] *Capital expenditure from Biolantanidos in 2019 includes the fair value of the asset at acquisition plus additions since the acquisition*

Forward looking Statements

This announcement contains certain forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, such forward looking statements may relate to matters such as the business, strategy, investments, production, major projects and their contribution to expected production and other plans of Hochschild Mining plc and its current goals, assumptions and expectations relating to its future financial condition, performance and results.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining plc may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause or contribute to differences between the actual results, performance or achievements of Hochschild Mining plc and current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. The Company cautions against undue reliance on any forward looking statement or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by Covid-19. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

The forward looking statements reflect knowledge and information available at the date of preparation of this announcement. Except as required by the Listing Rules and applicable law, Hochschild Mining plc does not undertake any obligation to update or change any forward looking statements to reflect events occurring after the date of this announcement. Nothing in this announcement should be construed as a profit forecast.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 Before exceptional items US$000	Year ended 31 December 2020 Exceptional items (note 10) US$000	Year ended 31 December 2020 Total US$000	Year ended 31 December 2019 Before exceptional items US$000	Year ended 31 December 2019 Exceptional items (note 10) US$000	Year ended 31 December 2019 Total US$000
Continuing operations							
Revenue	4	621,827	–	621,827	755,676	–	755,676
Cost of sales	5	(397,793)	(27,613)	(425,406)	(512,711)	–	(512,711)
Gross profit		224,034	(27,613)	196,421	242,965	–	242,965
Administrative expenses	6	(43,282)	–	(43,282)	(45,920)	–	(45,920)
Exploration expenses	7	(32,795)	–	(32,795)	(37,965)	–	(37,965)
Selling expenses	8	(12,754)	–	(12,754)	(21,071)	–	(21,071)
Other income	11	3,617	–	3,617	9,014	–	9,014
Other expenses	11	(28,905)	(3,613)	(32,518)	(33,894)	(12,199)	(46,093)
Impairment and write-off of non-current assets, net		(2,078)	8,303	6,225	(853)	(14,378)	(15,231)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		107,837	(22,923)	84,914	112,276	(26,577)	85,699
Finance income	12	4,197	–	4,197	2,938	–	2,938
Finance costs	12	(23,560)	–	(23,560)	(10,038)	–	(10,038)
Foreign exchange loss, net		(2,631)	–	(2,631)	(1,757)	–	(1,757)
Profit/(loss) from continuing operations before income tax		85,843	(22,923)	62,920	103,419	(26,577)	76,842
Income tax (expense)/benefit	13	(49,651)	7,157	(42,494)	(43,336)	7,933	(35,403)
Profit/(loss) for the year from continuing operations		36,192	(15,766)	20,426	60,083	(18,644)	41,439
Attributable to:							
Equity shareholders of the Parent		31,962	(16,800)	15,162	47,598	(18,644)	28,954
Non-controlling interests		4,230	1,034	5,264	12,485	–	12,485
		36,192	(15,766)	20,426	60,083	(18,644)	41,439
Basic earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	14	0.06	(0.03)	0.03	0.09	(0.03)	0.06
Diluted earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	14	0.06	(0.03)	0.03	0.09	(0.03)	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 US$000	2019 US$000
Profit for the year		**20,426**	41,439
Other comprehensive income that might be reclassified to profit or loss in subsequent periods, net of tax:			
Net loss on cash flow hedges		**(5,913)**	–
Deferred tax benefit on cash flow hedges	27	**1,744**	–
Exchange differences on translating foreign operations		**159**	(327)
		(4,010)	(327)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Net gain on equity instruments at fair value through other comprehensive income ('OCI')	18	**1,765**	3,628
		1,765	3,628
Other comprehensive (loss)/income for the year, net of tax		**(2,245)**	3,301
Total comprehensive income for the year		**18,181**	44,740
Total comprehensive income attributable to:			
Equity shareholders of the Company		**12,917**	32,255
Non-controlling interests		**5,264**	12,485
		18,181	44,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	As at 31 December 2020 US$000	As at 31 December 2019 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	15	787,663	795,277
Evaluation and exploration assets	16	192,121	181,562
Intangible assets	17	21,564	22,359
Financial assets at fair value through OCI	18	402	6,159
Financial assets at fair value through profit and loss	19	5,407	–
Trade and other receivables	20	5,395	5,188
Deferred income tax assets	27	1,009	1,627
		1,013,561	1,012,172
Current assets			
Inventories	21	42,362	62,600
Trade and other receivables	20	78,196	73,618
Income tax receivable		59	206
Cash and cash equivalents	22	231,883	166,357
Assets held for sale	23	–	38,295
		352,500	341,076
Total assets		1,366,061	1,353,248
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital		226,506	226,506
Share premium		438,041	438,041
Other reserves		(225,664)	(221,800)
Retained earnings		287,652	290,263
		726,535	733,010
Non-controlling interests		79,550	74,631
Total equity		806,085	807,641
Non-current liabilities			
Trade and other payables	24	205	526
Derivative financial liabilities		4,503	–
Borrowings	25	199,554	199,308
Provisions	26	109,033	99,322
Deferred income		–	172
Deferred income tax liabilities	27	73,316	63,103
		386,611	362,431
Current liabilities			
Trade and other payables	24	114,415	120,537
Derivative financial liabilities		1,500	–
Borrowings	25	10,778	234
Provisions	26	25,504	16,249
Deferred income		400	400
Income tax payable		20,768	11,211
Liabilities directly associated with asset held for sale	23	–	34,545
		173,365	183,176
Total liabilities		559,976	545,607

Total equity and liabilities		**1,366,061**	1,353,248

These financial statements were approved by the Board of Directors on 17 February 2021 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
17 February 2021

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 US$000	2019 US$000
Cash flows from operating activities			
Cash generated from operations		208,999	290,316
Interest received		2,292	2,622
Interest paid		(6,312)	(4,955)
Payment of mine closure costs	26	(3,987)	(3,488)
Income tax, special mining tax and mining royalty paid[1]		(5,618)	(1,236)
Net cash generated from operating activities		195,374	283,259
Cash flows from investing activities			
Purchase of property, plant and equipment		(94,046)	(133,724)
Purchase of evaluation and exploration assets	16	(13,287)	(68,632)
Purchase of intangibles	17	–	(2)
Purchase of financial assets at fair value through OCI	18	–	(1,100)
Purchase of Argentinian bonds	12	(27,256)	(14,795)
Proceeds from sale of Argentinian bonds	12	14,486	11,835
Proceeds from sale of financial assets at fair value through OCI	18	7,522	421
Proceeds from deferred income		–	2,250
Proceeds from sale of property, plant and equipment		352	134
Net cash used in investing activities		(112,229)	(203,613)
Cash flows from financing activities			
Proceeds from borrowings	25	48,520	316,500
Transaction costs related to borrowings	25	–	(692)
Repayment of borrowings	25	(37,717)	(272,500)
Payment of lease liabilities		(2,021)	(2,506)
Purchase of treasury shares		(292)	(309)
Dividends paid to non-controlling interests	28	(345)	(11,069)
Dividends paid		(20,556)	(20,213)
Cash flows (used in)/generated from financing activities		(12,411)	9,211
Net increase in cash and cash equivalents during the year		70,734	88,857
Exchange difference		(5,208)	(2,204)
Cash and cash equivalents at beginning of year	22	166,357	79,704
Cash and cash equivalents at end of year	22	231,883	166,357

1 Taxes paid have been offset with value added tax (VAT) credits of US$3,390,000 (2019:US$3,717,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 31 December 2020

					Other reserves										
	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Fair value reserve of financial assets at fair value through OCI US$000	Dividends expired US$000	Cumulative translation adjustment US$000	Unrealised gain/ (loss) on hedges US$000	Merger reserve US$000	Share-based payment reserve US$000	Total other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2019		225,409	438,041	–	(4,324)	62	(13,708)	–	(210,046)	4,860	(223,156)	278,995	719,289	71,003	790,292
Other comprehensive income/(expense)		–	–	–	3,628	–	(327)	–	–	–	3,301	-	3,301	–	3,301
Profit for the year		–	–	–	–	–	–	–	–	–	–	28,954	28,954	12,485	41,439
Total comprehensive income/ (expense) for the year		**–**	**–**	**–**	**3,628**	**–**	**(327)**	**–**	**–**	**–**	**3,301**	**28,954**	**32,255**	**12,485**	**44,740**
Sale of financial assets at fair value through OCI	18	–	–	–	1,658	–	–	–	–	–	1,658	(1,658)	-	–	-
Transfer of financial assets at fair value through OCI to subsidiary		–	–	–	(944)	–	–	–	–	–	(944)	944	-	–	-
Issuance of shares		1,097	–	–	–	–	–	–	–	–	–	–	1,097	–	1,097
Exercise of share options		–	–	309	–	–	–	–	–	(4,647)	(4,647)	3,241	(1,097)	–	(1,097)
Expiration of dividends		–	–	–	–	37	–	–	–	–	37	–	37	2	39
Dividends	28	–	–	–	–	–	–	–	–	–	–	(20,213)	(20,213)	–	(20,213)
Dividends to non – controlling interests	28	–	–	–	–	–	–	–	–	–	–	–	–	(8,859)	(8,859)
Purchase of treasury shares		–	–	(309)	–	–	–	–	–	–	–	–	(309)		(309)
Share-based payments		–	–	–	–	–	–	–	–	1,951	1,951	–	1,951	–	1,951
Balance at 31 December 2019		**226,506**	**438,041**	**–**	**18**	**99**	**(14,035)**	**–**	**(210,046)**	**2,164**	**(221,800)**	**290,263**	**733,010**	**74,631**	**807,641**
Other comprehensive income/(expense)		–	–	–	1,765	–	159	(4,169)	–	–	(2,245)	–	(2,245)	–	(2,245)
Profit for the year		–	–	–	–	–	–	–	–	–	–	15,162	15,162	5,264	20,426
Total comprehensive income/ (expense) for the year		**–**	**–**	**–**	**1,765**	**–**	**159**	**(4,169)**	**–**	**–**	**(2,245)**	**15,162**	**12,917**	**5,264**	**18,181**
Sale of financial assets at fair value through OCI	18	–	–	–	(1,988)	–	–	–	–	–	(1,988)	1,988	–	–	–
Exercise of share options		–	–	292	–	–	–	–	–	(1,087)	(1,087)	795	–	–	–
Dividends	28	–	–	–	–	–	–	–	–	–	–	(20,556)	(20,556)	–	(20,556)
Dividends to non – controlling interests	28	–	–	–	–	–	–	–	–	–	–	–	–	(345)	(345)
Purchase of treasury shares		–	–	(292)	–	–	–	–	–	–	–	–	(292)	–	(292)
Share-based payments		–	–	–	–	–	–	–	–	1,456	1,456	–	1,456	–	1,456
Balance at 31 December 2020		**226,506**	**438,041**	**–**	**(205)**	**99**	**(13,876)**	**(4,169)**	**(210,046)**	**2,533**	**(225,664)**	**287,652**	**726,535**	**79,550**	**806,085**

1 Notes to the condensed consolidated financial statements

For the year ended 31 December 2020

The financial information for the year ended 31 December 2020 and 2019 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2020 and 2019 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2020 which have been approved by the directors on 17 February 2021 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union (EU).

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2020 and 2019 are set out below. The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained below. These accounting policies have been consistently applied, except for the effects of the adoption of new and amended accounting standard.

