HOCHSCHILD
BEYOND MINING

Our business is our people

Hochschild Mining PLC
Annual Report & Accounts 2020

The people behind our business

The imagery in this report

Much of the imagery in this report has been taken by our employees; whether on a phone or a camera, at the mines or in the local community. These snapshots celebrate the real lives and work of our dedicated employees.

Read more
hochschildmining.com

Success means more than just running a profitable business

It's about the way we treat our people and our communities, especially in challenging times.

Our people have always been key to achieving our goals. Their skills and dedication provide us with the tools to meet our existing targets and be ready for future opportunities.

Read more about our people
PAGE 04

Who we are and where we operate

We are a leading underground precious metals company, focusing on the exploration, mining, processing and sale of gold and silver in the Americas.

2020 Highlights

5.74
ECO SCORE
2019: 4.82

1.38
LTIFR
2019: 1.05

$271m
ADJUSTED EBITDA
2019: $343m

$0.06
ADJUSTED BASIC EPS
2019: $0.09

2.33¢/share
FINAL DIVIDEND
2019: withdrawn

$22m
NET CASH/(DEBT)
2019: ($33m)

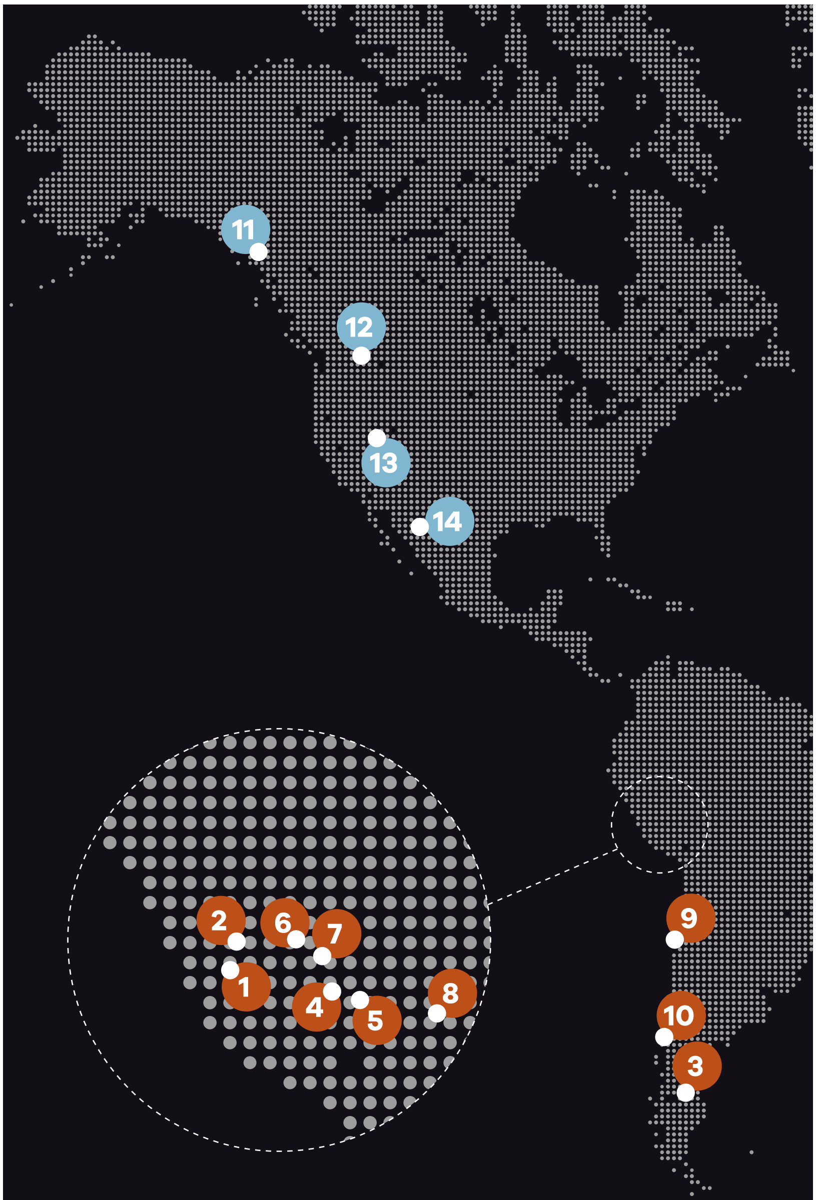
$12.8/oz Ag Eq
AISC
2019: $11.5/oz Ag Eq

175,241oz
ATTRIB. GOLD PRODUCTION
2019: 269,892oz

9.8m oz
ATTRIB. SILVER PRODUCTION
2019: 16.8moz

READ MORE
Operating review page 29

Where we operate



Operational sites

1. Inmaculada (Peru)
2. Pallancata (Peru)
3. San Jose (Argentina)

Exploration projects

4. Arcata (Peru)
5. Ares (Peru)
6. Azuca (Peru)
7. Crespo (Peru)
8. Condor (Peru)
9. Volcan (Chile)
10. Biolantanidos (Chile)

Exploration sites

11. Snip (Canada)
12. Cooke Mountain (US)
13. Illipah (US)
14. Sarape (Mexico)

Mining operations

Hochschild operates three underground epithermal deposits, two of which are located in the south west of Peru in our 'Southern Peru cluster' and one in the southern Argentinian province of Santa Cruz.

Operation	Gold production	Silver production	All-in sustaining costs
Inmaculada Peru	129,173 oz	4.0m oz	$922/oz Au Eq
Pallancata Peru	12,925 oz	3.7m oz	$15.6oz Ag Eq
San Jose Argentina	64,987 oz	4.1m oz	$14.6/oz Ag Eq

Project pipeline

Hochschild currently has a number of exploration projects in Peru and Chile. These include former operations that still have strong geological potential through to our early stage opportunities and regional targets close to our current mines.

Operation	Category
Ares Peru	Former operations
Arcata Peru	
Selene Peru	
Azuca Peru	Early-stage
Condor Peru	
Crespo Peru	
Volcan Chile	
Biolantanidos Chile	Others

Greenfield prospects

Hochschild has a portfolio of greenfield prospects across the Americas.

Asset	Country
Condor	Peru
Pampamali	
Ballenero	
Corvinon	
Casma	
Alto Ruri	
Cueva Blanca	
Josnitoro	
Cooke Mountain	US
Illipah	
Snip	Canada
Sarape	Mexico

A business built around people

Our success is driven by our people and our first priority is to protect them and the communities within which we operate.

Responsibility lies at the heart of our corporate purpose and it drives how we treat the environment and the communities around us.

Meet some of our people who exemplify our approach to responsibility

01

Minimising our footprint and reinforcing an eco-friendly culture

Our responsibility to the environment is key to our social licence to operate

Meet **Nadia**, Environmental Manager at San Jose, who helps us to operate in a way that respects our environment

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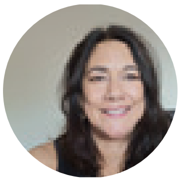
02

Putting our community first

We revised our community relations strategy to ensure our social commitments were achieved by supporting programmes on health, education and economic development



Meet **Rocio**, Community Relations Manager, who has helped to adapt our approach to supporting local communities during these difficult times

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03

Looking after the health and wellbeing of our people

Covid-19 presented numerous challenges and I am glad to have played my part in prioritising our people's health

Meet **Edwar**, a Doctor in our Health & Hygiene team at Inmaculada, who helped to look after colleagues and their families

READ MORE PAGE 28

04

Our corporate values helped us to adjust

The challenges posed by the pandemic emphasised the need for clear communication and a level of unprecedented collaboration

Meet **Hector**, HR Manager, who helped to co-ordinate actions from our Head Office to support colleagues across the business

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READ MORE

In our Sustainability report on page 50

Our dedicated 2020 Sustainability report will be published in Q2 2021 and will be available to download from *hochschildmining.com*

A decisive response

Our immediate and decisive response balanced the needs of all our stakeholders starting with the health and safety of our people which was placed above business continuity as our first priority. From establishing a Covid-19 Special Committee to multiple testing to developing a dedicated app in record time, our response was rapid with our health protocols extending beyond official requirements.

Double testing of workers

We implemented a comprehensive virus testing programme supported by regular updates on safe work practices and an expanded medical team.

Communication campaigns

An extensive communication campaign was put in place following the first Peruvian virus cases in March 2020 to raise awareness on prevention and provide health information for our people and communities.

Swift Company-wide response

We moved quickly to establish a Special Committee with the responsibility of implementing our health protocols to promote the use of PPE, social distancing, disinfection of work areas, enhanced cleanliness and the reduction of capacity in communal areas.

Community relations strategy

We continued to deliver community initiatives focusing on providing remote support and education & health programmes as well as implementing innovative tools to engage with stakeholders such as virtual events, training modules and distance learning.

Hochschild Health and Communication app

We developed a real time mobile phone tracing and communication app, 'Hochschild Takes Care of You' to monitor the health and wellbeing of our employees in and out of work and to facilitate the logistics of shift changes in a Covid-secure manner.

The app gathers data from personnel with a positive diagnosis and includes an alert system to monitor treatment throughout the process until the employee returns to work.

Working in changing markets

Hochschild is subject to external market dynamics associated with the precious metals industry that inform decision-making and influence our business performance. In addition, our operations, located in Peru and Argentina, are exposed to changing country specific factors that can impact our business.

Gold and silver prices in 2020

Daily settlement of nearby active Comex futures, indexed to 2 January 2020

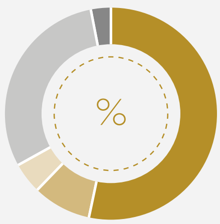
Country production

Latin American production rankings

		2020			2019	
		Gold		Silver	Gold	Silver
Peru	↑	10	–	2	6	2
Argentina	↑	16	–	11	13	11
Mexico	↓	8	–	1	9	1
Chile	↑	21	–	5	19	5

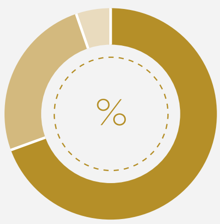
Gold market overview

Demand



- Jewellery **52.4%**
- Electronics **9.1%**
- Official Sector Purchases **4.8%**
- Private Investment Demand **30.8%**
- Dental and Other **2.9%**

Supply



- Mine Production **69.7%**
- Secondary Supply **25.2%**
- Net Exports from Transitional Economies **5.1%**

Source: CPM Group LLC

After rising at a relatively steady pace between 2016 and 2019, gold prices rose sharply during 2020 and reached record high levels both on an intraday as well as annual average basis.

Gold touched an intraday high of $2,078 on 7 August 2020 and averaged $1,775.33 on an annual average settlement basis. At the end of 2020, on a settlement price basis, gold prices were up 24% from the end of 2019. Consequently, gold increases outpaced even those of the S&P 500 during 2020, which also had reached fresh record high levels during the year and were up 16.3% overall.

The Covid-19 pandemic was the primary cause for the sharp run-up. The outbreak resulted in governments around the world shuttering their economies while monetary and fiscal authorities flooded markets with liquidity to offset lost economic output. With this backdrop, it was unsurprising that net gold investment demand rose strongly during 2020.

Net investment demand stood at 38.4 million ounces in 2020, up 184.8% from 2019 and the highest level since 2011. In addition to coronavirus, there were also several political risks that hung over the market, most notably the US elections and Brexit.

In addition to net purchases by investors, central banks were also net buyers of gold during 2020, which provided additional support to prices during the year. However, central bank net purchases at 5.7 million ounces during the first 11 months of 2020 were down from the elevated levels seen in 2018 and 2019. This relative demand softness can be attributed to the high gold price and the understandable focus of these monetary authorities on the current broader economic and currency issues. Some of the largest buyers in recent years like China and Russia stopped buying gold and stimulated some selling by some past buyers, notably Kazakhstan.

The largest net purchases were made by the Turkish central bank which was adding gold primarily to stabilise its currency and was also buying gold from citizens and companies in exchange for issuing gold bonds in order to increase liquidity in the financial system. Much of the gold it bought in 2020, if not all, was from such domestic sources. During the first 11 months of 2020, Turkey purchased 4.09 million ounces of gold, accounting for 72% of net official sector purchases.

Total gold supply declined during 2020 to 124.4 million ounces, driven entirely by mine supply, which slipped to 93 million ounces. This was a decline of 5.3% from 2019 and the lowest level since 2013 and was driven by various Covid-related shutdowns in major gold producing countries. This was partially offset by an uptick in scrap supply, which rose to 31.4 million ounces, up around 5% from 2019 levels, although given the sharp price increase these gains were somewhat muted, possibly due to the closure of various scrap businesses.

A combination of sharp price gains and recession in most parts of the world drove gold use in fabricated products lower during 2020 with demand declining 15% to 80 million ounces, the lowest level since 2009.

What it means for Hochschild

As a significant player in the global precious metals industry and deriving 60% of revenue from gold, we are impacted by the dynamics of the gold markets. Despite the falls in production experienced by the Company due to the Covid-related stoppages in 2020, the 28% rise in our average gold price received helped to compensate, allowing us to maintain a strong balance sheet and pay for Covid initiatives for our people and communities.

What could drive gold in 2021

The global economy is expected to be on a path to recovery during 2021 but it may be slow and some of the macroeconomic factors such as loose monetary and fiscal policy that drove investors toward gold during 2020 are expected to remain in place or be expanded further, helping gold to remain at elevated levels.

Tensions between the US and China could rise again, creating shifts in the markets, which should also be supportive of gold both as a safe haven as well as a portfolio diversifier.

Investors are expected to add, on a net basis, roughly 40 million ounces of gold to their holdings in 2021.

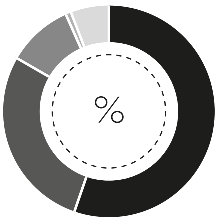
Central banks are forecast to be net buyers of gold supported by an ongoing need by some to stabilise currency markets and diversify their FX reserves. Furthermore, they may be more used to and therefore less sensitive to the price.

Total supply is forecast to rise 4.2% in 2021 to 129.6 million ounces, supported by both a recovery in mine supply and a further increase in scrap supply.

Only modest growth is forecast for gold fabrication – around 1.8% to 81.5 million ounces. Demand would still be lower than it was in 2019 mostly due to high gold prices and relatively anaemic global economic growth.

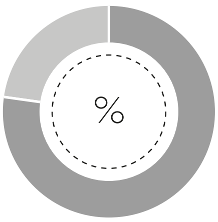
Silver market overview

Demand



- Other Industrial Uses **55.5%**
- Jewellery and Silverware **28.0%**
- Coin Fabrication **10.1%**
- Investment Demand (excl coins) **0.8%**
- Photography **5.6%**

Supply



- Mine Production **77.3%**
- Secondary Supply **22.7%**

Source: CPM Group LLC

Between 2016 and 2019, the price of silver mostly moved between $14 and $20. In 2020, silver prices broke out of this range both on the upside as well as on the downside.

During the broad market sell-off that occurred in March 2020 due to Covid, the price of silver sank to $11.64 on 18 March, the lowest silver price since 2009. Silver then rose strongly from this low and broke forcefully above $20 in late July 2020, rising to $29.91 by early August. This was the highest level since early 2013. Silver prices settled at $26.41 at the end of 2020, up 47% from the end of 2019. On an annual average basis, silver prices stood at $20.67, up 27.5% from 2019.

Despite the healthy gains in prices during 2020, prices remained relatively undervalued compared to gold and compared to the intraday highs seen in silver prices during 2011. The gold:silver ratio reached a record high monthly average of 116 in March 2020. In the broad market sell-off in March 2020, the fall in silver far outpaced that of gold with its less liquid and consequently more volatile nature coupled with its greater reliance on industrial applications, devastating for the silver price when economies began to shut down. By the end of 2020, a price recovery helped push the ratio down to 71.3 on a monthly average basis, the lowest level since March 2017. But it was still high compared to most periods in history, suggesting that silver remained undervalued relative to gold. It is quite typical for silver to initially lag and later outperform gold in cyclical precious metal price rises.

Silver investment demand is critical to price and this rose sharply in 2020 to 103.6 million ounces, the highest level since 2016.

As in the case of gold, the massive monetary and fiscal stimulus injected into the global financial system to support Covid-ravaged economies also benefited silver investment demand. The sharp increase helped offset the loss in silver fabrication demand and pushed prices higher.

Total silver supply slipped to 949.0 million ounces in 2020, the lowest level since 2008, when it stood at 915.5 million ounces. The weakness was driven entirely by a decline in mine production, with scrap supply rising during the year. Silver mine supply during 2020 declined 3.5% to 734.9 million ounces, the lowest level of mine supply since the 2012 level of 718.8 million ounces. However, silver mine supply has been softening since 2017 due to a lack of new projects in the pipeline coupled with the closure of some large mines.

Silver fabrication demand declined during 2020 to its lowest level since 2013. Demand slipped to 845.4 million ounces, down 8.75% from 2019. A combination of various industrial facilities shutting for several weeks during the early days of the pandemic coupled with recessionary conditions in many parts of the world weighed on fabrication demand.

What it means for Hochschild

As a significant player in the global precious metals industry and deriving 40% of revenue from silver, we are impacted by the dynamics of the silver markets. Despite the falls in production experienced by the Company due to the Covid-related stoppages in 2020, the 35% rise in our average silver price received helped to compensate, allowing us to maintain a strong balance sheet and pay for Covid initiatives for our people and communities.

What could drive silver in 2021

- **Silver prices are forecast** to benefit during 2021 due to improvements in fabrication demand, healthy investment demand and the metal's relative undervalued status compared to gold and its own historic price levels.
- **Ongoing loose monetary policy**, further fiscal stimulus, a gradual recovery in economic growth and a focus on clean energy uses of silver are all factors that are expected to keep investors interested in silver.
- **Net silver investment demand** is forecast to reach 102.6 million ounces in 2021, which may help keep silver at elevated levels.
- **Silver fabrication demand** is forecast to rise in 2021 in almost every sector, except photography which has been in long-term decline. Much of the gains may be during the second half of the year when more people around the world are scheduled to have been vaccinated, allowing for an increased level of economic activity. Fabrication demand is forecast to reach 880 million ounces in 2021, up around 3% from 2020 levels.
- **Total silver supply** is forecast to reach 979.2 million ounces in 2021, the highest level of total supply since 2017. Gains should be driven by both a recovery in mine supply and more importantly by healthy gains in scrap supply driven by relatively high silver prices. Total scrap supply during 2021 is expected to reach 232 million ounces, the highest level since 2012. Mine supply also is expected to rise, reaching 747.2 million ounces in 2021, up 1.8% from 2020 but still below levels seen in 2019.

"Throughout our organisation we took all the necessary actions to work through the uncertainties facing the Company and, first and foremost, to protect our employees."

Eduardo Hochschild
Chairman

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

OUR PEOPLE

"I am proud to be a part of the collective efforts in promoting and strengthening an environmental culture."

Name: **Nadia**

Role: **Environmental Manager, San Jose (Argentina)**

2020 was a year like no other. Covid-19 introduced us to a scenario that no one was prepared for and we were forced to adapt on a personal and professional level, putting our resilience to the test in all aspects.

At San Jose, we had the operational challenges of maintaining production with reduced staffing levels but this prompted the environmental team to reorganise, lead and motivate.

Despite these difficulties, the team pulled together and we were able to maintain the same high levels of environmental standards and even make progress in our water management projects, which are of crucial importance. We continued to work together with external consultants, while of course complying with our health protocols, giving us the possibility of sharing information on ways to improve our environmental management.

I am proud to be a part of the collective efforts in promoting and strengthening an environmental culture across the entire organisation.

The Environmental teams participate in numerous initiatives that forge ties with our colleagues with the common objective of respecting our natural resources and reducing our environmental footprint.

Times of crisis can also be times of opportunity and I am convinced that we will emerge from this period stronger and with increased determination to see through our environmental commitments.

Link to UN SDGs

READ MORE
Protecting the environment Page 60

READ MORE
For Hochschild's approach to the UN's Sustainable Development Goals please refer to our standalone Sustainability report

"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..."

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 cash flow 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 cash flow 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

"The Covid-19 pandemic meant that we had to look for new ways to meet our social commitments and to be able to continue to interact with people from the communities around us."

Name: Rocio

Role: Community Relations Manager, Inmaculada (Peru)

I am proud that Hochschild was able to respond by innovating and forming alternative means of communication to sustain the relationships within its areas of influence.

Building social responsibility

The National State of Emergency in the early part of the year was the cause of uncertainty and worry but we were able to negotiate support with local authorities for the benefit of communities under their charge, and help people directly with supplies to maintain good hygiene. Working together, we were able to take care of each other and move forward.

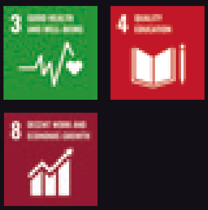
Sustainable planning to operate in harmony

Faced with the crisis, the Community Relations team reacted immediately, developing a Strategic Emergency Plan, based on analysis of probable scenarios and the stages at which we should act. We carried out this work with colleagues from the other mining units and it allowed us to attend promptly to the needs of the rural communities, anticipating their needs at each stage and maintaining a positive relationship.

Digital communication for development

One of our long-established key social objectives is to facilitate education for children who live in the remote areas surrounding our operations. The Group's technological support ensured the continuity of education through the installation of internet services. Online communications have provided the rural population not only a way of accessing education but also to engage with each other and the local authorities, which has been crucial during the pandemic.

Link to UN SDGs



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Serving our communities Page 63

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For Hochschild's approach to the UN's Sustainable Development Goals please refer to our standalone Sustainability report

CHIEF EXECUTIVE OFFICER'S REVIEW

289k
GOLD EQUIVALENT OUNCES PRODUCED IN 2020

25m
SILVER EQUIVALENT OUNCES OF RESERVES ADDED AT INMACULADA IN 2020

"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."

Ignacio Bustamante
Chief Executive Officer

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 cash flows 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.

Exploration driving near-term value

Brownfield exploration programme

We ran a successful 2020 drilling campaign with additional low-cost ounces discovered in and around our existing mines

225,000 metres

Drilled in 2020

17%

increase in reserves at Inmaculada in 2020 versus 2019

$34 million

Group budget for 2021

Our 2020 brownfield exploration schedule was initially impacted by the mine closures resulting from the global crisis. However, we were able to reconfigure our plans into an ambitious programme for the second half of the year. We significantly increased reserves at Inmaculada whilst at our Corina project we expect to deliver a maiden resource in the near future. We saw encouraging drill results towards the end of the year at San Jose and also at our former mine, Arcata.

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.

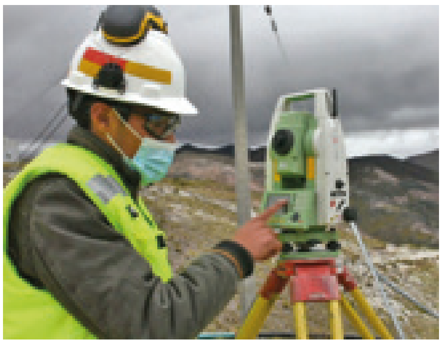
At Pallancata, despite the impact of the shutdown, the operation still had a steady period of production from the middle of the year onwards, delivering 4.8 million silver equivalent ounces (2019: 9.5 million ounces) at a cost of $15.6 per silver equivalent ounce (2019: $13.4 per ounce). In Argentina, 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 is not reflected in the 2020 audited ore reserves statement starting on page 188.

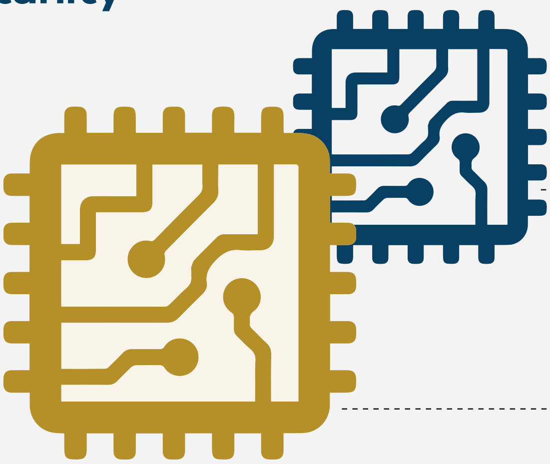
At San Jose, we were encouraged to see some positive drill results towards the end of the year in the Saavedra area close to where we are currently mining, whilst, in the region surrounding Pallancata, exciting results from the second campaign at the Corina deposit to the north lead us to expect a maiden 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.



One of the few heavy rare earth projects in the Western world

Rare earths driving long-term opportunity

With a feasibility study close to completion, the Biolantanidos ionic clay rare earth deposit in Chile, one of the first heavy rare earth projects in the Western world, is expected to deliver a unique modular growth story and generate strong value for Hochschild shareholders.



Global magnet rare earth oxide consumption

$3.0bn

Value 2020

$15.7bn

Expected value 2030

Source: Adamas Intelligence

What are are earth elements?

- Group of 17 chemical elements in the periodic table.
- Referred to as 'rare' because they are not commonly found in commercially viable concentrations

2 main subgroups:

- Light rare earths (LREE) and
- Heavy rare earths (HREE)

Rare earth elements such as neodymium, praseodymium, dysprosium and terbium are used for applications such as:

Magnets
Permanent magnets for applications such as electric vehicles, mobile phones, drones and wind turbines.

Strong metal alloys
Forms an alloy with magnesium for use in aircraft engines.

Data storage
Applications such as compact discs and hard discs. Also film industry lamps and laser materials.

Computer chips and devices
Important for devices such as TV and computer screens, mobiles and low-energy lightbulbs.

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 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 cash flow 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

Benefiting all our stakeholders

Our well-established and resilient business model aims to reflect our long-term commitment to our employees, communities and society as a whole as well as providing an attractive investment proposition.

Inputs

These inputs are key in consistently achieving productive, safe and environmentally sound operations.

Responsibility
We are focused on: operating a safe workplace to enable our employees to thrive; minimising our environmental impact; and seeking to generate social value within our surrounding communities.

Expertise
We have specific expertise in mining underground deposits in complex geological conditions throughout the Americas.

Experience
We have steadily built an enviable track record in managing mines, developing projects, identifying growth options and utilising best practice environmental and social policies.

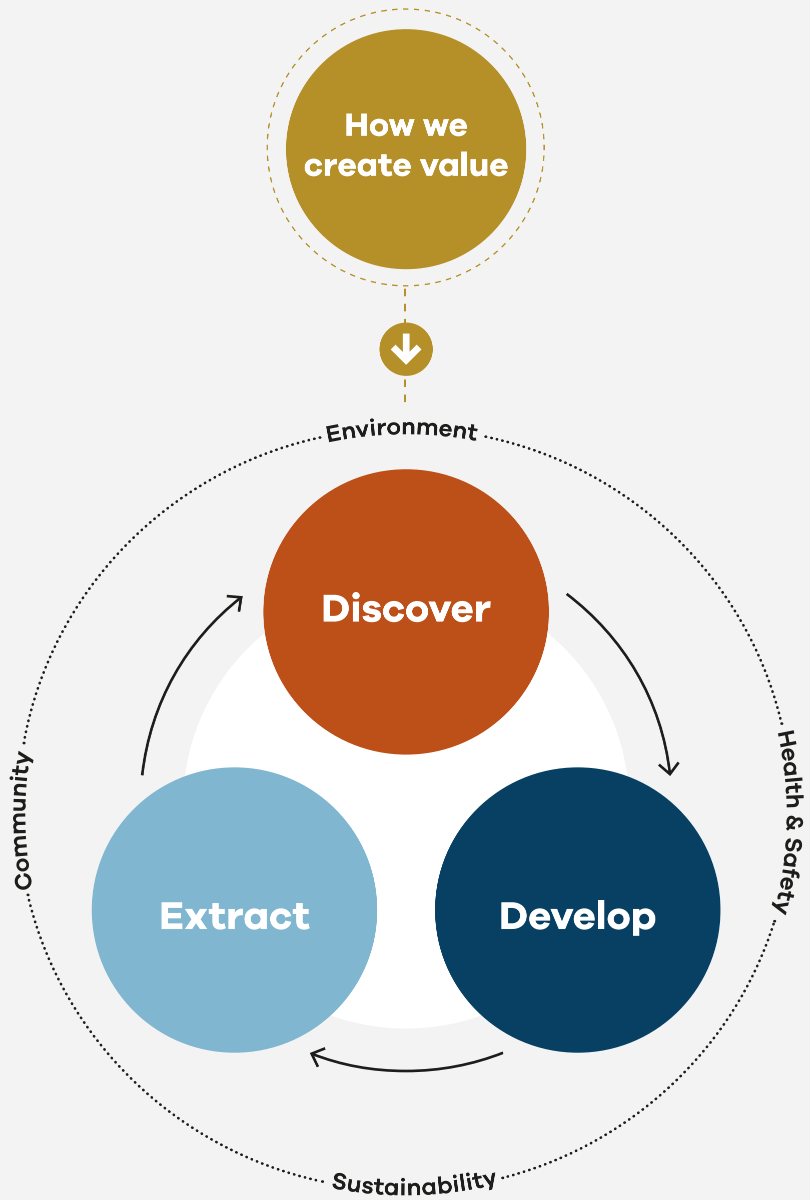
Discipline
We have a key strength in our balance sheet and deploy capital in a disciplined manner underpinned by our long-standing financial relationships and a focus on value accretive opportunities.

Governance
We maintain high standards of controls and processes to protect and enhance stakeholder interests.

Innovation
We are dedicated to the development of more efficient business practices through the adoption of new technologies.

Our core activities

Technical expertise is the key attribute underpinning our business model.



Discover

We have strong expertise in discovering and developing long-term geological districts. Our highly experienced exploration team believes that there is strong potential across all our properties to continue to generate strong returns from the Company's existing resource base. Furthermore, our greenfield and project development strategy involves a significant number of drilling campaigns at premium precious metal prospects in Peru and across the Americas. These can be executed in-house or in partnership with a variety of reputable exploration companies with attached earn-in or joint venture options if successful.

Develop

We are able to progress our projects efficiently in a short space of time and the ability to operate in remote locations and high altitudes remains a core competitive advantage. We have unrivalled knowledge of the key mining jurisdictions in the Americas and believe our experience in managing all project requirements including permitting, local community and government support places us in a strong position with regards to the execution of precious metal opportunities as well as options in future-facing commodities.

Extract

We have developed an extensive in-house knowledge base of the challenges inherent in a range of different ore bodies, varying metals as well as in a variety of environments throughout our regions. This has resulted in us consistently meeting annual operational targets, implementing significant cost efficiency programmes and replacing and adding to our resource base. In addition, our growing commitment to innovation is allowing us to incorporate key technological advances and apply them to our business.

Outputs

The efficacy of our business model allows us to invest in the future of our employees, redistribute profit to our host communities through a wide variety of collaborative programmes and deliver long-term value for all our shareholders.

Communities

Hochschild has been able to invest in a number of local programmes focusing on our core themes of education, health and socio-economic development and allowing us to operate collaboratively with communities across our regions. We have also been able to deliver a range of innovative employment and business opportunities whilst retaining our respect for the environment and cultural traditions. Many of these initiatives continued during the 2020 pandemic.

31%

WORKFORCE FROM LOCAL COMMUNITIES

Employees

The success of our business model helps us to provide personal development, competitive compensation and proper working conditions. We aim to empower our employees with learning opportunities and new challenges in a positive, healthy and safe work environment. In addition, there is an ongoing recognition that all should have opportunities to contribute and develop their capabilities through volunteer work as well as direct initiatives.

98%

WORKFORCE TRAINED IN 2020

Shareholders

We are committed to our aims of profitable and safe operations, a strong local and international reputation and stability. We believe that if we can deliver sustainable low-cost growth and consequently generate solid free cash flow, we can use that to repay all our stakeholders. Since the middle of 2016 we have paid out $82 million in equity dividends and we have announced a further 2020 final dividend of $12 million despite the significant disruption to our operations from the global pandemic.

$12m

RECOMMENDED 2020 FINAL DIVIDEND

Strategic development and growth

Our strategy focuses on four key paths to secure low-cost growth.

2020 activities

Brownfield

- Life-of-mine increases
- Improve quality of resources
- Spare capacity available

2020 activities:

- Full programme delivered despite delays caused by Covid-19
- Reserves increased at Inmaculada
- Maiden resource expected at Corina in the next few months
- Second drilling campaign begun at Palca and first campaign commenced at Cochaloma
- Early encouraging results at new Arcata drilling campaign

Greenfield

- Staking properties
- Streamlining portfolio
- Progressing drill-ready projects

2020 activities:

- Second drilling campaign completed by Skeena Resources at Snip, Canada
- Drilling in progress at Condor (Peru)
- Drilling carried out at Horsethief (Nevada) and Los Cuarenta (Mexico)

Early-stage projects

- Optimising early-stage projects
- Further drilling
- Advancing Biolantanidos deposit

2020 activities:

- Optimising ounces at early-stage projects
- Progressed Biolantanidos rare earths project: developing innovative metallurgical process; increasing land concessions; resource drilling; permitting; community relations
- Drilling programmes carried out at Ares, Arcata and Crespo
- Permitting on a number of drill targets including former operations, early-stage projects and regional exploration targets

Strategic alliances

- Early-stage
- Control (Acquisition/JVs)
- Geological upside
- ROIC: 12-15%

2020 activities:

- Focusing on stable jurisdictions in Americas
- Precious and non-precious metal deposits being considered
- Ongoing alliance with Skeena Resources at Snip project in Canada

2021 priorities	Risks
– 2021 budget of $34 million – Key targets at Inmaculada: Angela vein extension and Eduardo vein – Exploration set to begin in surrounding area at Minascucho and Huarmapata – Aiming to add resources at Pallancata from potential Pallancata and Pablo vein extensions and from Luisa/Paola, Oscar/Ignacio structures – Key targets at San Jose are close to the existing mining area as well as the regional targets of Telken and Aguas Vivas – Further drilling at Arcata, Crespo, Ares	– Political, legal and regulatory – Community relations – Personnel: recruitment and retention
– 2021 greenfield exploration budget expected to be $11 million – Decision to be made on next steps at Snip (Canada) including potential exercise of option – Drilling set to begin at Illipah (Nevada) and Adamera (Washington) – Mapping and permitting activities continuing at Peruvian projects including Pampamali, Ana Lucia, Ballanero, Corvinon and also at Sarape in Mexico	– Political, legal and regulatory – Community relations – Personnel: recruitment and retention
– Drilling at projects in Peru including Crespo, Azuca, Condor, Arcata, Ares and Selene – Advancing Biolantanidos to feasibility stage and environmental permit approval – Ongoing ore sorting tests	– Political, legal and regulatory – Community relations – Personnel: recruitment and retention
– Progressing current options e.g. Snip, Condor to decision stage – Further options/JVs being considered in Americas – Larger acquisitions also being assessed both with cash or shares	– Political, legal and regulatory – Commodity prices

READ MORE
Key Performance Indicators on page 26

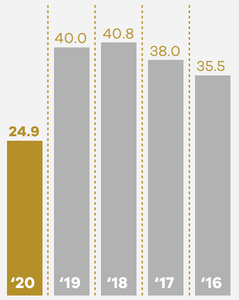
Measuring our progress

Financial measures

Attributable production

24.9m oz

M oz Ag equivalent



Links to strategy

Links to remuneration
Yes

Definition
Silver equivalent production equals total attributable gold production multiplied by a gold/silver ratio for 2019-2020 of 86x, 2018 of 81x, 2015-2017 of 74x and added to the total attributable silver production.

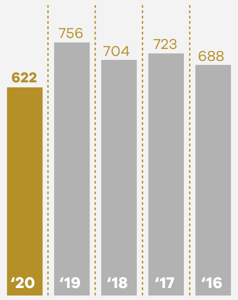
Performance
Total silver equivalent production decreased by 37.8% versus 2019 due to production stoppages caused by the Covid-19 pandemic.

Outlook
Total silver equivalent production is forecast to be between 31.0 and 32.0 million silver equivalent ounces in 2021 assuming a gold/silver conversion ratio of 86x.

Risk
Operational performance.

Revenue

$622m



Links to strategy

Links to remuneration
Yes

Definition
Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts.

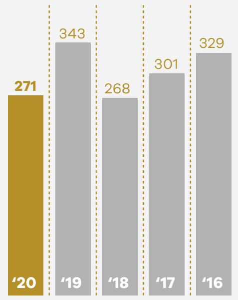
Performance
Total revenue decreased by 18% versus 2019 due to the fall in production caused by the Covid-related stoppages.

Outlook
Total silver equivalent production is forecast to be between 31.0 and 32.0 million silver equivalent ounces in 2021 assuming a gold/silver conversion ratio of 86x.

Risk
Operational performance and precious metal prices.

Adjusted EBITDA

$271m



Links to strategy

Links to remuneration
Yes

Definition
Calculated as profit from continuing operations before exceptional items, net finance costs, foreign exchange loss and income tax plus depreciation, and exploration expenses other than personnel and other exploration related fixed expenses and other non-cash (income)/ expenses.

Performance
Adjusted EBITDA decreased by 21% versus 2019 due to the fall in revenue resulting from the operational stoppages necessitated by the Covid crisis.

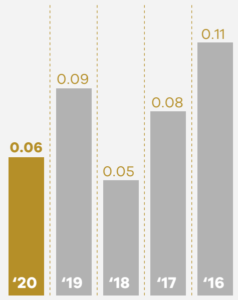
Outlook
Adjusted EBITDA result for 2021 will depend on precious metal prices and cost and expenses performance along with the ability of the operations to operate normally.

Risk
Operational performance and precious metal prices.

Basic earnings per share

$0.06

Pre-exceptional



Links to strategy

Links to remuneration
No

Definition
The per-share (using the weighted average number of shares outstanding for the period) profit available to equity shareholders of the Company from continuing operations before exceptional items.