The financial statements are presented in US dollars (US$) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

Going concern

The Group's business activities, its future development and the factors likely to affect its performance and position are set out in the Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement. In addition, the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

Despite the recent domestic lockdown announced by the Government in Peru, mining has been allowed to continue to operate along with other industries as they are critical to the recovery of the national economy. In Argentina, the central government has declared mining an essential activity for the economy and the local authorities in the Santa Cruz province (where the San Jose mine is located) are also providing support for the continuity of the mining industry which is of critical regional importance.

The Directors therefore consider the risk of another government-imposed suspension across all operations to be low. In addition, the Group's mines are located in isolated areas with low Covid infection rates, thus allowing the Company to control and closely monitor access to its facilities.

As demonstrated throughout the Annual Report, the Group has implemented a wide-ranging action plan to mitigate the risk of localised Covid outbreaks at the Group's operations. The plan includes various health and safety protocols which go well beyond those required by law and include (a) the physical adaptation of the mining units to ensure that they are Covid secure, (b) the systematic use of antigen testing prior to transporting personnel to the mine units (c) strict hygiene and social distancing rules, and (d) the use of technology-based systems to track suspected cases.

Further information on the action taken by the Company in 2020 can be found on pages XX (Risk Management Report) and XX ([the Covid pages in the Annual Report]).

Management will continue to monitor its approach which will evolve over time as knowledge of the virus (and any variants) deepens and will seek to incorporate industry best practice.

The Directors have reviewed liquidity and covenant forecasts for the Group taking into account the impact of Covid-19 and they have also considered potential downside scenarios and the availability of mitigating action in assessing whether the Group is able to continue in operation during the period to 31 March 2022, which is at least 12 months from the date of these financial statements.

More specifically, the scenarios reviewed by the Directors included a base case (the "Base Scenario"), reflecting budgeted production for 2021 and the Life of Mine plan for Q1 2022, incremental Covid-related costs and average precious metal prices of US$1,919/oz for gold and US$25.6/oz for silver, being the average analysts' consensus for the next 15 months (the "Assumed Prices"). Taking into account the risks associated with Covid, described in the Risk Management report, the Directors also reviewed two other scenarios considering further periods of stoppage and extended incremental Covid-related costs. Separately, and in line with their usual practice, the Directors considered the impact on the Group's cash balance and debt covenant compliance under each scenario, applying different precious metal price assumptions.

Finally, the Directors reviewed a "Remote Scenario" which takes into account a combination of (a) precious metal prices which are 20% lower than the Assumed Prices (US$1,535/oz for gold and US$20.5/oz for silver which are significantly below current spot and futures forecast prices) (b) an eight-week suspension of all operations (c) forecast expenditure according to the Base Scenario and (d) incremental Covid related costs until March 2022.

The Remote Scenario naturally resulted in a reduced cash balance but which nevertheless remains adequate for the Group's forecast expenditure with sufficient headroom maintained to comply with debt covenants. In each scenario, it has been assumed that all employees remain on full pay and that no further mitigating actions would be necessary to maintain an adequate level of liquidity.

In conclusion, the Directors have a reasonable expectation that the Group and the Company have adequate resources, which would see it continue in operation for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations effective for the Group from 1 January 2020. Other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3 Segment reporting

The Group's activities are principally related to mining operations which involve the exploration, production and sale of gold and silver. Products are subject to the same risks and returns and are sold through similar distribution channels. The Group undertakes a number of activities solely to support mining operations including power generation and services. Transfer prices between segments are set on an arm's length basis in a manner similar to that used for third parties. Segment revenue, segment expense and segment results include transfers between segments at market prices. Those transfers are eliminated on consolidation.

For internal reporting purposes, management takes decisions and assesses the performance of the Group through consideration of the following reporting segments:

- Operating unit – San Jose, which generates revenue from the sale of gold and silver (dore and concentrate).
- Operating unit – Pallancata, which generate revenue from the sale of gold and silver (concentrate).
- Operating unit – Inmaculada, which generates revenue from the sale of gold and silver (dore).
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the aim of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes costs charged to the profit and loss and capitalised as assets.
- Other – includes the profit or loss generated by Empresa de Transmisión Aymaraes S.A.C. The Arcata mine unit was put into care and maintenance on 13 February 2019 and consequently the revenue generated from the sale of gold and silver concentrate (US$5,081,000) is reported in others from 1 January 2020.

The Group's administration, financing, other activities (including other income and expense), and income taxes are managed at a corporate level and are not allocated to operating segments.

Segment information is consistent with the accounting policies adopted by the Group. Management evaluates the financial information based on the adopted IFRS accounting policies in the financial statements.

The Group measures the performance of its operating units by the segment profit or loss that comprises gross profit, selling expenses and exploration expenses.

Segment assets include items that could be allocated directly to the segment.

(a) Reportable segment information

	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	Total US$000
Year ended 31 December 2020							
Revenue from external customers	96,134	199,803	314,742	–	149	–	610,828
Inter segment revenue	–	–	–	–	6,918	(6,918)	–
Total revenue from customers	96,134	199,803	314,742	–	7,067	(6,918)	610,828
Provisional pricing adjustment	4,540	6,295	164	–	–	–	10,999
Total revenue	100,674	206,098	314,906	–	7,067	(6,918)	621,827
Segment profit/(loss)	3,989	47,290	129,103	(33,436)	5,699	(1,773)	150,872
Others[2]							(87,952)
Profit from continuing operations before income tax							62,920
Other segment information							
Depreciation[3]	(28,969)	(31,238)	(54,522)	(406)	(3,734)	–	(118,869)
Amortisation	–	(552)	(82)	(442)	(39)	–	(1,115)
Impairment and write-off of assets, net	(221)	7,750	(535)	(720)	(49)	–	6,225

Assets							
Capital expenditure	7,399	23,030	62,128	12,772	2,595	–	**107,924**
Current assets	24,692	43,735	14,613	–	4,675	–	**87,715**
Other non-current assets	33,784	166,887	516,505	232,135	52,037	–	**1,001,348**
Total segment assets	**58,476**	**210,622**	**531,118**	**232,135**	**56,712**	**–**	**1,089,063**
Not reportable assets[4]	–	–	–	–	276,998	–	276,998
Total assets	58,476	210,622	531,118	232,135	333,710	–	**1,366,061**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$43,282,000, other income of US$3,617,000, other expenses of US$32,518,000, write-off of assets (net) of US$2,078,000, reversal of impairment of assets of US$8,303,000, finance income of US$4,197,000, finance expense of US$23,560,000, and foreign exchange loss of US$2,631,000.
3 Includes depreciation capitalised in the Crespo project (US$768,000), and San Jose unit (US$1,349,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$402,000, financial assets at fair value through profit and loss of US$5,407,000, other receivables of US$38,238,000, income tax receivable of US$59,000, deferred income tax asset of US$1,009,000, and cash and cash equivalents of US$231,883,000.

	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	Total US$000
Year ended 31 December 2019							
Revenue from external customers	**140,784**	**242,972**	**351,936**	**–**	**5,400**	**–**	**741,092**
Inter segment revenue	–	–	–	–	6,101	(6,101)	**–**
Total revenue from customers	**140,784**	**242,972**	**351,936**	**–**	**11,501**	**(6,101)**	**741,092**
Provisional pricing adjustment	6,814	7,743	207	–	(180)	–	**14,584**
Total revenue	**147,598**	**250,715**	**352,143**	**–**	**11,321**	**(6,101)**	**755,676**
Segment profit/(loss)	**15,187**	**61,472**	**144,199**	**(38,062)**	**7,142**	**(6,009)**	**183,929**
Others[2]							(107,087)
Profit from continuing operations before income tax							**76,842**
Other segment information							
Depreciation[3]	(50,432)	(51,754)	(79,917)	(397)	(4,757)	–	**(187,257)**
Amortisation	–	(1,396)	(144)	(462)	(67)	–	**(2,069)**
Impairment and write-off of assets, net	(14,892)	(488)	(135)	315	(31)	–	**(15,231)**
Assets							
Capital expenditure	25,357	43,623	66,435	62,881	6,820	–	**205,116**
Current assets	20,500	48,286	26,601	38,301	5,006	–	**138,694**
Other non-current assets	50,438	163,656	506,779	220,934	57,391	–	**999,198**
Total segment assets	**70,938**	**211,942**	**533,380**	**259,235**	**62,397**	**–**	**1,137,892**
Not reportable assets[4]	–	–	–	–	215,356	–	**215,356**
Total assets	**70,938**	**211,942**	**533,380**	**259,235**	**277,753**	**–**	**1,353,248**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$45,920,000, other income of US$9,014,000, other expenses of US$46,093,000, write-off of assets (net) of US$853,000, impairment of assets of US$14,378,000, finance income of US$2,938,000, finance expense of US$10,038,000, and foreign exchange loss of US$1,757,000.
3 Includes depreciation capitalised in the Crespo project (US$809,000), and San Jose unit (US$2,217,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$6,159,000, other receivables of US$41,007,000, income tax receivable of US$206,000, deferred income tax asset of US$1,627,000, and cash and cash equivalents of US$166,357,000.

(b) Geographical information

The revenue for the period based on the country in which the customer is located is as follows:

Year ended 31 December

	2020 US$000	2019 US$000
External customer		
Switzerland	**236,455**	109,927
Korea	**150,094**	91,304
Canada	**138,795**	381,149
Germany	**60,299**	75,003
Japan	**13,264**	24,404
Chile	**10,872**	–
Bulgaria	**9,311**	17,864
USA	**2,994**	5,446
Peru	**(257)**	50,579
Total	**621,827**	755,676
Inter-segment		
Peru	**6,918**	6,101
Total	**628,745**	761,777

In the periods set out below, certain customers accounted for greater than 10% of the Group's total revenues as detailed in the following table:

	Year ended 31 December 2020			Year ended 31 December 2019		
	US$000	**% Revenue**	**Segment**	US$000	% Revenue	Segment
Argor Heraus	**176,543**	**28%**	**Inmaculada and San Jose**	105,436	14%	San Jose
LS Nikko	**150,094**	**24%**	**Pallancata and San Jose**	91,304	12%	Pallancata and San Jose
Asahi Refining Canada	**121,048**	**19%**	**Inmaculada**	352,949	47%	Inmaculada
MKS Switzerland S.A.	**59,912**	**10%**	**Inmaculada**	–	0%	–
Asahi Refining USA	**–**	**0%**	**–**	(806)	47%	Inmaculada

Non-current assets, excluding financial instruments and deferred income tax assets, were allocated to the geographical areas in which the assets are located as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Peru	**699,121**	709,022
Argentina	**166,887**	163,656
Mexico	**–**	838
Chile	**135,340**	125,682
Total non-current segment assets	**1,001,348**	999,198
Financial assets at fair value through OCI	**402**	6,159
Financial assets at fair value through profit and loss	**5,407**	–
Trade and other receivables	**5,395**	5,188
Deferred income tax assets	**1,009**	1,627
Total non-current assets	**1,013,561**	1,012,172

4 Revenue

	Year ended 31 December 2020					Year ended 31 December 2019				
	Revenue from customers					Revenue from customers				
	Goods sold US$000	Shipping services US$000	Total US$000	Provisional pricing US$000	Total US$000	Goods sold US$000	Shipping services US$000	Total US$000	Provisional pricing US$000	Total US$000
Gold (from dore bars)	255,142	577	255,719	144	255,863	320,813	1,011	321,824	238	322,062
Siver (from dore bars)	101,195	383	101,578	62	101,640	134,757	766	135,523	60	135,583
Gold (from concentrates)	109,816	2,447	112,263	1,956	114,219	111,318	2,456	113,774	5,748	119,522
Siver (from concentrates)	138,669	2,450	141,119	8,837	149,956	166,912	2,920	169,832	8,538	178,370
Services	149	–	149	–	149	139	–	139	–	139
Total	604,971	5,857	610,828	10,999	621,827	733,939	7,153	741,092	14,584	755,676

5 Cost of sales before exceptional items

Included in cost of sales are:

	Year ended 31 December	
	2020 US$000	2019 US$000
Depreciation and amortisation in cost of sales[1]	114,662	182,676
Personnel expenses (note 9)[2]	65,077	102,977
Mining royalty (note 30)	5,208	6,412
Change in products in process and finished goods	17,323	(3,782)
Fixed costs at the operations during stoppages and reduced capacity[3]	46,480	–
Other items[4]	–	567

1 The depreciation and amortisation in production cost is US$113,146,000 (2019: US$184,388,000).
2 Includes workers profit sharing of US$2,632,000 (2019: US$3,878,000).
3 Corresponds to the unallocated fixed cost accumulated during the stoppage and operation of the mine units under planned operating capacity due to the Covid-19 pandemic. These costs mainly include personnel expenses of US$32,117,000, third party services of US$8,948,000, supplies of US$1,698,000, depreciation and amortisation of US$1,818,000 and others costs of US$1,899,000.
4 Other items include costs related to stoppage of US$567,000 at the San José mine unit.

6 Administrative expenses

	Year ended 31 December	
	2020 US$000	2019 US$000
Personnel expenses (note 9)	27,016	26,580
Professional fees	4,978	5,481
Donations	373	331
Lease rentals	1,353	1,343
Travel expenses	188	1,058
Third party services	241	347
Communications	427	502
Indirect taxes	2,029	1,461
Depreciation and amortisation	1,723	1,950
Depreciation of rights of use	284	324
Technology and systems	1,063	1,400
Security	891	912
Other[1]	2,716	4,231
Total	43,282	45,920

1 Predominantly related to advertising costs of US$292,000 (2019; US$388,000), insurance fees of US$464,000 (2019: US$384,000), repair and maintenance of US$314,000 (2019: US$320,000), supplies costs of US$42,000 (2019: US$202,000) and personnel transportation of US$115,000 (2019: US$330,000).

7 Exploration expenses

	Year ended 31 December	
	2020 US$000	2019 US$000
Mine site exploration[1]		
Arcata	**990**	1,065
Ares	**940**	884
Inmaculada	**2,526**	3,976
Pallancata	**4,652**	7,116
San Jose	**9,720**	9,753
	18,828	22,794
Prospects[2]		
Peru	**1,731**	265
USA	**1,902**	3,600
Chile	**(211)**	1,300
	3,422	5,165
Generative[3]		
Peru	**2,331**	3,322
USA	**12**	–
Mexico	**974**	–
Chile	**437**	–
	3,754	3,322
Personnel (note 9)	**5,905**	5,748
Others	**581**	568
Depreciation right-of-use assets	**305**	368
Total	**32,795**	37,965

1 Mine-site exploration is performed with the purpose of identifying potential minerals within an existing mine-site, with the goal of maintaining or extending the mine's life.
2 Prospects expenditure relates to detailed geological evaluations in order to determine zones which have mineralisation potential that is economically viable for exploration. Exploration expenses are generally incurred in the following areas: mapping, sampling, geophysics, identification of local targets and reconnaissance drilling.
3 Generative expenditure is early stage exploration expenditure related to the basic evaluation of the region to identify prospects areas that have the geological conditions necessary to contain mineral deposits. Related activities include regional and field reconnaissance, satellite images, compilation of public information and identification of exploration targets.

The Group determines the cash flows which relate to the exploration activities of the companies engaged only in exploration. Exploration activities incurred by Group operating companies are not included since it is not practicable to separate the liabilities related to the exploration activities of these companies from their operating liabilities.

Cash outflows on exploration activities were US$6,176,000 in 2020 (2019: US$7,503,000).

8 Selling expenses

	Year ended 31 December	
	2020 US$000	2019 US$000
Personnel expenses (note 9)	**303**	288
Warehouse services	**1,281**	1,627
Taxes[1]	**9,202**	16,259
Other	**1,968**	2,897
Total	**12,754**	21,071

1 Corresponds to the export duties in Argentina.

9 Personnel expenses

	Year ended 31 December	
	2020 US$000	2019 US$000
Salaries and wages	**104,331**	100,441

Workers profit sharing	4,986	5,965
Other legal contributions	22,158	21,453
Statutory holiday payments	6,214	6,380
Long Term Incentive Plan	1,764	1,294
Restricted share plan	–	843
Termination benefits	1,495	14,464
Other	752	1,600
Total	141,700	152,440

1 Includes exceptional personnel expenses amounting to US$4,595,000 (refer to note 10(1) (2019: US$12,199,000 (refer to note 10(4))

Personnel expenses are distributed as follows:

	Year ended 31 December	
	2020 US$000	2019 US$000
Cost of sales[1]	101,404	102,977
Administrative expenses	27,016	26,580
Exploration expenses	5,905	5,748
Selling expenses	303	288
Other expenses[2]	4,255	16,462
Capitalised as property, plant and equipment	2,817	385
Total	141,700	152,440

1 Exceptional personnel expenses included in cost of sales amount to US$4,210,000 (2019: US$nil).
2 Exceptional personnel expenses included in other expenses amount to US$385,000 (2019: US$12,199,000).

Average number of employees for 2020 and 2019 were as follows:

	Year ended 31 December	
	2020	2019
Peru	1,897	2,072
Argentina	1,432	1,394
Chile	13	3
United Kingdom	10	10
Total	3,352	3,479

10 Exceptional items

Exceptional items are those significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years. Unless stated, exceptional items do not correspond to a reporting segment of the Group.

	Year ended 31 December 2020 US$000	Year ended 31 December 2019 US$000
Cost of sales		
Incremental costs due to Covid – 19 pandemic[1]	(27,613)	–
Total	(27,613)	–
Other expenses		
Incremental costs due to Covid – 19 pandemic[1]	(3,613)	–
Restructuring of Arcata mine unit[4]	–	(12,199)
Total	(3,613)	(12,199)
(Impairment)/impairment reversal of non-financial assets, net		
Impairment of assets[5]	–	(14,693)
Reversal of impairment of assets[2 and 5]	8,303	315
Total	8,303	(14,378)

Income tax benefit[3 and 6]	7,157	7,933
Total	7,157	7,933

The exceptional items for the year ended 31 December 2020 are as follows:

1 Incremental production costs incurred in the operating mine units to manage the Covid-19 pandemic have been presented within costs of sales and costs incurred by mine units in care and maintenance and those related to corporate activities have been presented within other expenses.

	Year ended 31 December 2020	
	Cost of sales US$000	Other expenses US$000
Third party services	18,823	665
Personnel expenses (note 9)	4,210	385
Donations	124	1,365
Consumption of medical supplies	1,062	248
Cleaning and food services	1,493	59
Depreciation and amortisation	534	-
Others	1,367	891
Total	27,613	3,613

These costs have been incurred in respect of the implementation of the necessary protocols including incremental third party services mainly related to accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units, medical tests and additional transportation costs to facilitate social distancing, personnel expenses mainly reflecting one-off bonuses paid to those workers required to oversee critical processes during period of suspension, donations which includes the value of equipment donated to assist the national effort in Peru to control the pandemic as well as the donations to hardship funds administered by educational institutions, UTEC and TECSUP (refer to note 29)). These expenses are not expected to be recurring as a result of the efficiencies made to the health protocols and logistics required to operate throughout the pandemic. For further details on the health protocols implemented across all operations refer to the detailed discussion outlined in the Risks section of the Annual Report

2 Reversals of impairment related to the San Jose mine unit of US$8,303,000 (refer to notes 15, 16 and 17).

3 The current tax credit generated by the incremental costs arising from the Covid-19 pandemic of US$9,241,000 and the deferred tax charge generated by the reversal of the impairment related to the San Jose mine unit of US$2,084,000.

The exceptional items for the year ended 31 December 2019 are as follows:

4 The termination benefits of 859 employees resulting from the restructuring process generated as the Arcata mine unit was placed on care and maintenance in February 2019.

5 Impairment of the Pallancata mine unit of US$14,693,000 and reversals of impairment related to the San Felipe mine project of US$315,000 (refer to notes 15, 16 and 17).

6 The current tax credit generated by the termination benefits arising from the restructuring process of the Arcata mine unit of US$3,599,000 and the deferred tax credit generated by the impairment of Pallancata mine unit of US$4,334,000.

11 Other income and other expenses before exceptional items

	Year ended 31 December 2020	Year ended 31 December 2019
	Before exceptional items US$000	Before exceptional items US$000
Other Income		
Decrease in provision for mine closure (note 26(1))	–	223
Logistic services	336	4,489
Recovery of provision of obsolescence of supplies (note 21)	1,921	
Income related to the San Felipe agreement	–	600
Other[1]	1,360	3,702
Total	3,617	9,014
Other expenses		
Increase in provision for mine closure (note 26(1))	(16,056)	(13,621)
Provision of obsolescence of supplies (note 21)	–	(1,449)
Care and maintenance expenses of Ares mine unit	(2,578)	(4,593)
Write off of value added tax	(101)	(144)
Corporate social responsibility contribution in Argentina[2]	(2,689)	(3,636)
Care and maintenance expenses of Arcata mine unit	(2,966)	(4,888)
Provision for impairment of receivables[3]	(996)	(3,706)
Other[4]	(3,519)	(1, 857)

Total	(28,905)	(33,894)

1 Mainly corresponds to the gain on sale of property plant and equipment of US$231,000 and the gain recognised for the Mosquito project of US$400,000 (2019: mainly corresponds to the recognition of a receivable from a supplier following a claim ruled in favour of the Group of US$1,061,000, the gain on recovery of expenses of US$623,000, gain on sale of supplies of US$325,000 and the gain recognised for the Mosquito project of US$400,000).
2 Relates to a contribution in Argentina to the Santa Cruz province, calculated as a proportion of sales.
3 Mainly due to write-off of a claim receivable of US$996,000 (2019: US$2,934,000).
4 Mainly corresponds to the expenses due to concessions of US$295,000 (2019: US$667,000), depreciation expense for right-of-use assets of US$151,000 (2019: US$206,000), the loss on recovery of expenses of US$158,000 and the loss on sale of supplies of US$1,312,000.

12 Finance income and finance costs before exceptional items

	Year ended 31 December 2020 Before exceptional items US$000	Year ended 31 December 2019 Before exceptional items US$000
Finance income		
Interest on deposits and liquidity funds	2,106	2,557
Interest income	2,106	2,557
Unwind of discount on mine rehabilitation (note 26)	387	–
Gain on discount of other receivables[1]	335	–
Gain from changes in the fair value of financial instruments [2]	1,057	–
Other	312	381
Total	4,197	2,938
Finance costs		
Interest on secured bank loans (note 25)	(7,086)	(4,122)
Other interest	(684)	(335)
Interest expense	(7,770)	(4,457)
Fair value loss on interest rate swap reclassified from equity	(1,497)	–
Unwind of discount on mine rehabilitation (note 26)	–	(506)
Loss on discount of other receivables[1]	–	(902)
Loss from changes in the fair value of financial instruments[3]	(12,770)	(3,007)
Other	(1,523)	(1,166)
Total	(23,560)	(10,038)

1 Mainly related to the effect of the discount of tax credits in Argentina and Peru.
2 Related to the fair value adjustment of the Americas Gold and Silver Corporation (AGSC) shares received as a final payment of the San Felipe project (refer to note 23)
3 Represents the foreign exchange transaction costs to acquire US$14,486,000 dollars through the sale of bonds in Argentina (2019: US$11,835).