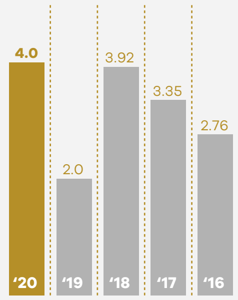
Performance
Basic earnings per share decreased by 33% due to the fall in Adjusted EBITDA in addition to a rise in finance costs and the income tax expense.

Outlook
Pre-exceptional earnings per share will depend on Adjusted EBITDA performance and the effective tax rate which may be impacted if local currencies including the Peruvian sol and Argentinian peso continue to depreciate.

Risk
Operational performance, precious metal prices, costs, levels of financial costs and income and tax charge.

Dividend per share

¢4.00



Links to strategy

Links to remuneration
No

Definition
The per-share (using the weighted average number of shares outstanding for the period) dividend paid to equity shareholders of the Company as recommended by the Board.

Performance
Dividend per share increased by 100%.

Outlook
Dividend per share for 2021 will depend on the level of profitability of the Company and the available uses of cash and is at the discretion of the Board.

Risk
Company profitability.

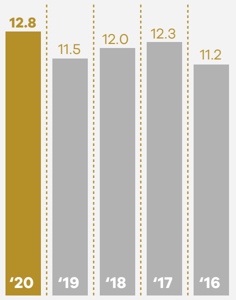
Brownfield | Greenfield | Early-stage projects | Strategic alliances

Financial measures

All-in sustaining costs

$12.8oz

$/oz Ag equivalent



Links to strategy

Links to remuneration
Yes

Definition
Calculated before exceptional items and includes cost of sales less depreciation and change in inventories, administrative expenses, brownfield exploration, operating capex and royalties divided by silver equivalent ounces produced using a gold/silver ratio of 86:1.

Performance
All-in sustaining costs from operations rose versus 2019 mainly due to the effect of less production resulting from the Covid-related stoppages impacting administrative expenses and capex in all units.

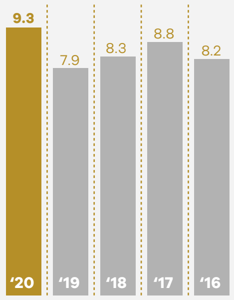
Outlook
The all-in sustaining cost from operations in 2021 is expected to be between $14.1 and $14.5 per silver equivalent ounce.

Risk
Operational performance, local cost inflation, and increases in brownfield exploration investment.

Total silver cash costs

$9.3oz

$/oz Ag equivalent



Links to strategy

Links to remuneration
No

Definition
Cash costs are calculated based on pre-exceptional figures. 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.

Performance
Total silver cash costs for the Company increased by 18% versus 2019 due to increases in unit costs in Peru and decreases in grade across the Group.

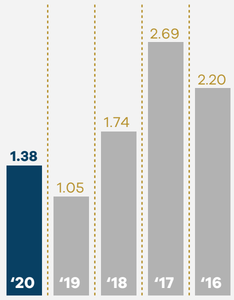
Outlook
Cash costs performance in 2021 is expected to be dependent on operational performance, levels of local cost inflation and levels of local currency devaluation in Argentina and Peru.

Risk
Operational performance including dilution, grade and tonnage control and local inflation.

Non-financial measures

LTIFR

1.38



Links to strategy

Links to remuneration
Yes

Definition
Calculated as total number of accidents per million labour hours.

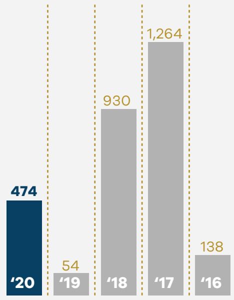
Performance
LTIFR increased by 31% but remains low relative to the industry.

Outlook
The Company will continue to implement the 'Safety 2.0 Hochschild Safety Transformation' plan, has rolled out a safety software tool 'Safety HOC' and has received Level 6 safety certification from DNV (7th edition).

Risk
Health and safety risks.

Accident Severity Index

474



Links to strategy

Links to remuneration
Yes

Definition
Calculated as total number of days lost per million labour hours.

Performance
The Accident Severity index increased to 474 in 2020 due to the fatality at Pallancata.

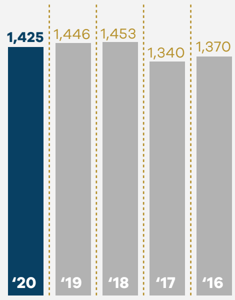
Outlook
The Company will continue to implement the 'Safety 2.0 Hochschild Safety Transformation' plan, has rolled out a safety software tool 'Safety HOC' and has received Level 6 safety certification from DNV (7th edition).

Risk
Health and safety risks.

Attributable resource base

1,425

M oz Ag equivalent



Links to strategy

Links to remuneration
Yes

Definition
Total attributable silver equivalent metal resources as at 31 December 2020.

Performance
Total attributable silver equivalent metal resources 1,425 by (1.45%) in 2020 due new inferred resources discovered at Inmaculada and San Jose.

Outlook
Resource increases in 2021 will depend on the level of ongoing success in finding potential resources and the ability to turn these resources into the inferred and measured and indicated categories through drilling.

Risk
Implementing and maintaining the annual exploration drilling programme.

"As an occupational doctor I am glad to have been able to play my part."

Name: **Edwar**

Role: **Doctor in the Health & Hygiene team, Inmaculada (Peru)**

Hochschild implemented an action plan which has allowed the continuation of operations but by focusing not only on the health of its workers but also of their families and communities. As an occupational doctor I am glad to have been able to play my part.

Looking after the health and wellbeing of our people

First, we identified colleagues who were vulnerable and they were removed from the operations.

We collaborated with the National Mining Association and the Mining Ministry, designing the Covid health protocols that were later mandated by law.

We quickly started molecular testing as well as educating employees on wearing masks and the need to practise social distancing. The Health team at Hochschild also worked together with managers, occupational psychologists and the human resources team providing our employees' families educational webinars about Covid-19.

Our testing regime was improved later in the year through the introduction of antigen tests.

Through our collaborative efforts, we designed software to support the management of working shifts in a Covid secure way as well as monitoring our workers' health condition. We were able to see how many employees were available to travel to the mine as well as those either onsite or in the process of travelling. This software also enabled us to access information on workers suffering from medical conditions. I am proud to report that this software has won an award from the Peruvian Mining Society.

Link to UN SDGs

READ MORE
Health & hygiene Page 56

READ MORE
For Hochschild's approach to the UN's Sustainable Development Goals please refer to our standalone Sustainability report

OPERATING REVIEW

Delivering strong operational performance

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.

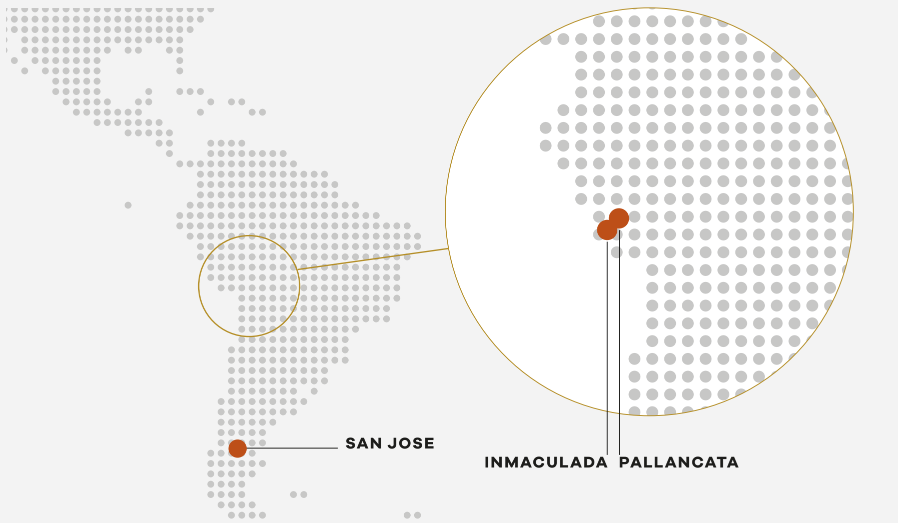
The overall attributable production target for 2021 is 360,000-372,000 gold equivalent ounces or 31.0-32.0 million silver equivalent ounces.

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.

Main operating sites



Total 2020 Group production[1]

	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.

2021 Production forecast split

	Gold production (oz approx)	Silver production (m oz approx)
Inmaculada	223,000-228,000	19.2-19.6
Pallancata	63,000-65,000	5.4-5.6
San Jose (100%)	74,000-79,000	6.4-6.8
Total	**360,000-372,000**	**31.0-32.0**

2021 AISC forecast split

	Gold production ($/oz Au Eq)	Silver production ($/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**

1 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.

01

Inmaculada

Peru

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

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.

	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

4,034koz

SILVER PRODUCED

129.17koz

GOLD PRODUCED

02

Pallancata

Peru

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.

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 are not included in the figure in addition to $8.2 million of exceptional Covid-19 response initiatives.

	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

03

San Jose

Argentina

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.

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.

	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

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 188 to 190) 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, US the Horsethief project owned by Allianza Minerals Ltd in Nevada, US; 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 US 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.

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 (g/t) Grade Au	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.

$622m
2020 REVENUE

$271m
ADJUSTED EBITDA

$232m
STRONG CASH BALANCE

Ramón Barúa
Chief Financial Officer

The reporting currency of Hochschild Mining plc is US 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[2]

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.

2 Includes revenue from services.

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%).

OUR PEOPLE

"2020 was a disruptive year of unforeseen challenges, but as well of great opportunities."

Name: **Hector**

Role: **A member of the HR team at our Head Office in Lima**

At Hochschild we had already begun a process of Cultural Transformation resulting in a new corporate purpose: Responsible and Innovative Mining committed to a Better World.

Underlying this purpose are values of acknowledging the talent of our people, promoting efficiency and innovation, and responsibility.

Our corporate culture and these values have enabled us to navigate with great conviction and clarity the challenges that we are faced with.

The first challenge was to adapt to the 'new reality', where the health and safety of people was paramount. Action plans were designed and swiftly implemented with regards to mine-site accommodation, the transportation of colleagues to the mine, and deployment of HR, Logistics and Health teams.

Communication based on empathy

By maintaining an open dialogue with all stakeholders, we have been able to connect and achieve an understanding – key factors in developing trust and, ultimately, making better decisions.

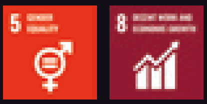
This informed our approach:

- in our discussions with unions to implement longer shift patterns so as to reduce transportation, while always maintaining our primary focus on health and safety;
- in establishing a Covid Committee comprising different levels of mine-site management and union representatives, meeting on a weekly basis; and
- in our direct and constant communication with employees and their families to provide the necessary support.

Taking the opportunity to expand learning

The pandemic has highlighted opportunities to embrace our use of technology and so, learning from the experience of other mining companies, we have designed different series of leadership programmes with the aim of inspiring to achieve true commitment, enthusiasm, and a desire to collaborate.

Link to UN SDGs



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Our people
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READ MORE
For Hochschild's approach to the UN's Sustainable Development Goals please refer to our standalone Sustainability report

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 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)[3]

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[4]

Year ended 31 Dec 2020

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

3 Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively.

4 Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales.

5 Does not include fixed costs during operational stoppages and reduced capacity of $46.5 million.

6 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore.

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	**127,690**	**90,705**	**152,873**	**378,931**
(+) Cost of sales[7]	206,199	129,771	169,955	**512,711**
(-) Depreciation and amortisation in cost of sales	(81,570)	(51,195)	(49,862)	**(182,676)**
(+) Selling expenses	481	996	19,444	**21,071**
(+) Commercial deductions[8]	2,580	11,133	13,336	**27,825**
Gold	194	1,772	5,582	**7,674**
Silver	2,386	9,361	7,754	**20,151**
Revenue	**352,143**	**147,598**	**250,715**	**755,676**
Gold	262,033	35,465	143,339	**441,584**
Silver	90,110	112,133	107,376	**313,953**
Others	–	–	–	**139**
Ounces sold				
Gold	188.6	25.4	102.8	**317.5**
Silver	5,732	7,161	6,846	**20,062**
Group cash cost ($/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[9]

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2020

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	86,874	51,534	79,804	218,212	–	**218,212**
(+) Other items and workers' profit sharing in cost of sales	1,383	1,249	–	2,632	–	**2,632**
(+) Operating and exploration capex for units[10]	62,128	7,506	21,681	91,315	447	**91,762**
(+) Brownfield exploration expenses	2,526	4,652	9,720	16,898	3,745	**20,643**
(+) Administrative expenses (excl depreciation)[11]	3,768	1,205	5,590	10,563	30,533	**41,096**
(+) Royalties and special mining tax[12]	3,098	990	–	4,088	3,119	**7,206**
Sub-total	**159,777**	**67,136**	**116,795**	**343,707**	**37,592**	**381,299**
Au ounces produced	129,173	12,925	64,987	207,085	–	**207,085**
Ag ounces produced (000s)	4,034	3,679	4,108	11,821	–	**11,821**
Ounces produced (Ag Eq 000s oz)	15,143	4,790	9,697	29,631	–	**29,631**
Sub-total ($/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**

7 Does not include fixed costs during operational stoppages and reduced capacity of $46.5 million.

8 Includes commercial discounts from the sale of concentrate and commercial discounts from the sale of dore.

9 Calculated using a gold/silver ratio of 86:1. 2019 figures have been restated (previously calculated using a gold/silver ratio of 81:1).

10 Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments.

11 Administrative expenses does not include expenses from the Biolantanidos project ($179,000).

12 Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.

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.

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Arcata	Corporate & others	Total
(+) Production cost excluding depreciation	124,814	75,590	120,529	320,933	6,727	–	**327,660**
(+) Other items and workers' profit sharing in cost of sales	1,902	1,976	567	4,445	–	–	**4,445**
(+) Operating and exploration capex for units[13]	66,435	26,605	41,406	134,446	42	2,470	**136,958**
(+) Brownfield exploration expenses	3,976	7,116	9,753	20,845	1,065	3,954	**25,864**
(+) Administrative expenses (excl depreciation)[14]	3,917	1,642	6,215	11,774	44	31,669	**43,487**
(+) Royalties and special mining tax[15]	3,510	1,471	–	4,981	47	3,429	**8,457**
Sub-total	**204,554**	**114,400**	**178,470**	**497,424**	**7,925**	**41,522**	**546,871**
Au ounces produced	189,180	25,952	105,478	320,611	966	–	**321,577**
Ag ounces produced (000s)	5,747	7,259	6,846	19,851	311	–	**20,163**
Ounces produced (Ag Eq 000s oz)	22,016	9,491	15,917	47,424	394	–	**47,818**
Sub-total ($/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).

13 Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments.

14 Administrative expenses does not include expenses from the Biolantanidos project ($160,000).

15 Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.

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.

$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[16]	**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.

16 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.

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.

Covid-19 response initiatives[17]

$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 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.

17 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.

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	**(10,778)**	(234)
Net cash/(debt)[18]	**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 cash flow generation resulting from the high precious metal prices and this was only moderately offset by an increase in current borrowings in Argentina.

Capital expenditure[19]

$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[20]	**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 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.

18 Includes pre-shipment loans and short-term interest payables.

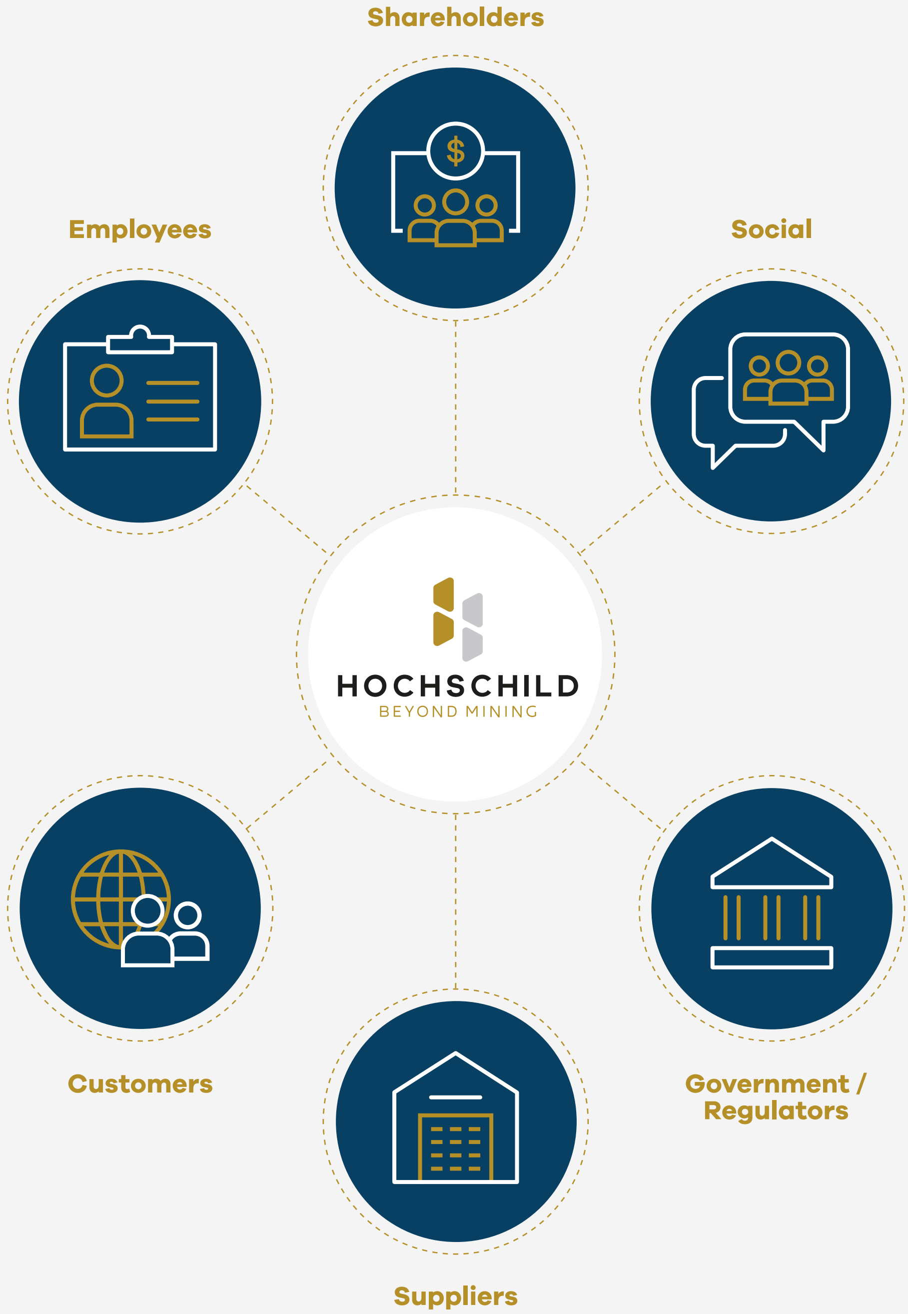
19 Includes additions in property, plant and equipment and evaluation and exploration assets (confirmation of resources) and excludes increases in the expected closure costs of mine asset.

20 Capital expenditure from Biolantanidos in 2019 includes the fair value of the asset at acquisition plus additions since the acquisition.

We are focused on driving long-term sustainable performance for the benefit of our customers, shareholders and wider stakeholders.

Our six key stakeholder groups

Section 172
On these pages, we describe our key stakeholders and summarise the engagement that has been undertaken across the business. How the Board develops an understanding of the interests of stakeholders, and how it considers stakeholders' interests in its principal decisions and the section 172(1) statement can be found in the Corporate Governance Report on page 80.



Why are they important to us?

Shareholders

READ MORE

Corporate Governance Report – page 80

Directors' Remuneration Report – page 102

Our shareholders are investors and owners of the business. We seek to establish and maintain constructive relations with all shareholders through open dialogue and an ongoing programme of engagement.

Employees

READ MORE

Sustainability Report (Our people) – page 58

Risk Management (Personnel risks) – pages 68 and 69

Our people are key to the success of our business. We seek to attract, retain and develop our people through competitive remuneration, a positive and safe working environment and developmental opportunities.

Social

READ MORE

Sustainability Report (Environment Management & Communities) – page 60

Risk Management (Community relations and Environmental risks) – pages 70 and 71

We recognise our social commitments to (a) produce the smallest environmental footprint possible and (b) understand the needs and expectations of our host communities. Through close collaboration we implement social investment programmes in our areas of focus.

Engagement activities	Issues raised in 2020
We engage through various methods throughout the year with the participation of the CEO, CFO, members of the Board and the Head of Investor Relations. The Chair of the Remuneration Committee engaged with our major shareholders on the proposed changes to the Remuneration Policy which is being submitted for approval at the forthcoming AGM.	– The impact of the Covid-19 pandemic on the business – Progress with exploration programme and growth projects – Matters relating to ESG (environmental, social and governance) including climate change, diversity, Tailings Storage Facilities For aspects relating to the proposed Remuneration Policy, please refer to the Directors' Remuneration Report.
In general, employee engagement takes many forms and includes the use of surveys, presentations and Q&A sessions with management. Our 2020 programme, primarily facilitated online, included: – presentations from the Chairman and senior management on various topics such as the H1 2020 financial results, coping strategies during the pandemic and adjusting to new ways of working; – sessions led by the Country General Managers with managers of the mining units; and – regular meetings with labour unions to negotiate collective agreements and discuss matters of interest.	– Covid-19 health protocols – Impact of changes in working shift patterns during the pandemic – Discussions on remuneration for workers who remained onsite during operational stoppages – Physical and mental health support during lockdown
We adopt a varied approach to engaging with local communities including: – direct interaction with local mayors and residents; – our Permanent Information Office and at town hall meetings; – community surveys; – collaborative activities, for example environmental monitoring; and – the implementation of local purchasing and hiring protocols. During 2020, our approach was adapted so that we could continue to provide support in our areas of focus: health & nutrition, education and economic development.	– Access to online services during periods of Covid-19 related restrictions – Environmental issues – Local hiring and purchasing – Community permits and / or access to private property

Why are they important to us?

Government / Regulators

It is our aim to maintain a constructive relationship and open dialogue with the various governmental authorities we interact with in each of the countries where we operate.

READ MORE
Risk Management (Political, Legal & Regulatory risks) – page 69

Suppliers

As a key influence on how we operate our business, we seek a relationship of mutual benefit while requiring high standards of conduct.

READ MORE
Risk Management (Business Interruption risks) – page 67

Customers

Due to the nature of what we produce, Hochschild has relatively few customers. As a result, successful relations with our customers are of critical importance to our business.

READ MORE
Risk Management (Commercial Counterparty risk) – page 66

Engagement activities	Issues raised in 2020
The Vice President of Corporate Affairs oversees regular interaction with relevant authorities and regulators in Peru, both at a Company level but also through the National Mining Association. Various teams also regularly interact with public officials and regulators as part of their operational functions. The equivalent role in our Argentinian joint-venture is undertaken by the General Manager and General Counsel. We also play an active role through the National Mining Association.	– Covid-19 health protocols – Health & Safety and Environmental performance and compliance – Compliance with various mining authorisations required to operate and explore – Contribution to regional development such as through local job creation and investment in social programmes/infrastructure
The General Managers of our Peruvian and Argentinian operations maintain ongoing dialogue with suppliers to the mine sites. Other suppliers are managed by the relevant functional department such as IT, Group Finance, etc.	– Covid-19 health protocols for onsite suppliers (such as catering contractors) – Managing the deliveries of mine supplies due to mandated restrictions
Our sales and logistics teams oversee a relationship of co-operation and constant dialogue. In addition to usual relationship management, customer engagement during 2020 took place virtually including during London Metals Exchange week.	– The revision of shipping schedules due to the impact of Covid-19 – The extension of sales contracts in light of the operational stoppages during the year

Responsible and innovative mining committed to a better world

Since the Company's inception, we have endeavoured to maintain and reinforce our corporate values of respecting the wellbeing of our employees, the environment and the communities in which we operate.

34hrs	73%	$5.5m
OF TRAINING (AVERAGE PER EMPLOYEE)	ECO SCORE IMPROVEMENT (SINCE 2015)	INVESTED IN LOCAL COMMUNITIES

"2020 was a year of unprecedented challenge."

Graham Birch
Chairman, Sustainability Committee

Dear shareholder

I am pleased to report on the Company's sustainability activities and achievements for 2020, which demonstrate our collective sense of responsibility – a key foundation of Hochschild's corporate purpose. For the first time, this report also sits alongside a standalone Sustainability Report to be published in the second quarter of the year which I hope you will find to be an informative account of our ongoing commitment.

Safety and health

2020 was a year of unprecedented challenge due to the global Covid-19 pandemic. In these challenging times, our people's safety and wellbeing was – and continues to be – our first priority. However, despite the continued implementation of the second iteration of our safety culture plan, we tragically suffered a fatality at our Pallancata mine during the first quarter of 2020. The Board and management are united in our commitment to devote all necessary resources to embed a safety-first culture.

Our people

Diversity, particularly with regards to gender, continued to be an area of focus for the Group and, like many of our peers in this space, we are trialling a number of approaches to improve gender diversity across our business.

To this end, we launched a new internship programme in 2020 – 'Women of Gold', making Hochschild the first mining company in Peru with an internship programme specifically designed for nurturing female talent.

Our environment

From an environmental perspective, I would like to highlight two aspects in particular. Firstly, the Group's performance was reflected by another strong year for our ECO Score, as discussed later in the report. This initiative continues to be recognised externally, achieving first place in the National Oil and Energy Mining Society's 2020 Sustainable Development Award. Secondly, we made important first steps towards implementing an Environment Culture Transformation Plan, working with external consultants to embed an environmentally conscious culture throughout the Company, with the objective to replicate the success of our Safety Culture Transformation Plan.

Our communities

Our Community Relations team has had a particularly active year. In addition to meeting the basic needs of communities throughout the pandemic, the team identified a requirement for improved communications to keep communities connected during the pandemic. In total, we were able to provide 14 communities with the necessary infrastructure to allow over 6,500 residents to access free and unlimited internet from their homes.

Looking ahead to 2021 and beyond, we have a comprehensive work plan to drive continuous improvement including: rolling out internal training on our recently published Human Rights Policy; strengthening our environmental culture; and carefully managing our climate-related risks and their impacts.

I look forward to reporting on our progress in these critical areas. In the meantime, if you should have any questions or comments, please do not hesitate to contact me at sustainability@hocplc.com

Graham Birch
Chairman, Sustainability Committee
17 February 2021

Our areas of focus

Safety
PAGE 53

Health & hygiene
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Our people
PAGE 58

Protecting the environment
PAGE 60

Serving our communities
PAGE 63

Our approach to sustainability

Hochschild's approach to sustainability

Our long-term business model has been developed to not only offer an attractive investment proposition for our shareholders, but also as part of our commitment to making a better world for our workforce, communities and society as a whole.

To ensure these values are adhered to, we have adopted a number of policies over the years, which demonstrate our commitment to areas in which we can make the most difference, underpinned by our consideration of the United Nations Sustainability Development Goals.

Governance

Strong sustainability governance is critical for Hochschild to maintain its social licence to operate, requiring leadership from the very top of the organisation. Our Board of Directors has ultimate responsibility for establishing Group policies relating to sustainability and employee matters, and ensuring that international and national standards are met. The Sustainability Committee, a formal committee of the Board, has been delegated responsibility for various sustainability issues, focusing on compliance and ensuring that appropriate systems and practices are in place Group-wide to ensure the effective management of sustainability-related risks.

As Chairman of the Committee, Graham Birch has Board level responsibility for sustainability issues to whom the Vice Presidents of Operations, Legal & Corporate Affairs, and Human Resources report.

The Committee conducted the following business during 2020:

- Approved the 2019 Sustainability Report for inclusion in the 2019 Annual Report;
- Monitored the execution of the yearly plan in each of the five key areas of focus (Health, Safety, Community Relations, Environmental Management and Employee Engagement);
- Received detailed updates on the actions being taken to protect the welfare of our employees as a result of the Covid-19 pandemic;
- Undertook periodic reviews of the Group's exposure to sustainability risks and the controls and action plan to mitigate them;
- Reviewed standalone policies on Community Relations, Human Rights, Diversity & Inclusion and Sustainability drawing from the values set out in the Group's Code of Conduct; and
- Monitored best practice to identify areas of opportunity to enhance the Group's approach such as the management of tailings facilities in light of the publication of the ICMM's Global Industry Standard.

Sustainability reporting

To provide stakeholders with a transparent account of the sustainability topics of most importance to our business and the steps we are continually taking to better measure our impact and improve our sustainability performance, we will publish a standalone Sustainability Report in 2021.

Further information can be found on the Company's website: **www.hochschildmining.com/en/sustainability**.

01

Safety

2020 Highlights

Successful continued implementation of our updated action plan known as 'Safety 2.0'

Health & Safety Management Systems operating at all mining units achieved Level 6 re-certification by Det Norske Veritas GL ('DNV GL'), with the intention to achieve Level 7

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING

72%

REDUCTION IN THE NUMBER OF HIGH POTENTIAL EVENTS VS. 2019

The Hochschild approach to safety

Given the inherently high-risk profile of mining and recognising that our people are our most valuable asset, ensuring employee safety is a key measure for our corporate success.

Investigating and learning from incidents

Despite the progress we have achieved in recent years, tragically, one of our employees lost his life during the first quarter of 2020 at our Pallancata mine.

The victim was clearing loose rocks from a wall in the mine with the assistance of two colleagues. He turned away from the wall being cleared and tripped on rocks that had settled on the ground around him. A large rock fell away from the wall resulting in fatal injuries being sustained.

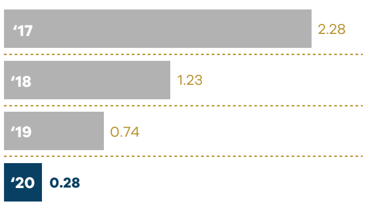
The root causes of this incident were formally investigated and procedures have been revised both in relation to scaling as well as the mandatory presence of both specialists and field workers before proceeding with a work-plan. Details of the accident and follow-up action were communicated across the organisation, to drive continual improvement.

This tragic event has made us even more determined to continually reinforce our controls, promote the right behaviours and establish a safety culture that is deeply embedded throughout the organisation.

High Potential Events

Since 2017, the Company has monitored the occurrence of 'High Potential Events' ('HPEs'). HPEs are events which could have caused serious injury and encompass near misses as well as lost time events. Each time an HPE occurs, the CEO convenes a meeting of the Vice Presidents of Operations and Human Resources, the country managers as well as site managers and the corporate safety team. The site leader where the HPE occurred presents his investigation and the Committee feeds into the root cause analysis and proposed action plan. The lessons learnt are then conveyed by site managers at other operations to their respective units.

HP Index

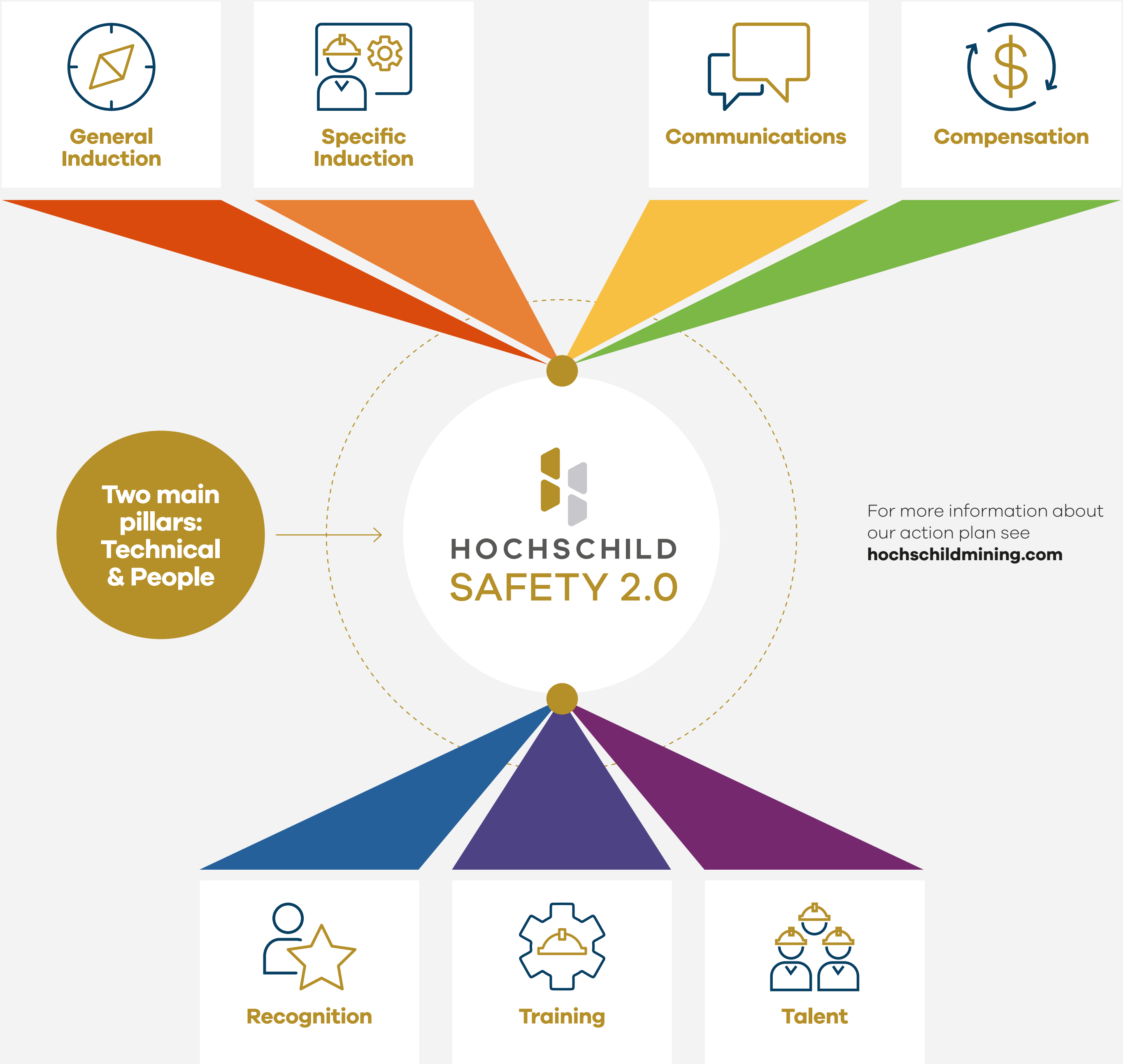


HP Index is the number of High Potential Events per million labour hours

The next phase of our action plan 'Hochschild Safety 2.0'

We recognise that a more engaged workforce is one where people actively look out for their own and others' safety, helping us to manage our safety and health risks. To further embed a Company-wide safety-first culture, in 2020 we reviewed the success of our Safety Culture Transformation Plan, an initiative first launched in 2017 and championed across the Company.

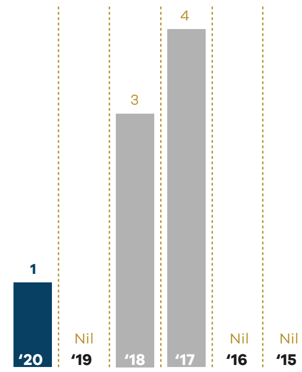
To ensure continuous improvement, we rolled out an updated action plan known as 'Safety 2.0', made up of seven key attributes covering training, effective communication, recognition and linking compensation with safety indicators.



For more information about our action plan see **hochschildmining.com**

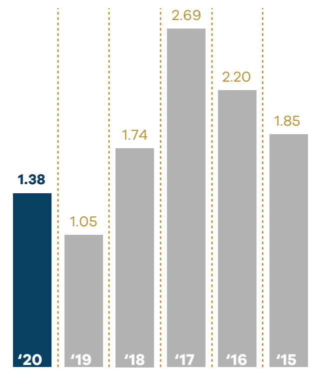
Safety performance in 2020

Fatal accidents



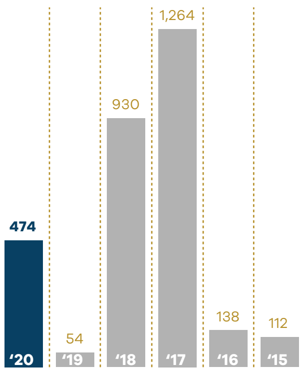
*Number of fatalities in the reporting period

Lost Time Injury Frequency Rate (LTIFR)



*Calculated as total number of accidents per million labour hours

Accident Severity Index



*Calculated as total number of days lost per million labour hours

"

Our success relies on our people and the safety of our people is our number one priority."

02

Health & hygiene

2020 Highlights

Hochschild's Head of Health & Hygiene headed the Covid-19 Committee, established with the responsibility for formulating, executing and evaluating the development of, and compliance with, our protocols

Application of more stringent health measures than those set by law

Established mental health support activities and programmes to support employees and their families during the pandemic

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING

"

We moved quickly to protect the health of our staff, establishing a Covid-19 Committee."

We commit to providing an integrated approach to employee welfare, supporting our people's health and wellbeing and, ultimately, improving employee motivation and productivity.

The Hochschild approach to health and hygiene

Underlining the importance we place on our people and their wellbeing, the Group's Health & Hygiene department is tasked with providing an integrated approach to employee welfare. Whilst the Health team is focused on ensuring that employees have access to the relevant treatment services and infrastructure, the Hygiene team looks to reinforce the importance of the quality of life at work through the prevention of occupational illness and ensuring the mental wellbeing of its employees.

In 2020, Covid-19 placed an additional strain on the health and mental wellbeing of our workforce and their families. During such an extraordinary period, our Health & Hygiene department established mental health support activities and programmes for employees and their families, including those self-isolating and returning to work.

Mitigating health and operational risks of Covid-19

Hochschild has been proactive in its approach to controlling and mitigating the risks and consequences of the Covid-19 pandemic within our operations and offices in Peru and Argentina, in order to safeguard the health of our employees and the communities we work in. Refer to page 67 of the Risk Management report for further details.