13 Income tax expense

	Year ended 31 December 2020			Year ended 31 December 2019		
	Before exceptional items US$000	Exceptional items US$000	Total US$000	Before exceptional items US$000	Exceptional items US$000	Total US$000
Current corporate income tax from continuing operations						
Corporate income tax charge	31,551	(9,241)	22,310	35,543	(3,599)	31,944
Withholding tax	402	–	402	3,253	–	3,253
	31,953	(9,241)	22,712	38,796	(3,599)	35,197
Deferred taxation						
Origination and reversal of temporary differences from continuing operations (note 27)	10,491	2,084	12,575	(2,687)	(4,334)	(7,021)
Effect of change in income tax rates[1]	–	–	–	(1,230)	–	(1,230)
	10,491	2,084	12,575	(3,917)	(4,334)	(8,251)
Corporate income tax	42,444	(7,157)	35,287	34,879	(7,933)	26,946

Current mining royalties						
Mining royalty charge (note 30)	4,088	–	4,088	5,028	–	5,028
Special mining tax charge (note 30)	3,119	–	3,119	3,429	–	3,429
Total current mining royalties	7,207	–	7,207	8,457	–	8,457
Total taxation charge/(credit) in the income statement	49,651	(7,157)	42,494	43,336	(7,933)	35,403

1 On 29 December 2017, the Argentinian government enacted a tax reform. The main change was the reduction in the statutory income tax rate, from 35% to 30% with effect from 1 January 2018 and to 25% with effect from 1 January 2020. On December 2019 there was a further tax reform in Argentina, stating that the income tax rate of 25% will be applied from 1 January 2022

The weighted average statutory income tax rate was 30.8% for 2020 and 30.9% for 2019. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

The change in the weighted average statutory income tax rate is due to a change in the weighting of profit/(loss) before tax in the various jurisdictions in which the Group operates.

There was tax related to items charged to equity during the year ended 31 December 2020 of US$1,744,000 (2019: US$nil).

The total taxation charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated profits of the Group companies as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Profit from continuing operations before income tax	62,920	76,842
At average statutory income tax rate of 30.8% (2019: 30.9%)	19,368	23,740
Expenses not deductible for tax purposes	5,251	360
Adjustment related to Restricted Share Plan (RSP)	–	(940)
Change in statutory income tax rate	(1,529)	1,230
Deferred tax recognised on special investment regime[1]	(2,870)	(2,590)
Movement in unrecognised deferred tax[2]	4,571	5,223
Special mining tax and mining royalty deductible for corporate income tax	(2,126)	(2,495)
Other	461	(2,288)
Corporate income tax at average effective income tax rate of 36.8% (2019: 28.9%) before foreign exchange effect and withholding tax	23,126	22,240
Special mining tax and mining royalty[3]	7,207	8,457
Corporate income tax and mining royalties at average effective income tax rate of 48.2% (2019: 39.9%)	30,333	30,697
Foreign exchange rate effect[4]	11,759	1,453
Corporate income tax and mining royalties at average effective income tax rate of 66.9% (2019: 41.8%) before withholding tax	42,092	32,150
Withholding tax	402	3,253
Total taxation charge in the income statement at average effective tax rate 67.5% (2019: 46.1%) from continuing operations	42,494	35,403

1 Argentina benefits from a special investment regime that allows for a super (double) deduction in calculating its taxable profits for all costs relating to prospecting, exploration and metallurgical analysis, pilot plants and other expenses incurred in the preparation of feasibility studies for mining projects.
2 Includes the income tax charge on mine closure provision of US$1,687,000 (2019: US$836,000), the tax charge related to the Inmaculada mine unit depreciation of US$902,000 (2019: US$1,636,000), and the effect of not recognised tax losses of US$1,982,000 (2019: US$2,751,000).
3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 30).
4 The foreign exchange effect is composed of US$1,584,000 loss (2019: US$3,280,000 loss) from Argentina and a loss of US$10,175,000 (2019: US$1,827,000 gain) from Peru. This mainly corresponds to the foreign exchange effect of converting tax bases and monetary items from local currency to the corresponding functional currency. The main contributor of the foreign exchange effect on the tax charge in 2020 is the devaluation of the Peruvian soles (2019: Argentinian peso).

14 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders of the Parent by the weighted average number of ordinary shares issued during the year.

The Company has dilutive potential ordinary shares.

As at 31 December 2020 and 2019, EPS has been calculated as follows:

	As at 31 December	
	2020	2019
Basic earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.06**	0.09
Exceptional items (US$)	**(0.03)**	(0.03)
Total for the year and from continuing operations (US$)	**0.03**	0.06
Diluted earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.06**	0.09
Exceptional items (US$)	**(0.03)**	(0.03)
Total for the year and from continuing operations (US$)	**0.03**	0.06

Profit from continuing operations before exceptional items and attributable to equity holders of the Parent is derived as follows:

	As at 31 December	
	2020	2019
Profit attributable to equity holders of the Parent – continuing operations (US$000)	**15,162**	28,954
Exceptional items after tax – attributable to equity holders of the Parent (US$000)	**16,800**	18,644
Profit from continuing operations before exceptional items attributable to equity holders of the Parent (US$000)	**31,962**	47,598
Profit from continuing operations before exceptional items attributable to equity holders of the Parent for the purpose of diluted earnings per share (US$000)	**31,962**	47,598

The following reflects the share data used in the basic and diluted earnings per share computations:

	As at 31 December	
	2020	2019
Basic weighted average number of ordinary shares in issue (thousands)	**513,876**	510,562
Effect of dilutive potential ordinary shares related to contingently issuable shares (thousands)	**600**	538
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	**514,476**	511,100

15 Property, plant and equipment

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment[1,2] US$000	Vehicles[5] US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2020							
Cost							
At 1 January 2020	**1,449,374**	**529,081**	**610,955**	**11,748**	**99,696**	**15,196**	**2,716,050**
Additions	62,442	118	6,431	–	–	25,646[4]	94,637
Initial recognition	–	–	–	–	235	–	235
Change in discount rate	–	–	–	–	5,385	–	5,385
Change in mine closure estimate	–	–	–	–	2,424	–	2,424
Disposals	–	(132)	(1,870)	(31)	–	–	(2,033)
Write-offs	–	–	(8,613)	(1,127)	–	–	(9,740)
Transfers and other movements[3]	2,888	1,717	5,717	64	–	(7,522)	2,864
At 31 December 2020	**1,514,704**	**530,784**	**612,620**	**10,654**	**107,740**	**33,320**	**2,809,822**

Accumulated depreciation and impairment							
At 1 January 2020	**1,119,462**	**334,065**	**384,155**	**7,310**	**74,834**	**947**	**1,920,773**
Depreciation for the year	72,067	19,030	22,700	2,618	2,454	–	118,869
Disposals	–	(17)	(1,867)	(28)	–	–	(1,912)
Write-offs	–	–	(6,539)	(1,123)	–	–	(7,662)
Reversal of impairment	(3,831)	(1,101)	(1,589)	–	(1,369)	–	(7,890)
Transfers and other movements[4]	706	111	(705)	(23)	–	(108)	(19)
At 31 December 2020	**1,188,404**	**352,088**	**396,155**	**8,754**	**75,919**	**839**	**2,022,159**
Net book amount at 31 December 2020	**326,300**	**178,696**	**216,465**	**1,900**	**31,821**	**32,481**	**787,663**

1 Within mining properties and development costs and plant and equipment there are US$28,489,000 and 6,718,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project.
2 Within plant and equipment US$150,747,000 is subject to depreciation on a unit of production basis for which the accumulated depreciation is US$230,709,000 and depreciation charge for the year is US$10,289,000.
3 Transfers and other movements include US$2,828,000 that was transferred from evaluation and exploration assets (note 16).
4 There were borrowing costs capitalised in property, plant and equipment amounting to US$32,000.
5 Vehicles include US$410,000 of right of use assets.

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment[1,2] US$000	Vehicles[5] US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2019							
Cost							
At 31 December 2018	**1,345,516**	**519,450**	**590,447**	**6,680**	**96,397**	**14,966**	**2,573,456**
Recognised on transition of IFRS 16	–	–	–	5,337	–	–	5,337
At 1 January 2019, after IFRS 16 adjustment	**1,345,516**	**519,450**	**590,447**	**12,017**	**96,397**	**14,966**	**2,578,793**
Additions	99,658	716	21,084	842	–	14,773[4]	137,073
Asset acquisition	–	–	218	–	–	–	218
Change in discount rate	–	–	–	–	3,249	–	3,249
Change in mine closure estimate	–	–	–	–	50	–	50
Disposals	–	–	(1,893)	(1,969)	–	–	(3,862)
Write-offs	–	–	(3,426)	–	–	(241)	(3,667)
Transfers and other movements[3]	4,200	8,915	4,525	858	–	(14,302)	4,196
At 31 December 2019	**1,449,374**	**529,081**	**610,955**	**11,748**	**99,696**	**15,196**	**2,716,050**
Accumulated depreciation and impairment							
At 1 January 2019	**999,695**	**298,024**	**349,908**	**4,707**	**71,003**	**947**	**1,724,284**
Depreciation for the year	108,911	34,177	37,076	3,262	3,831	–	187,257
Disposals	–	–	(1,744)	(777)	–	–	(2,521)
Write-offs	–	–	(2,814)	–	–	–	(2,814)
Impairment charge	10,856	1,864	1,798	49	–	–	14,567
Transfers and other movements[3]	–	–	(69)	69	–	–	–
At 31 December 2019	**1,119,462**	**334,065**	**384,155**	**7,310**	**74,834**	**947**	**1,920,773**
Net book amount at 31 December 2019	**329,912**	**195,016**	**226,800**	**4,438**	**24,862**	**14,249**	**795,277**

1 Within mining properties and development costs and plant and equipment there are US$27,693,000 and 6,718,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project.
2 Within plant and equipment US$154,552,000 is subject to depreciation on a unit of production basis for which the accumulated depreciation is US$224,763,000 and depreciation charge for the year is US$20,452,000.
3 Transfers and other movements include US$4,200,000 that was transferred from evaluation and exploration assets (note 16).
4 There were no borrowing costs capitalised in property, plant and equipment.
5 Vehicles include US$2,533,000 of right of use assets.

In 2020, management determined that there was a trigger of impairment in the San Jose mine unit due to the increase of the discount rate from 13.5% to 15.9%, mainly explained by the rise in country risk premium in Argentina. In addition, the increase in the short term analyst consensus forecast prices of gold and silver in the year represented a trigger of impairment reversal for the Pallancata and San Jose mine units as both of these CGUs have previously been impaired.

The impairment test performed over the San Jose CGU resulted in a reversal of impairment recognised as at 31 December 2020 amounted to US$8,303,000 (US$7,890,000 in property, plant and equipment, US$100,000 in evaluation and exploration assets and US$313,000 in intangibles).

The reversal of impairment was mainly driven by an increase in analyst consensus prices of silver and gold and which was partially offset by the impact of the increase in the discount rate.

The result of the impairment test performed over the Pallancata CGU show that the recoverable value of Pallancata supports the carrying value, and neither an impairment nor impairment reversal was recognised at 31 December 2020.

In 2019, management determined that there was a trigger of impairment in the San Jose mine unit due to the increase of the discount rate from 9.5% to 13.5%, mainly explained by the rise in country risk premium in Argentina. The impairment test result did not show a difference versus the carrying value given that the negative effects of the increased discount rate were offset by an increase in the silver and gold analyst consensus prices. Therefore, no impairment, nor impairment reversal was recognised.