500,000

RAPID COVID-19 TESTS DONATED TO PERUVIAN GOVERNMENT

2,387

INDIVIDUALS RECEIVED PHONE CONSULTATIONS

Our achievements in 2020

- Established a dedicated helpline and a WhatsApp support group for workers, their families and contractors. In total, 2,387 individuals received phone consultations from July to October in 2020.
- Promoted a programme to help facilitate conversation within and between families, discussing the pandemic and its impact. In total, 23 sessions were run between June and December.
- Employees received regular updates on safe work practices and access to both a comprehensive virus-testing programme and an expanded medical team.
- Contributed to a fund established by the Mining Industry Association to donate 500,000 rapid Covid-19 tests to the Peruvian Government.

Protecting our colleagues from Covid-19

We moved quickly to protect the health of our staff, establishing a Covid-19 Committee with the responsibility of formulating, executing and evaluating the development of, and compliance with, our Covid-19 Crisis Plan. These Company-wide protocols extended beyond official requirements, promoting the use of PPE, social distancing, disinfection of work areas, enhanced cleanliness, regular testing, reduction of capacity in communal areas and the use of a Company developed app to monitor the health and wellbeing of our employees in and out of work. This software recently won an award from the Peruvian Mining Society.

Refer to page 70 for more information on how we achieved Covid-19 secure operations.

23

SESSIONS HELD IN PROGRAMME SUPPORTING FAMILIES ON THE PANDEMIC AND ITS IMPACT

03

Our people

2020 Highlights

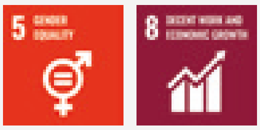
Workforce trained: 98% (2019: 98%)

Workforce from local communities: 31% (2019: 33%)

Launch of a new internship programme, 'Women of Gold' (see opposite for more details)

New app launched to enhance employee engagement and contribute to overall development

Alignment to UN SDGs



54%

OF WORKFORCE REPRESENTED BY A TRADE UNION OR SIMILAR BODY

34

AVERAGE HOURS OF TRAINING PER EMPLOYEE

Hochschild Mining's success relies on its people.

Recruitment, retention and engagement

The quality of our people is key to the success of the business. We are therefore committed to attracting and retaining high quality personnel through monitoring the market for talent, providing competitive remuneration, fostering a positive working environment, and enabling our people to develop and grow with us. In 2020 we ranked 27th in the Merco Talento, which ranks the top 100 companies according to their practices of attracting and retaining talent in Peru (increasing by 43 places from 2019).

Diversity and inclusion

At Hochschild we are committed to providing equal employment opportunities for all, regardless of race, gender or religion. We believe diversity brings new and innovative ideas that contribute to our overall business success. Diversity, particularly gender, continues to be an area of focus, with our commitment to promoting the participation, education, and development of women outlined in our Diversity and Inclusion Policy.

Labour relations and human rights

Our Code of Conduct sets out our undertakings to treat all employees fairly and to respect the right to be free of harassment or intimidation in the workplace. As a foundation of everything that we do, we recognise and uphold freedom of association, collective representation, just compensation, job security and development opportunities. In 2020, approximately 54% of our total workforce was represented by a trade union or similar body.

In 2020, the Group adopted a standalone Human Rights Policy, distilling the principles and values with which we act.

"At Hochschild we are committed to providing equal employment opportunities for all, regardless of race, gender or religion."

People indicators

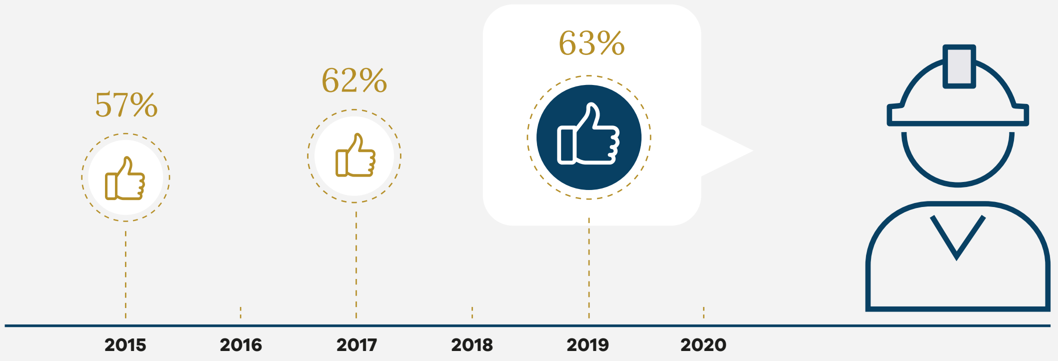
Gender diversity	2020	2019	2018	2017	2016
Number of employees					
Male	**3,155**	3,024	3,894	3,849	3,859
Female	**275**	218	245	235	222
Number of senior managers					
Male	**41**	37	37	36	35
Female	**1**	1	1	1	1
Number of Board members					
Male	**7**	7	7	7	8
Female	**2**	1	1	1	1

Activities in 2020

The people-focused initiatives during the year included:

Listening to our people

We analysed the results of our latest, biennial, Group-wide employee satisfaction survey, which was completed by 2,260 employees from across our sites in Peru and Argentina. Overall, employee satisfaction with the work environment increased to 63%.



Leadership

In addition to our multi-year leadership programme focused on promoting our safety culture, the Group launched a new training initiative aligned with the Company's cultural attributes. Management at all levels from the mine sites and administrative offices will participate with completion expected by mid-2021.

Promoting a diverse pipeline of talent

As reported last year, the Group is committed to taking active steps to improve the diversity of its workforce and, in particular, to redress the gender imbalance that exists. 2020 saw continued progress with our action plan, focusing on training, reviewing our internal policies and raising awareness.

Internship programme

A new internship program known as 'Mujeres de Oro' (Women of Gold) was launched and received over 2,900 applications for 15 positions. We also promoted our Future Scholarships programme to offer women the opportunity for higher education in technical careers, and ran internal training courses to help colleagues become agents of change, promoting an inclusive and diverse working environment.

Training & policies

In addition, the Group has promoted a female leadership development programme and enhanced our maternity and paternity leave policies.

Sexual harassment campaign

To raise awareness and educate employees on sexual harassment, the Group ran a #FreeOfHarassment campaign. In total, 505 employees completed online training and obtained a certificate of completion.

04

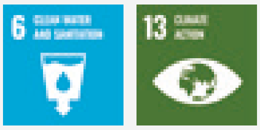
Protecting the environment

2020 Highlights

Demonstrated a high level of environmental efficiency, scoring 5.74 out of 6 in our overall ECO Score

Commenced implementation of an Environment Culture Transformation Plan, working to embed an environmentally conscious culture across the Company and assure long-term environmental performance

Alignment to UN SDGs



44%

DECREASE IN POTABLE WATER CONSUMPTION SINCE 2015

0

ENVIRONMENTAL INCIDENTS

73%

ECO SCORE IMPROVEMENT SINCE 2015

All of us at Hochschild are committed to being a leading global mining company in environmental performance, operating and producing metals with the least possible environmental footprint.

The Hochschild approach to protecting the environment

Hochschild is committed to protecting the environment through applying best in class environmental management practices. While our work consists of extracting metals, we commit to contributing to a sustainable future, always acting with responsibility and environmental excellence.

All of our activities are guided by the principles set out in our Environmental Policy and we continually seek ways to improve our consumption of resources, whether through reducing water usage, improving energy efficiency, or increasing the amount of waste that is recycled.

Environment Culture Transformation Plan

To further prioritise and strengthen our environmental activities and leadership, in 2020 we enlisted DuPont Sustainable Solutions (DSS) to assess our internal environmental culture to understand the level of commitment and engagement of our Company leaders on environmental issues.

To replicate the success of our Safety Culture Transformation Plan, we launched an 'Environment Culture Transformation Plan'.

Three work streams have been identified to drive continuous improvement: Technical, with a focus on the continuous improvement of Hochschild's Environmental Management System; the use of Technology and Innovation to reduce our environmental footprint; and People, communicating the importance of respecting and conserving the environment to our workforce and stakeholders.

ECO Score: A Hochschild innovation

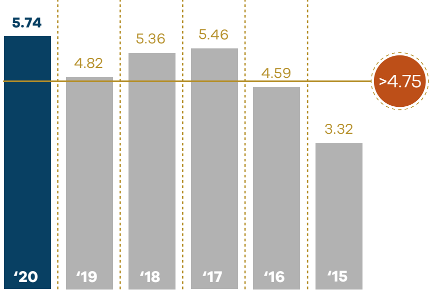
To achieve a best in class environmental footprint, Hochschild created an innovative programme that allows us to quantify and distil our environmental performance in a single number, expressing intangible environmental management in a way that is universally understood.

The ECO Score has received external recognition since its launch. In 2020, we were proud to win first place in the National Oil and Energy Mining Society's

Sustainable Development Award, which recognises best environmental practices across the energy and mining sector.

For details on how the ECO Score is calculated, visit http://www.hochschildmining.com/en/responsibility/environment

2020 ECO Score performance
In 2020, our overall ECO Score was 5.74 out of 6 – a 73% improvement vs 2015



Key: Golden line represents the Stretching target for 2020 of 4.75

Water management

In 2020 (and 2019), 86% of all water used in processing was reused water, predominantly from water recovery plants from tailing storage facilities.

The Covid-19 pandemic resulted in increased water consumption due to the need to maintain high levels of hand hygiene. Accordingly, potable water (measured on a per person basis) increased by 12% in 2020, compared to 2019 levels. Despite this, we have still met our most stretching objective, which is to keep water consumption below 250 litres/person/day and, since implementation of the ECO Score, consumption of potable water has been reduced by 44%.

Water consumption (litres/person/day)

2020	2019	2018	2017	2016	2015
231.67	206.01	224.78	214.08	293.71	408.35

Waste management

In 2020, domestic waste generated across all our sites increased by 14% from 2019 levels, but we still met our most stretching objective to generate less than 1.5 kg/person/day. This increase can be attributed to the Covid-19 pandemic, which resulted in an increased demand for PPE. Nevertheless, since implementation of the ECO Score, domestic waste generation has decreased by 39%.

Domestic waste generation (Kg/person/day)

2020	2019	2018	2017	2016	2015
1.18	1.04	1.13	1.13	1.33	1.94

Energy use and climate change

Due to our low-carbon grid-based electricity supply which is almost 50% sourced from hydro power and the nature of the underground mining that we carry out, our operations in both Peru and Argentina have a favourable greenhouse gas (GHG) intensity compared to other gold and silver mines globally.

However, acknowledging the global significance of climate change, we are committed to taking the necessary measures to continually reduce our GHG footprint by evaluating additional low-carbon energy options and improving our operational energy efficiency, which also helps to deliver valuable cost savings to the business.

Greenhouse gas emissions data[1] (tonnes of CO_2e)	2020[2]	2019[2]
Emissions from combustion of fuel and operation of facilities (tCO2e)[5]	38,537	39,341
Emissions from purchased electricity (tCO2e)[5]	60,437	82,833[3]
Total Scope 1 & Scope 2 emissions (tCO_2e)	**98,974**	**122,174**
Energy consumption used to calculate above emissions (kWh)	**373,637,193**	**446,288,131**
From combustion of fuel (kWh)[6]	140,204,611	143,763,206
From purchased electricity (kWh)	233,432,582	302,524,925
Emissions intensity, per thousand ounces of total silver equivalent produced (CO_2e/k oz)[4,6]	3.34	2.64

1 Method used based on ISO 14064-1 Standard and GHG Protocol Corporate Accounting and Reporting Standard, using IPCC and Peruvian emission factors.
2 Includes data for the whole year for Peru (former and current operating assets, Azuca, Crespo, warehouses and office locations) and San Jose.
3 Restated following a review of underlying data.
4 Total production includes 100% of all production, including that attributable to the joint venture partner at San Jose.
5 Emissions (and intensity) reflect combustion of fuel and operation of facilities (Scope 1) and purchased electricity (Scope 2).
6 Collected information has been converted to kWh from gallons of fuel using net calorific values obtained from the Peruvian Ministry of Environment.

Note: The Group's UK operations consist of a single office with an occupancy of three. Its total Scope 1 and Scope 2 emissions and energy consumption represent less than 0.01% of the Group's reported totals

Greenhouse gas emissions data[1] (tonnes of CO_2e)	2020[2]	2019[2]	2018[2]	2017[2]	2016[3]	2015[2]	2014[3]
Emissions from combustion of fuel and operation of facilities (tCO_2e)[5]	38,537	39,341	38,939	47,265	46,033	46,892[3]	73,244
Emissions from purchased electricity (tCO_2e)[5]	60,437	82,833[3]	85,084[3]	94,249	91,893	78,163	69,933
Total Scope 1 & Scope 2 emissions (tCO_2e)[5]	**98,974**	**122,174**	**124,023**	**141,514**	**137,926**	**125,055**	**143,178**
Emissions intensity, per thousand ounces of total silver equivalent produced (CO_2e/k oz)[4,5]	3.34	2.64	2.60	3.16	3.27	3.70	5.08

1 Method used based on ISO 14064-1 Standard and GHG Protocol Corporate Accounting and Reporting Standard, using IPCC and Peruvian emission factors.

2 Includes data for the whole year for Peru (former and current operating assets, Azuca, Crespo, warehouses and office locations) and San Jose.

3 Restated following a review of underlying data.

4 Total production includes 100% of all production, including that attributable to the joint venture partner at San Jose.

5 Emissions (and intensity) reflect combustion of fuel and operation of facilities (Scope 1) and purchased electricity (Scope 2).

Responsible Tailings Storage management

Hochschild has 11 Tailings Storage Facilities ('TSFs') in total, the vast majority of which are downstream with rock buttresses and which are classified as low risk. We currently have four operational TSFs – two in Peru and two in Argentina.

We have strong systems in place to manage TSFs, which we assess regularly, with a policy of commissioning external inspections of operational facilities every two years. We are currently closing out the recommendations from the last audit, which took place in 2019 and concluded that all dams are stable, with any observations being minor and related to care and maintenance. The next audit is due to take place later this year.

Hochschild fully supports the need for greater transparency in the mining sector and discloses full details on each of its TSFs and how they are managed. Further details can be obtained from: **www.hochschildmining.com/en/responsibility**

Responsible closure

Recognising that environmental and social responsibility extends beyond the life of our operations, mine closure plans are in place to restore areas where mining activity has ceased and we operate a policy of progressively closing historic mine components.

In 2020, the Company incurred additional cost by making a higher provision for the liabilities associated with the closure of two of the Group's mines, Ares and San Jose. This was prompted by an annual review of these operations' mine closure plans by a third-party consultant. The additional provision reflects improvements to the closure plan of the Ares TSF and increased transportation costs at San Jose.

Biodiversity

Peru sits within the top 10 of the most biodiverse countries and several of our sites are located inside or adjacent to a legally recognised national protected area. To maintain the biodiversity of our surroundings, monitoring is conducted by a specialised consulting company across each mine unit twice a year (both in the rainy and dry season). The results of these surveys in 2020 confirmed that the abundance of species across all sites has remained constant, with the sighting of key indicator species (most notably birds of prey) reflecting the overall health of the ecosystem.

05

Serving our communities

2020 Highlights

Implemented a new connectivity programme, providing internet facilities across 13 priority communities throughout the pandemic and to facilitate remote learning for students

Adapted the delivery of our flagship programmes focusing on education, health and nutrition, and economic development

Donated food to local communities and medical equipment, Covid-19 tests and other medical supplies to local hospitals and medical centres

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

$5.5m

SPENT OR DONATED TO BENEFIT LOCAL COMMUNITIES (2019: $9.3M)

$9.42m

WORTH OF PROCURED GOODS AND SERVICES FROM COMMUNITY-RUN BUSINESSES

613

HIRED COMMUNITY MEMBERS ACROSS OUR SIX MINES IN PERU, ARGENTINA AND CHILE

Hochschild recognises its responsibilities to host communities and invests significant resources to understand the needs and expectations of local communities and governments.

The Hochschild approach to serving our communities

The Hochschild way is to promote close collaboration with our local communities, with full respect for local customs and social dynamics. Our actions are guided by our Community Relations Policy and our active communications strategy sets out our intention to: build trust; provide clear communication and actively listen to, and understand, community concerns; and build a mutually beneficial relationship with the 49 communities, with a collective population of over 3,000 families in our direct areas of influence.

Our achievements in 2020

To keep communities connected during the Covid-19 pandemic, we prioritised our resources to implement a new connectivity programme, establishing internet connection across 13 priority communities. While a number of our community projects were paused, this allowed us to continue to deliver a range of social programmes that were more important than ever.

The Group's efforts were recognised, receiving first place in the ProActiva Awards 2020, an award recognising the innovative efforts of mining companies to contribute to the wellbeing of Peruvians throughout the pandemic.

Education: Allowing schoolchildren to continue their studies during the Covid-19 pandemic was considered a priority, and a direct way in which we could support our communities. In 2020, we were able to facilitate academic support for over 1,400 students and 150 teachers across 28 schools in remote areas within our sphere of influence.

In 2020, as a part of a series of gender equality initiatives, we launched the scholarship programme 'Becas Futuro Mujer' which offers the opportunity for higher studies in technical careers with high chances of securing employment. The programme gave the opportunity to 13 women from the local communities to receive qualifications as Plant and Infrastructure Assistants; skills that are highly sought after in the mining industry. In total, almost 100 students have been granted scholarships to attend prestigious institutions across Peru and Argentina.

Health and nutrition: We continued to meet the health needs of individuals and families through providing medicine and nutritional advice in collaboration with local health networks and sponsors. We embraced technology to ensure we could continue to transfer knowledge and advice whilst respecting social distancing requirements, delivering over 1,500 consultations.

Economic development: We were able to ensure the continuity of economic activities pursued by local communities through support which was facilitated virtually (as necessary) and the provision of training and supplies/materials.

Successful risk management requires a full understanding of the environment in which we operate and the commitment of resources in implementing internal controls that mitigate key risks to within levels acceptable to the Board.

As with all businesses, management of the Group's operations and execution of its growth strategies are subject to a number of risks, the occurrence of which could adversely affect the performance of the Group. The Group's risk management framework is premised on the continued monitoring of the prevailing environment, the risks posed by it, and the evaluation of potential actions to mitigate those risks.

Identify	Measure	Manage	Monitor	Report
1	2	3	4	5

The Management Risk Committee ('Risk Committee') is responsible for implementing the Group's policy on risk management and monitoring the effectiveness of controls in support of the Group's business objectives. It meets four times a year and more frequently if required. The Risk Committee comprises the CEO, the Vice Presidents, Country General Managers and the head of the Internal Audit function. A 'live' risk matrix is reviewed which maps the significant risks faced by the business as well as those considered to be emerging risks. The matrix is updated at each Risk Committee meeting, and the most significant current and emerging risks, as well as actions to mitigate them, are reported to the Group's Audit Committee, and if considered appropriate, also to the Board. In light of their strategic importance, sustainability risks and their mitigation plans are monitored by the Sustainability Committee.

The Covid-19 pandemic

Like every business across the world, Hochschild Mining has seen numerous aspects of its operations impacted by the Covid pandemic. Peru was initially one of the hardest hit countries in the world and, as a result, a government-imposed lockdown was mandated resulting in the suspension of Inmaculada and Pallancata for 11 weeks. Similar action in Argentina resulted in San Jose being suspended for six weeks. In the second half of the year, a localised outbreak at Inmaculada meant that the mine had to be stopped for a further three weeks and activity at San Jose was stopped for a similar period due to restrictions imposed on mining operations across the region by the provincial authorities.

Tailored risk matrix

In response to the pandemic, the Risk Committee compiled a tailored risk matrix which was considered and approved by the Board which identified the aspects of the business that could be potentially impacted by the outbreak.

This tailored risk matrix formed the basis of management's mitigation and control plans – the Covid-19 Crisis Plan.

Impact of Covid-19 on principal risks

In light of the events during the year and the resumption of the Group's operations in the second half of the year, the Directors have concluded that the Covid pandemic has heightened the Group's principal risks; in particular those related to Health & Safety and Operational Performance. The discussion over the following pages highlights how these risks have become more pronounced in light of the pandemic and describes the mitigating effects of the Group's Covid-19 Crisis Plan.

Outlook

At the time of approval of this Annual Report, Peru is experiencing an increasing number of daily cases of Covid-19 but the Government has nevertheless confirmed that mining operations will continue given the importance of the industry to the economy. In Argentina, like many parts of the world, the infection rate is volatile and currently appears to be on a reducing trend. Central government and the local authorities in the Santa Cruz province (where the San Jose mine is located) acknowledge the significant role of the mining sector in supporting the national and regional economies.

The sign of another wave of infections has prompted the Peruvian Government to announce restrictions in certain regions including the Lima metropolitan area which may therefore result in disruption to the transportation of personnel, supplies and finished goods.

The table below summarises the framework of the Covid-19 risk matrix:

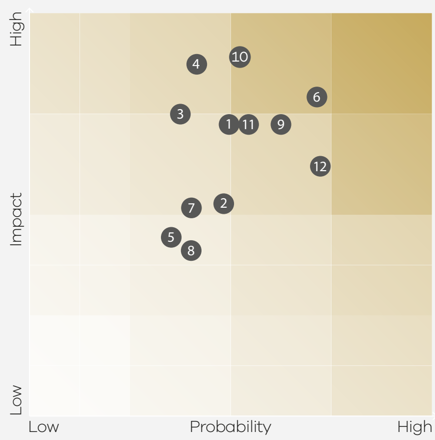
Category of key Covid-19 risk	Brief description
1. Employee Health and Wellbeing	Implementing protocols to safeguard employee wellbeing and to monitor the condition of personnel affected by Covid-19
2. Talent and Workforce	Addressing employees' concerns and impact on morale resulting from operational disruption
3. Government and Social Responsibility	Impact of governmental regulations and repercussions on community relations. Support our communities to prevent and treat Covid-19 cases
4. Legal	Risk of litigation from suppliers and contractors and delays in securing permits for operations/exploration activities
5. Financial Management and Reporting	Impact on the Group's finances and financial reporting systems resulting in the taking of cash-saving measures (the Cash Optimisation Plan)
6. Technology and Information Security	Increased reliance on IT support to facilitate remote working, monitor Covid-19 cases and preventative steps to mitigate the increased exposure to cyber-attacks/loss of confidential data
7. Supply Chain and Global Trade	Suspension of port operations and other forms of disruption to critical supplies. Restrictions in ground transportation of personnel and goods
8. Sales and Customers	Inability to fulfil sales due to disruption to port operations or logistics. Temporary closure of refining facilities
9. Risk Management	Remote working could result in weakened internal controls and possible fraud

Risk heat map

To assist the reader in assessing the relative significance of each risk discussed in this section, the heat map (right), indicates the Board's assessment of the likelihood of the unmitigated risk occurring as well as the extent of the impact on the Group.

The key to the map indicates how the profile of a risk has changed (whether in terms of impact or probability) relative to the prior year.

1. Commodity price
2. Commercial counterparty
3. Operational performance
4. Business interruption
5. Information security and cybersecurity
6. Exploration and resources replacement
7. Personnel: recruitment and retention
8. Personnel: labour relations
9. Political, legal and regulatory
10. Health and safety
11. Environmental
12. Community relations



Change in risk profile vs 2019

Unchanged Higher Lower

Financial risks

Risk	Impact	Mitigation	Commentary
1 **Commodity price** See the Market Review on pages 8 to 11 for further details on how commodity prices performed in 2020	Adverse movements in precious metal prices could materially impact the Group in various ways beyond a reduction in the financial results of operations. These include impacts on the feasibility of projects, the economics of mineral resources, heightened personnel retention and sustainability related risks.	– Constant focus on maintaining a low all-in sustaining cost of production and an efficient level of administrative expense. – Policy to maintain low levels of financial leverage to ensure flexibility through price cycles. – Flexible hedging policy that allows the Company to contract hedges to mitigate the effect of price movements taking into account the Group's asset mix and forecast production.	The Group's principal strategy to mitigate against commodity price volatility is focused on conserving capital and optimising cash flow through: – Controlling operating and administrative costs; – Optimising sustaining capital expenditure; and – Maintaining low working capital. However, as reported in the Financial Review, the Covid-19 pandemic necessitated higher borrowings in Argentina to finance working capital during stoppages at the mine. The Group incurred exceptional costs as a direct result of the pandemic but these were offset by higher commodity prices, reduced administrative expenses, deferred capital expenditure and lower exploration costs due to regional lockdowns. The Group has ended the year with a net cash position and is therefore in a robust financial position. In early February 2021 the Group hedged 4 million ounces of silver for both 2021 and 2022 at an average price of c.$27 per ounce to protect cashflows in Peru. This will ensure profitable production from existing resources at Pallancata while brownfield exploration efforts continue to add near-term resources.
2 **Commercial counterparty**	Insolvency of a customer or other business counterparty (bank, insurance company, contractor, etc) could result in the Group's inability to collect accounts receivable or to access funds or to receive services which could adversely impact the Group's profitability.	– Active assessment of customers and business counterparties. – Risk mitigation practices seeking to diversify the Group's customer base and/or to limit the size of shipments. – Ongoing assessment of methods to mitigate collection risk.	During the year, the Group undertook the following: – Annual counterparty analysis: The annual review of existing customers incorporated analysis of corporate governance, balance sheet strength and other aspects of credit quality. As a result of the review, a number of customer relationships were terminated and risk mitigation was achieved through the requirement to make advance payments, delaying the passing of title of sold goods until full payment and obtaining parent guarantees; – Review of financial counterparties: The Group has implemented policies to identifying suitable financial counterparties to support the Group's treasury and insurance needs. On an ongoing basis, the Group has adopted a number of practices such as the placing of limits on cash balances invested with financial institutions, monitoring of advanced payments from customers and ensuring diversification.
Impact of Covid-19			During the year, the Group closely monitored the impact of the Covid-19 pandemic on the creditworthiness of its financial counterparties.

Operational risks

Risk	Impact	Mitigation	Commentary
3 **Operational performance**	Failure to meet production targets and manage the cost base could adversely impact the Group's profitability. Failure in handling and storing tailings could result in environmental liabilities including fines, corrective measures and stoppage.	– Close monitoring of operational performance, costs and capital expenditure as well as the overall profitability at all stages of the mining value chain. – Monitoring the adequacy and safety of key mining components such as tailing dams, waste rock deposits and pipelines in close liaison with relevant departments ensuring that procurement, construction and permitting are undertaken appropriately. – A specific tailings management framework is in place, including an independent third-party review of Tailings Storage Facilities (TSFs).	The Group met its targeted production range which was revised downwards as a result of the Covid-19 pandemic. In setting budgets for the year, the Group continued to focus on maintaining controlled levels of costs, capital expenditure and expenses. As reported in the Financial Review from page 36, the all-in sustaining cost from operations was below the revised guidance for the year, at $12.8 per silver equivalent ounce. The Group has published information on its website regarding its TSFs, including their construction method and risk profile. It also continues to commission independent third-party reviews of all such facilities and monitors on an ongoing basis their stability, with particular emphasis on older TSFs such as the Ares facility which is in the process of being closed.
Impact of Covid-19		– Covid-19 Crisis Plan which, among other things, established the Covid-19 Crisis Committee led by the Group's most senior physician.	The Covid-19 Crisis Committee oversaw the implementation of a number of actions in Q1 2020 across operations in Peru and Argentina including: – The establishment of strict health protocols which, in Peru, were more stringent than those mandated by law. These covered employee re-allocation and testing and, in relation to the operations, oversaw: – the adaptation of physical sites and changes to operational procedures to facilitate social distancing and to treat suspected cases; and – a reinforced presence of Health teams. – Installation of increased IT infrastructure with enhanced security. Following a localised outbreak at Inmaculada in July 2020, the Group suspended the mine and instigated actions including the following: – Engagement of a specialist contractor to undertake a deep-clean of the mine site. – Working shift patterns were changed to reduce risks associated with the transportation of workers. – Developed technology-based systems to (a) report, in real time, suspected cases and to provide daily updates on treatment and (b) ensure that working shift changes are undertaken in a Covid-secure manner through planning hotel room allocations, lab test results and transportation planning. – Established a programme of testing. Similar actions were taken following the detection of a number of Covid cases at San Jose in November 2020. Given the significant costs associated with the above, the Group put in place a Cash Optimisation Plan which resulted in the cancellation/postponement of certain operational, administrative and exploration expenditure and the deferral of the proposed 2019 final dividend.
4 **Business interruption**	Assets used in the Group's operations may cease to function or the provision of supplies or of electricity may be disrupted (e.g. as a result of technical malfunction or earthquake damage) thereby causing production stoppages with material effects.	– Insurance coverage to protect against major risks. – Management reporting systems to support appropriate levels of inventory. – Inspections every 18 months (to co-incide with renewal) by insurance brokers and insurers assist management's efforts to understand and mitigate operational risks. – Negotiation of long-term power supply contracts and the procurement of contingent generators.	In addition to maintaining insurance policies covering machinery breakdown, mitigating actions during the year include the following: – A thorough review of critical supplies and inventory was performed with data uploaded onto the Maintenance Module of SAP HANA; – Maintaining back-up equipment to ensure power supply in Peru and Argentina; and – A Crisis Response Plan ('CRP') was developed in 2019 with the support of external consultants. Management received training on the CRP in Q1 2020 on how to mount a co-ordinated response to unforeseen disruption.
Impact of Covid-19			Although government-mandated restrictions within Peru resulted in delays in the transportation of mine supplies, these were overcome through raising inventory levels and agreeing expedited deliveries with individual suppliers.

Operational risks continued

Risk	Impact	Mitigation	Commentary
5 **Information security and cybersecurity**	Failure of any of the Group's business critical information systems as a result of unauthorised access by third parties may affect the Group's ability to operate.	– Compliance with ISO 27001, an internationally recognised certification to evaluate information security management systems. – Dedicated team within the IT department focused on preventing cyber-attacks. – Audits performed by the internal audit department and third parties to test systems and issue recommendations. – Primary information processing supported by SAP Hana which has best-in-class security features	Security of the Group's network infrastructure is assured through the following means: – Industrial networks have been incorporated into the Group's IS Management System ('ISMS') with associated security enhancements implemented; – ISMS received BSI certification; and – the principal recommendations arising from an ethical hacking assessment have been implemented.
Impact of Covid-19			To counter the heightened risks as a result of the widespread use of remote working, the Group adopted use of VPN software, enhanced security monitoring efforts and upgraded anti-spam software for use with corporate email services. In addition, internal communication campaigns were launched to ensure best practices in remote working.
6 **Exploration and reserve and resource replacement**	The Group's future operating margins and profitability depend upon its ability to find mineral resources and to replenish reserves.	– Implementing and maintaining an annual exploration drilling plan. – Ongoing evaluation of acquisition and joint venture opportunities to acquire additional ounces. – Implementation of a comprehensive permitting strategy led by a Permitting Committee.	For details on the results of the Group's 2020 brownfield exploration programme, refer to page 33. The Group has an internal Permitting Committee led by two Vice Presidents to co-ordinate efforts with a view to streamlining the permitting process for exploration and operational requirements. Senior executives actively participate in industry initiatives to simplify the permitting process. Greenfield exploration is primarily conducted through the negotiation of earn-in/joint venture opportunities. These provide the Group with a balanced portfolio of advanced and early-stage opportunities in stable jurisdictions in the Americas. Further details are provided on page 34.
Impact of Covid-19			The Group's exploration programme was significantly disrupted during the year due to government mandated lockdowns to contain the spread of coronavirus and, in the initial stages, due to the closure of governmental offices charged with permit administration. Social and economic conditions in Peru have worsened leading to higher social demands and social conflicts involving mining projects. This has led to delays in securing permits from the communities to access new explorations areas which could impact the exploration programme. The Group has worked closely with relevant government departments to expedite permit approvals of prioritised projects and targets.
	Reserves stated in this Annual Report are estimates.	– Engagement of independent experts to undertake annual audit of mineral reserve and resource estimates. – Adherence to the JORC Code and guidelines therein.	The Group has engaged P&E Consultants to undertake the annual audit of mineral reserve and resource estimates. See page 188 for further details.
7 **Personnel: recruitment and retention**	Inability to attract or retain personnel through a shortage of skilled personnel.	– The Group's approach to recruitment and retention provides for the payment of competitive compensation packages, well defined career plans and training and development opportunities.	The Group has undertaken a number of initiatives to improve the retention of employees. These include the use of non-financial benefits (e.g. flexible working arrangements for office-based staff) and tailored personal development plans. In addition to the five-year Leadership programme implemented at all operations, a new Leadership model aligned with the Company's culture is being deployed. The Group actively works to enhance the Group's employee value proposition. This includes the launching of initiatives related to causes that are valued by employees; providing them with the opportunity to contribute to the relaunched purpose of the Company which includes innovation, community relations and environmental performance. To assist retention of key personnel, the Company has a Long-Term Incentive Plan.
Impact of Covid-19			The Group's training programme for supervisors and hourly workers was suspended in Q1 2020 due to the pandemic. Due to a shortage of adequately qualified medical staff to support the operations, one-off bonuses were offered to facilitate recruitment and retention. The need to isolate employees identified as vulnerable and those presenting symptoms resulted in challenges in ensuring that the mines were adequately staffed to oversee operations. In-house developed software was used to track various aspects including test-results, and each patient's health condition in order to facilitate the planning of logistics involved in managing shifts, transportation and accommodation.

Risk	Impact	Mitigation	Commentary
8 **Personnel: labour relations**	Failure to maintain good labour relations with workers and/or unions may result in work slowdown, stoppage or strike.	– Development of a tailored labour relations strategy focusing on profit sharing, working conditions, management style, development opportunities, motivation and communication. – Monthly meetings with mineworkers and unions to ensure a complete understanding of expectations and to keep all parties updated on the Group's financial performance.	The Group's Peruvian operation generated sufficient taxable income to give rise to an entitlement to statutory profit sharing for Peruvian mineworkers. As part of the salary increases agreed with the Peruvian labour unions, the Company has approved an additional bonus plan incorporating safety and productivity goals. In Argentina the Company maintains constructive relations with the labour unions through ongoing and regular dialogue.
Impact of Covid-19		– Covid-19 Crisis Plan.	As previously discussed, one of the actions taken to mitigate the impact of Covid-19 was to temporarily increase the working shift cycles to reduce the frequency of transportation of workers to and from the mine-sites in Peru. This measure was negotiated with the labour unions and will end in Q1 2021. In Argentina, health protocols were implemented in Q4 2020 due to the rising level of cases detected in the Santa Cruz province in co-ordination with the union and local authorities.

Macro-economic risks

Risk	Impact	Mitigation	Commentary
9 **Political, legal and regulatory**	Changes in the political, legal, tax and regulatory landscape could result in significant additional expense, restrictions on or suspensions of operations and may lead to delays in the development of current operations and projects.	– Local specialist personnel continually monitor and react, as necessary, to policy changes. – Participation in local industry organisations.	In the midst of dealing with the severe impact of the Covid-19 pandemic, Peru had a politically turbulent year with the impeachment of President Vizcarra and the resignation of his successor within a very short period. An interim President has been appointed and will remain in office until the new Presidential term starts in July 2021. This situation led to increased political risk and reductions in public and private investment in an already severe economic downturn caused by the effects of Covid-19. The Congress elected in January 2020 adopted a very populist agenda which has further impacted the economy and led at least one international rating agency to lower Peru's credit rating. Mining continues to be a very highly regulated industry where multiple permits are required leading to increased delays and costs. While President Vizcarra's government implemented some deregulatory policies, the mining sector continues to suffer the negative effects of permitting delays. Moreover, the prior consultation process for indigenous communities continues to cause substantial delays in the permitting process for exploration and operational activities. In terms of social conflicts, protests relating to the Las Bambas and Antapaccay, among others, have increased social demands and expectations, and have led to wider social unrest. Governmental authorities remain sensitive to conflicts between communities and mining companies and typically take a cautious approach by prioritising dialogue between parties. In addition, with the economic downturn caused by Covid-19, there has been a large inflow of people who have migrated from the cities to their hometowns. This has resulted in higher demands from mining companies and an increased risk of conflict. Congress is expected to continue to push ahead with a populist anti-private sector agenda, which could lead to further tensions between the Executive and Legislative branches, increased political and economic risk and overall social conflict. Presidential elections are underway and several candidates have expressed their support for a new constitution, which would create further uncertainty and delay public and private investment. Several historically anti-mining candidates have already announced their candidacy for the presidency with election in April 2021. In Argentina, President Fernandez's administration has been very cautious in supporting and promoting the mining industry. Covid-19 and certain populist measures have negatively impacted the overall investment climate in Argentina including in the extractive industry sector.