In 2019, as a result of the delays in obtaining exploration permits in the Pallancata mine unit, management revised its mine plan. The revised plan considers only the reserves and resources economically exploitable based on the latest model whilst spreading the remaining reserves and resources over a longer period of time to allow more time for the permitting and exploration campaigns to be completed. Management determined that this was a trigger of impairment and an impairment test was carried. The effect of the changes in the mine plan was partly offset by an increase in analyst consensus prices, and the resulting impairment charge recognised as at 31 December 2019 amounted to US$14,693,000 (US$14,567,000 in property, plant and equipment and US$126,000 in evaluation and exploration assets).

No indicators of impairment or reversal of impairment were identified in the other CGUs, which includes other exploration projects.

The recoverable values of the San Jose and Pallancata CGUs were determined using a fair value less costs of disposal (FVLCD) methodology. FVLCD was determined using a combination of level 2 and level 3 inputs, which result in fair value measurements categorised in its entirety as level 3 in the fair value hierarchy, to construct a discounted cash flow model to estimate the amount that would be paid by a willing third party in an arm's length transaction.

The key assumptions on which management has based its determination of FVLCD and the associated recoverable values calculated are gold and silver prices, future capital requirements, production costs, reserves and resources volumes (reflected in the production volume), and the discount rate.

2020

Real prices US$ per oz.	2021	2022	2023	2024	Long-term
Gold	1,937	1,823	1,684	1,452	1,400
Silver	26.4	21.8	21.0	19.2	17.8

	San Jose	Pallancata
Discount rate (post tax)	5.9%	4.1%

The period of 6 and 2 years were used to prepare the cash flow projections of the San Jose mine unit and the Pallancata mine unit respectively which is in line with their life of mine.

31 December 2020 (US$000)	San Jose	Pallancata
Current carrying value of CGU, net of deferred tax	127,500	35,481

Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of its cash generating units to exceed its recoverable amount.

A change in any of the key assumptions would have the following impact:

	US$000	
	San Jose	Pallancata
Gold and silver prices (decrease by 10%)	(61,800)	(12,200)
Gold and silver prices (increase by 5%)	7,700[1]	9,750[1]
Production costs (increase by 10%)	(32,800)	(4,700)
Production costs (decrease by 10%)[1]	7,700[1]	4,700
Production volume (decrease by 10%)	(11,800)	–
Production volume (increase by 10%)[1]	7,700[1]	–
Post tax discount rate (increase by 3%)[2]	(8,200)	–
Post tax discount rate (decrease by 3%)[2]	7,700[1]	–
Capital expenditure (increase by 10%)	(10,300)	–
Capital expenditure (decrease by 10%)	7,700[1]	–

1 This represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Management believes that a 3% change is was a reasonably possible change in the post-tax discount rate in Argentina. However, changes in the perception of Argentina arising from political, social and financial disruption may give rise to significant movement in the discount rate used in the assessment of the San Jose CGU.

Management has also determined that the Group's CGUs are sensitive to future stoppage of operations as a result of Covid-19. In the absence of any changes to the current gold and silver prices projections or any of the other key assumptions, we would expect the estimated recoverable amount of our CGUs related to the San Jose and Pallancata mine units could be reduced by US$8,900,000 and US$3,700,000 respectively, per month of stoppage.

2019

US$ per oz.	2019	2020	2021	2022	2023	Long-term
Gold	1,506	1,492	1,469	1,377	1,340	1,369
Silver	18.3	17.5	17.7	17.7	18.5	17.7

	San Jose	Pallancata
Discount rate (post tax)	13.5%	6.5%

The period of 6 and 2 years were used to prepare the cash flow projections of San Jose mine unit and the Pallancata mine unit respectively which is in line with their life of mine.

31 December 2019 (US$000)	San Jose	Pallancata
Current carrying value of CGU, net of deferred tax	132,278	59,147

The estimated recoverable values of the Group's CGUs are equal to, or not materially different than, their carrying values.

Sensitivity analysis
Other than as disclosed below, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of any of its cash generating units to exceed its recoverable amount.

A change in any of the key assumptions would have the following impact:

	US$000	
	San Jose	Pallancata
Gold and silver prices (decrease by 10%)	(62,700)	(19,900)
Gold and silver prices (increase by 5%)	17,839[1]	8,500
Production costs (increase by 10%)	(38,000)	(11,300)
Production costs (decrease by 10%)[1]	17,839[1]	10,600
Production volume (decrease by 10%)	(28,700)	(6,000)
Production volume (increase by 10%)[1]	17,839[1]	4,900
Post tax discount rate (increase by 3%)[2]	(11,200)	–
Post tax discount rate (decrease by 3%)[2]	12,900	–
Capital expenditure (increase by 10%)	(11,700)	–
Capital expenditure (decrease by 10%)	11,700[1]	–

1 This represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
2 Management believed that a 3% change was a reasonably possible change in the post-tax discount rate in Argentina. However, changes in the perception of Argentina arising from political, social and financial disruption may give rise to significant movement in the discount rate used in the assessment of the San Jose CGU.

16 Evaluation and exploration assets

	Azuca US$000	Crespo US$000	San Felipe US$000	Biolantanidos US$000	Volcan US$000	Others US$000	Total US$000
Cost							
Balance at 1 January 2019	**82,026**	**26,599**	**55,450**	**–**	**94,682**	**19,364**	**278,121**
Asset acquisition	–	–	–	59,358	–	–	59,358
Additions	687	643	–	1,149	770	6,025	9,274
Transfers to assets held for sale (note 23)	–	–	(55,450)	–	–	–	(55,450)
Transfers to property plant and equipment (note 15)	–	–	–	–	–	(4,236)	(4,236)
Balance at 31 December 2019	**82,713**	**27,242**	**–**	**60,507**	**95,452**	**21,153**	**287,067**
Additions	551	1,684	–	8,297	1,068	1,687	13,287

Transfers to property plant and equipment (note 15)	–	–	–	–	–	(2,857)	(2,857)
Balance at 31 December 2020	83,264	28,926	–	68,804	96,520	19,983	297,497
Accumulated impairment							
Balance at 1 January 2019	45,876	9,878	17,470	–	44,381	5,275	122,880
(Impairment reversal)/impairment	–	–	(315)	–	–	126	(189)
Transfers to assets held for sale (note 23)	–	–	(17,155)	–	–	–	(17,155)
Transfers to property, plant and equipment (note 15)	–	–	–	–	–	(31)	(31)
Balance at 31 December 2019	45,876	9,878	–	–	44,381	5,370	105,505
(Impairment reversal)/impairment	–	–	–	–	–	(100)	(100)
Transfers to property, plant and equipment (note 15)	–	–	–	–	–	(29)	(29)
Balance at 31 December 2020	45,876	9,878	–	–	44,381	5,241	105,376
Net book value as at 31 December 2019	36,837	17,364	–	60,507	51,071	15,783	181,562
Net book value as at 31 December 2020	37,388	19,048	–	68,804	52,139	14,742	192,121

At 31 December 2020, the Group has recorded a reversal of impairment with respect to evaluation and exploration assets of the San Jose mine unit of US$100,000 (2019: impairment charge of the Pallancata mine unit of US$126,000).

At 31 December 2019, the Group has recorded an impairment charge with respect to evaluation and exploration assets of the Pallancata mine unit of US$126,000 (the calculation of the recoverable values is detailed in note 15).

There were no borrowing costs capitalised in evaluation and exploration assets.

As at 31 December 2019, the San Felipe project, which is part of the exploration segment, was reclassified to assets held for sale. Consequently, management recognised a reversal of impairment of US$315,000 in the period to adjust the carrying value to the amount pending of collection from the option payment at 31 December 2019.

17 Intangible assets

	Transmission line[1] US$000	Water permits[2] US$000	Software licences US$000	Legal rights[3] US$000	Total US$000
Cost					
Balance at 1 January 2019	22,157	26,583	1,888	8,580	59,208
Additions	–	–	2	–	2
Transfer	–	–	9	–	9
Balance at 31 December 2019	22,157	26,583	1,899	8,580	59,219
Additions	–	–	–	–	–
Transfer	–	–	7	–	7
Balance at 31 December 2020	22,157	26,583	1,906	8,580	59,226
Accumulated amortisation and impairment					
Balance at 1 January 2019	15,276	12,686	1,741	5,142	34,845
Amortisation for the year[4]	1,210	–	186	673	2,069
Transfer	–	–	(54)	–	(54)
Balance at 31 December 2019	16,486	12,686	1,873	5,815	36,860
Amortisation for the year[4]	535	–	17	563	1,115
Reversal of impairment	(313)	–	–	–	(313)
Balance at 31 December 2020	16,708	12,686	1,890	6,378	37,662
Net book value as at 31 December 2019	5,671	13,897	26	2,765	22,359
Net book value as at 31 December 2020	5,449	13,897	16	2,202	21,564

1 The transmission line is amortised using the units of production method. At 31 December 2020 the remaining amortisation period is approximately 7 years (2019: 6 years) in line with the life of the mine. At 31 December 2020, the Group has recorded a reversal of impairment with respect to the transmission line of the San Jose mine unit of US$313,000 (the calculation of the recoverable values is detailed in note 15).

2 Corresponds to the acquisition of water permits of Andina Minerals Group ("Andina"). These permits have an indefinite life according to Chilean law. To determine the fair value less costs of disposal of the Volcan cash-generating unit, which includes the water permits held by the Group, the Group used the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources which was US$7.40 per gold equivalent ounce of resources at 31 December 2020 (2019: US$6.60). The risk adjusted enterprise value figure has been determined using a combination of level 2 (enterprise values and gold prices) and level 3 inputs

(unprocessed mineral resources and risk factor), which result in a fair value measurement categorised in its entirety as level 3 in the fair value hierarchy, to estimate the amount that would be paid by a willing third party in an arm's length transaction, taking into account the water restrictions imposed by the Chilean government.

3 Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. At 31 December 2020 the remaining amortisation period is from 2.5 to 12.5 years (2019: 4 to 14 years).

4 The amortisation for the period is included in cost of sales and administrative expenses in the income statement.

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually to determine whether it is in excess of its recoverable amount. No impairments were recognised in 2020 and 2019. The estimated recoverable amount is not materially different than its carrying value.

Key assumptions

	2020	2019
Risk adjusted value per in-situ (gold equivalent ounce) US$	7.40	6.60

US$000	2020	2019
Current carrying value Volcan CGU	66,036	64,968

The estimated recoverable amount is not materially greater than its carrying value.

Sensitivity analysis

Other than as disclosed below, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value exceed its recoverable amount.

A change in the value in situ assumption could cause an impairment loss or reversal of impairment to be recognised as follows:

Approximate (impairment)/reversal of impairment resulting from the following changes (US$000)	2020	2019
Value per in-situ ounce (20% decrease)	(14,100)	(12,594)
Value per in-situ ounce (20% increase)	14,100	12,594
Risk factor (increase by 5%)	(5,400)	(4,844)
Risk factor (decrease by 5%)	5,400	4,844

18 Financial assets at fair value through OCI

	Year ended 31 December	
	2020 US$000	2019 US$000
Beginning balance	6,159	5,296
Acquisitions[1]	–	1,100
Fair value change recorded in OCI	1,765	3,628
Disposals[2]	(7,522)	(421)
Transfer of shares[3]	–	(3,444)
Ending balance	402	6,159

1 Corresponds to the purchase of 147,831,737 shares of REE UNO SpA (US$500,000), and 452,200 shares of Americas Silver Corporation (ASC) (US$600,000).