Sustainability risks

Risk	Impact	Mitigation	Commentary
10 **Health and safety**	Group employees working in the mines may be exposed to severe health and safety risks. Failure to manage these risks may result in occupational illness, accidents, a work slowdown, stoppage or strike and/or may damage the reputation of the Group and hence its ability to operate.	– Health & Safety operational policies and procedures reflect the Group's zero tolerance approach to accidents. – Use of world-class DNV safety management systems. – Dedicated personnel to ensure the safety of employees at the operations via stringent controls, training and prevention programmes. – Systematic programme of training, communication campaigns and other initiatives promoting safe working practices. – Use of reporting and management information systems to monitor the incidence of accidents and enable preventative measures to be implemented.	The Group reported one fatality during 2020 which occurred at the Pallancata mine. Further details are provided in the Sustainability Report on page 53. Management continued the implementation of 'Safety 2.0', an action plan to reinforce a safety-first culture. The Plan comprises seven key attributes covering training, effective communication, recognition and aligning compensation with measurable safety performance. In addition, during the year: – A significant reduction in the number of High Potential Events ('HPEs') was achieved with 4 HPEs in 2020 (2019: 14); – Progress was made to certify 8 of the remaining 17 elements of the Group's safety risk information management system to DNV GL Level 7; For further details on the above, please refer to the safety section of the Sustainability Report on pages 53 to 55.
Impact of Covid-19		– Covid-19 Crisis Plan.	**Operational safety** The Group adapted the delivery of Safety 2.0 due to the pandemic by replacing face-to-face training with online sessions. **Focusing on employee welfare** The Group took decisive action to prioritise employee wellbeing at the onset of the pandemic by: – Transporting workers to hometowns for medical examination; – Facilitating remote working in Peru, Argentina and London before the imposition of formal lockdowns; – Invoking strict health protocols which, among other things: – identified high-risk employees for re-allocation of duties on a remote working basis; and – designed a testing programme for all workers for active Covid-19 infection prior to travelling to mine units. Those tested remained in quarantine pending the results. Testing was also carried out on the presentation of symptoms with immediate transportation to the nearest medical facilities. Following the localised outbreak at Inmaculada in H2 2020, the Health team worked together with the operations and, among other things, implemented: – The use of rapid Covid tests in conjunction with molecular tests (designed to detect active cases of Covid) for all workers prior to transportation to the mine site; and – Organised Health brigades to ensure compliance with the Group's Covid-19 protocols.
11 **Environmental** a) In relation to those risks arising from the Group's environmental performance/ infrastructure b) In relation to those risks arising from the increased oversight by the environmental regulator	The Group may suffer from reputational risk and may be liable for losses arising from environmental hazards associated with the Group's activities and production methods, ageing infrastructure, or may be required to undertake corrective actions or extensive remedial clean-up action or pay for governmental remedial clean-up actions or be subject to fines and/ or penalties.	– The Group has a dedicated team responsible for environmental management. – The Group has adopted a number of policies and procedures to manage its environmental footprint. – The Group has developed a tool which allows it to measure and manage environmental performance. – The Group continues to adopt measures to minimise natural resource use, with particular emphasis on water consumption in its operations. – A specific tailings management framework is in place for TSFs, including independent third-party review.	With regards to the countries where the Group operates, environmental permitting and agency oversight in Peru in particular remained rigorous during the year. In 2020, the Group performed highly in its ECO Score (with a score of 5.74 out of 6 (2019:4.82)), which quantifies, in a single score, the following aspects of environmental management: – Compliance with discharge regulatory limits; – Minimising the number of environmental incidents; – Minimising the number of findings from regulatory audits; – Efficient water consumption; and – Minimising domestic waste generation and maximising recycling of industrial waste. In addition, during the year, the Environmental team: – launched the Environment Culture Transformation Plan with the support of Dupont to further embed an environmentally conscious culture across the Company; – received recognition from the Peruvian Water Authority for the Group's water reduction plan and associated programmes with local communities; and – continued with the progressive closure of certain discontinued mining components including the revegetation of a waste rock deposit at Arcata. For further details on the above as well as the Group's approach to climate change, please refer to the environmental section of the Sustainability Report on pages 60 to 62.
Impact of Covid-19			As previously stated, the pandemic has resulted in delays in the processing of permits and licences by governmental authorities. Such permits include the requisite amended Environmental Impact Assessments in order to extend the operating areas of existing mines such as Inmaculada and Arcata.

Risk	Impact	Mitigation	Commentary
12 **Community relations**	Communities living in the areas surrounding the Group's operations may oppose the activities carried out at existing mines or, with respect to development projects and prospects, may invoke their rights to be consulted under new laws. These actions may result in loss of production, increased costs and decreased revenues, longer lead times, additional costs for exploration and have an adverse impact on the Group's ability to obtain the relevant permits.	– The Group has a dedicated team responsible for Community Relations. – Constructive engagement with local communities based on several years of positive relations. – Community Relations strategy focuses on promoting education, health and nutrition, and sustainable development. – Policy to actively recruit workers from local communities. – Policy of hiring service providers from local communities. – The Group has also engaged with local governments to support public investment initiatives through technical assistance and direct investment.	In Southern Peru, there has been considerable tension between mining companies and local communities due to ongoing conflicts relating to mines in Apurimac, Cusco and Arequipa. In recognition of its responsibilities to host communities, the Group invested significant resources to understand the needs and expectations of local communities and governments. During the year: – the Group spent or donated $5.5m to benefit local communities and supported local community-run businesses; – we continued to engage with communities although adjusting our approach (see below for more details); – the Community Relations team continued to support the business, for example, by successfully securing surface rights and concluding prior consultation processes to facilitate exploration activities.
Impact of Covid-19		– Covid-19 Crisis Plan.	As a result of the Covid-19 pandemic, the Group's Community Relations strategy refocused on health and education. Initiatives included: – Delivery of over 2,500 hygiene and food packs to employees and local communities; – Donations of medical equipment, oxygen and other medical supplies to local hospitals and medical centres; and – Donations of Covid-19 tests to local medical centres and contributed to the donation of Covid-19 tests made by the Mining Industry Association to the Government. The Group launched the Keeping Connected project which provided 6,500 people across 13 communities with free access to the internet – an invaluable resource during the pandemic. Our Permanent Information Office near Inmaculada and Pallancata was adapted during the period of Covid restrictions into a virtual office providing information and responses to queries through various channels including social media. Further details can be found in the Sustainability Report from page 63.

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group taking into account the Group's current position and the potential impact of the principal risks which could threaten the business model, future performance, solvency or liquidity of the Group.

Period of Viability Statement

The Directors have reviewed the length of time to be covered by the Viability Statement, particularly given its primary purpose of providing investors with a view of financial viability that goes beyond the period of the Going Concern statement.

It has been concluded that three years is the appropriate time horizon in light of:

- the inherent uncertainty of longer-term forecasting in a cyclical industry which, in the case of precious metals, is largely driven by global macro-economic factors; and
- the large number of external variables that need to be taken into account in establishing any meaningful forecast of the Group's business.

Approach to assessing viability

In assessing the Group's viability, the Directors have considered a number of scenarios affecting the Inmaculada mine which are within reasonable contemplation taking into account the principal risks to which the Group is exposed (as set out in the earlier part of this report).

In their assessment of the financial impact of each of the above scenarios, the Directors assumed:

- conservative prices of Au: $1,535/oz and Ag: $20.5/oz (the 'Assumed Prices');
- forecast levels of operating expenditure and capital expenditure in line with a Life of Mine plan will be maintained;
- debt repayments in 2021, 2022 and 2023 will proceed as planned;
- that the Group will incur Covid-related expenses to mitigate the risk of infection at the mines throughout H1 2021 as well as the costs of a vaccination campaign for key stakeholders (communities, employees, contractors and their families); and
- the suspension of dividends from 2022 and the suspension of exploration expenses from April 2022, in both cases until the end of the three-year period.

Inmaculada, which is the Group's biggest asset, represents over 60% of the Group's cash flows. The application of the scenarios at the Group's other operations would have a significantly reduced impact on the Group.

The following scenarios were analysed:

Scenario 1: A significant increase in the level of Covid-19 infections
Peru faces a significant increase in Covid-19 infections and a severe outbreak at Inmaculada results in a two-month stoppage of operations. This scenario assumes that a vaccine is not generally available in Peru until the end of 2021 and therefore incremental Covid-related expenses are assumed to be incurred until that time.

Scenario 2: The occurrence of a material safety accident
A severe fatal accident occurs which results in a three-month stoppage of operations.

The impact analysis takes into account other financial liabilities that may result including the cost of remedial work and regulatory fines.

Scenario 3: The occurrence of a material environmental incident
A key part of Inmaculada's plant infrastructure is compromised which results in a major spillage of contaminants. The impact analysis assumes a suspension of operations of one month and takes into account the cost of repairs, remediation and regulatory fines and other associated expenses.

Scenario 4: A strike by mineworkers
A widespread mineworkers' strike results in a suspension of operations for one month. The impact analysis takes into account the cost of negotiating a settlement and other associated expenses.

Scenario 5: A community-led protest blocks a principal road to/from the mine
A protest by a local community obstructs the access road to Inmaculada for two months. The impact analysis takes into account the cost of negotiating a settlement and other associated expenses.

Scenario 6: The failure of the mill or other critical plant component
A major failure of one of the mills at Inmaculada's plant causes a stoppage of six months which requires civil works, repairs and the acquisition of spare equipment. The impact analysis takes into account the cost of the works and replacement costs as well as contributions from relevant insurance policies.

In their assessment of the financial impact of each of the above scenarios, the Directors concluded that upon the occurrence of one of the scenarios, the Company would be viable. Taking into account the causes of operational stoppages in the past and the extent of the disruption caused, the Directors are of the opinion that a combination of two or more of the above scenarios taking place concurrently is remote.

Should prices fall further than the Assumed Prices or the scenarios in reality are more severe than those modelled or a combination of scenarios does occur, the Board would oversee the implementation of mitigating actions which include:

- the use of lines of credit with relationship banks;
- refinancing the $200m medium-term loan;
- if relevant, the immediate suspension of dividends and exploration expenses;
- reducing production costs and capital expenditure;
- rescheduling the execution of care and maintenance and mine closure programmes and their associated costs;
- working capital management; and
- asset sales.

For examples of the mitigating actions taken by the Board during the year under review, please refer to the commentary in the Risk Management section of this report.

Conclusion

While it is always possible that combinations of weak precious metal prices and the occurrence of more than one of the above referenced scenarios could threaten the solvency and liquidity of the Company over the next three years, such combinations are considered to be remote. The Directors have therefore assessed the impact of each scenario, using the Assumed Prices and other factors considered to be reasonable, and, accordingly, can confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its obligations over the next three years.

Non-financial information regulation
Under sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, the Strategic Report must contain a non-financial information statement. This can be found in the Supplementary Information section on page 98.

The Strategic Report, as set out from pages 2 to 73, has been reviewed and approved by the Board of Directors and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
17 February 2021

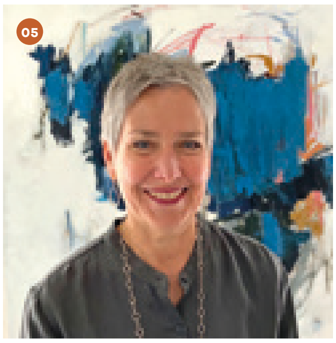
BOARD OF DIRECTORS


01


02


03


04


05

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- ◯ Chair

01

Eduardo Hochschild
Chairman

N

Joined the Group in 1987 and appointed Chairman in 2006.

Key skills and competencies
- Over 30 years' involvement with the Group
- Extensive board experience of companies in Latin America
- Proven ability to implement long-term strategies in both the non-profit and corporate sectors

Current external appointments

Commercial: Cementos Pacasmayo S.A.A. (Chairman), Non-Executive Director of Banco de Crédito del Perú.

Non-profit: UTEC (Chairman), TECSUP, Museum of Contemporary Art, Lima (Chairman), Conferencia Episcopal Peruana.

Previous experience

Eduardo joined the Hochschild Group in 1987 as Safety Assistant at the Arcata unit, becoming Head of the Hochschild Mining Group in 1998.

Eduardo is the Company's largest shareholder with a c.38% interest.

02

Ignacio Bustamante
Chief Executive Officer

S

Appointed to the Board in 2010.

Key skills and competencies
- Significant operational experience
- Extensive knowledge of financial and general management
- Strong leadership skills

Current external appointments

Commercial: Non-Executive Director of Profuturo AFP and Scotiabank Peru S.A.A.

Previous experience

Ignacio previously served as Chief Operating Officer and General Manager of the Group's Peruvian operations. Prior to that, Ignacio worked for Zemex Corporation between 2003 and 2007, first as Chief Financial Officer and Vice President of Business Development, and later as President. Between 1998 and 2003 Ignacio served as Chief Financial Officer of Cementos Pacasmayo S.A.A.

03

Dr Graham Birch
Independent Non-Executive Director

N S

Appointed to the Board in July 2011. Designated Non-Executive Director for workforce engagement.

Key skills and competencies
- Geology (PhD from the Royal School of Mines, Imperial College, London)
- Extensive knowledge of the operational and technical aspects of mining
- In-depth knowledge of the precious metals sector

Current external appointments

Commercial: Non-Executive Director of Sprott Inc

Non-profit: Lawes Agricultural Trust.

Previous experience

Graham started his 25-year career as a mining equity analyst and then as a portfolio manager in the mining and gold sectors. He was subsequently appointed a Director of BlackRock Commodities Investment Trust plc and acted as manager of BlackRock's World Mining Trust and Gold and General Unit Trust.

04

Jorge Born Jr.
Independent Non-Executive Director

N

Appointed to the Board in 2006.

Key skills and competencies
- Extensive experience of managing international businesses
- Deep understanding of sociopolitical issues in Latin America
- Corporate finance

Current external appointments

Commercial: Consult & Co. (President and CEO), Caldenes S.A., Dufry AG (Deputy Chairman).

Non-profit: Bunge and Born Charitable Foundation (President).

Previous experience

Jorge served as a Director and Deputy Chairman of international agribusiness, Bunge between 2001 and 2010. He previously served as Head of European operations and Head of the UK operations.

05

Jill Gardiner
Independent Non-Executive Director

A N R

Appointed to the Board in August 2020.

Key skills and competencies
- Longstanding career in investment banking in Canada focusing on strategy and M&A
- Significant experience on listed company boards
- In-depth knowledge of corporate governance/ finance

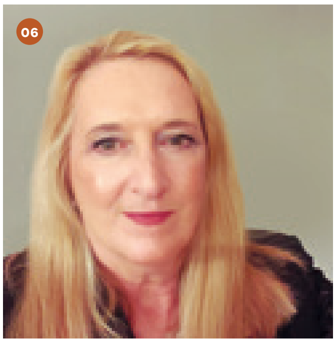
Current external appointments

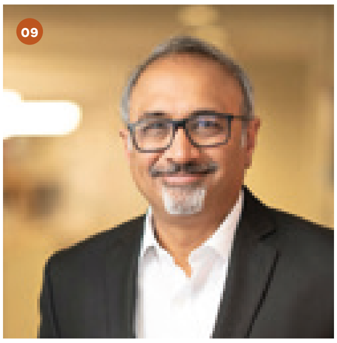
Commercial: Trevali Mining Corporation (Chair), Capital Power Corporation

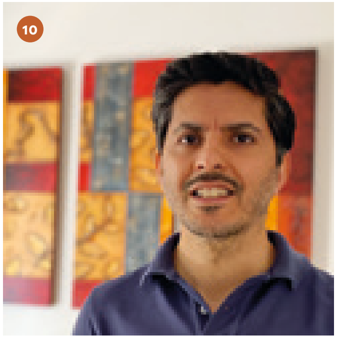
Non-profit: ARC Foundation (Chair).

Previous experience

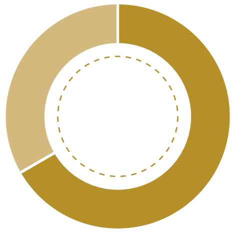
Jill spent over 20 years in the investment banking industry having served in a number of senior leadership roles at RBC Capital Markets. She advised companies with a focus on the power, pipeline, infrastructure, and certain commodity related industries.







Balance of independence on the Board



- Independent Directors **6**
- Non-independent Directors **3**

Nationality of Board members

- Peru **3**
- Argentina **1**
- United Kingdom **2**
- United States **2**
- Canada **1**

06

Eileen Kamerick
Independent Non-Executive Director

A N R

Appointed to the Board in November 2016.

Key skills and competencies
- Strong background in audit and financial reporting
- Extensive experience on listed company boards
- In-depth knowledge of corporate governance/ finance

Current external appointments
Commercial: Associated Banc-Corp. (Chair of the Nominating and Governance Committee), Legg Mason Closed End Mutual Funds (Chair of the Audit Committee), AIG Funds and Anchor Series Trust (Audit Committee Financial Expert).

Non-profit: Eckerd Connects.

Previous experience
Eileen spent the majority of her career in senior financial roles and as CFO in the oil & gas and mining sectors. She has an MBA in Finance and International Business and is a Board Leadership Fellow of the US National Association of Corporate Directors.

07

Michael Rawlinson
Senior Independent Director

A N R S

Appointed to the Board in 2016 and as Senior Independent Director in January 2018.

Key skills and competencies
- Significant knowledge of the mining sector
- Corporate finance, strategy and M&A
- Listed company governance

Current external appointments
Commercial: Non-Executive Director of Capital Drilling Limited and Adriatic Metals plc

Previous experience
Michael's career of over 20 years culminated in his role as Global Co-Head of Mining and Metals at Barclays Investment Bank. Before that, he was one of the co-founding directors at boutique investment bank Liberum Capital, having worked as a corporate financier and equity research analyst covering the mining sector at JP Morgan, Cazenove and Flemings.

08

Dionisio Romero Paoletti
Non-Executive Director

N

Appointed to the Board in January 2018.

Key skills and competencies
- Extensive experience of managing international businesses in Latin America
- In-depth knowledge of regional macro-economic issues
- Corporate finance

Current external appointments
Commercial: Executive Chairman of Credicorp and its subsidiary, Banco de Crédito del Peru, Peru's largest bank.

Dionisio sits on the boards of numerous Credicorp Group and Grupo Romero controlled companies as well as TSX-listed Sierra Metals Inc.

Non-profit: Fundacion Romero.

Previous experience
Dionisio served as the Chief Executive Officer of Credicorp between 2009 and 2018.

09

Sanjay Sarma
Independent Non-Executive Director

N S

Appointed to the Board in January 2017.

Key skills and competencies
- Application of technology in business
- Emerging trends in the resources sector
- Extensive knowledge of management theory to facilitate organisational change

Current external appointments
Sanjay is Professor of Mechanical Engineering at Massachusetts Institute of Technology ('MIT') and Vice President for Open Learning at MIT.

Commercial: Top Flight Technologies.

Non-profit: G1S US and edX, the entity set up by MIT and Harvard to facilitate the distribution of free online education worldwide.

Previous experience
Sanjay was the founder and Chief Technology Officer of OATSystems (subsequently acquired by Checkpoint Systems) and has worked at Schlumberger Oilfield Services.

10

Raj Bhasin
Company Secretary

Joined the Group and appointed Company Secretary in 2007.

Key skills and competencies
Raj is a solicitor and Chartered Secretary with over 20 years' experience in FTSE-listed companies. He has significant experience in corporate and commercial law.

Previous experience
Raj previously served as Deputy Company Secretary and Commercial Counsel at Burberry Group plc.

Ramón Barúa

Chief Financial Officer

Experience
Ramón Barúa was appointed CFO of Hochschild Mining on 1 June 2010. Prior to his appointment, he served in various positions with other companies associated with the Group, namely CEO of Fosfatos del Pacifico S.A., General Manager for Hochschild Mining's Mexican operations and Deputy CEO and CFO of Cementos Pacasmayo. Prior to joining Hochschild, Ramon was a Vice President of Debt Capital Markets with Deutsche Bank and a sales analyst with Banco Santander. Ramón is an economics graduate of Universidad de Lima and holds an MBA from Columbia Business School.

Isac Burstein

Vice President, Exploration & Business Development

Experience
Isac Burstein joined the Group as a geologist in 1995. Prior to his current position, Isac served as Manager for Project Evaluation, Exploration Manager for Mexico, and Exploration Geologist. Isac assumed responsibility for the Group's exploration activities in February 2014. Isac holds a BSc in Geological Engineering from the Universidad Nacional de Ingeniería, an MSc in Geology from the University of Missouri and an MBA from Krannert School of Management, Purdue University.

Oscar Garcia

Vice President, Brownfield Exploration

Experience
Oscar Garcia was promoted to the position of VP, Brownfield Exploration on 1 January 2019 having joined Hochschild Mining in 2007 as an Ore Control geologist. He has previously worked at Hochschild as Corporate Manager for Underground Geology, Ore Control and Brownfield Exploration. Prior to Hochschild Mining, Oscar worked as a geologist at Barrick Gold, Lonrho Mining Group and Compañia Minera Aguilar. Oscar qualified as a geologist at the Universidad Nacional de Cordoba on 1981.

Eduardo Landin

Chief Operating Officer

Experience
Eduardo Landin was appointed COO of Hochschild Mining in March 2013. Eduardo joined Hochschild in January 2008 as General Manager of the Company's operations in Argentina. In 2011 he became General Manager of Projects with direct responsibility over the development of the Inmaculada and Crespo Advanced Projects. Before joining Hochschild, Eduardo held the position of Corporate Development Manager at Cementos Pacasmayo and, prior to that, he worked in the Peruvian Ministry of Energy and Mines. Eduardo began his career at Repsol S.A. where he worked for over 10 years in England, Spain and Peru. Eduardo is a Chartered Mechanical Engineer and holds a B.Eng (Honours) in Mechanical Engineering from Imperial College, London and an Executive MBA from the Universidad de Piura, Peru. He is a Fellow of the Institution of Mechanical Engineers.

José Augusto Palma

Vice President, Legal & Corporate Affairs

Experience
José Augusto Palma has more than 12 years of professional experience in the mining sector and has served in various positions in Hochschild. José has also been very active in the mining industry association and recently concluded a two-year term as President of the Mining Sector in the Mining, Electricity and Petroleum Industry Association of Peru. Before joining Hochschild, José had a successful career in private practice in the United States, where he was a partner at the law firm of Swidler Berlin, and later worked at the World Bank. José also served two years in the Government of Peru. He holds law degrees from Georgetown University and the Universidad Iberoamericana in Mexico.

Eduardo Villar

Vice President, Human Resources

Experience
Eduardo Villar has been with the Group since 1996. Prior to his current position, he served as Human Resources Manager, Deputy HR Manager and Legal Counsel. Eduardo holds a law degree from the Universidad de Lima and an MBA from the Universidad Peruana de Ciencias Aplicadas. In addition, Eduardo has postgraduate qualifications in Business from IESE Business School and Harvard Business School and in Human Resources from London Business School and the University of Michigan.

The Directors present their report for the year ended 31 December 2020.

Information in Directors' Report
The Directors' Report comprises the Corporate Governance Report from pages 80 to 97, this Report on pages 77 to 79, and the Supplementary Information on pages 98 to 101. Other information that is relevant to the Directors' Report, and which is incorporated by reference, comprises:

- Greenhouse gas emissions data and the steps taken by the Company to increase its energy efficiency, included in the Sustainability Report from page 61; and
- Policy on Financial Risk Management in note 37 to the consolidated financial statements.

For the purposes of compliance with Disclosure Guidance and Transparency Rules 4.1.5R(2) and 4.1.8R, the Strategic Report and this Directors' Report (including the other sections of the Annual Report incorporated by reference) comprise the Management Report.

Dividend
The Directors declared an interim dividend totalling $20.6 million (4.0 US cents per ordinary share) in the year ended 31 December 2020 and are recommending a final dividend of $12 million (2.335 US cents per ordinary share) subject to approval at the forthcoming Annual General Meeting ('AGM'), making a total dividend of $32.6 million (2019 total dividend: $10.2 million).

Dividend waiver
The trustee of the Hochschild Mining Employee Share Trust ('the Employee Trust') has waived, on an ongoing basis, the right to dividend payments on shares held by the Employee Trust.

Directors
The names, functions and biographical details of the Directors serving at the date of this report are given on pages 74 and 75. Other than Jill Gardiner, who was appointed on 1 August 2020, all of the Directors were in office for the duration of the year under review.

Each of the Directors will be retiring and seeking re-election by shareholders at the 2021 AGM in line with the UK Corporate Governance Code.

Directors' and officers' liability insurance
The Company's Articles of Association contain a provision whereby each of the Directors is indemnified by the Company in respect of liability in relation to: (i) any negligence, default, breach of duty or breach of trust relating to the Company or any associated company; (ii) execution of his/her duties as Director of the Company; and (iii) the activities of the Company or any associated company as trustee of an occupational pension scheme. For these purposes, associated company has the meaning given to it by Section 256 of the Companies Act 2006.

However, a Director will not be indemnified for any liability incurred by him/her to the Company or Group companies; any criminal or regulatory fines; the costs of defending any criminal proceedings in which he is convicted; or the costs of defending any civil proceedings brought by the Company in which judgment is given against him/her.

The Company has purchased and maintains liability insurance for its Directors and officers as permitted by law.

Political and charitable donations
The Company does not make political donations. During the year, the Group spent or donated a total of $5.5 million to benefit local communities (2019: $9.3 million).

Relationship Agreement
Pelham Investment Corporation (the 'Major Shareholder'), Eduardo Hochschild (who together with the Major Shareholder are collectively referred to as the 'Controlling Shareholders') and the Company entered into a relationship agreement ('the Relationship Agreement') in preparation for the Company's IPO in 2006 and which was amended and restated during 2014.

The principal purpose of the Relationship Agreement is to ensure that the Group is capable of carrying on its business for the benefit of the shareholders of the Company as a whole, and that transactions and relationships with the Controlling Shareholders and any of their respective associates are at arm's length and on normal commercial terms.

Further details of the Relationship Agreement with regard to the conduct of the Major Shareholder are set out in the Corporate Governance Report on page 86 and, with regard to the right to appoint Directors to the Board, are set out on page 100.

As required by the Listing Rules, the Directors confirm that, with respect to the year under review:

- the Company has complied with the independence provisions included in the Relationship Agreement; and
- so far as the Company is aware:
  - the independence provisions included in the Relationship Agreement have been complied with by the Controlling Shareholders or any of their associates; and
  - the procurement obligation included in the Relationship Agreement has been complied with by the Controlling Shareholders.

Conflicts of interest

The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts of interest of directors where the Company's Articles of Association contain a provision to that effect. Shareholders approved amendments to the company's Articles of Association at the AGM held on 9 May 2008, which included provisions giving the Directors authority to authorise matters which may result in the Directors breaching their duty to avoid a conflict of interest.

The Board has established effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board, subject to any conditions that may be considered necessary. In keeping with the approach agreed by the Board, Directors' conflicts were reviewed during the year under review.

Directors of the Company who have an interest in matters under discussion at Board meetings are required to declare this interest and to abstain from voting on the relevant matters.

Any related party transactions are approved by a committee of the Board consisting solely of Independent Directors. In addition, the Directors will be able to impose limits or conditions when giving any authorisation, if they think this is appropriate.

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 from page 2 to page 73. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review on pages 36 to 44 and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement on page 72. In addition, note 37 to 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 typically 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 64 to 71 (Risk Management report) and pages 6 to 7.

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 until April 2021 and average precious metal prices of $1,919/oz for gold and $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 ($1,535/oz for gold and $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, although mitigating actions do exist should they be required.

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.

AGM
The 15th AGM of the Company will be held at 2.30pm on 27 May 2021. The shareholder circular incorporating the Notice of AGM will be sent separately to shareholders or, for those who have elected to receive electronic communications, will be available for viewing at www.hochschildmining.com

The shareholder circular contains details of the business to be considered at the meeting.

Auditor
A resolution to reappoint Ernst & Young LLP as Auditor will be put to shareholders at the forthcoming AGM.

Statement on disclosure of information to Auditor
Having made enquiries of fellow Directors and of the Company's Auditor, each Director confirms that, to the best of his/her knowledge and belief, there is no relevant audit information of which the Company's Auditor is unaware.

Furthermore, each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Statement of Directors with respect to the Annual Report and financial statements
As required by the UK Corporate Governance Code, the Directors confirm that they consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Statement of Directors' responsibilities
The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 (and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union), give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Annual Report, including the Strategic 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; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Disclaimer
Neither the Company nor the Directors accept any liability to any person in relation to this Annual Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

On behalf of the Board

Raj Bhasin
Company Secretary
17 February 2021

‘The value of a robust governance framework comes into its own in these challenging times.’

Eduardo Hochschild
Chairman

Dear Shareholder
I am pleased to present the Corporate Governance Report for 2020. In this section of the Annual Report, we report on the Company’s compliance with the provisions of the 2018 edition of the UK Corporate Governance Code (the ‘Code’) and the application of its principles.

Impact of Covid
Every business across the globe has been impacted by the Covid-19 pandemic and such a crisis highlights the value of a robust governance framework. This report highlights how, against the backdrop of operational challenges, your Board has sought to lead effectively, and monitor progress against our strategic objectives through the implementation of processes, actions and controls.

The challenges arising from the pandemic have required us all to adapt. After our only in-person Board meeting in Lima in February 2020, all subsequent meetings of the Board and its Committees have been convened via video conference. This new way of working and a constant dialogue with the management team has allowed the Directors to bridge any gap in communications which is critical during this period of fast-changing developments.

Non-Executive appointment
I am delighted to report that in light of our Board evaluation process and succession plan, an opportunity was identified to add skills to the Board that would be aligned with our strategy as well as increasing the gender diversity of the Board. Following a process overseen by the Nomination Committee, the Board confirmed the appointment of Jill Gardiner as an Independent Non-Executive Director. She brings long-standing investment banking experience from the Canadian capital markets, a key hub for the mining sector.

2020 Board evaluation
I would also like to highlight the continued benefits that have accrued from our internal Board evaluation process which we report on in more detail from page 88. Regrettably, due to the Covid-related travel restrictions, we were unable to proceed with an externally facilitated evaluation as we had intended.

If you should have any queries arising from this report, please do not hesitate to contact me at Chairman@hocplc.com.

Eduardo Hochschild
Chairman

Introduction

This report, together with the Directors' Remuneration Report, describes how the Company has applied the Principles of the UK Corporate Governance Code ('the Code') (2018 edition) in respect of the year ended 31 December 2020. A copy of the Code is available on the website of the Financial Reporting Council ('FRC') at www.frc.org.uk.

Disclosures to be included in the Corporate Governance Report in relation to share structure, shareholder agreements and the Company's constitutional provisions pursuant to the Disclosure Guidance and Transparency Rules are provided in the Supplementary Information section on pages 98 to 100.

Statement of Compliance

The Board confirms that, in respect of the year under review, the Group has complied with the provisions contained in the Code with the exceptions noted below:

Provision	Explanation
The Chairman has been in post beyond nine years from the date of his first appointment to the Board	As a major shareholder of the Company and given his significant experience of mining in Peru, the Directors consider Mr Hochschild's continued chairmanship to be in the best interests of the Company. As described later in this report, there are checks and balances in place to ensure ongoing objectivity and that Mr Hochschild does not exercise undue influence.
Open advertising and/or an external search consultancy should generally be used for the appointment of Non-Executive Directors	In light of the skills being sought, the Company enlisted the support of its financial advisers to draw up a list of potential Board candidates which culminated in the appointment of Jill Gardiner as a Non-Executive Director. Please refer to the Nomination Committee report for further details.
The Company has not adopted (a) a formal policy for post-employment shareholding requirements ('PESR') and (b) remuneration schemes and policies with provisions that would enable the Company to recover sums or share awards (i.e. clawback)	While the Group has adopted a wide malus policy, neither clawback nor PESR has been adopted due to difficulties, in the past, in legally enforcing such provisions in Peru. After a comprehensive review of arrangements which can achieve the same underlying objective, the Company has incorporated a PESR in the revised Remuneration Policy being put to shareholders at the forthcoming AGM. The revised Policy also articulates in more detail the Company's existing approach to malus.
An externally facilitated evaluation of the Board has not been undertaken	Please refer to the Board evaluation section below for further details on the internally-led approach to the Board's performance evaluation.

Our governance structure

Board

Chair
Eduardo Hochschild

3 **Non-Independent Directors**

6 **Independent Directors**

Audit Committee

Chair
Eileen Kamerick

READ MORE **Page 89**

Nomination Committee

Chair
Eduardo Hochschild

READ MORE **Page 94**

Exploration Working Group

A working group consisting of management and Non-Executive Directors which reviews detailed reports on, and progress against, brownfield and greenfield exploration programmes.

Remuneration Committee

Chair
Michael Rawlinson

READ MORE **Page 97**

Sustainability Committee

Chair
Dr Graham Birch

READ MORE **Page 96**

1 Terms of reference are available at www.hochschildmining.com (see pages 89 to 97 for further details on the Committees' activities during 2020).

Leadership & purpose

The Board

The Board is responsible for approving the Company's strategy and monitoring its implementation, for overseeing the management of operations and for providing leadership and support to the senior management team in achieving sustainable added value for shareholders. It is also responsible for enabling the efficient operation of the Group by providing adequate financial and human resources and an appropriate system of financial control to ensure these resources are fully monitored and utilised.

There is an agreed schedule of matters reserved for the Board which includes the approval of annual and half-yearly results, the Group's strategy, the annual budget and major items of capital expenditure.

2020 Board meetings

Eight Board meetings were held during the year, of which four were scheduled meetings. The ad-hoc meetings were convened to consider updates relating to the Company's response to the Covid-19 pandemic and corporate development matters.

Attendance at the scheduled Board meetings convened during 2020 is summarised in the table below;

Director	Attendance (Maximum)
Mr E Hochschild	4 (4)
Mr G Birch	4 (4)
Mr J Born	4 (4)
Mr I Bustamante	4 (4)
Ms J Gardiner	2 (2)
Ms E Kamerick	3* (4)
Mr M Rawlinson	4 (4)
Mr D Romero	3** (4)
Mr S Sarma	4 (4)

* Ms Kamerick was unable to attend the February 2020 Board meeting due to a family illness

** Mr Romero was unable to attend the February 2020 Board meeting due to a conflicting board engagement

In addition to the regular updates from across the business, the principal matters considered by the Board during 2020 are detailed below. In keeping with Board practice, meetings incorporate reports from each of the Committee Chairs on the business considered at their respective meetings. Any significant matters arising from those meetings are discussed by the full Board and feature among the matters described below.

Health & Safety	– Updates on the ongoing implementation of Safety 2.0, the successor plan to the Company's Safety Culture Transformation Plan (see pages 53 to 55 for further details); – The investigation into the fatal accident at the Pallancata mine in the first quarter of 2020 (see page 53); and – Updates on the implementation of the Group's Health Protocols to combat Covid-19.
Financial	– The stress-tested scenarios and the underlying assumptions in support of the going concern and viability statements in support of the 2019 annual financial statements and 2020 half-yearly financial statements; – Considered recommendations of the Audit Committee to adopt the 2019 Annual Report and Accounts and the 2020 Half-Yearly Report; – The Group's ongoing financial position; – The 2021 budget; – The 2019 final dividend, which was subsequently withdrawn due to the uncertain impact of the Covid-19 pandemic on the business; and – The 2020 interim dividend.
Strategy	– Strategic options to facilitate the Group's growth; – Updates on progress in developing the Biolantanidos rare earths project; – Updates on the Group's operational innovation projects; and – The Group's strategic plan.
Business performance	– Detailed updates on the operational and financial impact of Covid-19 on the business, including revised guidance for the full-year's production, costs, capital expenditure and exploration budgets; – Business development projects; – Unbudgeted strategic initiatives; and – Presentations on progress against the annual brownfield exploration programme.
Risk	– Political developments in Peru, Argentina and Chile; – The Group's Risk Matrix detailing the significant and emerging risks faced by the Group and the corresponding mitigation plans; and – The renewal of the Group's Directors' and Officers' Liability Insurance.
Governance	– The appointment of Jill Gardiner as an Independent Non-Executive Director and as a member of the Audit, Nomination and Remuneration Committees; – Updates from the Company Secretary on governance developments affecting the Company and the Directors' responsibilities; – An update on the implementation of the 2019 Board evaluation recommendations, the outcome of the 2020 Board evaluation and the form of the 2021 process; – The annual reviews of Directors' conflicts of interest and independence of Non-Executive Directors; and – Reviewing and revising the Committees' terms of reference.
Sustainability	– Reviews of the social climate in Peru, Argentina and Chile and their potential impact on the Group; – Updates on reviews of the Group's Tailing Storage Facilities; – Performance of the Group against the internally-designed environmental corporate scorecard (the ECO Score).
Investors' views	– Regular reports on investors' views as part of the Group's comprehensive engagement schedule (see section headed Shareholder engagement in 2020 for further details); – Feedback from investors and proxy agencies on the 2020 AGM business, both before and after the meeting (see overleaf for further discussion on specific matters raised); and – Feedback from investors on the proposed revised Remuneration Policy to be put to shareholders for approval at the 2021 AGM. **See Directors' Remuneration Report from page 102 for more details.**

Senior executives of the organisation are invited to attend Board meetings and to make presentations on their areas of responsibility. In the event a Director is unable to attend a Board or Committee meeting, comments are encouraged to be fed back to the Chairman of the relevant meeting who ensures that the absent Director's views are represented.

In between Board meetings, Directors are kept informed of latest developments through monthly management reports on the Company's operations, safety performance, exploration activity and financial position.

Purpose & culture

The Group was established over a hundred years ago and over time it has characterised itself not only through sound operations but also in striving to achieve the highest standards of safety and with regard to its social impact. This approach is reflected and described in further detail in the Code of Conduct, adopted in 2010, which sets out the standards and behaviours expected from all levels within the Company as well as our partners: professionalism, honesty, integrity, respect for our stakeholders and a commitment to safety, our communities and the environment. These are further reiterated in the Group's anti-bribery and corruption policies.

As previously reported, the Company launched its reformulated corporate purpose as part of a rebranding – 'Responsible and Innovative Mining Committed to a Better World' – and, in tandem, set out the values which create a culture that is aligned with the purpose.

Our corporate values

- Innovation
- Inspiring others
- Recognising talent
- Demonstrating responsibility
- Seeking efficiencies

These values not only represent key inputs in our business model in the performance of our core activities but they also inform our approach to our four-pronged growth strategy. See the Strategy section on pages 24 and 25.

Setting the tone

The Board sets the tone from the top, reflecting these values in its deliberations and decision-making. The Chief Executive Officer ('CEO') is the crucial conduit through which the tone is cascaded throughout the organisation. By way of example, during the year, the CEO communicated with all employees on a number of matters including environmental matters with periodic updates on the Group's performance and the launch of the programme of events forming part of the Environmental Culture Transformation Plan, health and safety, and the establishment of a centralised Compliance function.

In addition, at the onset of the coronavirus pandemic in Peru, the Chairman conveyed to all staff the immediate steps being taken by the Company to prioritise employee welfare as well as highlighting how to prevent the spread of infection.

Assessing and monitoring culture

The Board assessed and monitored the Company's culture using a dashboard of measures, some of which are reported on a monthly basis.

Responsibility:

Safety – Accident Frequency Index (LTIFR), Accident Severity Index, High Potential Event rate

Environmental – ECO Score

Ethical practices/Integrity – Whistleblowing reports (online and offline channels), Internal Audit reports

Innovation:

Submissions to the Innova platform to improve operational efficiency

Inspiring others and promoting talent:

Team and Individual development plans, staff turnover/retention rates

Efficiency:

Operational KPIs e.g. AISC, Production, Adjusted EBITDA and Brownfield Exploration results

An organisational climate survey was carried out in 2019 amongst 2,260 employees across our sites in Peru and Argentina. The results were analysed in Q1 2020 and overall, employee satisfaction with the work environment increased to 63% (from 62% in the previous survey held in 2017, and up from 57% in 2015).

Further details are provided in the Strategic Report on pages 2 to 73.

Engagement

The Directors have received briefings from the Company Secretary and legal advisers on their duties under English law to promote the success of the Company. As in other large companies, these duties are in part discharged through a framework of delegated authorities.

The Board ensures there is regular and sustained engagement with its shareholders and other stakeholders which is fed back to the Board and taken into consideration in discussions and decision-making. This section of the report includes the s172(1) statement and, by cross-referencing other parts of this report, summarises how engagement was undertaken and how stakeholders were considered in the key decisions taken during the year.

Shareholders

Our approach

The Chairman, with the support of the Senior Independent Director and the Company Secretary, is available to engage with major shareholders on matters of governance and performance against strategy.

The Chief Executive Officer is responsible for discussing strategy and business performance with the Company's shareholders and conveying their views to the other members of the Board. He is supported in this regard by the Chief Financial Officer and the Head of Investor Relations who is based in the London corporate office.

In addition to the direct means of contact as detailed in the table below, Directors are kept informed of major shareholders' views through copies of (i) relevant analysts' and brokers' briefings, (ii) voting recommendation reports issued by institutional investor agencies, and (iii) significant correspondence from shareholders with respect to the business to be put to shareholder vote at General Meetings.

Shareholder engagement in 2020

The following table summarises the principal means by which the Group communicated with investors during the year:

Date	Event
January (and April, July, October)	Conference calls following the Quarterly Production Report
February	BMO Global Metals & Mining Conference 2019 Annual Results presentation UK Roadshow
March	Citi Resources Conference
May	BoA Merrill Lynch Global Metals, Mining and Steel Conference
August	2020 Half-Yearly Results presentation
September	UK Roadshow Denver Gold Forum
November	Commenced shareholder engagement on the Company's proposed revised Remuneration Policy
December	Scotia Capital Conference

An extensive Investor Relations schedule resulted in management holding over 100 investor meetings during the year.

In addition to the above, the Non-Executive Directors are available to meet shareholders on request. Such meetings were held with Michael Rawlinson and, following her appointment, with Jill Gardiner.

2020 AGM

Due to the Covid-related restrictions in place at the time, shareholders were not permitted to physically attend the 2020 AGM. Arrangements were made, however, for shareholders to submit questions on any of the proposed items of business by telephone or email and for responses to be published on the Company's website. The Company did not receive any such questions.

At the 2020 AGM, the resolution seeking the re-election of Dionisio Romero Paoletti was opposed by c.22% of the votes cast. Investor feedback confirmed that the result reflected concerns with Mr Romero's time commitment due to the number of directorships that he held.

The Nomination Committee considered the views expressed as part of its deliberations on the composition of the Board and, taking into account (a) Mr Romero's reassurances on his ongoing availability and commitment to Hochschild Mining and that he would not accept any additional listed company directorships, (b) the fact that he relinquished his board position with NYSE-listed Credicorp and (c) the fact that Mr Romero acts as a nominee director of the Company's major shareholder under the Relationship Agreement, the Directors are unanimous in their conclusion that the Company continues to benefit from Mr Romero's experience of managing sizeable businesses in Peru and the wider region, but also of his knowledge of corporate finance.

Other stakeholders

On pages 45 to 49 of the Strategic Report, we have identified our key stakeholder groups, how the Company has engaged with them and the issues raised during the year.

The Directors are aware of their duty under English company law (the 'section 172 duties') to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its shareholders and other factors. These include the likely consequences of any decisions in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with all stakeholders, the impact of the Company's operations on the community and environment, and the desire to maintain a reputation for high standards of business conduct.

By understanding stakeholders' views and expectations, the Board is able to successfully steer the Company towards achieving its strategic goals in a sustainable manner and which acknowledges its licence to operate.

Below, we have summarised how the Board receives feedback from its key stakeholder groups:

Employees	Social	Government / Regulators	Suppliers	Customers
Graham Birch, as Chairman of the Sustainability Committee, is our designated Director to oversee workforce engagement and received quarterly updates from the Vice President of Human Resources on discussions with trade unions and other employee group meetings.	Reported to the Sustainability Committee, which feeds back to the Board.	Reported to the Board as part of its consideration of the quarterly Risk Management updates on the governmental/ regulatory climate.	Reported to the Board as part of its consideration of the quarterly Risk Management updates in relation to Business Interruption risks.	Material matters are reported to the Board by the Chief Financial Officer who is responsible for managing the sales and logistics department. There were no material matters raised during the year.

Impact on wider stakeholder group of key decisions in 2020

In discharging their section 172 duties the Directors have regard to the factors set out above as well as other factors which are considered relevant to the decision being made. It is acknowledged that every decision we make will not necessarily result in a positive outcome for all our stakeholders. By considering the Company's purpose together with its strategic priorities, and having a process in place for decision making, the aim is to make sure that decisions reflect the Group's corporate values.

For details on how our Board operates and the matters we discussed and debated during the year, please see the earlier part of this report. We set out below how the Directors had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty in relation to the Annual Strategy Review.

The Annual Strategy Review

As it does each year, the Board carried out a review of the Group's strategy. The discussion in 2020 focused on how the Group could best position itself vis-à-vis its stakeholders and capitalise on the key sources of growth while remaining true to the Company's purpose. Alternative operating and financial scenarios were reviewed by the Board and, in light of their critical importance, sub-strategies to ensure the achievement of the Company's social commitments were developed. By taking this approach, the Board has mandated that every strategic business decision should promote sustainability for all stakeholders.

Division of responsibilities

Board composition

Up until 1 August 2020, the Board comprised the Chairman, the Chief Executive Officer and six Non-Executive Directors, of whom five are considered, by the Board, to be of independent judgement and character. Following the appointment of Jill Gardiner on 1 August 2020, the Board comprised seven Non-Executive Directors, six of whom are considered, by the Board, to be independent.

As a result, at all times during the year, the Board comprised a majority of Independent Non-Executive Directors. Dionisio Romero Paoletti is the only non-independent Non-Executive Director as he has been nominated to the Board by the Company's major shareholder under its rights pursuant to the Relationship Agreement (further details of which can be found on page 77 of the Directors' Report).

Chairman and Chief Executive

The Board is led by the Chairman, Eduardo Hochschild, who is also the largest shareholder of the Company with a c.38% holding.

The Board has approved a document which sets out the division of responsibilities between the Chairman and Chief Executive Officer.

As Chairman, Eduardo Hochschild is responsible for leading the Board of Directors and ensuring that the Board is enabled to play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.

Ignacio Bustamante, as the Chief Executive Officer, is responsible for the formulation of the vision and long-term corporate strategy of the Group, the approval of which is a matter for the full Board.

The Chief Executive Officer is responsible for leading the executive team in the day-to-day management of the Group's business.

Status of the Chairman

In light of his majority shareholding, the Chairman is not considered to be independent. However, during the one-to-one interviews conducted with each Board member, the other Directors of the Board continue to assert that Mr Hochschild chairs the Board in an objective manner and encourages open and full debate. The composition of the Board and the implementation of certain contractual arrangements act as additional measures which prevent the exercise of undue influence by Mr Hochschild.

Firstly, the significant presence of Independent Directors and the active role of the Senior Independent Director ensure that the views of minority shareholders are well represented.

Secondly, the undertakings provided in the Relationship Agreement (as described below) ensure that the Company and its subsidiaries are capable of carrying on their business independently of Eduardo Hochschild and his associates.

The Relationship Agreement, which was revised in 2014 in light of new rules governing such agreements (the '2014 Listing Rules'), contains undertakings from each of Eduardo Hochschild and Pelham Investment Corporation (being the entity through which Mr Hochschild holds his shares in the Company) (the 'Major Shareholder') that:

– all transactions with the Company (and its subsidiaries) will be conducted at arm's length and on normal commercial terms;

- neither of them (nor their associates) (the 'Relevant Parties') will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- the Relevant Parties will not propose, and neither will they procure the proposal of, a shareholder resolution intended or which appears to be intended to circumvent the proper application of the Listing Rules; and
- the Relevant Parties will not take any action that would preclude or inhibit any member of the Group from carrying on its business independently of any of them.

Certain confirmations are required to be given by the Board under the 2014 Listing Rules with regards to the Company's compliance with the independence provisions which can be found in the Directors' Report on page 77.

Senior Independent Director
Michael Rawlinson is the Senior Independent Director. Mr Rawlinson's role is not only to act as a central point of contact for the Non-Executive Directors as a group but to also act as a conduit between the Non-Executive Directors and the executive management team. To facilitate this, Mr Rawlinson chairs meetings of the Non-Executive Directors and of the Independent Non-Executive Directors immediately after each Board meeting. This provides the opportunity to gather feedback and thoughts on Board discussions which are subsequently relayed to the Chairman and/or the executive team as appropriate. A crucial part of the role of the Senior Independent Director is to meet with major shareholders if concerns have not been addressed by the executive team. No such meetings were requested, however, Mr Rawlinson did engage with a number of major investors during the year.

Non-Executive Directors
The Company's Non-Executive Directors hold, or have held, senior positions in the corporate sector with the exception of Sanjay Sarma who has a background in academia in the field of mechanical engineering and technology. They all bring their experience and independent perspective to enhance the Board's capacity to help develop proposals on strategy and to oversee and grow the operations within a sound framework of corporate governance.

Details of the tenure of appointment of Non-Executive Directors are provided in the Directors' Remuneration Report.

Independence of Non-Executive Directors
In keeping with its usual practice, the Board considered the independence of the Non-Executive Directors during the year. As part of its assessment, the Board took into account the circumstances set out in Provision 10 of the Code. In particular, the Board noted:

- the fact that Jorge Born and Graham Birch had both served on the Board for over nine years; and
- Sanjay Sarma's position as a director of Top Flight Technologies, a company in which Eduardo Hochschild has a shareholding and a convertible note investment.

The Board assessed, among other things, each of the above-named Director's individual approach and contribution to Board discussions. It was concluded that each Director demonstrated ongoing objectivity which, at times, included appropriate challenges of matters under deliberation as well as of management. Accordingly, the Board is of the opinion that the above circumstances do not interfere with the relevant Director's ability to act in the best interests of the Company and are therefore considered to be independent for the purposes of the Code.

Company Secretary
The Company Secretary is appointed and removed by the Board and is responsible for advising the Board on governance matters and the provision of administrative and other services to the Board. All the Directors have access to the Company Secretary.

Composition, succession and evaluation

Appointments and re-election of Directors
The Board has established a Nomination Committee which recommends nominations to the Board. The report of the Nomination Committee appears on pages 94 and 95.

The Company has adopted the practice of requiring Directors to seek annual re-election by shareholders in keeping with the UK Corporate Governance Code. The biographies of the Directors can be found on pages 74 and 75 which, in addition to specifying other positions, also highlight the key skills and experience of each Board member.

Under the terms of the Relationship Agreement, the Major Shareholder has (i) the right to appoint up to two Non-Executive Directors to the Board for so long as the Major Shareholder holds an interest of 30% or more in the Company and (ii) the right to appoint one Non-Executive Director for so long as it has an interest of 15% or more in the Company, and in each case to remove any such Director(s) previously appointed.

The Relationship Agreement continues for so long as the Company's shares are traded on the London Stock Exchange or until such time as the Controlling Shareholders (including Eduardo Hochschild) cease to own or control in aggregate a minimum of 15% of the issued share capital or voting rights of the Company.

The Major Shareholder exercised this right for the first time with the appointment of Dionisio Romero Paoletti who joined the Board on 1 January 2018.

Board development
It is the responsibility of the Chairman to ensure that the Directors update their knowledge and their skills and are provided with the necessary resources to continue to do so. This is achieved through the various means described as follows. In addition, as previously stated, a part of the Board evaluation process seeks to identify subject matters and topics for presentation to the Board that Directors would find beneficial.

Induction
New Board appointees are offered the opportunity to meet with key management personnel and the Company's principal advisers as well as undertaking visits to the Group's operations. In addition, where appointees will serve on any of the Board Committees, sessions with the relevant Committee Chair are organised.

In light of the Covid-19 related restrictions, the above induction programme was facilitated virtually in connection with the appointment of Jill Gardiner. A site visit will be arranged once international travel resumes.

Jill Gardiner induction process

Selection: The Nomination Committee compiles a shortlist of candidates from a long-list compiled with external support

↓

Interviews: Chairman and designated members of the Nomination Committee

↓

Conflicts of Interest: Nomination Committee considers and approves any conflicts of interest and recommends Jill Gardiner's appointment to the Board

↓

Provision of Key Documentation: on Governance, Corporate Policies, Directors' & Officers' Liability Insurance Policy and other information

↓

The Operational Perspective: Meetings with the CEO, CFO and COO

↓

Briefings: Vice Presidents, Head of Internal Audit, Head of Investor Relations and Company Secretary

↓

Full Perspective: Attends, as a guest, the meetings of the Sustainability Committee and Exploration Working Group

Briefings
The Directors receive regular briefings from the Company Secretary on developments in the areas of corporate law and corporate governance that affect their roles as Directors of a UK listed company. In addition, the Directors have ongoing access to the Company's officers and advisers with presentations arranged periodically.

Advice
The Company has procedures by which members of the Board may take independent professional advice at the Company's expense in the furtherance of their duties.

Board evaluation
The Board is committed to the process of continuous improvement which is achieved in particular by the robust internally-led Board evaluation process. See the following page for a description of the process and outcome of the 2019 Board evaluation.

Implementation of 2019 Board evaluation
A number of actions were taken during the year following the 2019 Board evaluation process. These included:

- Remuneration Committee members receiving more frequent updates on developments impacting the governance of executive remuneration;
- As part of enhancing sustainability reporting, achieving a greater understanding of methodologies used by third-party agencies to assess ESG performance (environmental, social and governance); and
- Improvements to the reporting of progress on brownfield and greenfield exploration.

External Board evaluation
As a result of the worldwide travel restrictions, the decision was taken to postpone the intended externally-facilitated Board evaluation. An internally-led evaluation was therefore carried out which has previously resulted in a number of recommendations that have significantly enhanced the way the Board and the Committees function.

"The Hochschild team did not miss a beat in pivoting to an online induction programme. The discussions with Non-Executive Directors and management, were thorough and informative – a first class process."

Jill Gardiner

2020 Board evaluation

- **Aug 20**: Board discussion on evaluation design
- ↓
- **Oct 20**: Discussion sheet distributed
- ↓
- **Oct/Nov 20**: One-on-one interviews
- ↓
- Findings documented by SID and Co Sec
- ↓
- Findings discussed with Chairman
- ↓
- **Nov 21**: Board discusses findings for implementation
- ↓
- **Feb 21**: Action plan for implementation agreed

In keeping with past practice and the unanimous preference of the Board, the 2020 Board evaluation process was undertaken internally through one-to-one interviews conducted by the Senior Independent Director supported by the Company Secretary.

The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

The Committees

– Composition and overall workings of the main Board Committees;

– Specific aspects of each Committee's role and scope of responsibilities; and

– The workings of the Exploration Working Group including the impact of Covid on Brownfield Exploration and Business Development opportunity selection.

The Board

– The composition of the Board, taking into account, among other things, the issue of gender diversity;

– The workings of the Board; and

– Consideration of specific aspects of the Board's role including strategy and M&A and Governance & Risk.

Other areas

– Strategy & M&A;

– Governance & Risk; and

– Leadership & Culture.

In addition to the above, the evaluation took in discussions on specific aspects of performance during 2020, suggestions for topics to be presented to the Board in 2021 and feedback on the performance of the Chairman and fellow Board members.

2020 Board evaluation findings

Evaluation of the Board and Committees

The findings relating to the evaluation of the Board and the Committees were considered collectively by the Chairman and Michael Rawlinson as the Senior Independent Director and the resulting recommendations were discussed and, where appropriate, approved by the Board.

Evaluation of the Chairman

The findings of the Chairman's performance evaluation were collated by Michael Rawlinson and considered between the Non-Executive Directors before being relayed to the Chairman.

Outcome

The principal recommendations arising from the 2020 Board evaluation process are as follows:

– Improvements to the working of the Nomination Committee;

– Reporting of the work of the Group's exploration programme;

– Gauging the corporate culture at the mine-sites when travel restrictions are lifted; and

– Seeking exposure to different parts of the business through presentations to the Board.

AUDIT COMMITTEE REPORT

‘In light of the Covid-19 crisis, the Audit Committee’s role in overseeing the Company’s risk management processes became even more critical.’

Dear Shareholder
I am pleased to present the Audit Committee report for the year ended 31 December 2020.

In this part of the Annual Report, we focus on how the Committee has discharged the responsibilities delegated to it by the Board during the year and the primary considerations that have been taken into account.

In light of the Covid-19 crisis, the Audit Committee’s role in overseeing the Company’s risk management processes became even more critical as it increased the profile of a number of risks to which Hochschild is already exposed, particularly in relation to health and safety, and operational performance.

The pandemic has also had an impact on the recurring issues that the Audit Committee considers in the preparation of the annual accounts. Firstly, the uncertainty caused by the effects of the worldwide pandemic prompted an increase in precious metal prices and put almost every country’s economy under strain. This, in turn, impacts the valuation of the Company’s assets which reflect such macro-economic factors. The Committee has reviewed management’s assessment which is discussed further on page 92.

In light of the ongoing uncertainty caused by Covid-19, the Committee has also considered management’s analysis which forms the basis of our going concern statement. As set out on page 92, the Committee has scrutinised the assumptions in the scenarios modelled to test the robustness of the Company’s financial position over at least the coming 12 months.

I would also like to highlight the initiatives discussed later in this report which demonstrate how the Committee promotes good governance In relation to matters within its scope of responsibilities. These include the revision to the policy on the use of the external auditor for non-audit services and the establishment of a centralised compliance function.

Finally, I would like to convey our thanks to Graham Birch, who stepped down from the Committee on 1 August 2020, for his valuable contribution and I welcome Jill Gardiner, who joined as a Committee member on that date.

Eileen Kamerick
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Eileen Kamerick, Non-Executive Director (Chair)	Yes	4	4
Michael Rawlinson, Non-Executive Director	Yes	4	4
Graham Birch, Non-Executive Director*	Yes	2	2
Jill Gardiner, Non-Executive Director**	Yes	2	2

* Graham Birch stepped down from the Committee on 1 August 2020.
** Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.

Key roles and responsibilities

- To monitor the integrity and material accuracy of the Company's financial statements and related disclosures;
- To monitor the effectiveness of the Company's internal controls and risk management systems and review the preparation of the going concern and viability statements;
- To review, on behalf of the Board, the Company's procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and to review and conclude on non-compliance;
- Oversight of the Internal Audit function, review of its annual work plan and its findings;
- To oversee the relationship with the Company's external Auditor;
- To review the effectiveness of the external audit process; and
- To report to shareholders annually on the Committee's activities including details of the significant audit issues encountered during the year and how they have been addressed.

Membership

Eileen Kamerick was, during the year under review, and currently serves as, the chair of the Audit Committee. Eileen was formerly a Chief Financial Officer of a number of US-based companies operating in the mining, oil and gas, investment banking and recruitment sectors. Eileen currently serves as the Audit Committee Financial Expert for the AIG Funds and Anchor Series Trust (US mutual funds) and Audit Committee Chair of the Legg Mason Closed End Mutual Funds. Eileen is a National Association of Corporate Directors Board Leadership Fellow.

Michael Rawlinson's career in banking specialised in the mining sector having initially worked as an analyst and corporate financier, serving most recently as Global Co-Head of Mining and Metals at Barclays Investment Bank from 2013 until his retirement from that role in June 2017.

Graham Birch served as a member of the Committee until 1 August 2020. He is a non-executive Director of Sprott Inc and was formerly a director of BlackRock Commodities Investment Trust plc and manager of BlackRock's World Mining Trust and Gold and General Unit Trust.

Jill Gardiner was appointed a member of the Committee on 1 August 2020. She was formerly an investment banker at RBC Capital Markets with a focus on certain commodity and energy related industries. She has served on and chaired numerous audit committees and currently serves as Chair of Trevali Mining Corporation and as a director of Capital Power Corporation.

The Committee members who served during the year under review are considered to be Independent Directors and the Board is satisfied that at least one member has recent and relevant financial experience and that the Committee, as a whole, has competence relevant to the sector in which the Company operates.

For further details on the skills and experience of the Committee members, please refer to the biographical details on pages 74 and 75. The performance of the Committee was considered as part of the annual Board evaluation process which was considered by the whole Board.

Attendees

The lead partner of the external Auditor, EY, the Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer, the Vice President of Legal & Corporate Affairs and the Head of Internal Audit attend each Audit Committee meeting by invitation. The Company Secretary acts as Secretary to the Committee.

Activity during the year

The Committee considered the following principal matters during the year:

Financial reporting – The 2019 Annual Report and Accounts and the 2020 Half-Yearly Report were reviewed by the Committee before recommending that they be adopted by the Board. In its review of these financial reports, the Audit Committee reviewed accounting policies, estimates and judgements applied in preparing the relevant statements and the transparency and clarity of disclosures contained within them. In line with its usual practice, the Audit Committee set management the objective of enhancing the full-year financial reporting process and, by doing so, increasing the responsibility and visibility of senior members of the Group Finance team.

Review of audit plans – In line with its usual practice, the Committee considered reports from the external Auditor on the scope and structure of the review of the half-yearly results and audit of the annual results and any recommendations on the Company's processes and controls.

Risk management – Consideration and challenge of risk management assessments which incorporate a risk matrix detailing (i) the most significant and emerging risks facing the Group, (ii) an evaluation reflecting the likelihood of the occurrence of the risk and the extent of the potential impact on the Group, and (iii) commentary on the steps taken to manage each specific risk. See pages 64 to 71 for a description of the process by which the Group's principal and emerging risks are identified and monitored, and the actions taken during the year to mitigate them.

Internal audit – The Audit Committee continued to oversee and challenge the Group's adoption of a risk-based approach to internal audit. The Audit Committee Chair receives a quarterly report from the Head of Internal Audit which sets out specific areas covered, improvements being recommended and introduced, and proposals for the programme over the following three months. The CEO and Chief Financial Officer also receive copies of these reports and robustly support the activities of the Internal Audit function. On three occasions during the year, the Committee met with the Head of Internal of Audit without the presence of executive management to discuss, among other things, the resourcing of the function and the scheduled work plan.

Internal control – Through the processes described on the following page, the Audit Committee reviewed the adequacy of the Group's internal control environment and risk management systems.

Whistleblowing – In line with the 2018 Corporate Governance Code, the Audit Committee reviewed, on behalf of the Board, the adequacy of the Group's Whistleblowing arrangements. Whistleblowing reports are circulated to a group comprising the Audit Committee Chair ('AC Chair'), the Head of Internal Audit, the Vice-President of Human Resources and the Company Secretary ('the Reporting Group'); the AC Chair has a preliminary discussion with the Head of Internal Audit on the approach to the investigation; and the findings of the investigation are then reported, in the first instance, to the AC Chair and the Reporting Group and to the next scheduled meeting of the Audit Committee.

Fraud and bribery – The Audit Committee continued to review and challenge the actions taken by management to promote ethical and transparent working practices.

The Group's Code of Conduct describes the values and standards of behaviour expected of our employees and our business partners. In addition, the Group has adopted a specific anti-bribery and anti-corruption policy to reflect the Board's zero tolerance of these types of acts. This policy is circulated to all employees by the CEO on a periodic basis, highlighting the consequences of acting in breach of its provisions which include termination of employment and criminal proceedings. The case study below shows the results of our policy in action:

CENTRALISING THE COMPLIANCE FUNCTION

After an internal review, the decision was taken during the year to centralise the Group's compliance activities. The Group Head of Internal Audit has been appointed as the Group's Chief Compliance Officer who, with the support of Country Officers, will oversee the implementation of a comprehensive programme to embed a culture of compliance across the organisation.

External audit –The Audit Committee oversees the relationship with the external Auditor. EY was first appointed by the Company as Auditor in 2006 and, following a tender process undertaken in Q1 2016, was reappointed. The Audit Committee evaluated the performance of EY in 2020 and concluded that it was appropriate to recommend the re-appointment of EY as external Auditor at the 2020 Annual General Meeting. The Audit Committee reviewed the findings of the external Auditor and management letters, and reviewed and approved the audit fees.

During the year, the Audit Committee evaluated the effectiveness of EY and the external audit process, taking into account the results of Hochschild management's internal survey relating to EY's performance as well as views and recommendations from management and its own experiences with the external Auditor. Key criteria of the evaluation included resource and expertise, quality and timeliness of the audit process, quality of communication and reporting to the Audit Committee.

Auditor objectivity – The Audit Committee has adopted a revised policy on the use of the external Auditor for the provision of non-audit services (see later section for more details).

Governance and evaluation – The Audit Committee received updates from the Auditor and the Company Secretary on regulatory and other developments impacting the Committee's role. In relation to the evaluation of the Committee's performance, this was carried out as part of the annual Board evaluation. Specific questions were put to each Board member on various aspects of the performance of the Audit Committee including its responsibilities in overseeing the relationship with the Auditor, and in relation to risk management. General feedback on the Committee's performance was also sought and fed back to the Committee Chair.

CALLING OUT UNETHICAL BEHAVIOUR

During the year, the Company ran a campaign publicising an instance of an employee who called out unethical behaviour at work. A weighing scale operator reported the offer of a bribe from a transport contractor who sought to under-report the weight of the supplies being delivered. An online event acknowledging the employee's actions was attended by the CEO and members of senior management. The Company will hold an in-person event celebrating the employee's actions when circumstances permit.

Tax compliance strategy – The Audit Committee approved on behalf of the Board a document on the Group's approach to UK tax matters. The document can be found at: www.hochschildmining.com/en/responsibility/tax_compliance_strategy

During the year, the Committee members held meetings with the external Auditor without executive management to discuss matters relating to the 2019 annual audit and the 2020 Half-Yearly Report. There were no matters of significance to report from these meetings.

Significant audit issues
As recommended by the Code, the following is a summary of the significant issues considered by the Committee in relation to the 2020 financial statements and how these issues have been addressed.

(a) Impairments
The Audit Committee considered management's analysis of potential indicators of impairment and impairment reversals as follows, prompting full impairment assessments:

Pallancata: The increase in short-term precious metal prices was considered a trigger of impairment reversal. In addition, it was noted that the higher prices and lower capex at the mine were compensated by lower grades and higher costs.

San Jose: The increase in short and medium-term precious metal prices (indicating an impairment reversal) was compensated, albeit partially, by a higher country risk premium in Argentina indicating a trigger of impairment.

In addition, the annual impairment test was carried out with respect to the Volcan project.

The Audit Committee considered:

- analyst consensus price forecasts for silver and gold, which showed significant increases until 2024; and
- the underlying calculation of the impairment tests.

With regards to the Volcan project, the Committee considered management's approach to the value in-situ analysis and its assumptions.

In conclusion, the Audit Committee concurred with management that an impairment reversal of $8.3 million be made as at 31 December 2020 with respect to San Jose and that no impairments or impairment reversals be recognised with regards to Pallancata and Volcan.

(b) Going concern assessment
The Directors must satisfy themselves as to the Group's ability to continue as a going concern to 31 March 2022, being a minimum of 12 months from the approval of the financial statements. The Audit Committee supported the Board in this assessment by considering whether, in adverse circumstances, the Company has adequate liquid resources to meet its obligations as they fall due. Such circumstances included the occurrence of a second wave of coronavirus infections necessitating the suspension of all operations for eight weeks combined with significantly lower precious metal prices. In February 2021, the Audit Committee reviewed the Group budget and cash flow forecasts for the going concern period taking into account the Company's anticipated production profiles at each mine, budgeted capital and exploration expenditure and the sensitivity of the cash flow forecasts to movements in precious metal prices. In addition, the Audit Committee corroborated its assessment through consideration of the processes undertaken by the Auditor in its testing of management's going concern assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the financial statements. In particular, the Committee challenged management on the feasibility of the mitigating actions.

In conclusion, the Committee is content and recommended to the Board that the Directors should continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Please refer to the Directors' Report on page 78 for its confirmation to shareholders on the appropriateness of the going concern assumption and the Risk Management section of the Directors' approach to the longer-term Viability Statement.

(c) Mine rehabilitation provision
The Audit Committee considered the judgement exercised by management in assessing the amounts required to be paid by the Company to rehabilitate the Group's assets.

In its assessment of the analysis undertaken by management and an independent third party, the Audit Committee took into account:

- the basis of the estimation of future rehabilitation costs;
- the discount rate applied;
- significant changes in estimates and the basis and level of new costs; and
- the accounting for the changes in the provisions.

The Audit Committee concluded that the provision is appropriate.

(d) Exceptional Items
In reviewing the proposed classification of certain incremental and non-recurring costs in relation to Covid-19 as exceptional items, the Audit Committee considered the reasonableness of management's judgement by considering:

- the nature and frequency of the relevant costs; and
- the consistency of the treatment of such costs for example with reference to management's impairment analysis.

The Audit Committee concluded that the proposed classification and presentation of the above-mentioned costs were reasonable and in line with the Group's accounting policy.

Auditor independence
The Audit Committee continues to oversee the implementation of specific policies designed to safeguard the independence and objectivity of the Auditor, which includes the Group's policy on the provision of non-audit services.

Policy on the use of Auditor for non-audit services
Following the issue of the Revised Ethical Standard 2019 by the Financial Reporting Council (the 'FRC'), the Audit Committee adopted a revised policy on the use of the Auditor for non-audit services (the '2020 NAS Policy').

The 2020 NAS Policy reflects the Revised Ethical Standard In permitting the engagement of the Auditor only for additional services that are directly linked to the audit or are required by law and/or regulation. The 2020 NAS Policy requires (i) the Audit Committee and Chief Financial Officer to approve all non-audit services undertaken by the external Auditor and (ii) that the cost of non-audit services rendered by the external Auditor, in any financial year, cannot exceed 70% of the average of the audit fees paid to the external Auditor in the last three consecutive financial years. Please refer to the next section entitled '2020 Audit and non-audit fees' for details of the value and nature of non-audit services provided during the year.

During the year the Company obtained a waiver of the non-audit fee cap from the FRC in connection with the engagement of the auditor as Reporting Accountant for a corporate transaction which, ultimately, did not proceed.

Safeguards
Additional safeguards to ensure Auditor objectivity and independence include:

- six-monthly reports to the Audit Committee from the Auditor analysing the fees for non-audit services rendered; and
- an annual assessment, by the Audit Committee, of the Auditor's objectivity and independence in light of all relationships between the Company and the audit firm.

2020 Audit and non-audit fees
Details of fees paid to the external Auditor are provided in note 32 to the consolidated financial statements.

Compliance Statement required under Article 7.1 of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order')
The Company confirms that it has complied with the Order during the year under review.

Internal control and risk management
Whilst the Board has overall responsibility for the Group's system of internal control including risk management and for reviewing its effectiveness, responsibility for the periodic review of the effectiveness of these controls has been delegated to the Audit Committee. Notwithstanding this delegation of authority, the Board continues to monitor the strategic risks to which the Company is exposed in the context of a risk appetite that is under continuous review. Internal controls are managed by the use of formal procedures designed to highlight financial, operational, environmental and social risks and provide appropriate information to the Board enabling it to protect effectively the Company's assets and, in turn, maintain shareholder value.

The process used by the Audit Committee to assess the effectiveness of risk management and internal control systems comprises:

- reports from the Head of the Internal Audit function;
- reviews of accounting and financial reporting processes together with the internal control environment at Group level. This involves the monitoring of performance and the taking of relevant action through the monthly review of key performance indicators and, where required, the production of revised forecasts. The Group has adopted a standard accounting manual to be followed by all finance teams, which is continually updated to ensure the consistent recognition and treatment of transactions and production of the consolidated financial statements;
- the external Auditor review and observations of the Company's internal control environment;
- review of budgets and reporting against budgets; and
- consideration of progress against strategic objectives.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and it must be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee's assessment
Based on its review of the process, the Audit Committee is satisfied that, for the year under review and the period from 1 January 2021 to the date of approval of the Annual Report and Accounts, internal controls are in place at the operational level within the Group.

Board's assessment

Risk management
Throughout the year, the Board considered its risk appetite which was considered to be appropriate. The Board confirms that its assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and which are set out in the Risk Management and Viability section, was robust.

Internal control
As detailed above, the Board, through the delegated authority granted to the Audit Committee, monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in 2014.

The Directors confirm that, with the support of the Audit Committee, the effectiveness of the Company's system of risk management and internal controls has been reviewed during the year under review. These covered material controls, which included controls covering operational, financial and compliance matters. The controls operated effectively during the financial year although, as is the case for many large companies, additional controls were implemented or further strengthened during the year. The Audit Committee was made aware of the control changes and there was no significant impact on the financial results. The Directors confirm that no significant failings or weaknesses were identified as a result of the review of the effectiveness of the Group's system of internal control.

NOMINATION COMMITTEE REPORT

‘The Nomination Committee had an active year with progress made on several fronts: succession planning, Board effectiveness and improving our diversity.’

Dear Shareholder

At times of such uncertainty, it is crucial that we have the right balance of skills, experience and perspectives to direct the Company and the accomplishment of its strategic goals. The Nomination Committee’s responsibilities for overseeing succession plans for both the Board and the management team are therefore critical. The Committee reviewed the Board skills matrix to ensure that skills aligned with our strategy are well represented and, with respect to senior management, that progress is being made against identified development goals.

Our annual Board evaluation process which feeds into our succession plan pointed to an opportunity to also increase the gender diversity of the Board.

I am therefore delighted that through the process described in this report, the Committee was able to recommend the appointment of Jill Gardiner as a Non-Executive Director.

The Committee’s other area of focus during the year was the effectiveness of the Board. This brings together many aspects of our work including ensuring that the Directors have sufficient time to commit to their duties and the implementation of the findings of our internally-led Board evaluation process.

Eduardo Hochschild
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Eduardo Hochschild, Committee Chair	No	3	3
Graham Birch, Non-Executive Director	Yes	3	3
Jorge Born, Non-Executive Director	Yes	3	3
Jill Gardiner, Non-Executive Director*	Yes	1	1
Eileen Kamerick, Non-Executive Director	Yes	3	2**
Michael Rawlinson, Non-Executive Director	Yes	3	3
Dionisio Romero Paoletti, Non-Executive Director	No	3	2***
Sanjay Sarma, Non-Executive Director	Yes	3	3

* Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.
** Eileen Kamerick was unable to attend the February 2020 Committee meeting due to a family illness.
*** Dionisio Romero Paoletti was unable to attend the February 2020 Committee meeting due to a conflicting board engagement.

Key roles and responsibilities

– Identify and nominate candidates for Board approval;

– Make recommendations to the Board on composition and balance;

– Oversee the succession planning of Board and senior management positions; and

– Review the Directors' external interests with regards to actual, perceived or potential conflicts of interest.

Membership

The members of the Committee are listed opposite. Jill Gardiner was appointed a member of the Committee following her appointment to the Board on 1 August 2020.

The Company Secretary acts as Secretary to the Committee.

Activity during the year

The principal matters considered by the Committee are outlined below.

Reporting

– The report of the Committee's activities for inclusion in the 2019 Annual Report;

Board diversity

– The strategy to increase the gender diversity of the Board to enable the Company to comply with the target set by the Hampton-Alexander Review by the end of 2021;

Board composition & effectiveness

– The selection and recruitment process for the appointment of an Independent Non-Executive Director and the subsequent review of conflicts of interest prior to recommending the appointment of Jill Gardiner (see 'Appointments to the Board' section below for further details);

– Dionisio Romero's time commitment to the Company in light of the concerns expressed by investors reflected by the level of votes cast against his re-election at the 2020 AGM (see page 84 of the Corporate Governance Report for further details);

Succession planning

– Non-Executive succession plan.

To support these annual deliberations, the Committee considered a skills matrix which (a) maps the extent to which key skills are represented around the Board table; and (b) identifies any skill gaps that arise on the assumed retirements from the Board within the next five years. The matrix highlights other relevant considerations, such as the requisite independent Board representation and the potential to increase gender diversity. Accordingly, the Committee was able to plan for future Non-Executive appointments both in terms of timing and the profile of potential appointees;

– Executive Succession & Development Plan.

Under the rolling schedule of keeping updated on contingency planning and Senior Executive development, the Committee considered the successors to 'Critical Positions' and the developmental needs for those currently in those roles;

Evaluation

– The action plan to implement the findings of the 2019 Board evaluation process relating to Board composition;

– The format of the 2020 Board evaluation process;

As explained earlier in this report, it was decided to postpone the planned external Board evaluation until circumstances permitted the physical attendance of a facilitator;

– The findings of the 2020 Board evaluation process relating to the Committee's scope of responsibilities (see earlier section of the Corporate Governance Report). The performance of the Committee was evaluated as part of this process and, while further consideration will be given to the optimal composition of the Committee, it was concluded that the Committee performed effectively.

Appointments to the Board

In seeking candidates for appointment to the Board, regard is given to relevant experience and the skills required to complete the composition of a balanced Board, taking into account the challenges and opportunities facing the Company.