2 As the investments were not considered to be strategic, the Group sold 452,200 shares of ASC, 7,399,331 shares of Skeena Resources Limited and 7,000,026 shares of Goldspot Discoveries Inc. with a fair value at the date of sale of US$1,257,000, US$5,337,000 and US$928,000, generating a gain on disposal of US$658,000, US$1,091,000 and US$239,000 respectively. (2019: the Group sold 10,032,000 shares of Santa Cruz Silver Mining (SCSM) with a fair value at the date of sale of US$421,000 generating a loss on disposal of US$1,658,000).

3 Corresponds to the reclassification of the investment held in REE UNO Spa to subsidiary, following its acquisition on 2 October 2019. On reclassification of the investment, US$944,000 was reclassified from the fair value reserves of financial assets at fair value through OCI to retained earnings.

The Group made the election at initial recognition to measure the below equity investments at fair value through OCI as they are not held for trading.

The fair value at 31 December 2020 and 31 December 2019 is as follows:

	US$000	
	2020	2019
Listed equity investments:		
Power Group Projects Corp (formerly Cobalt Power Group)	27	28
Revelo Resources Corp.	8	4
Skeena Resources Limited	325	3,937

Goldspot Discoveries Inc.	–	755
Americas Gold and Silver Corporation (formerly Americas Silver Corporation)	–	1,417
Empire Petroleum Corp.	42	18
Total listed equity investments	402	6,159
Total non-listed equity investments	–	–
Total	402	6,159

Fair value of the listed shares is determined by reference to published price quotations in an active market and they are categorised as level 1.

The fair value of non-listed equity investments is determined based on financial information available of the companies and they are categorised as level 3.

19 Financial assets at fair value through profit and loss

	Year ended 31 December	
	2020 US$000	2019 US$000
Beginning balance	–	–
Acquisitions[1]	4,301	–
Fair value change recorded in profit and loss	1,106	–
Disposals	–	–
Ending balance	5,407	–

1 Corresponds to 1,687,401 shares of Americas Gold and Silver Corporation received as a payment for the balance receivable for the sale of the San Felipe project recognised as an asset held for sale as at 31 December 2019 (refer to note 23).

The below equity investments are classified at fair value through profit and loss as they are held for trading.

The fair value at 31 December 2020 and 31 December 2019 is as follows:

	US$000	
	2020	2019
Listed equity investments:		
Americas Gold and Silver Corporation	5,407	–
Total listed equity investments	5,407	–

Fair value of the listed shares is determined by reference to published price quotations in an active market and they are categorised as level 1.

20 Trade and other receivables

	As at 31 December			
	2020		2019	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Trade receivables	–	45,353	–	37,799
Advances to suppliers	–	4,045	–	3,810
Duties recoverable from exports of Minera Santa Cruz [1]	846	–	664	–
Receivables from related parties (note 29(a))	–	388	–	569
Loans to employees	603	101	726	177
Interest receivable	–	126	–	178
Receivable from Kaupthing, Singer and Friedlander Bank	–	201	–	197
Other[2]	1,519	10,298	1,671	11,496
Provision for impairment[3]	–	(7,111)	–	(6,766)
Assets classified as receivables	2,968	53,401	3,061	47,460
Prepaid expenses	212	4,606	800	2,281
Value Added Tax (VAT)[4]	2,215	20,189	1,327	23,877
Total	5,395	78,196	5,188	73,618

The fair values of trade and other receivables approximate their book value.

1 Relates to export benefits through the Patagonian Port and silver refunds in Minera Santa Cruz, discounted over 18 and 24 months (2019: 18 and 24 months) at a rate of 14.03% (2019: 22.24%) for dollars denominated amounts and 40.34% (2019: 48.93%) for Argentinian pesos. The gain on the unwinding of the discount is recognised within finance income (2019: finance costs).
2 Mainly corresponds to account receivables from contractors for the sale of supplies of US$1,642,000 (2019: US$2,426,000), receivables from government agencies of US$4,476,000 (2019: US$3,809,000), loan to third parties of US$512,000 (2019: US$540,000), claim receivable of US$1,269,000 (2019: US$1,365,000), receivable from the sale of VAT in San José of US$1,222,000 (2019: US$nil) and other tax claims of US$45,000 (2019: US$663,000).
3 Includes the provision for impairment of trade receivable from customers in Peru of US$1,403,000 (2019: US$1,533,000), the impairment of deposits in Kaupthing, Singer and Friedlander of US$201,000 (2019: US$197,000), the impairment of the account receivables from a government agencies of US$4,476,000 (2019: US$3,809,000), the impairment of account receivable from third parties of US$656,000 (2019: US$817,000) and other receivables of US$375,000 (2019: US$410,000).
4 Primarily relates to US$9,747,000 (2019: US$12,832,000) of VAT receivable related to the San Jose project that will be recovered through future sales of gold and silver and also through the sale of these credits to third-parties by Minera Santa Cruz. It also includes the VAT of Minera Ares of US$9,154,000 (2019: US$7,724,000), REE UNO SpA of US$2,166,000 (2019; US$1,424,000) and Empresa de Transmisión Aymaraes S.A.C. of US$590,000 (2019: US$2,435,000). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

	Individually impaired US$000
At 1 January 2019	**5,997**
Provided for during the year (note 11)	3,706
Released during the year[1]	(2,937)
At 31 December 2019	**6,766**
Provided for during the year (note 11)	996
Foreign exchange effect	(651)
At 31 December 2020	**7,111**

1 Corresponds to the release of the provision of US$5,000 and write off of US$2,932,000.

As at 31 December 2020 and 2019, none of the financial assets classified as receivables (net of impairment) were past due.

21 Inventories

	As at 31 December	
	2020 US$000	2019 US$000
Finished goods valued at cost	**–**	1,950
Products in process valued at cost	**4,087**	19,460
Products in process accrual	**4,413**	6,445
Supplies and spare parts	**38,778**	41,582
	47,278	69,437
Provision for obsolescence of supplies	**(4,916)**	(6,837)
Total	**42,362**	62,600

Finished goods include ounces of gold and silver, dore and concentrate.

Products in process include stockpile (2019: stockpile and precipitates).

The Group either sells dore bars as a finished product or if it is commercially advantageous to do so, delivers the bars for refining into gold and silver ounces which are then sold. In the latter scenario, the dore bars are classified as products in process. At 31 December 2020 and 2019 the Group had no dore on hand included in products in process.

Concentrate is sold to smelters, but in addition could be used as a product in process to produce dore.

As part of the Group's short-term financing policies, it acquires pre-shipment loans which are guaranteed by the sales contracts. The Group has contracts as at 31 December 2020 of US$10,628,000 (2019: US$nil) (refer to note 25).

The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US$76,739,000 (2019: US$112,383,000).

Movements in the provision for obsolescence comprise an increase in the provision of US$nil (2019: US$1,449,000) and the reversal of US$1,921,000 related to supplies and spare parts, that had been provided for (2019: US$nil).

22 Cash and cash equivalents

	As at 31 December	
	2020 US$000	2019 US$000
Cash at bank	**1,198**	331
Liquidity funds[1]	**–**	16
Current demand deposit accounts[2]	**79,834**	37,900
Time deposits[3]	**150,851**	128,110
Cash and cash equivalents considered for the statement of cash flows	**231,883**	166,357

The fair value of cash and cash equivalents approximates their book value. The Group does not have undrawn borrowing facilities available in the future for operating activities or capital commitments.

1 The liquidity funds are mainly invested in certificates of deposit, commercial papers and floating rate notes with a weighted average maturity of nil days as at 31 December 2020 (2019: nil days).
2 Relates to bank accounts which are freely available and bear interest.
3 These deposits have an average maturity of 45 days (2019: Average of 7 days).

23 Assets held for sale

On 3 August 2011, the Group entered into an agreement with Impulsora Minera Santa Cruz ("IMSC") whereby IMSC acquired the right to explore the San Felipe properties and an option to purchase the related concessions. Under the terms of this agreement the Group has received US$33,646,000 as non-refundable payments at 31 December 2019. These payments will reduce the total consideration that IMSC will be required to pay upon exercise of the option and constitute an advance of the final purchase price, rather than an option premium and, as such, they were recorded as deferred income.

In March 2017, IMSC entered into an agreement with Americas Silver Corporation ('ASC') to assign 100% of its interest in the San Felipe Project. On 15 December 2018, the option to sell the San Felipe property to ASC was extended to 15 December 2020 with the outstanding option payment of US$6,000,000 payable in quarterly equal instalments over the 2 years period. In consideration for the extension, the Group received 452,200 ASC's common shares on 18 January 2019 at an issue price equal to US$600,000 that was recognised as other income. During 2019 the Group collected US$2,250,000.

As the sale was highly probable to be completed within the twelve months of the year-end, the assets and liabilities were transfer to assets and liabilities related to asset held for sale, respectively as at 31 December 2019. The major classes of assets and liabilities classified as assets held for sale as at 31 December 2019 are as follows

	US$000
Assets	
Evaluation and exploration assets, net of impairment (note 16)	**38,295**
Total non-current assets	**38,295**
Liabilities	
Provision for mine closure (note 26)	(899)
Deferred income	(33,646)
Total liabilities directly associated with assets held for sale	**(34,545)**
Net assets directly associated with assets held for sale	**3,750**

Upon exercise of the option in July 2020, AGSC agreed to issue a fixed number of AGSC shares to the Group (1,687,401 shares) which were valued at US$4,301,000.

24 Trade and other payables

	As at 31 December			
	2020		2019	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Trade payables[1]	–	72,066	–	75,252
Salaries and wages payable[2]	–	26,580	–	26,956
Dividends payable	–	34	–	37
Taxes and contributions	3	5,075	6	5,220
Guarantee deposits	–	5,962	–	5,440
Mining royalties (note 30)	–	315	–	607
Accounts payable to related parties (note 29(a))	–	266	–	192
Lease liabilities	–	617	–	2,577
Other	202	3,500	520	4,256
Total	**205**	**114,415**	**526**	**120,537**

The fair value of trade and other payables approximate their book values.

1 Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted.
2 Salaries and wages payable relates to remuneration payable. At 31 December 2020, there were Board members remuneration payable of US$151,000 (2019: US$184,000) and no long-term incentive plan payable (2019: US$nil)

25 Borrowings

	As at 31 December					
	2020			2019		
	Effective interest rate	Non-current US$000	Current US$000	Effective interest rate	Non-current US$000	Current US$000
Secured bank loans (a)						
• Pre-shipment loans in Minera Santa Cruz (note 21)	28% to 35%	–	10,628		–	–
• Bank loans	1.5%	199,554	150	3.05%	199,308	234
Total		**199,554**	**10,778**		199,308	234

(a) Secured bank loans:

Medium-term bank loans:
In December 2019, a five-year credit agreement was signed between Minera Ares and Scotiabank Peru S.A.A., The Bank of Nova Scotia and BBVA Securities Inc, with Hochschild Mining plc as guarantor. The US$200,000,000 medium term loan is payable on equal quarterly instalments from the second anniversary of the loan with an interest rate of Libor three months plus 1.5% payable quarterly until maturity on 13 December 2024. The carrying value including accrued interests payable net of capitalised expenses related to the borrowing (US$446,000 (2019: US$692,000)) at 31 December 2020 is US$199,554,000 (2019: US$199,542,000).

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Between 1 and 2 years	66,666	–
Between 2 and 5 years	132,888	199,308
Over 5 years	–	–
Total	**199,554**	199,308

The carrying amount of current borrowings differs their fair value only with respect to differences arising under the effective interest rate calculations described above. The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2020 US$000	2019 US$000	2020 US$000	2019 US$000
Secured bank loans	199,554	199,308	199,110	186,653
Total	**199,554**	199,308	**199,110**	186,653

The movement in borrowings during the year is as follows:

	As at 1 January 2020 US$000	Additions US$000	Repayments US$000	Reclassifications US$000	As at 31 December 2020 US$000
Current					
Bank loans	–	48,520	(37,717)	(702)	**10,101**
Accrued interest	**234**	6,759	(6,312)	(4)	**677**
	234	55,279	(44,029)	(706)	**10,778**
Non-current					
Bank loans	**199,308**	327	–	(81)	**199,554**
	199,308	327	–	(81)	**199,554**

26 Provisions

	Provision for mine closure[1] US$000	Long Term Incentive Plan[2] US$000	Workers profit sharing US$000	Other US$000	Total US$000
At 1 January 2019	**93,855**	**1,002**	**–**	**2,936**	**97,793**
(Reductions)/Additions	–	(184)	5,965	(71)	5,710
Accretion (note 12)	506	–	–	–	506
Change in discount rate	3,819	–	–	–	3,819
Change in estimates	12,878	–	–	–	12,878
Foreign exchange effect	–	–	98	(846)	(748)
Transfer to trade and other payables	(899)	–	–	–	(899)
Payments	(3,488)	–	–	–	(3,488)
At 31 December 2019	**106,671**	**818**	**6,063**	**2,019**	**115,571**
Less: current portion	9,358	–	6,063	828	16,249
Non-current portion	97,313	818	–	1,191	99,322
At 1 January 2020	**106,671**	**818**	**6,063**	**2,019**	**115,571**
Additions/(reduction)	235	308	4,986	41	5,570
Accretion (note 12)	(387)	–	–	–	(387)
Change in discount rate	7,129	–	–	–	7,129
Change in estimates	16,736	–	–	–	16,736
Foreign exchange effect	–	–	(11)	(435)	(446)
Payments	(3,987)	–	(5,649)	–	(9,636)
At 31 December 2020	**126,397**	**1,126**	**5,389**	**1,625**	**134,537**
Less: current portion	19,390	–	5,389	725	25,504
Non-current portion	107,007	1,126	–	900	109,033

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of closure of each of the mines. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure adjusted for the impact of inflation as at 31 December 2020 and 2019 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties on the timing for use of this provision include changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. The discount rate used was -1.58% (2019: 0.00%). Expected cash flows will be over a period from one to seventeen years (2019: over a period from one to eighteen years).

Based on the internal and external reviews of mine rehabilitation estimates, the provision for mine closure increased by US$16,736,000 mainly due to increase in the Ares mine unit of US$14,070,000 and San Jose mine unit of US$1,944,000 (2019: increase by US$12,878,000, mainly due to the increase in Ares mine unit of US$7,787,000 and Sipan mine unit of US$5,264,000).

A net charge of US$16,056,000 related to changes in estimates (US$14,312,000) and discount rates (US$1,744,000) for mines already closed were recognised directly in the income statement (2019: net charge of US$13,398,000 related to changes in estimates (US$12,828,000) and discount rates (US$570,000) for mines already closed were recognised directly in the income statement).

A change in any of the following key assumptions used to determine the provision would have the following impact:

	US$000
Closure costs (increase by 10%) increase of provision	12,639
Discount rate (increase by 0.5%) (decrease of provision)	(6,557)

2 Corresponds to the provision related to awards granted under the Long Term Incentive Plan ('LTIP') to designated personnel of the Group. Includes the following benefits:(i) 2020 awards, granted in February 2020, payable in February 2023, as 50% in cash, (ii) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash, (iii) 2018 awards, granted in May 2018, payable in May 2021, as 50% in cash with a result of US$nil. Only employees who remain in the Group's employment on the vesting date will be entitled to vested awards, subject to exceptions approved by the Remuneration Committee of the Board. There are two parts to the performance conditions attached to LTIP awards: 70% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, and 30% is subject to the Company's TSR ranking relative to the constituents of the FTSE 350 mining index. The liability for the LTIP paid in cash is measured, initially and at the end of each reporting period until settled, at the fair value of the awards, by applying the Monte Carlo pricing model, taking into account the terms and conditions on which the awards were granted, and the extent to which the employees have rendered services to date. The net increase to the provision of US$308,000 (2019: US$184,000 decrease) have been recorded as administrative expenses US$295,000 (2019: US$172,000) and exploration expenses US$13,000 (2019: US$12,000).

The following tables list the inputs to the Monte Carlo model used for the LTIPs as at 31 December 2020 and 2019, respectively:

	LTIP 2018		LTIP 2019		LTIP 2020	
For the period ended	**31 December 2020 US$000**	31 December 2019 US$000	**31 December 2020 US$000**	31 December 2019 US$000	**31 December 2020 US$000**	31 December 2019 US$000
Dividend yield (%)	**–**	1.73	**1.43**	1.73	**1.43**	–
Expected volatility (%)	**–**	2.70	**3.39**	2.70	**3.39**	–
Risk–free interest rate (%)	**–**	0.61	**-0.12**	0.53	**-0.13**	–
Expected life (years)	**–**	1	**1**	2	**2**	–
Weighted average share price (pence £)	**–**	235.08	**161.37**	161.37	**179.61**	–

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the awards and is indicative of future trends, which may not necessarily be the actual outcome.

27 Deferred income tax

The changes in the net deferred income tax assets/(liabilities) are as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Beginning of the year	**(61,476)**	(69,727)
Income statement (credit)/charge (note 13)	**(12,575)**	8,251
Equity charge	**1,744**	–
End of the year	**(72,307)**	(61,476)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities before offset during the year is as follows:

	Differences in cost of PP&E US$000	Mine development US$000	Provisional pricing adjustment US$000	Others US$000	Total US$000
Deferred income tax liabilities					
At 1 January 2019	**40,214**	**83,588**	**1,010**	**1,676**	**126,488**
Income statement (credit)/charge	(3,444)	(1,820)	(657)	2,607	(3,314)
At 31 December 2019	**36,770**	**81,768**	**353**	**4,283**	**123,174**
Income statement (credit)/charge	2,751	3,184	343	(636)	5,642
At 31 December 2020	**39,521**	**84,952**	**696**	**3,647**	**128,816**

	Differences in cost of PP&E US$000	Provision for mine closure US$000	Tax losses US$000	Mine development US$000	Others[1] US$000	Total US$000
Deferred income tax assets						
At 1 January 2019	**26,298**	**18,403**	**204**	**693**	**11,163**	**56,761**
Income statement credit/(charge)	**4,746**	**2,977**	**(204)**	**(109)**	**(2,473)**	**4,937**
At 31 December 2019	**31,044**	**21,380**	**-**	**584**	**8,690**	**61,698**
Income statement credit/(charge)	(10,914)	4,004	-	(110)	87	(6,933)

Equity credit/(charge)	-	-	-	-	1,744	1,744
At 31 December 2020	**20,130**	**25,384**	**-**	**474**	**10,521**	**56,509**

1 Credit/(charge) in the period mainly related to the interest rate swap of US$ 1,744,000 (2019; US$nil), statutory holiday provision of US$857,000 (2019: US$866,000), long term incentive plan of US$771,000(2019: US$574,000) and inventory of US$nil(2019: US$1,149,000).

The amounts after offset, as presented on the face of the statement of financial position, are as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Deferred income tax assets	**1,009**	1,627
Deferred income tax liabilities	**(73,316)**	(63,103)
Total	**(72,307)**	(61,476)

Unrecognised tax losses expire in the following years:

	As at 31 December	
	2020 US$000	2019 US$000
Expire in one year	**–**	–
Expire in two years	**–**	4,843
Expire in three years	**–**	2,990
Expire in four years	**–**	–
Expire after four years	**171,527**	174,771
	171,527	182,604

Other unrecognised deferred income tax assets comprise (gross amounts):

	As at 31 December	
	2020 US$000	2019 US$000
Provision for mine closure[1]	**9,212**	7,456

1 This relates to provision for mine closure expenditure which is expected to be incurred in periods in which taxable profits are not expected to be available to offset the expenditure.

Unrecognised deferred tax liability on retained earnings
At 31 December 2020 and 2019, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the intention is that these amounts are permanently reinvested.

28 Dividends

	2020 US$000	2019 US$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2019: nil US cents per share (2018: 1.959 US cents per share)	**–**	10,002
Interim dividend for 2020: 4.000 US cents per share (2019: 2.000 US cents per share)	**20,556**	10,211
Total dividends paid on ordinary shares	**20,556**	20,213
Proposed dividends on ordinary shares:		
Final dividend for 2020: 2.335 US cents per share (2019: nil US cents per share)	**12,000**	–
Dividends declared to non-controlling interests: 0.002 US$ per share (2019: 0.05 US$ per share)	**345**	8,859
Total dividends declared to non-controlling interests	**345**	8,859

Dividends paid in 2020 to non-controlling interests amount to US$345,000 (2019: US$11,069).

Dividends per share
The interim dividend paid in December 2020 was US$20,556,000 (4.000 US cents per share). A proposed dividend in respect of the year ending 31 December 2020 of 2.335 US cents per share, amounting to a total dividend of US$12,000,000, is subject to approval at the Annual General Meeting to be held on 21 May 2021 and is not recognised as a liability as at 31 December 2020.

29 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 2020 and 2019. The related parties are companies owned or controlled by the main shareholder of the Parent company or associates.

	Accounts receivable as at 31 December		Accounts payable as at 31 December	
	2020 US$000	2019 US$000	**2020 US$000**	2019 US$000
Current related party balances				
Cementos Pacasmayo S.A.A.[1]	**387**	569	**146**	56
Tecsup[2]	**1**	–	**120**	41
Universidad UTEC[2]	**–**	–	**–**	95
Total	**388**	569	**266**	192

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo S.A.A. The account payable relates to the payment of rentals.

2 Peruvian not for profit educational institutions controlled by Eduardo Hochschild.

As at 31 December 2020 and 2019, all accounts are, or were, non-interest bearing.

No security has been granted or guarantees given by the Group in respect of these related party balances.

Principal transactions between affiliates are as follows:

	Year ended	
	2020 US$000	2019 US$000
Expenses		
Expense recognised for the rental paid to Cementos Pacasmayo S.A.A.	**(469)**	(200)
Expense recognised for the interests generated by the short-term loan from Banco de Credito del Peru	**–**	(480)
Expense donations to Tecsup	**(505)**	–
Expense donations to Universidad UTEC	**(875)**	(240)

The Group entered in 2019 into transactions with Banco de Credito del Peru at arm's length such as short-term loan and deposits which are undertaken in the normal course of a banker-customer relationship. This bank is controlled by Dionisio Romero who is a Non-Executive Director of the Group.

Transactions between the Group and these companies are on an arm's length basis.

(b) Compensation of key management personnel of the Group

	As at 31 December	
Compensation of key management personnel (including Directors)	**2020 US$000**	2019 US$000
Short-term employee benefits	**7,330**	7,911
Long Term Incentive Plan, Deferred Bonus Plan and Restricted Share Plan	**808**	1,184
Total compensation paid to key management personnel	**8,138**	9,095

This amount includes the remuneration paid to the Directors of the Parent Company of the Group of US$3,821,000 (2019: US$4,238,000).

30 Mining royalties

Peru

In accordance with Peruvian legislation, owners of mining concessions must pay a mining royalty for the exploitation of metallic and non-metallic resources. Mining royalties have been calculated with rates ranging from 1% to 3% of the value of mineral concentrate or equivalent sold, based on quoted market prices.

In October 2011 changes came into effect for mining companies, with the following features:

a) Introduction of a Special Mining Tax ('SMT'), levied on mining companies at the stage of exploiting mineral resources. The additional tax is calculated by applying a progressive scale of rates ranging from 2% to 8.4%, of the quarterly operating profit.

b) Modification of the mining royalty calculation, which consists of applying a progressive scale of rates ranging from 1% to 12%, of the quarterly operating profit. The former royalty was calculated on the basis of monthly sales value of mineral concentrates.