The Board's annual evaluation in 2019 and succession plan identified opportunities to acquire skills that would support the Company's strategic path and, at the same time, improve the gender diversity of the Board. Accordingly, with the support of its financial advisers, the Nomination Committee compiled a long-list of potential female candidates with experience of the Canadian capital markets, a key hub for listed mining companies. A short-list was drawn up and selected members of the Nomination Committee carried out interviews prior to recommending Jill Gardiner's appointment to the Board.

Diversity

Policy on Board appointments

The Board is keen to commit to the overriding principle that every member and potential appointee must be able to demonstrate the skills and knowledge to be able to make a valued contribution to the Board. The Board also acknowledges that diversity brings new perspectives which can drive superior business performance and promote innovation. A combined approach to Board recruitment has therefore been adopted which primarily considers a candidate's merits, but which also seeks opportunities to ensure the ongoing diversity of the Board, whether of gender, culture, professional background, nationality or otherwise.

Increasing workforce diversity

The Company is committed to redressing the gender imbalance in its workforce. To support this, a standalone Diversity & Inclusion Policy was adopted during the year and a number of initiatives were launched. Please refer to page 58 for further details.

SUSTAINABILITY COMMITTEE REPORT

‘The Company has a long tradition of prioritising the safety and wellbeing of its people, and this was especially true in 2020 given the challenges posed by the Covid-19 pandemic.’

Dear Shareholder
The pandemic has affected every part of the business and I am proud that the collective sense of responsibility, a key foundation of our corporate purpose, has shone through.

The Sustainability Committee oversaw the implementation of the comprehensive action plan to ensure the welfare of our employees. This has required a monumental effort in implementing health protocols under the supervision of a Covid-19 Committee and adjusting the way we operate.

The pandemic also saw the Company adapt its Community Relations work. The flagship project of the year was the provision of free and unlimited internet access to thousands of residents spread across numerous rural communities, providing a crucial means of communication and access to services.

While the Committee monitored the continued progress with the implementation of the second iteration of our safety culture transformation plan, known as ‘Safety 2.0’, it is with deep regret that we suffered a fatality at Pallancata during the first quarter of the year. We remain committed to devoting all necessary resources to achieving our ongoing objective of zero fatalities.

The Group performed strongly in relation to environmental management, as indicated by our highest ECO Score rating, which continues to receive external recognition for its innovative approach.

Further details on the above and our standalone Sustainability Report to be published later in the year can be found from page 50.

Dr Graham Birch
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Graham Birch, Non-Executive Director (Chair)	Yes	4	4
Ignacio Bustamante, Chief Executive Officer	No	4	4
Michael Rawlinson, Non-Executive Director	Yes	4	4
Sanjay Sarma, Non-Executive Director	Yes	4	4

Key roles and responsibilities
– Evaluate the effectiveness of the Group’s policies for identifying and managing health, safety and environmental risks within the Group’s operations;
– Assess the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties. It also assesses the impact of such decisions and actions on the reputation of the Group;
– Evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, environmental and community relations issues; and
– Oversee the methods of engagement with the Group’s workforce to understand their views and communicate these to the Board such that these can be taken into account in the Board’s discussions and decision-making.

Membership
The members of the Committee are listed above. There were no changes to Committee membership during the year.

The Vice Presidents of Operations, Legal and Corporate Affairs, and Human Resources attended each Sustainability Committee meeting by invitation. The Company Secretary acts as Secretary to the Committee.

Activity during the year
Details relating to the Sustainability Committee and the Group’s activities in this area are set out in the Sustainability Report on pages 50 to 63.

REMUNERATION COMMITTEE REPORT

‘In addition to the usual areas of focus during the year, the Remuneration Committee has undertaken a comprehensive review of the Company’s Remuneration Policy which will be put to shareholders for approval at the forthcoming AGM.’

Dear Shareholder

The Remuneration Committee continued to exercise its primary responsibility of ensuring a framework of remuneration that attracts and retains its people with incentives that are aligned with our business strategy and the creation of shareholder value.

The Committee kept informed of the views of its investors in response to the 2019 Remuneration Report and of market developments generally through reports from our advisers including the impact of the Covid pandemic on executive incentives.

Our efforts in 2020, however, were focused on the review of the Company’s Remuneration policy in advance of its submission to shareholders for approval at the 2021 AGM.

In formulating the revised Policy, the Committee has incorporated the views of investors since the current policy was adopted in 2018 and, in addition, the Committee undertook an extensive engagement process to seek specific feedback from our largest shareholders on our proposals.

Further details can be found in the Directors’ Remuneration Report on page 102.

Michael Rawlinson
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson, Non-Executive Director (Chair)	Yes	4	4
Graham Birch, Non-Executive Director*	Yes	2	2
Jill Gardiner, Non-Executive Director**	Yes	2	2
Eileen Kamerick, Non-Executive Director	Yes	4	4

* Graham Birch stepped down from the Committee on 1 August 2020.
** Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.

Key roles and responsibilities

– Determine and agree with the Board the broad policy for the remuneration of the Executive Directors, other members of senior management and the Company Secretary, as well as their specific remuneration packages;

– Regularly review the ongoing appropriateness and relevance of the Remuneration Policy;

– Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;

– Ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded, and that the duty to mitigate loss is fully recognised;

– Review workforce remuneration and related policies and the alignment of incentives and reward with culture; and

– Review and note annually the remuneration trends across the Company.

Membership

The members of the Committee who served during the year are listed above. On 1 August 2020, Graham Birch retired from the Committee and Jill Gardiner was appointed a Committee member.

The Company Secretary acts as Secretary to the Committee.

Members of senior management attend meetings at the invitation of the Committee. During the year, such members included the Chairman, the Chief Executive Officer and the Vice President of Human Resources. No Director or senior executive is present at meetings when his or her own remuneration arrangements are considered by the Committee unless otherwise directed by the Committee.

Activity during the year

Details of the Remuneration Committee’s activities during the year are provided in the Directors’ Remuneration Report from page 102.

Introduction

References in this section to 'the Articles' are to the Company's Articles of Association as at the date of this report, copies of which are available from the Registrar of Companies or on request from the Company Secretary.

References in this section to 'the Companies Act' are to the Companies Act 2006.

Share capital

Issued share capital

The Company's issued share capital comprises 513,875,563 ordinary shares of 25 pence each ('shares'). No shares were issued during the year ended 31 December 2020.

The Hochschild Mining Employee Share Trust ('the Trust') is an employee share trust established to hold shares on trust for the benefit of employees within the Group.

The Trustee of the Trust has absolute discretion to vote or abstain from voting in relation to the shares held by it from time to time and in doing so may take into account the interests of current and future beneficiaries and other considerations.

Current share repurchase authority

The Company obtained shareholder approval at the AGM held in May 2020 for the repurchase of up to 51,387,556 shares which represented, at that time, 10% of the Company's issued share capital ('the 2020 Authority'). Whilst no purchases have been made by the Company pursuant to the 2020 Authority, it is intended that shareholder consent will be sought on similar terms at this year's AGM when the 2020 Authority expires.

Additional share capital information

This section provides additional information as at 31 December 2020.

(a) Structure of share capital

The Company has a single class of share capital which is divided into ordinary shares of 25 pence each, which are in registered form.

Further information on the Company's share capital is provided in note 28 to the consolidated financial statements.

(b) Rights and obligations attaching to shares

The rights attaching to the ordinary shares are described in full in the Articles. In summary, on a show of hands and on a poll at a general meeting or class meeting, every member present in person or, subject to the below, by proxy has one vote for every ordinary share held. However, in the case of a vote on a show of hands, where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member that is a corporation is entitled to appoint more than one individual to act on its behalf at a general meeting or class meetings as a corporate representative.

(c) Transfer of shares

The relevant provisions of the Articles state that:

- registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Regulations and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four;
- the Directors may, in their absolute discretion, decline to register any transfer of any share which is not a fully paid share. The Directors may also decline to recognise any instrument of transfer relating to a certificated share unless the instrument of transfer:
  - is duly stamped (if required) and is accompanied by the relevant share certificate(s) and such other evidence of the right to transfer as the Directors may reasonably require; and
  - is in respect of only one class of share. The Directors may, in their absolute discretion, refuse to register a transfer if it is in favour of more than four persons jointly; and
  - the Directors may decline to register a transfer of any of the Company's shares by a person with a 0.25% interest, if such a person has been served with a notice under the Companies Act after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

(d) Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by him or her, if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued shares are fully paid.

Substantial shareholdings

The Company has been notified of the interests detailed in the table below in the Company's shares in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

As at 31 December 2020	Number of ordinary shares/voting rights	Percentage of issued share capital)	Nature of holding)
Eduardo Hochschild	196,900,306[1]	38.32%	Indirect
Majedie Asset Management Limited	25,384,745	4.94%	Indirect
Van Eck Associates Corporation[2]	24,715,437	4.81%	Direct
Additional holdings notified as at 17 February 2021			
BlackRock, Inc.	28,662,724	5.57%	Indirect

1 The shareholding of Mr Eduardo Hochschild is held through Pelham Investment Corporation.
2 The information disclosed is taken from the latest notification received by Hochschild from Van Eck Associates Corporation in June 2018.

In addition, no member shall be entitled to vote if he or she failed to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

(e) Deadlines for voting rights
Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard.

Votes may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. Under the Articles, the deadline for delivering proxy forms cannot be earlier than 48 hours (excluding non-working days) before the meeting for which the proxy is being appointed.

Shareholder agreements

The Relationship Agreement entered into prior to the IPO between, amongst others, the Major Shareholder (as defined in the Relationship Agreement) and Eduardo Hochschild (collectively 'the Controlling Shareholders') and the Company:

- contains provisions restricting the Controlling Shareholders' rights to exercise their voting rights to procure an amendment to the Articles that would be inconsistent with the Relationship Agreement; and
- contains an undertaking by the Controlling Shareholders that they will, and will procure that their Associates will, abstain from voting on any resolution to approve a transaction with a related party (as defined in the FCA Listing Rules) involving the Controlling Shareholders or their Associates.

Significant agreements

A change of control of the Company following a takeover bid may cause a number of agreements to which the Company, or any of its trading subsidiaries, is party to take effect, alter or terminate. Such agreements include commercial trading contracts, joint venture agreements and financing arrangements.

Further details are given below of those arrangements where the impact may be considered to be significant in the context of the Group.

(a) $200 million Credit Agreement
Under the terms and conditions of the $200 million Credit Agreement between, amongst others, the Group and Scotiabank Peru S.A.A, a Change of Control obliges the Group to prepay all Advances (as defined in the agreement) unless any Lender notifies the Group that it is declining any such prepayment in which case the Advances owing to such declining Lender shall not be prepaid.

In summary, a Change of Control means an event or series of events by which: (a) the Permitted Holders (being Eduardo Hochschild, his spouse, either of their descendants or estate or guardian of any of the aforementioned, a trust for the benefit of one or more of the aforementioned or any entity controlled by any one or more of the aforementioned) shall for any reason cease, individually or in the aggregate, to control the Company; or (b) the Permitted Holders shall for any reason cease, individually or in the aggregate, to have the power to appoint at least a majority of the members of the Board of Directors or other equivalent governing body of the Company; or (c) the Company shall for any reason cease, directly or through one or more of its Subsidiaries, to be the 'beneficial owner' (as so defined) of more than 50% of the Equity Interests in Compania Minera Ares S.A.C.

Following the sale of shares by the Major Shareholder in December 2020, the Lenders concluded that a Change of Control was not triggered under the terms of the Credit Agreement.

(b) Long-Term Incentive Plans
Awards made under the Group's Long-Term Incentive Plan shall, upon a change of control of the Company, vest early unless a replacement award is made. Vesting will be pro-rated to take account of the proportion of the period from the award date to the normal vesting date falling prior to the change of control and the extent to which performance conditions (and any other conditions) applying to the award have been met.

Summary of constitutional and other provisions

Appointment of Directors
Under the terms of the Articles Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following AGM and is then eligible for election by shareholders but is not taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting.

The Directors may from time to time appoint one or more of their body to be the holder of any executive office for such period (subject to the Companies Act) and on such terms as they may determine and may revoke or terminate any such appointment.

Each Director is subject to periodic re-election by shareholders at intervals of no more than every three years. Each Director (other than the Chairman and any Director holding executive office) shall retire at each AGM following the ninth anniversary of the date on which he or she was elected by the Company.

Approach to appointments adopted by the Board
Under law, the Company is entitled to adopt such practices which are no less stringent than those set out in the Articles. Accordingly, notwithstanding the above, the Board has adopted the recommendation of the UK Corporate Governance Code that all Directors should seek annual re-election by shareholders.

2014 Listing Rules
Following the implementation, in 2014, of new Listing Rules by the Financial Conduct Authority (in its capacity as the UK Listing Authority), as a company with a controlling shareholder, the election or re-election of any Independent Director must be approved by: (i) all shareholders of the Company; and (ii) the independent shareholders of the Company (i.e. any person entitled to vote on the election of Directors of the Company who is not a controlling shareholder).

If either shareholder resolution to elect or re-elect the Independent Director is defeated, the Company may propose a further resolution to elect or re-elect the proposed Independent Director provided that the further resolution must not be voted on within 90 days from the date of the original vote but it must then be voted on within a period of 30 days from the end of the 90 day period. It may then be passed by a simple majority of the shareholders of the Company voting as a single class.

Removal of Directors
The Company may, in accordance with and subject to the provisions of the Companies Act by ordinary resolution of which special notice has been given, remove any Director before the expiration of his/her term of office. The office of Director shall be vacated if: (i) s/he is prohibited by law from acting as a Director; (ii) s/he resigns or offers to resign and the Directors resolve to accept such offer; (iii) s/he becomes bankrupt or compounds with his/her creditors generally; (iv) a relevant order has been made by any court on the grounds of mental disorder; (v) s/ he is absent without permission of the Directors from meetings of the Board for six months and the Directors resolve that his/her office be vacated; (vi) his/her resignation is requested in writing by not less than three quarters of the Directors for the time being; or (vii) in the case of a Director other than the Chairman and any Director holding an executive office, if the Directors shall resolve to require him/her to resign and within 30 days of being given notice of such notice s/he so fails to do.

Relationship Agreement
In addition, under the terms of the Relationship Agreement:

- for as long as the Major Shareholder has an interest of 30% or more in the Company, it is entitled to appoint up to two Non-Executive Directors and to remove such Directors so appointed; and
- for as long as the Major Shareholder has an interest of 15% or more of the Company, it is entitled to appoint up to one Non-Executive Director and to remove such Director so appointed.

Amendment of Articles of Association
Any amendments to the Articles may be made in accordance with the provisions of the Companies Act by way of special resolution.

Powers of the Directors
Subject to the Articles, the Companies Act and any directions given by special resolution, the business and affairs of the Company shall be managed by the Directors who may exercise all such powers of the Company.

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights or restrictions as the Company may by ordinary resolution decide or, in the absence of any such resolution, as the Directors may decide. Subject to applicable statutes and any ordinary resolution of the Company, all unissued shares of the Company are at the disposal of the Directors. At each AGM, the Company puts in place an annual shareholder authority seeking shareholder consent to allot unissued shares, in certain circumstances for cash, in accordance with the guidelines of the Investor Protection Committee.

Repurchase of shares
Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as Treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The minimum price which must be paid for such shares is specified in the relevant shareholder resolution.

Dividends and distributions
Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Directors.

The Directors may pay interim dividends whenever the financial position of the Company, in the opinion of the Directors, justifies their payment. If the Directors act in good faith, they are not liable to holders of shares with preferred or pari passu rights for losses arising from the payment of interim dividends on other shares.

Additional disclosures

Disclosure table pursuant to Listing Rule 9.8.4C R
For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following parts of this Annual Report:

Section	Matter	Location
(1)	Interest capitalised	Note 15 to the consolidated financial statements
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of specified long-term incentive scheme	None
(5)	Waiver of emoluments by a Director	None
(6)	Waiver of future emoluments by a Director	None
(7)	Non pre-emptive issues of equity for cash	None
(8)	Item (7) in relation to major subsidiary undertakings	None
(9)	Parent participation in a placing by a listed subsidiary	None
(10)(a)	Contract of significance in which a Director is interested	None
(10)(b)	Contract of significance with controlling shareholder	None
(11)	Provision of services by a controlling shareholder	Directors' Report
(12)	Shareholder waivers of dividends	Directors' Report
(13)	Shareholder waivers of future dividends	Directors' Report
(14)	Agreement with controlling shareholder	Directors' Report

Non-financial information statement

The information below is produced to comply with sections 414CA and 414CB of the Companies Act 2006. The information is incorporated by cross-reference.

Reporting requirement	Relevant policies	Further information	KPIs
Business model		Business model (page 22)	
Principal risks		– Risk Management & Viability (page 64) – Audit Committee report (page 89)	
Environmental matters	– Code of Conduct* – Corporate Sustainability Policy* – Corporate Environmental Policy	Environment section of the Sustainability Report (page 60)	– GHG emissions – GHG intensity – ECO Score – Electricity consumption – Water consumption – Waste generation
Employees	– Code of Conduct* – Corporate Sustainability Policy* – Protocol for the Prevention of Covid-19 – Corporate Health & Safety Policy	The following sections of the Sustainability Report: Our People (page 58), Safety (page 53, Health & Hygiene (page 56)	– % workforce trained – Training hours – % workforce unionised – % employee satisfaction – Health consultations – High Potential Events rate – Fatalities – Injury Frequency rate – Accident Severity rate
Social matters	– Corporate Sustainability Policy* – Corporate Community Relations Policy*	Community Relations section of the Sustainability Report (page 63)	– Community employment – Community investment – Services and Goods provided by suppliers from communities
Human rights	– Corporate Sustainability Policy* – Corporate Human Rights Policy* – Diversity & Inclusion Policy* – Sexual Harassment Prevention Policy	Our People section of the Sustainability Report (page 58)	– Workforce by gender
Anti-corruption and Anti-bribery matters	– Code of Conduct* – Anti-corruption and Bribery Policy* – Whistleblowing Policy*	Audit Committee report (page 89)	

* Copies available from http://www.hochschildmining.com/en/responsibility

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2020 which is split into three sections: this Annual Statement, the Directors' Remuneration Policy and the Annual Report on Remuneration.

In a year dominated by the Covid-19 pandemic, the Group's results are testament to the efforts of the management team and our colleagues across the entire organisation and our partners. Each and every one has risen to the unprecedented challenges by demonstrating a willingness to adapt to fast-changing circumstances with unquestionable commitment.

In light of the stoppages at our operations, production and cost guidance for the year were revised in the second half of the year, which have been met. As stated in the early part of this report, the Group has performed resiliently and, for the first time in many years, has ended 2020 in a net cash position.

Covid

Throughout the Annual Report we have described the wide-ranging impact of the Covid-19 pandemic on the Group and how this has been managed. From the use of technology to safely manage the logistics associated with shift changes to the donations of food and medical equipment to our local communities, our people's response has been equally wide-ranging and comprehensive.

I and my fellow Board members are immensely proud that even though the landscape in which we operate has, like for many others, changed beyond recognition, the Group has not had to take advantage of any government-sponsored support schemes and neither has it suffered any compulsory job losses. In fact, throughout the year, the Group has met, in full, its financial obligations to every one of its employees and has done so without any delay. For this, we acknowledge management's efforts in ensuring our level of preparedness in the face of such severe disruption.

Remuneration Policy review

Our 2018 Directors' Remuneration Policy was approved by shareholders at the 2018 Annual General Meeting ('AGM'), and we will be seeking shareholder approval for a new Policy at the 2021 AGM, to take effect from the AGM. The revised Directors' Remuneration Policy is the culmination of a wide-ranging review by the Remuneration Committee that took in all elements of executive remuneration at Hochschild Mining. The focus has been on incorporating features of good practice in light of specific investor feedback and revisions to the UK Corporate Governance Code, reflecting investor priorities as well as to reflect general trends in executive remuneration. Such changes include reductions in the bonus payouts at threshold and target performance levels and the introduction of post-employment shareholding requirements.

Performance measures for Long-Term Incentive Plan ('LTIP')

A key objective of the review was to revise the LTIP performance measures, which were based only on performance measures relating to relative Total Shareholder Return ('TSR') and, as a result, either vested at high levels or lapsed entirely. With effect from the awards granted this year, LTIP vesting will be based on a combination of Relative TSR performance (weighted 50%), and Internal KPIs, helping to ensure the plan reinforces strategic priorities, aligns with shareholders' interests and is robust. For 2021 awards, the Internal KPIs will be based 50% on a Measured & Indicated resources per share target over three years, and 50% on a 'consistency' measure based on the average bonus scorecard outcome over the three financial years of the LTIP award. The introduction of the resources measure reflects a key driver of value for Hochschild, being the growth of our asset base, and addresses our key priorities and those of our shareholders. The Committee has introduced a consistency measure as it believes investors value reduced earnings volatility. This measure is sufficiently stretching as it is based on a tougher vesting schedule than that which delivers the annual bonus, and is also subject to an underpin whereby none of this LTIP component would vest if, in any of the individual financial years, the bonus scorecard achievement is less than 60%, reinforcing the sustained-performance nature of this LTIP component.

The updated policy, subject to shareholder approval, incorporates mandatory bonus deferral and post-vesting holding requirements on the entire vested LTIP award in line with good market practice.

Annual Bonus Plan

The revised Remuneration Policy provides for reduced bonus payouts at threshold and target levels to reflect shareholder feedback on the previous structure. In addition, the opportunity has been taken to increase the level of incentivisation offered by the plan by proposing an increase to the bonus opportunity from 150% to 180% of salary for the CEO. Historical analysis applying this new structure indicates that the weighted average payout over the past 10 years would be unchanged but that it achieves a stronger correlation between performance and bonus payouts. It will also help ensure that the variable pay opportunity is competitive with those offered at international mining peers where bonus opportunities are typically 200% of salary.

From 2021, any bonus earned above 150% of salary will be subject to mandatory deferral for a period of two years. The Committee considered investor guidance around bonus deferral, and took into account practices at international mining companies comparable to Hochschild, for whom bonus deferral is significantly less prevalent than within the FTSE250. The Committee also took into account the change being proposed around the LTIP, for which vested awards will be deferred in full in shares (as opposed to only 50% previously), and the extension post-termination of the shareholding requirements, all of which contribute to greater, and longer, share ownership by Executive Directors.

The Committee considers the proposed revisions to the bonus plan to also be appropriate in light of the decision not to establish a successor plan to the Restricted Share Plan which was a significant element of the CEO's total remuneration until the end of 2019. The Committee is satisfied on the overall market positioning of the CEO's pay; our benchmarking of the overall remuneration levels for the CEO indicates his package is slightly below market median, and the total value of the CEO's pay structure has declined by c.37% over the last four years with the removal of the Enhanced LTIP and Restricted Share Plan.

Incorporating other elements of good practice

The revised Policy also includes the introduction of a post-termination shareholding requirement, in line with good corporate governance, and clarifies the trigger events which may give rise to the application of malus. The full details of the changes are included on page 105.

The Committee conducted a thorough consultation with our major shareholders in advance of finalising the Policy and we thank those shareholders who provided feedback; we revised our proposals following this exercise, taking into account the very helpful feedback from shareholders on numerous aspects of the original proposals.

Remuneration decisions in 2020

For 2020, the CEO will receive an annual bonus of 135% of salary (equivalent to 90% of maximum), based on a scorecard capturing financial, operational, strategic and CSR measures. The scorecard was set at the start of the financial year prior to the onset of the Covid-19 pandemic, which had a significant impact on certain operational outcomes during 2020 as a result of the government-mandated closure of our mines for several months. The bonus scorecard includes three measures (production, Adjusted EBITDA and AISC) which are highly sensitive to the availability of our mining assets, and hence the closure of these assets for such a period of time fundamentally invalidated the targets set at a time when it was assumed there would be full operational capacity throughout the entire year. The Committee therefore reconsidered the targets for these three measures as soon as practicable after the resumption of operations in the second half of the year, when the Group was in a position to revise its full-year forecasts with an adequate level of certainty, and applied its discretion to adjust, pro-rata, the bonus targets relating to production, Adjusted EBITDA and AISC to ensure they remained relevant to the c.900 broad-staff population participating in the plan.

At its meeting in February 2021, the Committee considered the overall outcome against the scorecard including the Group's safety performance.

The Committee further took note of several other perspectives of the Company's performance, including: (i) the employee experience (no redundancies, no furlough, all received full pay), (ii) the taxpayer experience (no use of government support), (iii) the shareholder experience (share price growth in 2020), and (iv) the community experience (funding contributions to medical testing and hardship funds, donations of medical equipment to hospitals, etc).

The Committee is satisfied the bonus outcome reflects the Company's strong operational performance despite the unprecedented challenges posed by Covid-19 and, importantly, preserves the credibility of the incentive plan, to ensure its effective operation across its c.900 participants for future cycles. A summary of performance against the bonus scorecard is included on page 114.

During 2018, the CEO was granted an LTIP award of 200% of salary, of which vesting was based on Hochschild's TSR performance over the three financial years to 31 December 2020 compared to international mining peers and the FTSE350 Miners. The purpose of the LTIP is to incentivise sustained shareholder value creation over the long term. Based on Hochschild's relative TSR performance over this three-year period, the 2018 LTIP award will lapse.

During 2020, the CEO was granted an LTIP award of 200% of salary. Vesting is based on Hochschild's TSR performance over the three financial years to 31 December 2022 compared to international mining peers and the FTSE350 Mining Index.

CEO pay ratio

With only three employees based in the UK, the Company is not required to provide a CEO pay ratio. Details of the year-on-year changes in the CEO's pay and that of the Directors and of full-time salaried employees in Peru can be found in the section headed 'Annual percentage change in Directors' remuneration'.

Implementation of proposed Remuneration Policy in 2021

For 2021, the maximum annual bonus opportunity will, subject to shareholder approval of the Remuneration Policy, be 180% of salary, with any bonus earned above 150% of salary deferred in shares for two years. The bonus payment will be subject to performance against broadly the same measures as those used in 2020. An LTIP award of 200% of salary is proposed for 2021, the vesting of which will be based on a combination of Relative TSR and the achievement of objectives based around Internal KPIs over the three-year period ending 31 December 2023.

I trust that shareholders will be supportive of the proposed changes to the Remuneration Policy, and if you should have any queries or comments on the Policy or any aspect of this year's report, I would encourage you to contact me through the Company Secretary.

I hope you find this report to be informative.

Michael Rawlinson
Chair of the Remuneration Committee

This report has been prepared according to the requirements of the Companies Act 2006 ('the Act'), Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and other relevant requirements of the FCA Listing Rules. In addition, the Board has applied the principles of good corporate governance set out in the UK Corporate Governance Code, and has considered the guidelines issued by its leading shareholders and bodies such as ISS (Institutional Shareholder Services), the Investment Association, and the Pensions and Lifetime Savings Association.

Directors' Remuneration Policy (unaudited)

This section sets out our new Remuneration Policy (the 2021 Policy), which will be presented to shareholders for approval at, and take effect from, the 2021 AGM. The principal objectives of the Remuneration Policy are to:

– attract, retain, and motivate the Group's executives and senior management;

– provide management incentives that align with and support the Group's business strategy; and

– align management incentives with the creation of shareholder value.

The Group seeks to achieve this alignment over both the short and long term through the use of an annual performance-related bonus, which rewards the achievement of a balanced mix of financial, operational and other relevant performance measures, and the use of a Long-Term Incentive Plan ('LTIP') which is linked to longer-term critical measures of financial and non-financial performance.

The Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. Remuneration decisions are also driven by external considerations, in particular relating to the global demand for talent in the mining sector. The Committee retains discretion to make non-significant changes to the Policy without going back to shareholders.

The Committee is satisfied the principles of the UK Corporate Governance Code relating to the design of remuneration policies and practices have been applied:

Clarity: we ensure pay for performance and our policy is designed to be logical and transparent

Simplicity: Executive Director remuneration comprises a minimum of components, based on a regular package including fixed pay, and short- and long-term variable pay

Risk: a significant proportion of the Executive Director remuneration package is delivered in long-term or deferred pay which ensures the longer-term impact of decisions is reflected in pay. Furthermore, the combination of in-post and post-employment shareholding requirements, as well as capturing several categories of performance in the variable pay elements, helps to ensure multiple mechanisms through which to expose senior executive pay to inadequate risk management

Predictability: variable pay is subject to the achievement of specific and transparent performance targets, and the Committee has the ability to apply its discretion to ensure variable pay outcomes reflect underlying corporate health

Proportionality: the Executive Director pay mix is similar to that at comparable international mining peers, and the Committee has the ability to apply its discretion to ensure overall pay outcomes are proportionate to the Company's long-term performance

Alignment to culture: variable pay captures several categories of performance, including non-financial objectives such as those relating to safety and environmental performance, helping to ensure pay reflects multiple perspectives on performance, and not just financial outcomes

Summary of Policy changes

The table below sets out the key changes between the 2018 Policy and the 2021 Policy, to be approved by shareholders at the 2021 AGM:

Policy element	Description of change
Annual Bonus	Reduction in the payouts at threshold and target performance levels to 30% and 50% of maximum respectively (from 50% and 75% respectively) Increase in the maximum opportunity from 150% to 180% of salary Mandatory deferral of any bonus earned above 150% of salary into shares for two years
LTIP	LTIP vesting to be based on a combination of Relative TSR and Internal KPIs Increase in the proportion of vested LTIP awards deferred in shares for two years from 50% to 100% Clarification that the exceptional award opportunity of 267% of salary is to be used only in recruitment circumstances
Post-employment shareholding requirements	Introduction of post-employment shareholding requirements for a two-year period following termination of employment, set at the lower of the actual shareholding at time of leaving and the in-post shareholding requirement (250% of salary) for the first year, and then reduced by 50% for the second year; to apply to new LTIP awards granted to Executive Directors from the introduction of the new Policy
Malus	In order to overcome the legal difficulties in enforcing clawback in Peru, the Policy wording relating to the events which may lead to the application of malus has been clarified so as to include references to misconduct, reputational damage, error in calculation and any material breach of an individual's employment contract

Policy Table

The table below provides a summary of each element of the Remuneration Policy for Executive Directors.

Element: **Base salary**
Objective and link to strategy: **To support recruitment and retention**

Operation	Opportunity	Performance metrics
Salary is reviewed annually, usually in March, or following a significant change in responsibilities. Salary levels are targeted to be competitive and relevant to the global mining sector, with reference to the relative cost of living. The Committee also takes into consideration general pay levels for the wider employee population.	To avoid setting expectations, there is no prescribed maximum salary. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with the wider employee population. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity, the reversal of a previous salary reduction, or if a Director has not received an increase for a number of years), the Committee has discretion to make appropriate adjustments to salary levels.	None
Executive Directors receive Compensation for Time Services ('CTS') and profit share, both of which are provided for by Peruvian law, as well as certain allowances which may include medical insurance, the use of a car and driver, and personal security.	CTS is a legal entitlement for employees in Peru which provides for a fund in the event of termination of employment. CTS in respect of base salary is calculated as one month's wages and is deposited biannually in an employee's interest-accruing bank account and prior to the end of employment, employees can gain access to the deposited amount to the extent it exceeds four months' wages. CTS in respect of other forms of remuneration such as incentive payouts, that are considered to be 'non-extraordinary', is currently calculated at a rate of 1/24th. For the profit share, an amount equal to 8% of the relevant Peruvian company's taxable income for the year is distributable to its employees. This amount is mandated by Peruvian law, and any increases are not within the control of the Group. The amount receivable by each Executive Director is determined with reference to annual base salary (plus other incentive payouts, if any) and the number of days worked during the calendar year. The value of the other benefits varies by role and individual circumstances; eligibility and cost are reviewed periodically. The Committee retains the discretion to approve a higher cost of benefits in exceptional circumstances (for example relocation) or in circumstances where factors outside the Company's control have changed materially (for example increases in insurance premiums).	None

Element: **Annual bonus**

Objective and link to strategy: **To achieve alignment with the Group's strategy and commitment to operating responsibly**

Operation	Opportunity	Performance metrics
Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which targets have been achieved, taking into account individual performance. Bonus payments of up to 150% of salary are delivered in cash; any bonus earned above 150% of salary is deferred in Hochschild shares, under the Deferred Bonus Plan, for two years. Deferred bonus is subject to malus, i.e. forfeiture or reduction, in circumstances such as material misstatement, reputational damage, gross misconduct and material breach of an individual's employment contract. If deferral is applied, the Committee retains the discretion to allow dividends (or equivalent) to accrue over the deferral period in respect of the awards that vest.	The maximum annual bonus opportunity is 180% of salary. For 'threshold' and 'target' levels of performance, the bonus earned is up to 30% and 50% of maximum, respectively.	Performance is determined by the Committee by reference to Group financial measures as well as the achievement of personal/strategic objectives. The personal/strategic objectives are typically weighted no higher than 30% of maximum. The Committee retains discretion to vary year-on-year the weightings for individual measures, to ensure alignment with the business priorities for the year. Performance targets are generally calibrated with reference to the Company's budget for the year. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The Committee uses its judgement to determine the overall scorecard outcome based on the achievement of the targets and the Committee's broad assessment of Company and individual performance. A review of the quality of earnings is conducted by the Committee to determine whether any adjustments should be made to the reported profit for the purpose of bonus outcomes. This ensures that bonus outcomes are not impacted by unbudgeted non-recurring or one-off items, or circumstances outside of management's control such as material changes in commodity prices that could distort the overall quality of earnings. Malus provisions apply, i.e. the Committee has the discretion to reduce bonus payments on the occurrence of an adverse event that is attributable (directly or indirectly) to an act or failure to act by the executive. Such events include those related to health and safety, the environment or community relations. Other trigger events include misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration, unless they are considered to be commercially sensitive.

Element: **Long-Term Incentive Plan ('LTIP')**

Objective and link to strategy: **To directly incentivise sustained shareholder value creation through operational performance and to support the recruitment of senior positions and longer-term retention**

Operation	Opportunity	Performance metrics
Awards are made annually, in the form of cash, with vesting subject to the attainment of specific performance conditions and continued employment. Awards have a performance and vesting period of at least three years. Vested awards are invested in Company shares and normally required to be held for a further two years. Dividends, if any, will accrue to shares during the holding period.	Maximum annual award level is 200% of salary (267% of salary in exceptional circumstances relating to the recruitment of an Executive Director). Threshold performance will result in vesting of 25% of an award.	Vesting of LTIP awards is based on performance measures linked to the Group's strategic priorities and may vary cycle-to-cycle. Malus provisions apply, i.e. the Committee can reduce or prevent vesting if it determines either that (i) the overall underlying business performance of the Company is not satisfactory or (ii) an act or failure to act, which is attributable (directly or indirectly) to an award-holder has resulted in, among other things, an adverse event related to health and safety, the environment or community relations; or (iii) on the occurrence of certain trigger events including misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract.

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure, but within the limits sets out in the Policy Table, in order to facilitate the recruitment of an individual, exercising the discretion available under Listing Rule 9.4.2R.

Shareholding requirements

Executive Directors are required to acquire and retain a beneficial shareholding in the Company equal to at least 250% of base salary whilst in employment. Directors' shareholdings are reviewed to ensure compliance with the requirements.
A post-employment shareholding requirement will apply to equity-based awards granted after the effective date of the 2021 Remuneration Policy, requiring Executive Directors on the termination of their employment to hold the lower of (i) their shareholding at the date of termination and (ii) shares equivalent to their in-post shareholding requirement for a two-year period post-employment, with the required shareholding level reduced to 50% of the in-post shareholding requirement after 12 months.

Notes to the Policy Table

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy detailed in this report (such as awards made under a previous Policy, or awards made prior to appointment to the Board). Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Performance measurement selection and approach to target-setting

The measures used under the annual bonus are selected annually to reflect the Group's main strategic objectives for the year and reflect both financial and non-financial priorities.

Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are set taking into account a range of reference points including the Group's strategic and operating plan.

The Committee considers a combination of relative TSR and Internal KPIs to be the most appropriate measures of long-term performance for the Company and together with the annual bonus measures, provide a balance between absolute and relative performance, between short-term and long-term performance measures, and between external and internal measures of performance. TSR, in particular, aligns with the Company's focus on shareholder value creation and rewards management for outperformance of sector peers, and is transparent, visible and motivational to executives.

The Committee has discretion to vary the performance condition for in-flight awards in certain circumstances to ensure they continue to be fair, reasonable and no more or less difficult to satisfy than originally intended. For example, in the event of corporate activity amongst the TSR comparator group during a performance period, the Committee may make adjustments to the comparator group (for example, replacing that company with the acquiring company, including a substitute for that company, or tracking the future performance of that company by reference to the median of the remaining comparators). Other examples of special circumstances include but are not limited to rights issues, corporate restructuring, and special dividends. The Committee will also review the appropriateness of the performance conditions prior to each LTIP grant and reserves the discretion to set different targets for future awards without consulting with shareholders.

Remuneration Policy for other employees

The Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels in comparable companies.

In general, the Remuneration Policy and principles which apply to other senior executives are broadly consistent with those set out in this report for the CEO. Generally, remuneration is linked to Company and individual performance in a way that is ultimately aimed at reinforcing the delivery of shareholder value.

Senior employees above a specific grade are eligible to participate in an annual bonus scheme with a similar design to that for the CEO. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

All Peruvian employees participate in the statutory profit share scheme whereby an amount equal to 8% of the relevant Peruvian company's taxable income for the year is distributable to its employees. The amount receivable by each employee is determined with reference to their annual base salary and bonus, if any, and the number of days worked in the calendar year.

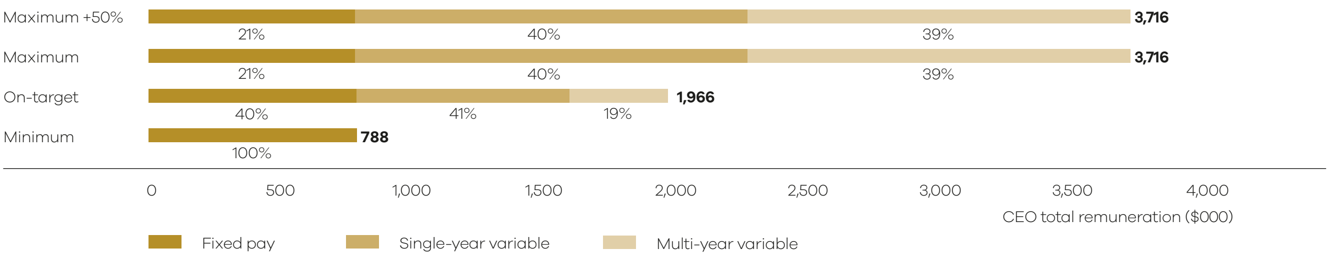
Selected senior employees participate in the LTIP and are required, subject to shareholder approval of the new plan, to invest 50% of the vested cash award (on a tax net basis) in the Company's shares and hold these shares for a further two years. These shares will count towards their target shareholding (expressed as a percentage of salary, which will be set depending on seniority).

Pay scenario charts

The charts below provide an estimate of the potential future reward opportunities for the CEO, and the potential split between the different elements of remuneration under four different performance scenarios: 'minimum', 'on-target', 'maximum' and 'maximum +50%'.

Potential reward opportunities are based on the proposed Remuneration Policy, applied to the CEO's base salary as at 1 March 2021 of $700,000, unchanged from 2020.

Performance scenario ($'000)



The 'minimum' scenario shows base salary and benefits (that is, fixed remuneration), and associated CTS. These are the only elements of the CEO's remuneration package which are not at risk.

The 'on-target' scenario reflects fixed remuneration, plus statutory profit share, a target payout of 50% of the annual bonus and threshold vesting of 25% of the maximum award under the LTIP, and associated CTS.

The 'maximum' scenario reflects fixed remuneration, plus full payout of all incentives, and associated CTS.

The 'maximum +50%' scenario reflects the requirement for a scenario where 50% share price appreciation is included. As the LTIP is not denominated in shares until after the end of the performance period, this scenario is the same as the 'maximum' scenario.

Approach to remuneration on recruitment or promotion

The Committee's policy is to set the remuneration package for a new Executive Director in accordance with the approved Remuneration Policy at the time of the appointment. The overarching aim is to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

In the cases of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration as set out in the Policy Table. In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including the nature of remuneration and where the candidate was recruited from) to ensure that arrangements are in the best interests of Hochschild and its shareholders. Where an individual is appointed on an initial base salary that is below market, any shortfall may be managed with phased increases over a period of time, subject to the individual's development in the role. This may result in above-average salary increases during this period.

In addition to the components of remuneration as set out in the Policy Table, the Committee may also make an award in respect of a new appointment to 'buy-out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, having regard to the fair value of the instruments. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met. The Committee aims to use the current remuneration structure in making recruitment awards, but in some cases it may be required to use the flexibility afforded by Listing Rule 9.4.2R, if appropriate, in relation to such buy-out awards.

In cases of appointing a new Executive Director by way of internal promotion, the Committee will determine remuneration in line with the Policy for external appointees as detailed above. Where an individual has contractual commitments made prior to his or her promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but measures may vary to provide better line-of-sight.

Service contracts

Executive Director	Date of service contract
Ignacio Bustamante	1 April 2007

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee.

Ignacio Bustamante was appointed a Director of the Company with effect from 1 April 2010 and is employed under a contract of employment with Compañia Minera Ares S.A.C. (Ares) dated 1 April 2007. The contract is subject to Peruvian law and, as such, has no fixed term and may be terminated (i) by the executive on 30 days' notice and (ii) by Ares without notice. Under Peruvian law, termination by Ares other than termination for certain prescribed reasons (such as gross negligence) gives rise to an entitlement to compensation of no less than 1.5 times the monthly base salary for each year of service completed, up to a maximum of 12 months' base salary. In addition to these provisions and to reflect Peruvian market practice, the Committee has discretion to award Ignacio Bustamante up to an additional 12 months' base salary on termination (other than for the prescribed reasons outlined above). The prevailing circumstances will be taken into consideration at the time of termination.

Non-Executive Directors

The Group's Non-Executive Directors serve under Letters of Appointment as detailed in the table below. In accordance with their terms, the Non-Executive Directors serve for an initial period of three years which is automatically extended for further three-year terms. Notwithstanding this, all Directors are subject to annual re-election by the Company in general meeting in line with the UK Corporate Governance Code, and the appointments of Non-Executive Directors may be determined by the Board or the Director giving not less than three months' notice. Details of the terms of appointment of the Company's Non-Executive Directors serving during the year are shown in the table below. The appointment and reappointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

Non-Executive Director	Letter of appointment dated	Anticipated expiry of present term of appointment (subject to annual re-election)
Eduardo Hochschild	30 January 2015	1 January 2022
Dr Graham Birch	20 June 2011	1 July 2023
Jorge Born Jr.	16 October 2006	16 October 2021
Jill Gardiner	17 July 2020	1 August 2023
Eileen Kamerick	9 September 2016	1 November 2022
Michael Rawlinson	18 December 2015	1 January 2022
Sanjay Sarma	13 December 2016	1 January 2023
Dionisio Romero Paoletti	18 December 2017	1 January 2024

Note: Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans and do not receive any pension contributions. As part of his change of role from Executive to Non-Executive Chairman on 1 January 2015, the Committee agreed that Mr Hochschild would retain his eligibility for benefits received in respect of his time as an Executive Director, consisting primarily of personal security, car and driver, and medical insurance.

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees.

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Objective	Details	Opportunity	Performance metrics
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed from time to time, with any adjustments typically effective from 1 March each year. The fee paid to the Chairman is determined by the Committee, and base fees to Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Chair of the Board's Committees and as Senior Independent Director. Fee levels are reviewed by reference to FTSE-listed companies of similar size and complexity. Time commitment, level of involvement required and responsibility are taken into account when reviewing fee levels.	Non-Executive Director fees will typically only be increased during the term of this Policy in line with general market levels of NED fee inflation. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. The maximum aggregate annual fee for all Directors provided in the Company's Articles of Association is £3 million p.a.	None

In recruiting a new Non-Executive Director, the Committee will use the Policy as set out in the table above. A base fee would be payable for Board membership, with additional fees payable for those acting as Chair of the Company's Board Committees and as Senior Independent Director, as appropriate.

Leaver and change-of-control provisions

The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion. When considering the appropriate treatment, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

Reason for leaving	Treatment of awards	Timing of vesting
Annual bonus		
Retirement, ill health, disability, death or any other reasons the Committee may determine in its absolute discretion	Cash bonuses will only be paid to the extent that Group and personal objectives set at the beginning of the year have been achieved. Any resulting bonus would typically be pro-rated for time served during the year. The Committee has discretion to determine whether deferral would be applied.	Normal payment date, although the Committee has discretion to accelerate
Change-of-control and company/ business sale	The Committee would determine the most appropriate treatment in the circumstances. The Committee has discretion to determine whether deferral would be applied.	On date of event
Any other reason	No bonus is paid.	Not applicable
LTIP		
Retirement, ill health, disability, redundancy, injury or any other reasons the Committee may determine in its absolute discretion	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise.	Normal vesting date, although the Committee has discretion to accelerate
Death	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise.	On date of event
Change-of-control and company/ business sale	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise. On a change-of-control, Hochschild awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On date of event
Any other reason	Awards lapse.	Not applicable
Deferred Bonus Plan ('DBP')		
Death, ill health, disability, redundancy, injury, retirement with agreement of the Director, or any other reasons the Committee may determine in its absolute discretion	Any outstanding awards would typically be pro-rated for time.	On date of event
Change-of-control and company/ business sale	Any outstanding awards would typically be pro-rated for time. On a change-of-control, Hochschild awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On date of event
Any other reason	Awards lapse.	Not applicable

The Remuneration Committee has discretion to determine the most appropriate treatment of vested LTIP awards that are subject to a holding period, based on the individual circumstances at the time.

External appointments policy

The Board recognises that Executive Directors may be invited to serve as directors of other companies, which can bring benefits to the Group. Executive Directors are entitled to accept appointments outside the Company providing that the Chairman's permission is sought and granted. The Policy is that fees may be retained by the Director, reflecting the personal risk assumed in such appointments.

Details of external appointments and the associated fees received are included in the Annual Report on Remuneration.

Consideration of conditions elsewhere in the Company

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the executive Remuneration Policy and framework. However, the Company seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates. Although the Committee does not consult directly with employees on the Directors' Remuneration Policy, the Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives.

Consideration of shareholder views

When determining remuneration, the Committee takes into account views of shareholders and best practice guidelines issued by institutional shareholder bodies. The Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate.

The Committee is always open to feedback from shareholders on Remuneration Policy and arrangements, and commits to undergoing shareholder consultation in advance of any significant changes to Remuneration Policy. Further details on the votes received in respect of remuneration resolutions presented at last year's AGM and any matters discussed with shareholders during the year are provided in the Annual Report on Remuneration.

Annual Report on Remuneration

The following section provides details of how Hochschild's approved 2018 Remuneration Policy was implemented during the financial year ending 31 December 2020, and how the Remuneration Committee intends to implement the 2021 Remuneration Policy in 2021. Any information contained in this section of the report that is subject to audit has been marked as such.

Remuneration Committee membership

The Remuneration Committee was chaired during the year under review by Michael Rawlinson, and its other members were Eileen Kamerick, Graham Birch (who stepped down on 1 August 2020) and Jill Gardiner (who was appointed from 1 August 2020). The Remuneration Committee has comprised, at all times, only Independent Non-Executive Directors. The composition of the Remuneration Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code and the terms of reference are available for inspection on the Company's website at www.hochschildmining.com.

Members of senior management attend meetings at the invitation of the Committee. During the year, such members included the Chairman, the CEO and the Vice President of Human Resources. No Director or senior executive is present when his or her own remuneration arrangements are considered by the Committee.

The Committee's terms of reference

The duties of the Remuneration Committee are to determine and agree with the Board the broad policy for the remuneration of the Executive Directors, the other members of senior management and the Company Secretary, as well as their specific remuneration packages including pension rights and, where applicable, any compensation payments. In determining such policy, the Remuneration Committee shall take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance, and are rewarded in a fair and responsible manner for their individual contributions to the success of the Group.

The Remuneration Committee met four times during the year (details of members' attendance at meetings are provided in the Corporate Governance Report on page 97) and undertook the items of business noted below.

Key activities of the Remuneration Committee in 2020:

2019 Remuneration and reporting

- Reviewed and approved incentive outcomes for 2019 (2019 annual bonus and vesting of 2017 LTIP awards and the third and final tranche of awards granted under the 2014 Enhanced LTIP ('ELTIP'));
- Considered and approved the 2019 Directors' Remuneration Report ('DRR');
- Considered investor feedback on the 2019 DRR;

2020 Remuneration

- Reviewed the CEO's total remuneration, including salary for 2020;
- Considered and approved the CEO's 2020 objectives;
- Approved the opportunity/award level and performance targets for 2020 annual bonus and LTIP awards;

Keeping informed

- Considered external market developments and best practice in remuneration, and latest shareholder guidelines;
- Reviewed the structure and terms of the LTIP and the annual bonus in advance of engaging with major shareholders on the proposed revised Remuneration Policy;
- Considered a presentation from its adviser on the impact of Covid-19 on executive pay; and
- Considered the engagement of Ellason LLP as Committee adviser (further details of which are provided below).

Advisers

During the year, in order to enable the Committee to reach informed decisions on executive remuneration, advice on market data and trends was obtained from independent consultants, Mercer Kepler. Mercer Kepler reports directly to the Committee Chair, and is a signatory to and abides by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Other than advice on remuneration, no other services were provided by Mercer Kepler to the Company (or any other part of the MMC group of companies with the exception of unrelated insurance brokerage services). The fees paid to Mercer Kepler in respect of work carried out in 2020 (based on time and materials) totalled £35,491, excluding expenses and VAT.

The Committee undertakes due diligence periodically to ensure that Mercer Kepler remains independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Mercer Kepler is independent. Following the Mercer Kepler lead adviser moving to Ellason LLP, Ellason LLP was appointed as the independent remuneration adviser to the Committee effective 1 January 2021.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2019 Annual Report on Remuneration at the 2020 AGM, as well as of the binding vote on the 2018 Remuneration Policy at the 2018 AGM:

	2018 Remuneration Policy		2019 Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	392,578,326	96.92%	372,486,543	95.04%
Against	12,459,724	3.08%	19,439,702	4.96%
Total votes cast (excluding withheld votes)	405,038,050		391,926,245	
Votes withheld	7,681		33,991	

Note: Votes withheld are not included in the final proxy figures as they are not recognised as votes in law.

The Committee is committed to listening to and engaging with the views of our shareholders and takes an interest in voting outcomes. The Committee will continue to be transparent in our remuneration decision-making and to engage with our shareholders on remuneration matters.

In the second half of 2020, the Committee commenced a comprehensive programme of engagement with the Company's major shareholders on the proposed Remuneration Policy being submitted for approval at the forthcoming AGM. Following feedback from investors, the Committee revised numerous aspects of its proposals including the incorporation of:

- deferral of an element of the annual bonus;
- a performance measure, in the LTIP, relating to the addition of Measured & Indicated Resources on an Enterprise Value per share basis in order to align the plan with the Company's and investors' key priorities;
- an increased use of shares to satisfy LTIP awards (from 50% to 100%) and making the entire vested award (as opposed to only 50%) subject to a two-year holding period; and
- post-employment shareholding requirements.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by Ignacio Bustamante, the only Executive Director, for the year ended 31 December 2020 and the prior year:

	2020 (US$000)	2019 (US$000)
Base salary[1]	700	700
Taxable benefits[2]	30	28
Total fixed	**730**	**728**
Single-year variable[3]	945	998
Multi-year variable[4]	0	219
Restricted shares[5]	0	1,359
Profit share[6]	151	184
Total variable	**1,096**	**2,760**
Compensation for Time Service ('CTS')[7]	98	170
Tax refunds[8]	9	7
Total remuneration	**1,933**	**3,665**

All figures are rounded to the nearest $000.

Notes for 2020 values:
1 Figures disclosed include certain statutory payments accounted for internally within base salary ('Statutory Supplements') as follows: 2020: $300; 2019: $300
2 Taxable benefits include: use of a car and driver (2020: $21k; 2019: $22k) and medical insurance.
3 Payment for performance during the year under the Annual Bonus Plan. See following sections for further details.
4 2020 value is nil as the 2018 LTIP did not vest based on performance to 31 December 2020. 2019 value represents a restatement, as required by reporting regulations, of the value of the third (six-year) tranche of the 2014 Enhanced LTIP vesting at 34% (which is itself comprised of (a) $197k using the share price on the date of vesting of 92.6p, rather than the three-month average share price to 31 December 2019 and (b) $22k, being the value of dividend entitlements from the date of award to the date of vesting, payable in cash).
5 2019 value comprises the fourth and final tranche of restricted shares (being 40% of the total award) granted on 30 December 2014 which vested on 30 December 2019 at a share price of 173.5p.
6 All-employee profit share mandated by Peruvian law (see policy table for further information).
7 For further details on CTS, see page 105. 2020 CTS comprises: CTS on base salary ($58k) and on bonus ($39k). 2019 CTS has been restated to reflect the amount of CTS paid in respect of the third tranche of the 2014 Enhanced LTIP which vested at 34% on 20th March 2020.
8 Refunds payable in relation to social security following a change in regulations.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2020 and the prior year:

	Base fee (US$000)		Additional fees (US$000)		Taxable benefits (US$000)		Total (US$000)	
	2020	2019	2020	2019	2020	2019	2020	2019
Eduardo Hochschild[1]	400	400	0	0	665	651	1,065	1,051
Dr Graham Birch	89	90	32[3]	0	0	0	92	90
Jorge Born Jr	89	90	0	0	0	0	89	90
Jill Gardiner[3]	38	n/a	0	n/a	0	n/a	38	n/a
Eileen Kamerick	89	90	18	18	0	0	107	107
Michael Rawlinson	89	90	36	36	0	0	125	125
Dionisio Romero	89	90	0	0	0	0	89	90
Sanjay Sarma	89	90	0	0	0	0	89	90

All figures are rounded to the nearest $000.

Notes:
1 Eduardo Hochschild was an Executive Director until 31 December 2014 and, as reported in the 2015 report, Eduardo Hochschild retained eligibility to receive benefits following his transition to the Non-Executive Chairman role comprising personal security, medical insurance and company car.
2 To align the position with that of the other Committees, the Board approved the payment of the additional fee to Mr Birch as Chair of the Sustainability Committee from 1 November 2020.
3 Jill Gardiner was appointed on 1 August 2020.

Salary and fees for the year ended 31 December 2020

Executive Director

The Committee reviewed the CEO's salary in 2020 and determined that there would be no increase.

Executive Director	Base salary from 1 March 2020 (US$000)	Base salary from 1 March 2019 (US$000)	% change
Ignacio Bustamante	700	700	-

Base salary above excludes CTS. Ignacio Bustamante's salary is denominated in US dollars.

Non-Executive Directors

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The fees payable to the Non-Executive Directors of the Company as at the date of this report are set out in the table below. All Non-Executive Directors receive a base fee, and additional fees are typically paid for acting as Chair of the Remuneration Committee and Audit Committee, and Senior Independent Director. It was agreed that the Chair of the Sustainability Committee would also be paid the additional fee. No change was made to these fees in 2020.

A summary of current fee levels is provided below:

	Base salary from 1 March 2020 (US$000)	Base salary from 1 March 2019 (US$000)	% change
Non-Executive Chairman's fee	US$400,000	US$400,000	–
Non-Executive Director base fee	£70,000	£70,000	–
Additional fees			
Senior Independent Director	£14,000	£14,000	–
Chair of the Audit Committee	£14,000	£14,000	–
Chair of the Remuneration Committee	£14,000	£14,000	–
Chair of the Sustainability Committee	£14,000	£14,000	

Incentive outcomes for the year ended 31 December 2020 (audited)

Annual bonus in respect of 2019 performance

Objectives for the 2020 bonus were set by the Committee at the beginning of the year and assessment of performance during the year was undertaken at the February 2021 Committee meeting.

Details of the bonus paid to the CEO for 2020, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below:

			Targets			2020 Assessment	
Objective	**KPI**	**Target weighting**	**Threshold**	**Target**	**Maximum**	**2020 result**	**Final bonus score/ (Maximum)**
Profitable production and financial results	Production (Oz Ag Eq)	20%	24m	24.5m	25m	24.9m	20%[1] (20%)
	Adjusted EBITDA[2]	15%	US$230m	US$245m	US$260m	US$270.9m	15% (15%)
	AISC from operations with growth[3]	15%	US$15.7/oz	US$15.3/oz	US$14.9/oz	US$14/oz	15% (15%)
	Biolantanidos Project	5%	Remco Assessment			Satisfied	5% (5%)
Brownfield exploration	Inferred resources (subject to permits available) (Oz Ag Eq)	10%	40m	60m	80m	40m	5% (10%)
Safety and environmental awareness	Accident frequency rate (LTIFR)	15%	3.00	2.50	2.00	1.38	15% (15%)
	Accident Severity Index	10%	540	450	300	474	5% (10%)
	ECO Score[4]	10%	4.25 – 4.54	4.55 – 4.74	≥ 4.75	5.78	10% (10%)
Bonus payable (as a percentage of maximum opportunity)							**90%**

Notes:
1 The Remuneration Committee's discretion was applied to increase the final assessment due to the localised Covid outbreak at San Jose. See explanation in 'Impact of Covid-19 on 2020 bonus objectives' below.
2 Adjusted EBITDA is used for the annual bonus and is determined based on EBITDA adjusted primarily to neutralise price effects and the impact of the two-week stoppage at San Jose.
3 All-in sustaining cost is adjusted to ensure comparability with the objective set at the beginning of the year and therefore disregards the impact of postponing certain expenditure due to disruption caused by Covid-19.
4 Refer to the Sustainability Report on page 61 for further details on the methodology of calculating the Group's ECO Score (the internally designed measurement of the Company's environmental performance).

General approach

The determination of the bonus payout is at the discretion of the Committee, taking into account performance during the year against the above scorecard. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The bonus scores for each objective are summed which translates into a percentage which is applied to the maximum bonus opportunity.

Adjustments were made in line with the Company's usual practice to maintain the quality of earnings by primarily disregarding the impact of factors outside of management's control such as the price of silver and gold (as compared to budgeted prices) and the impact of Covid-19 such as the two-week plant stoppage at San Jose (discussed further below).

Assessing performance against 2020 bonus objectives

The scorecard was set at the start of the financial year prior to the onset of the Covid-19 pandemic, which had a significant impact on certain operational outcomes during 2020 as a result of the government-mandated closure of our mines for several months. The bonus scorecard includes three measures (production, Adjusted EBITDA and AISC) which are highly sensitive to the availability of our mining assets, and hence the closure of these assets for such a period of time fundamentally invalidated the targets set at a time when it was assumed there would be full operational capacity throughout the entire year. The Committee therefore reconsidered the targets for these three measures as soon as practicable after the resumption of operations in the second half of the year, when the Group was in a position to revise its full-year forecasts with an adequate level of certainty, and applied its discretion to adjust, pro-rata, the bonus targets relating to production, Adjusted EBITDA and AISC to ensure they remained relevant to the c.900 broad-staff population participating in the plan.

At its November 2020 meeting, the Committee considered targets set at the beginning of the year and:

(a) re-calibrated the bonus objectives relating to production, Adjusted EBITDA and costs (AISC) to reflect the curtailed period of production. In revising these objectives, the Committee sought to maintain appropriately stretching targets whilst also recognising the demands on management to adapt the business to the significant and unforeseeable challenges posed by Covid; and

(b) maintained, without any amendment, the objectives relating to the Biolantanidos Project, the addition of mineral resources, safety and environmental performance.

At its next meeting, in February 2021, the Committee assessed performance against the bonus objectives (as amended) and:

(a) in relation to the production objective, considered the impact of a two-week plant stoppage at San Jose from November 2020 following the provincial authority's decision to close mining operations in the region to combat rising Covid infections. The Committee concluded that the stoppage, which would otherwise have resulted in the Maximum level of production being achieved, was beyond management's control and therefore exercised its discretion to allow full vesting;

(b) in relation to the safety objectives, considered the impact of the fatal accident at Pallancata on the overall scorecard. In particular, the Committee took note of the proportion of the bonus foregone for failure to meet the accident severity objective which was the direct result of the accident and balanced this against other considerations. These included management's ongoing efforts in implementing the wide-ranging plan, Safety 2.0 and the need to acknowledge internally the strong safety performance demonstrated by the LTIFR for the year. On balance, the Committee concluded that it was imperative to incentivise and reward good progress on safety across the board and not undermine the goal of cultural change and hence, no further reduction was applied; and

(c) in relation to the objective on the Biolantanidos Project, considered the significant progress made during the year including the completion of an internal scoping study, progress with permitting and the plan to complete a Feasibility Study. The Committee concluded that the objective had been satisfied.

The Committee also took into account how management had responded to the impact of the pandemic and, importantly, the experience of the Group's stakeholders during the year. In doing so, the Committee noted the following factors:

- Total Shareholder Return in 2020 was 15.4% which has outperformed the FTSE250 Index by 20%. Furthermore, the Group's strong cash-generating performance prompted the payment of an interim dividend at the end of the year totalling $20.6 million;
- There have been no compulsory job losses and every employee and contractor has received full pay throughout the year without any material delays;
- The Group has not made use of any government-sponsored schemes or grants in any of the countries in which it operates; and
- The multi-faceted initiatives pursued by the Group to support communities and other local stakeholders (details of which are provided in the Risk Management report from page 64 and the Sustainability Report from page 50).

In conclusion the Committee agreed that the CEO be awarded a bonus of 90% of the maximum opportunity, which equates to 135% of salary. The Committee is satisfied the bonus outcome reflects the Company's strong operational performance despite the unprecedented challenges posed by Covid-19 and, importantly, preserves the credibility of the incentive plan, to ensure its effective operation across its c.900 participants for future cycles.

2018 LTIP vesting

On 25 May 2018, Ignacio Bustamante was granted an award under the LTIP with a face value of US$1,400,000. Vesting was dependent on three-year relative TSR performance against both a tailored peer group (70% of the total award) and the constituents of the FTSE350 Mining Index (30% of the total award). There was no retesting of performance. Further details of the performance conditions are shown in the table below.

Performance measure	Weighting	Performance targets
Relative TSR[1] performance vs. tailored peer group[2]	70%	Upper quintile (80th percentile): full vesting Upper tercile (67th percentile): 75% vesting Median (50th percentile): 25% vesting Straight-line vesting between these points
Relative TSR performance vs. constituents of the FTSE350 Mining Index[3]	30%	Median TSR +10% p.a.: full vesting Median TSR: 25% vesting Straight-line vesting between these points

Notes:
1 TSR is calculated in common currency.
2 The 2018 LTIP peer group, at the time of the granting of the award, comprised: Acacia Mining, Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold, Centamin Egypt, Cia des Minas Buenaventura, Coeur Mining, Eldorado Gold, Endeavour Silver, First Majestic Silver, Fortuna Silver Mines, Fresnillo, Gold Fields, Goldcorp, Hecla Mining, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Petropavlovsk, Polymetal, Randgold Resources, Silver Standard Resources, Tahoe Resources, and Volcan Compania Minera.
3 As at the start of the performance period.

The Remuneration Committee considered corporate activity affecting the 2018 LTIP peer group and the constituents of the FTSE350 Mining Index and concluded that the Company's TSR over the performance period between 1 January 2018 and 31 December 2020 ranked 15th percentile vs. the tailored peer group and underperformed the median of the constituents of the FTSE350 Mining Index by 13.9% per annum. Accordingly, the award will lapse in full.

Scheme interests awarded in 2020 (audited)

On 19 February 2020, Ignacio Bustamante was granted a cash-settled award under the LTIP with a face value of $1,400,000.

Vesting is dependent on three-year relative TSR from 1 January 2020 to 31 December 2022, with 70% of the award based on TSR performance against a tailored peer group and 30% of the award based on TSR performance against the constituents of the FTSE350 Mining Index.

Awards vest on the third anniversary of the date of grant, subject to continued employment, and are subject to potential malus if, before vesting, the Committee determines either that (i) the overall underlying business performance of the Company is not satisfactory, (ii) an act or failure to act, which is attributable (directly or indirectly) to an award-holder has resulted in, among other things, an adverse event related to health and safety, the environment or community relations, or (iii) on the occurrence of certain trigger events including material misstatement, material failure of risk management, action or omission resulting in serious reputational damage. After payment of tax, 50% of the vested award is settled in cash and 50% will be required to be invested in Hochschild shares and held for a further period of two years. Dividends, if any, will accrue to shares during the holding period. Further details, including vesting schedules, are provided in the table below:

Executive Director	Grant date	Performance period	Face value of award at grant	Award value for threshold performance
Ignacio Bustamante	19 February 2020	1 January 2019 to 31 December 2021	$1,400,000	$350,000

Performance measure	Weighting	Performance targets
Relative TSR[1] performance vs. tailored peer group[2]	70%	Upper quintile (80th percentile): full vesting
		Upper tercile (67th percentile): 75% vesting
		Median (50th percentile): 25% vesting Straight-line vesting between these points
Relative TSR performance vs. constituents of the FTSE350 Mining Index[3]	30%	Median TSR +10% p.a.: full vesting
		Median TSR: 25% vesting
		Straight-line vesting between these points

Notes:
1 TSR is calculated on the basis of common currency.
2 The 2020 LTIP peer group, at the date of grant, comprised: Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold, Centamin, Cia des Minas Buenaventura, Coeur Mining, Eldorado Gold, Endeavour Silver, First Majestic Silver, Fortuna Silver Mines, Fresnillo, Gold Fields, Hecla Mining, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Petropavlovsk and Polymetal.
3 As at the start of the performance period.

Exit payments made in the year (audited)

No exit payments were made to Directors in the year.

Payments to past Directors (audited)

No payments were made to past Directors in the year.

Implementation of Remuneration Policy for 2021

A summary of how the 2021 Remuneration Policy, assuming its approval at the 2021 AGM, will be applied for the year ended 31 December 2021 is provided below.

Salary

The Committee reviewed the CEO's salary and has determined that it will remain unchanged at $700,000 (excluding CTS).

Annual bonus

The maximum annual bonus opportunity for the CEO for the 2021 financial year will be 180% of salary. The bonus payment will be subject to performance against broadly the same measures as those used in 2020. Further disclosure of measures and targets, where not commercially sensitive, will be provided in next year's Annual Report on Remuneration. In line with the Remuneration Policy, payout for 'threshold' and 'target' performance will be 30% and 50% of the maximum opportunity, respectively.

As in 2020, the Committee will assess performance against the objectives set and calculate an overall bonus score which will be applied to the maximum bonus opportunity. The bonus will be subject to malus provisions in line with the Remuneration Policy.

Any bonus earned above 150% of salary will be paid in shares and deferred for two years.

LTIP

The Committee will make awards in 2021 within the maximum limits described in the Remuneration Policy. Vesting will be based:

- 50% on Hochschild's three-year TSR compared to an international mining peer group, with 25% vesting at median, 75% vesting at 67th percentile and full vesting at 80th percentile;
- 25% on Measured & Indicated resources on an Enterprise Value per share basis, on targets set over 3 three years; and
- 25% on the average bonus scorecard outcome over the three financial years 2021-2023, with threshold vesting of 25% requiring an average achievement of 60% with straight-line vesting up to full vesting requiring 100%, subject also to an underpin whereby if the annual scorecard achievement is less than 60% in any one year then the vesting of this LTIP component will be nil.

Vested LTIP awards will be invested (on a post-tax basis) in the Company's shares which are required to be held for a further two years.

Malus provisions will apply to LTIP awards granted in 2021 in line with the Remuneration Policy.

Annual percentage change in Directors' remuneration

The table below shows the percentage change in Board Directors' remuneration from the prior year compared with the percentage change in remuneration for all other employees.

		% change		
		Base salary[1]/fees	Taxable benefits[2]	Single-year variable[3]
Executive Directors	Ignacio Bustamante	0%	4.5%	-5.3%
Non-Executive Directors	Eduardo Hochschild	0%	2%	n/a
	Dr Graham Birch	0%	n/a	n/a
	Jorge Born Jr	0%	n/a	n/a
	Jill Gardiner	n/a	n/a	n/a
	Eileen Kamerick	0%	n/a	n/a
	Michael Rawlinson	0%	n/a	n/a
	Dionisio Romero	0%	n/a	n/a
	Sanjay Sarma	0%	n/a	n/a
Average all employees[4]		5.84%	n/a	3.81%

Notes:
1 Base salary only (i.e. excluding Statutory Supplements – see footnote 1 to table on single figure of total remuneration for Executive Directors on page 112).
2 Taxable benefits include the use of a car and driver, and medical insurance. See footnote 2 to table on single figure of total remuneration for Executive Directors on page 112).
3 Single-year variable comprises (a) bonus (calculated with reference to base salary only, i.e. before CTS and tax rebates) and (b) estimate of statutory profit-share due to the unavailability of final data as at the date of this report.
4 'All employees' comprise full-time salaried employees in Peru.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends) from the financial year ended 31 December 2019 to the financial year ended 31 December 2020.

Distribution to shareholders (US$000)[1]			Employee remuneration (US$000)		
2020	2019	% change	2020	2019	% change
32,600[2]	10,200	220%[3]	141,700	152,440	-7.05%

Notes:
1 Comprises all dividends paid in respect of each year (including the proposed 2020 final dividend).
2 2020 figure includes the interim dividend of US$20.6 million, a portion of which relates to the 2019 final dividend of US$12 million which was withdrawn due to the uncertainty caused by the Covid-19 pandemic. Had the 2019 final dividend been paid as originally proposed, the year-on-year change in the distribution to shareholders would have been -7.3%.
3 See footnote 2 above.

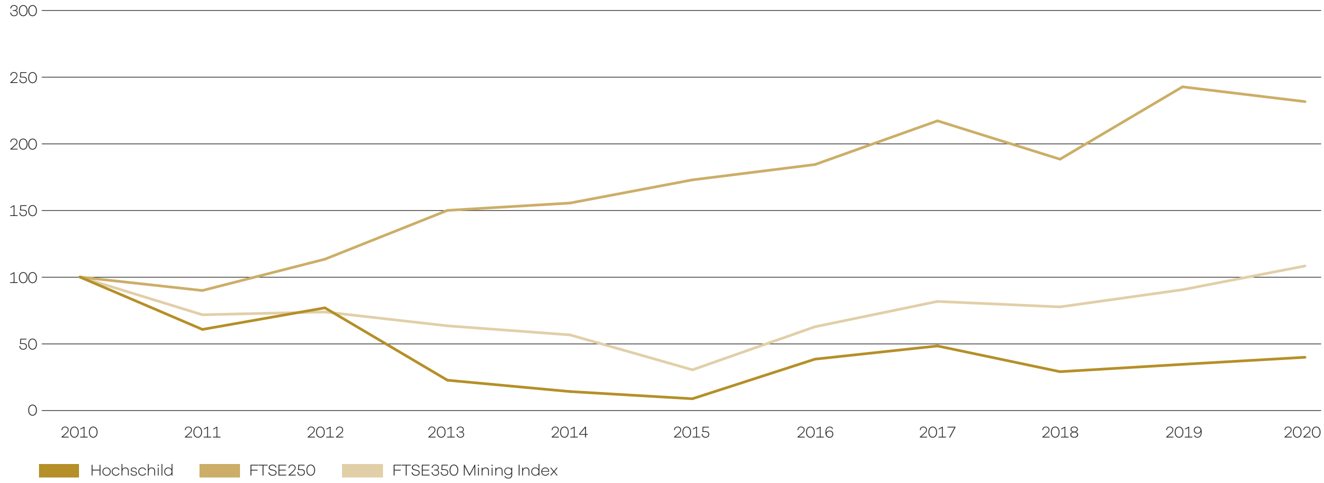
The Directors are recommending the payment of a final dividend of US$12 million for the year ended 31 December 2020.

Pay for performance

The following graph shows the TSR for the Company compared to the FTSE350 Mining Index and FTSE250 Index, assuming £100 was invested on 31 December 2010. The Board considers that the FTSE350 Mining Index is an appropriate published index as it reflects the sector that Hochschild operates in, and the FTSE250 Index provides a view of performance against a broad equity market index of which Hochschild has been a constituent for the majority of the past 10 years. The table below details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2020



CEO					Ignacio Bustamante					
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
CEO single figure of remuneration ($000)	1,120	1,852	999	924	1,328	3,474	4,519	4,174	3,665	1,933
Annual bonus outcome (% of maximum)	100%	90%	81%	67%	67%	83%	83%	90%	95%	90%
LTI vesting outcome (% of maximum)	0%	98% (LTIP)	0%	0%	0%	0% (ELTIP) 90% (LTIP)	86% (ELTIP) 100% (LTIP)	43% (ELTIP) 100% (LTIP)	34% (ELTIP) 0% (LTIP)	0% (LTIP)

Directors' interests (audited)

The interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2020 are detailed in the table below.

The Company has adopted shareholding guidelines whereby all Executive Directors (currently only the CEO) are required to acquire and retain a beneficial shareholding in the Company equal to at least 250% of base salary. Under the 2018 Remuneration Policy, the CEO is required to invest 20% of a vested LTIP award granted before 2018 (on a net basis) and retain 50% of the after-tax vested ELTIP shares until such time as he has met the shareholding guideline. In respect of LTIP awards granted from 2018, the CEO will be required to invest 50% of the cash-settled award for 2 years (on a net basis) regardless of his achievement of the shareholding guideline (to be raised to 100% of any vested award under the 2021 Remuneration Policy).

	Shares held							
	Owned outright or vested at 31 Dec 2019 (or date of appointment if later)	**Owned outright or vested at 31 Dec 2020 (or date of retirement if earlier)**	**Vested but subject to holding period**	**Unvested and subject to performance conditions**	**Unvested and subject to deferral only**	**Shareholding requirement (% of salary)**	**Current shareholding (% of salary)**	**Requirement met?**
Ignacio Bustamante	1,933,629	1,791,570	0	0	0	250%	729%[1]	Yes
Eduardo Hochschild	258,565,373	196,900,306						
Dr Graham Birch	33,750	33,750						
Jorge Born Jr	0	0						
Jill Gardiner	0	0						
Eileen Kamerick	0	0						
Michael Rawlinson	0	0						
Dionisio Romero	0	0						
Sanjay Sarma	15,000	15,000						

Notes:
1 Using the Company's closing share price and GBP/USD exchange rate as at 31 December 2020 (being the last trading day of the year) of 207.8p and £1:$1.37 respectively.

There have been no changes to Directors' shareholdings since 31 December 2020.

Directors' interests in share options, shares and cash awards in Hochschild long-term incentive plans

Details of Directors' interests in shares and cash awards under Hochschild's long-term incentive plans are set out in the table below.

Ignacio Bustamante	Date of grant	Share price at grant	Exercise price at grant	Number of shares awarded	Face value at grant[1]	Performance period	Vesting date
2014 ELTIP	20.03.14	155p[2]	Nil	538,062[2]	£833,996[2]	01.01.14 – 31.12.19	20.03.20
2018 LTIP	25.05.18	n/a	n/a	n/a	$1.4m	01.01.18 – 31.12.20	25.05.21
2019 LTIP	20.02.19	n/a	n/a	n/a	$1.4m	01.01.19 – 31.12.21	20.02.22
2020 LTIP	19.02.20	n/a	n/a	n/a	$1.4m	01.01.20 – 31.12.22	19.02.23

Notes:
1 The face values of equity-settled incentives are stated in pounds sterling, and cash-settled incentives, namely LTIP awards, are stated in US dollars (to be paid in US dollars or its equivalent in Peruvian nuevos soles).
2 These figures have been updated for the October 2015 rights issue and, in the case of the share price at grant, the share price has been rounded to the nearest penny.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

External appointments

The table below details the fees received and retained by Ignacio Bustamante, who was the only Executive Director in office during 2020, in respect of his external directorships.