The SMT and modified mining royalty are accounted for as an income tax in accordance with IAS 12 "Income Taxes".

c) For companies that have mining projects benefiting from tax stability regimes, mining royalties are calculated and recorded as they were previously, applying an additional new special charge on mining that is calculated using progressive scale rates, ranging from 4% to 13.12% of quarterly operating profit.

As at 31 December 2020, the amount payable as under the new mining royalty, and the SMT amounted to US$1,544,000 (2019: US$1,263,000), and US$1,492,000 (2019: US$1,196,000) respectively. The new mining royalty and SMT is reported as 'Income tax payable' in the Statement of Financial Position. The amount recorded in the income statement was US$4,088,000 (2019: US$5,028,000) of new mining royalty and US$3,119,000 (2019: US$3,429,000) of SMT, both classified as income tax.

Argentina

In accordance with Argentinian legislation, Provinces (being the legal owners of the mineral resources) are entitled to collect royalties from mine operators. For San Jose, the mining royalty applicable to dore and concentrate is 3% of the pit-head value. As at 31 December 2020, the amount payable as mining royalties amounted to US$315,000 (2019: US$607,000). The amount recorded in the income statement as cost of sales was US$5,208,000 (2019: US$6,412,000).

31 Subsequent events

(a) On 8 February 2021, the Group signed agreements to hedge the sale of 4,000,000 ounces of silver at $27.10 per ounce for 2021 and a further 4,000,000 ounces of silver at US$26.86 per ounce for 2022. This is to protect cashflows from the Pallancata mine in the next two years with the existing resource base.

(b) In February 2021, the Group sold 324,001 shares of AGSC for a total consideration of US$891,000 generating a loss of US$147,000, recognised in profit and loss.

Profit by operation

(Segment report reconciliation) as at 31 December 2020

Group (US$000)	Pallancata	Inmaculada	San Jose	Consolidation adjustment and others	Total/HOC
Revenue	**100,674**	**314,906**	**206,098**	**149**	**621,827**
Cost of sales (pre consolidation)	(96,053)	(185,386)	(147,103)	3,136	(425,406)
Consolidation adjustment	824	(3,919)	(41)	3,136	–
Cost of sales (post consolidation)	**(96,877)**	**(181,467)**	**(147,062)**	**–**	**(425,406)**
Production cost excluding depreciation	(51,534)	(86,874)	(79,804)	–	(218,212)
Depreciation in production cost	(28,695)	(53,472)	(30,979)	–	(113,146)
Workers profit sharing	(1,249)	(1,383)	–	–	(2,632)
Other items	(13,605)	(26,517)	(33,971)	–	(74,093)
Change in inventories	(1,794)	(13,221)	(2,308)	–	(17,323)
Gross profit	**4,621**	**129,520**	**58,995**	**3,285**	**196,421**
Administrative expenses	–	–	–	(43,282)	(43,282)
Exploration expenses	–	–	–	(32,795)	(32,795)
Selling expenses	(632)	(417)	(11,705)	–	(12,754)
Other income/expenses	–	–	–	(28,901)	(28,901)
Operating profit before impairment	**3,989**	**129,103**	**47,290**	**(101,693)**	**78,689**
Reversal of impairment and write-off of assets, net	–	–	–	6,225	6,225
Finance income	–	–	–	4,197	4,197
Finance costs	–	–	–	(23,560)	(23,560)
Foreign exchange loss	–	–	–	(2,631)	(2,631)
Profit/(loss) from continuing operations before income tax	**3,989**	**129,103**	**47,290**	**(117,462)**	**62,920**
Income tax	–	–	–	(42,494)	(42,494)
Profit/(loss) for the year from continuing operations	**3,989**	**129,103**	**47,290**	**(159,956)**	**20,426**

1 On a post-exceptional basis.

RESERVES AND RESOURCES

Ore reserves and mineral resources estimates

Hochschild Mining plc reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition ("the JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 57 to 59 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

Hochschild Mining plc employs its own Competent Person who has audited all the estimates set out in this report. Hochschild Mining Group companies are subject to a comprehensive programme of audits which aim to provide assurance in respect of ore reserve and mineral resource estimates. These audits are conducted by Competent Persons provided by independent consultants. The frequency and depth of an audit depends on the risks and/or uncertainties associated with that particular ore reserve and mineral resource, the overall value thereof and the time that has lapsed since the previous independent third-party audit.

The JORC Code requires the use of reasonable economic assumptions. These include long-term commodity price forecasts (which, in the Group's case, are prepared by ex-house specialists largely using estimates of future supply and demand and long-term economic outlooks).

Ore reserve estimates are dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and any other relevant new information and therefore these can vary from year-to-year. Mineral resource estimates can also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly the conversion to ore reserves.

The estimates of ore reserves and mineral resources are shown as at 31 December 2020, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US$1,800 per ounce and Ag Price: US$20.0 per ounce.

ATTRIBUTABLE METAL RESERVES AS AT 31 DECEMBER 2020

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS[1]						
Inmaculada						
Proved	2,490,623	154	3.7	12.3	297.7	37.9
Probable	5,267,732	98	2.4	16.6	401.7	51.2
Total	7,758,354	116	2.8	28.9	699.3	89.1
Pallancata						
Proved	515,499	283	1.1	4.7	18.3	6.3
Probable	118,910	216	0.9	0.8	3.6	1.1
Total	634,409	270	1.1	5.5	22.0	7.4
San Jose						
Proved	403,140	466	7.6	6.0	98.3	14.5
Probable	108,019	146	2.4	0.5	8.4	1.2
Total	511,159	399	6.5	6.5	106.7	15.7
GRAND TOTAL						
Proved	**3,409,261**	**210**	**3.8**	**23.0**	**414.3**	**58.7**
Probable	**5,494,661**	**102**	**2.3**	**18.0**	**413.7**	**53.5**
TOTAL	**8,903,922**	**143**	**2.9**	**41.0**	**828.0**	**112.2**

Note: Where reserves are attributable to a joint venture partner, reserve figures reflect the Company's ownership only. Includes discounts for ore loss and dilution.

1 Operations were audited by P&E Consulting.

ATTRIBUTABLE METAL RESOURCES AS AT 31 DECEMBER 2020 [1,2]

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS							
Inmaculada							
Measured	2,406,000	193	4.75	602	15.0	367.7	46.6
Indicated	5,253,000	127	3.17	400	21.4	535.8	67.5
Total	**7,659,000**	**148**	**3.67**	**463**	**36.3**	**903.4**	**114.0**
Inferred	9,921,000	104	2.66	333	33.3	849.1	106.3
Pallancata							
Measured	1,454,000	329	1.41	450	15.4	65.8	21.0
Indicated	691,000	239	1.11	335	5.3	24.6	7.4
Total	**2,145,000**	**300**	**1.31**	**413**	**20.7**	**90.4**	**28.5**
Inferred	1,947,000	248	1.13	345	15.5	70.8	21.6
San Jose							
Measured	893,520	484	7.89	1,162	13.9	226.6	33.4
Indicated	510,000	335	5.68	823	5.5	93.1	13.5
Total	**1,403,520**	**429**	**7.09**	**1,039**	**19.4**	**319.7**	**46.9**
Inferred	949,110	345	5.58	825	10.5	170.2	25.2
GROWTH PROJECTS							
Crespo							
Measured	5,211,000	47	0.47	87	7.9	78.6	14.7
Indicated	17,298,000	38	0.40	72	21.0	222.5	40.1
Total	**22,509,000**	**40**	**0.42**	**76**	**28.8**	**301.0**	**54.7**
Inferred	775,000	46	0.57	95	1.1	14.2	2.4
Azuca							
Measured	191,000	244	0.77	310	1.5	4.7	1.9
Indicated	6,859,000	187	0.77	253	41.2	168.8	55.7
Total	**7,050,000**	**188**	**0.77**	**254**	**42.7**	**173.5**	**57.6**
Inferred	6,946,000	170	0.89	247	37.9	199.5	55.1
Volcan							
Measured	105,918,000	-	0.738	63	-	2,513.1	216.1
Indicated	283,763,000	-	0.698	60	-	6,368.0	547.6
Total	**389,681,000**	**-**	**0.709**	**61**	**-**	**8,881.1**	**763.8**
Inferred	41,553,000	-	0.502	43	-	670.7	57.7
Arcata							
Measured	834,000	438	1.34	553	11.7	36.1	14.8
Indicated	1,304,000	411	1.36	527	17.2	56.9	22.1
Total	**2,138,000**	**421**	**1.35**	**537**	**29.0**	**92.9**	**36.9**
Inferred	3,533,000	370	1.26	478	42.1	142.6	54.3
GRAND TOTAL							
Measured	**116,907,520**	**17**	**0.88**	**93**	**65.3**	**3,292.6**	**348.5**
Indicated	**315,678,000**	**11**	**0.74**	**74**	**111.6**	**7,469.6**	**753.9**
Total	**432,585,520**	**13**	**0.77**	**79**	**176.9**	**10,762.1**	**1,102.4**
Inferred	**65,624,110**	**67**	**1.00**	**153**	**140.5**	**2,117.0**	**322.5**

1 Prices used for resources calculation: Au: $1,800/oz and Ag: $20.0/oz and Ag/Au ratio of 86x.
2 Tables represents 100 % of the Mineral Resource. Resources are inclusive of Reserves.

CHANGE IN ATTRIBUTABLE RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	Percentage attributable December 2020	December 2019 Att.[1]	December 2020 Att.[1]	Net difference	% change
Inmaculada	Resource	100%	233.8	220.3	(13.5)	(5.8%)
	Reserve		76.1	89.1	12.9	17.0%
Pallancata	Resource	100%	58.6	50.1	(8.5)	(14.5%)
	Reserve		11.9	7.4	(4.5)	(38.0%)
San Jose	Resource	51%	71.4	72.0	0.6	0.9%
	Reserve		18.3	15.7	(2.6)	(14.1%)
Crespo	Resource	100%	57.1	57.1	-	-
	Reserve		-	-	-	-
Azuca	Resource	100%	112.7	112.7	-	-
	Reserve		-	-	-	-
Volcan	Resource	100%	821.5	821.5	-	-
	Reserve		-	-	-	-
Arcata	Resource	100%	91.3	91.3	-	-
	Reserve		-	-	-	-
Total	**Resource**		**1,446.3**	**1,425.0**	**(21.3)**	**(1.5%)**
	Reserve		**106.4**	**112.2**	**5.8**	**5.5%**

1 Attributable reserves and resources based on the Group's percentage ownership of its joint venture projects.

SHAREHOLDER INFORMATION

Company website

Hochschild Mining plc Interim and Annual Reports and results announcements are available via the internet on our website at www.hochschildmining.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and how to obtain further information.

Registrars

The Registrars can be contacted as follows for information about the AGM, shareholdings, and dividends and to report changes in personal details:

BY POST
Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

BY TELEPHONE
If calling from the UK: 0371 664 0300 (calls cost 12p per minute plus your phone company's access charge. Lines are open 9.00am-5.30pm Mon to Fri excluding public holidays in England and Wales).

If calling from overseas: +44 371 664 0300 (Calls charged at the applicable international rate).

Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 14 May 2021 in respect of the 2020 final dividend.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility in respect of the 2020 final dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 14 May 2021. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

Financial Calendar

Dividend dates	2021
Ex-dividend date	6 May
Record date	7 May
Deadline for return of currency election forms	14 May
Payment date	2 June

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