Name of company	Fee received
Profuturo AFP	US$42,000
Scotiabank Peru SAA	US$60,000

Signed on behalf of the Board

Michael Rawlinson
Chair of the Remuneration Committee
17 February 2021

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ('IFRS') in conformity with the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- in respect of the Group financial statements, state whether IFRS in conformity with the Companies Act 2006 (and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union) have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether IFRSs in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Parent Company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the Parent Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

In our opinion:

- Hochschild Mining PLC's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hochschild Mining PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2020	Statement of financial position as at 31 December 2020
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 13 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 38 to the consolidated financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the Group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included the following:

- Obtaining the Group's going concern assessment which includes the cash flow forecast and its liquidity position covering the period to 31 March 2022, being a period of at least 12 months from the approval of the financial statements.
- Reviewing and challenging the assumptions applied in the forecast, with our main focus, given the significant uncertainty that exists, on the remote scenario constructed by management as well as its reverse stress testing, as follows:
  - Assessing the flexibility of the business model to respond to reduced prices, and the extent of enhanced restrictions impacting operations, such as additional restrictions on the movement of people across all operations or government-imposed suspension of the operations.
  - Modelling reverse stress tests based on management's most severe scenario. This was performed to identify i) a combination of prices that would result in a closing cash position at the end of March 2022 that would be the minimum liquidity sufficient to maintain the business; and ii) the point at which the Group would breach its financial covenants during the going concern period. We assessed whether the resulting combination of prices and period of stoppage was remote based on historic price changes and stoppages experienced to date.
  - Assessing the reasonableness of all key assumptions in management's forecasts, including the length of time Covid-19 restrictions remain in place, and the subsequent recovery period; the forecast gold and silver price used; the incremental costs to be incurred to manage the various health and safety Covid-19 protocols and the level of costs estimated during the stoppages and ramp-up period; and the mitigating factors that exist that can be utilised to ensure the liquidity of the Group.

- Obtaining bank confirmations of 99.9% of the Group's cash and cash equivalents as at 31 December 2020.
- Verifying the terms, maturity, interest rates, and any restrictions or covenants of all borrowings held by the Group at the date of approving of the financial statements.
- Confirming that the method used in management's model is appropriate and checking the clerical accuracy of management's modelling, and recalculating management's forecasts of its compliance with borrowing covenants throughout the assessment period under management's scenarios.
- With regards to the Parent Company financial statements, we assessed the ability of Compania Minera Ares to provide financial support to the Company during the going concern period.
- Reviewing the appropriateness of management's going concern disclosures in describing the risks associated with its ability to continue as a going concern during the assessment period, ensuring this period is of at least 12 months from the date of approval of the Group and Parent Company financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the going concern period to 31 March 2022 which is at least 12 months from when the financial statements are authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of three components, and audit procedures on specific balances for a further three components and for the remaining 12 components we performed other audit procedures. – The components where we performed full or specific audit procedures accounted for 99% of Adjusted EBITDA, 100% of Revenue and 98% of Total Assets.
Key audit matters	– Recoverability of the carrying value of the Group's mining assets – Revenue recognition – Mine rehabilitation provisions
Materiality	– Overall Group materiality of US$5.4m which represents 2% of Adjusted EBITDA.

An overview of the scope of the Parent Company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent Internal Audit results, when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 18 reporting components of the Group, we selected three components covering entities within the UK, Peru and Argentina, which represent the principal business units within the Group.

We performed an audit of the complete financial information of three components ('full scope components') which were selected based on their size or risk characteristics. In addition to this, for three components ('specific scope components'), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 99% (2019: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2019: 100%) of the Group's Revenue and 98% (2019: 96%) of the Group's Total Assets. For the current year, the three full scope components contributed 99% (2019: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2019: 100%) of the Group's Revenue and 87% (2019: 84%) of the Group's Total Assets. The three specific scope components contributed 11% (2019: 12%) of the Group's Total Assets. The audit scope of these specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 12 components that together represent less than 2% of the Group's Adjusted EBITDA (on an absolute basis) (2019: 1%), none are individually greater than 1% of the Group's Adjusted EBITDA. For these components, we performed other procedures, including analytical reviews, testing of cash balances, testing of consolidation journals and enquiry of management about unusual transactions in these components, to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

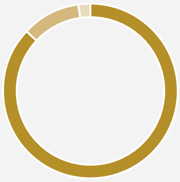
Adjusted EBITDA %

- Full scope components **99%**
- Other procedures **1%**

Revenue %

- Full scope components **100%**

Total assets %



- Full scope components **87%**
- Specific scope components **11%**
- Other procedures **2%**

Changes from the prior year

Our audit scope is consistent with that adopted in the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these by component audit teams, meanwhile audit procedures were performed directly by the Group audit team on the remaining one. For the three specific scope components, the work was performed by the Group audit team. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team had a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits each of the primary operating locations where the Group audit scope was focused. The Group audit team and Senior Statutory Auditor would normally visit the Peru operating location twice every year, and the Argentina operating location at least once every two years. However, due to travel restrictions imposed by governments in response to the Covid-19 pandemic, we did not complete our planned visits to Peru during the current year's audit cycle.

The Group audit team adapted their approach to virtually interact with and monitor local EY teams in response to the Covid-19 pandemic. In lieu of these planned visits, we maintained continuous dialogue with our local teams. This included: additional meetings with our component teams and the Group's local management via video conference and performing remote review of the key workpapers associated with the component teams' audit procedures.

We held phone or video conference meetings with our component teams and local management to discuss any issues arising from the audit work and conclude the audit procedures at each location, to ensure that we were fully aware of the progress and results of their audit procedures.

The performance of the year end audit was also required to be conducted remotely due to the Covid-19 restrictions and social distancing requirements at both component and Group locations. This was supported through remote access to the Group's financial systems and the use of EY software collaboration platforms for the secure and timely delivery of the requested evidence.

The Group team interacted regularly with the component teams where appropriate during various stages of the audit, were responsible for the scope and direction of the audit process, including attending planning and closing meetings, and reviewed key audit working papers on risk areas. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of the carrying value of the Group's mining assets *Refer to the Audit Committee Report (page 89); Accounting policies (page 134); and Notes 15, 16 and 17 of the Consolidated Financial Statements (pages 153 to 157)* At 31 December 2020 the carrying values of the Group's mining assets were: – Property, plant and equipment: US$784.8m (2019: US$795.3m); – Evaluation and exploration assets: US$194.9m (2019: US$181.6m); and – Intangible assets: US$21.6m (2019: US$22.4m). IFRS requires companies to test cash generating units (CGUs) for impairment whenever an indicator exists. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset might be impaired. For the Group, CGUs represent individual mines and advanced exploration projects. Additionally, where impairment has been previously recognised IFRS requires companies to test the CGUs for impairment reversal at the end of each reporting period by assessing whether there is any indicator that the impairment loss recognised in prior periods (for an asset other than goodwill) may no longer exist, or may have decreased. For the Group, the appropriate CGUs are: – Operating mines: Pallancata, Inmaculada and San Jose; and – Advanced exploration projects: Volcan, Azuca and Crespo. The Volcan CGU includes an intangible asset with an indefinite useful life and therefore is tested for impairment at least annually and whenever there is an indication that the asset might be impaired. As disclosed in Note 15 to the consolidated financial statements, indicators of impairment were identified in 2020 with respect to the San Jose and Pallancata CGUs, and therefore management performed impairment tests on those CGUs. As a consequence of the above indicators, management estimated the recoverable amount of these assets and determined no impairment charge nor reversal of impairment was required in respect of the Pallancata CGU and recognised a reversal of impairment of US$8.3m in respect of the San Jose CGU. There is a risk that the carrying values of the Group's mining assets may not be recoverable or could require a reversal of impairments previously recognised. The risk relating to recoverability of the carrying value of mining assets has remained stable in comparison to the prior year.	Our approach focused on the following procedures: – We obtained an understanding of management's process and key controls over impairment of mining assets and walked through the process in order to assess the design effectiveness of the controls in supporting the prevention, detection and correction of material errors in the financial statements. – We obtained management's assessment of whether any indicators of impairment or reversal of impairment were present at 31 December 2020 following the requirements of IFRS. – We challenged the validity and completeness of the indicators identified by management. For this purpose, we considered management's assessment by reference to our knowledge of the business and the following procedures: – We independently obtained spot and analysts' forecasts of future gold and silver prices as at 31 December 2019 and 2020 and assessed whether the movements were indicators of impairment or impairment reversal. – We obtained and tested relevant support of management's position on market interest rates and other macro-economic factors. – For all operating mines, we assessed the economic performance of the CGUs during the year and identified progress against approved mine plans and budgets, taking into account updated reserves and resources estimates. – For exploration projects we obtained an understanding of management's plans to recover the carrying value in full from successful development or sale. – We obtained the recoverable value models from management for the San Jose and Pallancata CGUs as these required a full impairment assessment and assessed the appropriateness of the methodology applied in preparing the model and the arithmetical accuracy of management's model. In addition, we performed the following procedures: – We challenged the appropriateness of key assumptions such as price, production volumes, grades, operating cost and capex by comparing to third party/independent sources or other evidence, (including searching for contra-evidence), and performed sensitivity analyses on significant inputs. – We undertook an assessment of management's track record of accuracy in forecasting to determine the reliability of current forecasts, whilst considering the impact of the Covid-19 pandemic on the cash flow projections. We agreed the main inputs to the approved mine plans or budgets, and compared them with historical actual figures where appropriate. – We involved our valuation specialists to assist us in challenging and assessing the appropriateness of the discount rates and other key assumptions used in the calculation. – With respect to the recoverable value model for the Volcan CGU, we agreed the main inputs used to information from third party/independent sources and involved our valuation specialists to assist us in assessing the appropriateness of the methodology applied to determine the carrying value of the CGU as well as the reasonableness of the risk premium used therein. – We compared the calculated recoverable value of the San Jose, Pallancata and Volcan CGUs to the associated carrying value, assessing whether any impairment charges, or reversal of previously recognised impairment charges, were necessary. – We considered the appropriateness, sufficiency, and clarity of the impairment-related disclosures provided in the consolidated financial statements, including sensitivity disclosures. The above audit procedures over this risk area, covering 100% of the amount at risk, were performed by the Group audit team.	As a result of the audit procedures performed, we have concluded that management's impairment indicator analysis and impairment assessment for the Group's CGUs has been carried out appropriately and in accordance with the requirements of IFRS. We further concluded that the significant assumptions used in the recoverable value models prepared by management were appropriate, and where applicable, fell within the range of acceptable outcomes that we had calculated. Based on the procedures performed, we consider the reversal of impairment of $8.3m recognised in respect of the San Jose CGU to be appropriate and that the carrying values of the Pallancata and Volcan CGUs are not impaired nor require a reversal of impairment as at 31 December 2020. We concluded that the related disclosures in the Group financial statements are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition *Refer to the Audit Committee Report (page 89); Accounting policies (page 134); and Note 4 to the Consolidated Financial Statements (page 147)* For the year ended 31 December 2020 the Group recognised revenue from operations of US$621.8m (2019: US$755.7m). The complexity of terms that define when control passes to the customer and the high value of transactions, gives rise to the risk that revenue is materially misstated through recognition in the incorrect period. Cut-off is the key area of risk.	Our approach focused on the following procedures: – We obtained an understanding of the key controls around the revenue recognition process. We walked through the controls, in order to assess the design effectiveness in supporting the prevention, detection and correction of misstatements in the reported revenue figures. – We read the terms and conditions of the sales contracts and ensured that they have been recorded appropriately under IFRS 15 following the terms and conditions in the contract. – We performed detailed substantive testing procedures over 100% of the revenue transactions. This included: agreeing the main inputs to supporting evidence (such as provisional and final invoices, credit/debit notes, bills of lading, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue. – We performed cut-off procedures testing by reference to Incoterm shipping services and shipment dates to ensure that revenue was recognised in the correct period. – For open sales where provisional pricing applies, we verified with external sources that inputs used were appropriate and recalculated the provisional price adjustment to ensure it was correctly measured. – We performed analytical review procedures comparing current year to prior year, investigating unusual variances and taking into account: commodity type, quantities sold, prices (including discounts) and customers. – We investigated and understood the nature of any significant credits raised post year end to ensure that transactions were recorded at the correct value in the relevant period. – We tested the reconciliation of year end inventory by agreeing the annual movement of production and sales transactions to the respective reports. – We assessed whether there is any performance obligation related to CIF Incoterm shipping services that would need to be deferred, as required by IFRS 15. – We read and assessed the financial statements disclosures to ensure that all presentation and disclosure requirements in respect of revenue and provisional pricing have been included. The above audit procedures were performed in two components under full scope audit, covering 100% of this risk amount, under the supervision and direction of the Group audit team.	As a result of the procedures performed, we concluded that the Group has appropriately accounted for the revenue transactions in accordance with IFRS.
Mine rehabilitation provisions *Refer to the Audit Committee Report (page 89); Accounting policies (page 134); and Note 27 to the Consolidated Financial Statements (page 163)* At 31 December 2020 management has recorded a mine rehabilitation provision of US$126.4m (2019: US$106.7m). Management is required to provide for the costs of environmental rehabilitation and site restoration in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'. Given the high level of judgement and estimation in assessing the method, timing and quantum of the cash flows required to rehabilitate mines, there is a risk that the provision is not appropriately valued. The risk relating to mine rehabilitation provisions has increased in comparison to the prior year as certain mines are approaching the end of their life, and additional provision has been recognised to reflect management's latest estimate, supported by internal and external specialists.	Our approach consisted of the following procedures: – We obtained an understanding of management's process to estimate the future restoration costs. – We obtained a detailed understanding of the mine closure reports issued by the external specialists engaged by the Group to update the mine closure plans, and held discussions directly with the specialists, to understand their work and assess the sufficiency of the Group's restoration provisions. – We assessed the objectivity, competence and capability of the external and internal specialists used by management. – We understood the main changes or lack of changes in estimates and new restoration costs and challenged the rationale behind these. For this purpose, we held discussions with management and the third-party specialist, as well as performed comparison to prior year figures and enquired about significant variances. – We evaluated the rationale for material changes in the mine rehabilitation provision to be satisfied that these reflected new information. – We proactively sought out potentially contrary evidence that could indicate the need for further changes to estimates, considering, for example, changes in the life of mine, acquisitions, press releases, board minutes and management inquiries. – We performed an overall recalculation of the mine rehabilitation provision, including assessing the appropriateness of the discount rate applied by agreeing the term of the nominal risk-free rate to the life of each mine unit and the rate to independent sources. – We assessed the appropriateness of the accounting for the changes to these provisions and confirmed that these changes, as well as the rest of the mine restoration provision, were appropriately reflected and disclosed in the Group financial statements. The above audit procedures over this risk area, covering 100% of the amount at risk, were performed by the Group audit team with support of the component teams.	Based on the procedures performed, we consider the judgements and assumptions made by management, supported by internal and external specialists to be reasonable. Our evaluation of the rationale for material changes in the mine rehabilitation provision was satisfactory as these reflected new information as at 31 December 2020. We concluded that the provisions for mine rehabilitation activities have been recognised appropriately in accordance with IFRS, and that all required disclosures have been included in the Group financial statements.

The key audit matters in the current year audit report have not changed since the prior year.

As part of our audit, we also address the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. The above is not a complete list of all risks identified by our audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$5.4m (2019: US$6.9m), which is 2% (2019: 2%) of the Group's Adjusted EBITDA. We believe that Adjusted EBITDA is an earnings-based measure that is significant to users of the financial statements. This is considered to be a critical measure for users of the financial statements, given the focus on this metric by the Group's shareholders, investors and external lenders. In addition, the Adjusted EBITDA measure is used to assess the Group's compliance with key restrictive covenants on the Group's borrowings.

We determined materiality for the Parent Company to be US$18.1m (2019: US$15.5m), which is 1% (2019: 1%) of Equity. The Parent Company materiality is higher than the Group materiality as it is based on Equity, which we consider to be an appropriate basis for materiality for a holding company, as the users of the financial statements focus on a capital-based measure.

Starting basis	– Profit from continuing operations before exceptional items, net of foreign exchange loss and income tax (US$107.8m)
Adjustments	– Add: Depreciation and amortisation in cost of sales and in administrative expenses (US$118.6m) – Add: Exploration expenses other than personnel and other exploration related fixed expenses (US$26.3m) – Add: Other non-cash expenses (US$18.1m)
Materiality	– US$270.9m Adjusted EBITDA – Materiality of US$5.4m (2% of materiality basis)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely US$4.1m (2019: US$5.2m). We have set performance materiality at this percentage due to our understanding of the Group's control environment, and that there have been no significant events that would alter our expectation that there is a low likelihood of misstatements that would be material individually or in aggregate to the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$1.8m to US$4.1m (2019: US$2.0m to US$5.2m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$270k (2019: $US345k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 120, including the Strategic Report and Governance sections (including the Directors' Report, Corporate Governance Report, Supplementary Information, Directors' Remuneration Report and Statement of Directors' Responsibilities), other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 78;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 72;
- Directors' statement on fair, balanced and understandable set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 93;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 93; and;
- The section describing the work of the Audit Committee set out from page 89.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 120, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant and directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (IFRS adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, the Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the Group operates (principally UK, Peru and Argentina). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to health and safety, employee matters, bribery and corruption practices, environmental and certain aspects of company legislation recognising the regulated nature of the Group's mining activities and its legal form.

- We understood how Hochschild Mining PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies, and noted there was no contradictory evidence.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where risk was considered as higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could have a material impact on the financial statements. Our procedures involve: incorporated data analytics across our audit approach, journal entry testing with a focus on manual consolidation journals and journals meeting our defined risk criteria based on our understanding of the business; enquiries of the legal counsel, Group management, internal audit and all full and specific scope management; review of Board and Audit Committee reporting; and focused testing as referred to in the key audit matters section above.
- We ensured our global team has appropriate industry experience through working for many years on relevant audits, including experience of mining. Our audit planning included considering external market factors, for example geopolitical risk, the potential impact of climate change, commodity price risk and major trends in the industry.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Company on 16 October 2006 to audit the financial statements for the year ending 31 December 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 December 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 15 years, covering the years ending 31 December 2006 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Binns
(Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

18 February 2021

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	Year ended 31 December 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	37(g)	**(5,913)**	–
Deferred tax benefit on cash flow hedges	29	**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	29	**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	28	**226,506**	226,506
Share premium	28	**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	37(g)	**4,503**	–
Borrowings	26	**199,554**	199,308
Provisions	27	**109,033**	99,322
Deferred income		**–**	172
Deferred income tax liabilities	29	**73,316**	63,103
		386,611	362,431
Current liabilities			
Trade and other payables	24	**114,415**	120,537
Derivative financial liabilities	37(g)	**1,500**	–
Borrowings	26	**10,778**	234
Provisions	27	**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	33	**208,999**	290,316
Interest received		**2,292**	2,622
Interest paid	26	**(6,312)**	(4,955)
Payment of mine closure costs	27	**(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	26	**48,520**	316,500
Transaction costs related to borrowings		**–**	(692)
Repayment of borrowings	26	**(37,717)**	(272,500)
Payment of lease liabilities	25	**(2,021)**	(2,506)
Purchase of treasury shares	28(b)	**(292)**	(309)
Dividends paid to non-controlling interests		**(345)**	(11,069)
Dividends paid	30	**(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		**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 ended 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	28(a)	1,097	–	–	–	–	–	–	–	–	–	–	1,097	–	1,097
Exercise of share options	28(b)	–	–	309	–	–	–	–	–	(4,647)	(4,647)	3,241	(1,097)	–	(1,097)
Expiration of dividends		–	–	–	–	37	–	–	–	–	37	–	37	2	39
Dividends	30	–	–	–	–	–	–	–	–	–	–	(20,213)	(20,213)	–	(20,213)
Dividends to non-controlling interests	30	–	–	–	–	–	–	–	–	–	–	–	–	(8,859)	(8,859)
Purchase of treasury shares	28(b)	–	–	(309)	–	–	–	–	–	–	–	–	(309)		(309)
Share-based payments	28(c)	–	–	–	–	–	–	–	–	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	28(b)	–	–	292	–	–	–	–	–	(1,087)	(1,087)	795	–	–	–
Dividends	30	–	–	–	–	–	–	–	–	–	–	(20,556)	(20,556)	–	(20,556)
Dividends to non-controlling interests	30	–	–	–	–	–	–	–	–	–	–	–	–	(345)	(345)
Purchase of treasury shares	28(b)	–	–	(292)	–	–	–	–	–	–	–	–	(292)	–	(292)
Share-based payments	28(c)	–	–	–	–	–	–	–	–	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 Corporate information

Hochschild Mining PLC (hereinafter 'the Company') is a public limited company incorporated on 11 April 2006 under the Companies Act 1985 as a Limited Company and registered in England and Wales with registered number 05777693. The Company's registered office is located at 17 Cavendish Square, London W1G 0PH, United Kingdom.

The ultimate controlling party of the Company is Mr Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries (together 'the Group' or 'Hochschild Mining Group') is held through Pelham Investment Corporation, a Cayman Islands company.

On 8 November 2006, the Company's shares were admitted to the Official List of the UKLA (United Kingdom Listing Authority) and to trading on the London Stock Exchange.

The Group's principal business is the mining, processing and sale of silver and gold. The Group has two operating mines (Pallancata and Inmaculada) located in southern Peru and one operating mine (San Jose) located in Argentina. The Group also has a portfolio of projects located across Peru, Argentina, Mexico, the United States and Chile at various stages of development.

These consolidated financial statements were approved for issue by the Board of Directors on 17 February 2021.

The Group´s subsidiaries are as follows:

			Equity interest at 31 December	
Company	Principal activity	Country of incorporation	**2020 %**	2019 %
Hochschild Mining (Argentina) Corporation S.A.[1]	Holding company	Argentina	**100**	100
MH Argentina S.A.[2]	Exploration office	Argentina	**100**	100
Minera Santa Cruz S.A.[1 and 9]	Production of gold and silver	Argentina	**51**	51
Minera Hochschild Chile S.C.M.[3]	Exploration	Chile	**100**	100
Andina Minerals Chile Ltd.[3]	Exploration	Chile	**100**	100
REE UNO SpA[4]	Exploration	Chile	**100**	100
Southwest Minerals (Yunnan) Inc.[5]	Exploration	China	**100**	100
Hochschild Mining Holdings Limited[6]	Holding company	England and Wales	**100**	100
Hochschild Mining Ares (UK) Limited[6]	Administrative office	England and Wales	**100**	100
Southwest Mining Inc.[5]	Exploration	Mauritius	**100**	100
Southwest Minerals Inc.[5]	Exploration	Mauritius	**100**	100
Minera Hochschild Mexico, S.A. de C.V.[7]	Exploration	Mexico	**100**	100
Hochschild Mining (Peru) S.A.[5]	Holding company	Peru	**100**	100
Compañía Minera Ares S.A.C.[5]	Production of gold and silver	Peru	**100**	100
Compañía Minera Arcata S.A.[5]	Production of gold and silver	Peru	**99.1**	99.1
Empresa de Transmisión Aymaraes S.A.C.[5]	Power transmission	Peru	**100**	100
Minera Antay S.A.C.[5]	Exploration	Peru	**100**	100
Hochschild Mining (US) Inc.[8]	Holding company	USA	**100**	100

1 Registered address: Av. Santa Fe 2755, floor 9, Buenos Aires, Argentina.
2 Registered address: Sargento Cabral 124, Comodoro Rivadavia, Provincia de Chubut, Argentina.
3 Registered address: Av. Las Condes 7700, office 408 A, Comuna Las Condes, Santiago de Chile, Chile.
4 Registered address: Cerro el Plomo 5630, floor 9, Las Condes, Santiago de Chile, Chile.
5 Registered address: La Colonia 180, Santiago de Surco, Lima, Peru.
6 Registered address: 17 Cavendish Square, London, W1G 0PH, United Kingdom.
7 Registered address: Calle Aguila Real No 122, Colonia Carolco, Monterrey, Nuevo Leon, CP 64996, Mexico.
8 Registered address: 1025 Ridgeview Dr. 300, Reno, Nevada 89519, USA.
9 The Group has a 51% interest in Minera Santa Cruz S.A. (Minera Santa Cruz), while the remaining 49% is held by a non-controlling interest. The significant financial information in respect of this subsidiary before intercompany eliminations as at and for the years ended 31 December 2020 and 2019 is as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Non-current assets	**166,663**	164,190
Current assets	**94,924**	81,564
Non-current liabilities	**(61,711)**	(56,926)
Current liabilities	**(40,389)**	(39,382)
Equity	**(159,487)**	(149,446)
Revenue	**206,098**	250,715
Profit for the year and total comprehensive income	**10,743**	25,480
Net cash generated from operating activities	**28,272**	74,996
Net cash used in investing activities	**(17,734)**	(43,583)
Net cash generated in/(used) financing activities	**9,926**	(24,293)

Profit attributable to non-controlling interests in the consolidated income statement, non-controlling interest in the consolidated statement of financial position, and dividends declared to non-controlling interests in the consolidated statement of changes in equity are solely related to Minera Santa Cruz.

2 Significant accounting policies

(a) 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 standards.

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

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.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods but which the Group has not previously adopted. These have not been listed as they are not expected to impact the Group.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements.

Significant areas of estimation uncertainty and critical judgements made by management in preparing the consolidated financial statements include:

Significant estimates:

– *Useful lives of assets for depreciation and amortisation purposes – note 2(f).*

Estimates are required to be made by management as to the useful lives of assets. For depreciation calculated under the unit-of-production method, estimated recoverable reserves and resources are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources. Changes are accounted for prospectively.

– *Ore reserves and resources – note 2(h).*

There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being updated.

– *Recoverable values of mining assets – notes 2(j), 15, 16 and 17.*

The values of the Group's mining assets are sensitive to a range of characteristics unique to each mine unit. Key sources of estimation for all assets include uncertainty around ore reserve estimates and cash flow projections. In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. To determine the fair value less costs of disposal of exploration assets the Group uses the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources per ounce of resources.

There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Significant estimates used include future gold and silver prices, future capital requirements, reserves and resources volumes, production costs and the application of discount rates which reflect the macro-economic risk in Peru and Argentina, as applicable. Judgement is also required in determining risk factors that will be applied by market participants to take into account the water restrictions imposed by the Chilean government over the Volcan cash-generating unit. Changes in these assumptions will affect the recoverable amount of the property, plant and equipment, evaluation and exploration assets, and intangibles.

– *Mine closure costs – notes 2(n) and 27(1).*

The Group assesses its mine closure cost provision annually. Significant estimates and assumptions are made in determining the provision for mine closure cost as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, mine life and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the balance sheet date represents management's best estimate of the present value of the future closure costs required.

Critical judgements:

– *Income tax – notes 2(s), 2(t), 13, 29 and 35(a).*

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted. The Group analyses the possibility of generation of profit in all the companies and determined the recognition of deferred tax. No deferred tax asset is being recognised in the holdings and exploration entities as they do not expect to generate any profit to settle the temporary difference (refer to note 29).

Judgement is also required when determining the recognition of tax liabilities as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Tax liabilities are also recorded for uncertain exposures which can have an impact on both deferred and current tax. Tax benefits are not recognised unless it is probable that the benefit will be obtained and tax liabilities are recognise if it is probable that a liability will arise (refer to note 35(a)). The final resolution of these transactions may give rise to material adjustments to the income statement and/or cash flow in future periods. The Group reviews each significant tax liability or benefit each period to assess the appropriate accounting treatment.

– *Determination of functional currencies – note 2(e).*

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates. In the case of Argentina, the control exchange restrictions limit the companies to hold US dollars but not the fact of carrying out transactions based on the US dollar.

– *Recognition of evaluation and exploration assets and transfer to development costs – notes 2(g), 15 and 16.*

Judgement is required in determining when the future economic benefit of a project can reasonably be regarded as assured, at which point evaluation and exploration expenses are capitalised. This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalisation of costs; the timing of the end of the exploration phase, the start of the development phase; and the commencement of the production phase. For this purpose, the future economic benefit of the project can reasonably be regarded as assured when the Board authorises management to conduct a feasibility study, mine-site exploration is being conducted to convert resources to reserves, or mine-site exploration is being conducted to confirm resources, all of which are based on supporting geological information.

– *Pandemic expenses*

The Group analyses the effect of pandemics on its operations and accounting treatment, because they generate stoppages, low capacity production and incremental cost. In the case of Covid-19, the fixed 'normal' production costs during the stoppage are recognised as expenses and are not considered cost of the inventories produced. In the income statement these fixed costs are classified as pre-exceptional.

To determine whether the incremental Covid-related costs should be recognised as exceptional expenses, consideration has been given as to whether they meet the criteria as set out in the Groups' accounting policy (note 2y), in particular regarding the expected infrequency of the events that have given rise to them.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position, performance and cash flows as at 31 December 2020 and 31 December 2019 and for the years then ended, respectively.

Subsidiaries are those entities controlled by the Group regardless of the amount of shares owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Non-controlling interests' rights to safeguard their interest are fully considered in assessing whether the Group controls a subsidiary. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Basis of consolidation

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, affecting retained earnings. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest ('NCI'); (iii) derecognises the cumulative translation differences, recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; and (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

An NCI represents the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Losses within a subsidiary are attributable to the NCI even if that results in a deficit balance.

2 Significant accounting policies continued

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. The choice of measurement of NCI, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the NCI, and any previously interest held, over the net identifiable assets acquired and the liabilities assumed. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets meeting either the contractual-legal or the separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

(d) 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 from pages 2 to 73. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review on pages 36 to 44 and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement on page 72. In addition, note 37 to 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 typically 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 64 to 71 (Risk Management report) and pages 6 to 7.

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.

(e) Currency translation
The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For the holding companies and operating entities this currency is US dollars and for the other entities it is the local currency of the country in which it operates. The Group's financial information is presented in US dollars, which is the Company's functional currency. Transactions denominated in currencies other than the functional currency of the entity are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction. Exchange differences arising from monetary items that are part of a net investment in a foreign operation are recognised in equity and transferred to income on disposal of such net investment.

Subsidiary financial statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference on consolidation is included as a cumulative translation adjustment in equity.

(f) Property, plant and equipment
Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost comprises its purchase price and directly attributable costs of acquisition or construction required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. Economical and physical conditions of assets have not changed substantially over this period.

The cost less residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production basis for mine buildings and installations and plant and equipment used in the mining production process, or charged directly to the income statement over the estimated useful life of the individual asset on a straight-line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within other income/expenses, in the income statement.

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5 to 10
Vehicles	5

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to be ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed where incurred. For borrowings associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. The Group capitalises the borrowing costs related to qualifying assets with a value of US$1,000,000 or more, considering that the substantial period of time to be ready is six or more months.

Mining properties and development costs
Purchased mining properties are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Costs associated with developments of mining properties are capitalised.

Mine development costs are, upon commencement of commercial production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. In addition, the revenue generated from the sale of the inventory produced during the pre-operating stage is recognised as a deduction of the costs capitalised for this project.

Construction in progress and capital advances
Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Once the asset moves into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Subsequent expenditure
Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures is recognised in the income statement as incurred.

(g) Evaluation and exploration assets
Evaluation and exploration expenses are capitalised when the future economic benefit of the project can reasonably be regarded as assured. Exploration and evaluation costs related to projects in the development phase are capitalised as assets from the date that the Board authorises management to conduct a feasibility study.

Expenditure is transferred to mine development costs once the work completed to date supports the future development of the property and such development receives appropriate approval.

Costs incurred in converting inferred resources to indicated and measured resources (of which reserves are a component) are capitalised as incurred. Costs incurred in identifying inferred resources are expensed as incurred.

2 Significant accounting policies continued

(h) Determination of ore reserves and resources

The Group estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with the 2012 Joint Ore Reserves Committee (JORC) code.

It is the Group's policy to have the report audited annually by a Competent Person. Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis.

(i) Intangible assets

Right to use energy of transmission line

Transmission line costs represent the investment made by the Group to construct the transmission line on behalf of the government to be granted the right to use it. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Water permits

Water permits were recorded at cost and allow the Group to withdraw a specified amount of water from the ground for reasonable, beneficial uses. This is an asset with an indefinite useful life.

Legal rights

Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Other intangible assets

Other intangible assets are primarily computer software which are capitalised at cost and are amortised on a straight-line basis over their useful life of three years.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

The carrying amounts of property, plant and equipment and evaluation and exploration assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash-generating unit level.

The assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, reserves and resources volumes (reflected in the production volume). Changes in these assumptions will affect the recoverable amount of the property, plant and equipment and evaluation and exploration assets.

If the carrying amount of an asset or its cash-generating unit (CGU) exceeds the recoverable amount, an impairment provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use (VIU) and fair value less costs of disposal (FVLCD) to sell. FVLCD is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm's length basis. VIU is based on estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

The recoverable values of the CGUs are determined using a FVLCD methodology. FVLCD was determined using a combination of level 2 and level 3 inputs. The FVLCD of the producing and developing stage mine assets is determined using a discounted cash flow model (note 15) and for the exploration projects is based on the value-in-situ methodology (notes 16 and 17(2)), to estimate the amount that would be paid by a willing third party in an arm's length transaction.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method.

The cost of work in progress and finished goods (ore inventories) is based on the cost of production. For this purpose, the costs of production include:

- costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(l) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according to IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement. The revaluation of provisionally priced contracts stated in 2(p) is recorded as trade receivables.

(m) Share capital

Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of those shares is classified as share premium. In the case the excess above par value is available for distribution, it is classified as merger reserve and then transferred to retained earnings.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Mine closure cost

Provisions for mine closure costs are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives of the mines.

Changes to estimated future costs are recognised in the statement of financial position by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the related mine assets net of mine closure cost provisions exceed the recoverable value, that portion of the increase is charged directly to the income statement. Similarly, for reductions to the estimated costs exceeding the carrying value of the mine asset, that portion of the decrease is credited directly to the income statement. For closed sites, changes to estimated costs are recognised immediately in the income statement.

Workers' profit sharing and other employee benefits

In accordance with Peruvian legislation, companies in Peru must provide for workers' profit sharing equivalent to 8% of taxable income each year. This amount is charged to the income statement within personnel expenses (note 9) and is considered deductible for income tax purposes. The Group has no pension or retirement benefit schemes.

Other

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources for which the amount can be reliably estimated.

(o) Share-based payments

Cash-settled transactions

The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting dates are recognised as personnel expenses. The fair value of the awards is taken to be the market value of the shares at the date of award adjusted by a factor for anticipated relative Total Shareholder Return (TSR) performance. Fair values are subsequently remeasured at each reporting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expenses (note 9).

(p) Revenue recognition

The Group is involved in the production and sale of gold and silver from dore and concentrate containing both gold and silver. Dore bars are either sold directly to customers or are sent to a third-party for further refining into gold and silver before they are sold. Concentrate is sold directly to customers.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes any applicable sales taxes.

The revenue is subject to adjustment based on inspection of the product by the customer. Revenue is initially recognised on a provisional basis using the Group's best estimate of contained gold and silver. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, certain sales are 'provisionally priced' where the selling price is subject to final adjustment at the end of a period, normally ranging from 15 to 120 days after the start of the delivery process to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue is initially recognised when the conditions set out above have been met, using market prices at that date. The price exposure is considered to be an adjustment and hence separated from the sales contract at each reporting date. The provisionally priced metal is revalued based on the forward selling price for the quotational period stipulated in the contract until the quotational period ends. The selling price of gold and silver can be measured reliably as these metals are actively traded on international exchanges. The revaluation of provisionally priced contracts is recorded as revenue.

A proportion of the Group's sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligations for freight/shipping services which are provided solely to facilitate sale of the commodities it produces.

Other Incoterms commonly used by the Group are FOB, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port, and Delivered at Place (DAP) where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

For CIF arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration may be received from the customer in cash at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the freight/shipping services yet to be provided is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

2 Significant accounting policies continued

Income from services provided to related parties (note 31) is recognised in revenue when services are provided.

Deferred revenue results when cash is received in advance of revenue being earned. Deferred revenue is recorded as a liability until it is earned. Once earned, the liability is reduced and revenue is recorded. The Group analyses when revenue is earned or deferred.

(q) Contingencies

Contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably. Contingent liabilities are not recognised in the financial statements and are disclosed in notes to the financial statements unless their occurrence is remote.

Contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

(r) Finance income and costs

Finance income and costs comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, unwind of discount, and gains and losses from the change in fair value of derivative instruments.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

(s) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Uncertain tax positions

An estimate tax liability is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The liability is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. Separate liabilities for interest and penalties are also recorded if appropriate.

Movements in interest and penalty amounts in respect of tax liability are not included in the tax charge, but are disclosed in the income statement. Tax liabilities are based on management's interpretation of country specific tax law and the likelihood of settlement. This involves a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks. Where actual tax liabilities differ from the liabilities, adjustments are made which can have a material impact on the Group's profits for the year. Refer to note 35(a) for specific tax contingencies.

(u) Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e. below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(v) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

– Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

  – The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
  – The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

– Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets designated at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group has listed and non-listed equity investments under this category.

– Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has listed equity investments and derivative instruments under this category. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

– the rights to receive cash flows from the asset have expired, or
– the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

2 Significant accounting policies continued

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

– Financial liabilities at fair value through profit or loss

  Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

– Loans and borrowings

  This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

  Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

  This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

In 2020, the Group used interest rate swaps to hedge certain of its cash flows from loans against interest rate risk. Consequently, the Group has opted to apply hedge accounting under the requirements of IFRS 9 Financial Instruments.

Initial recognition and subsequent measurement

These derivative financial instruments were initially recognised at fair value on the date on which the derivative contract was entered into and were subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

– There is 'an economic relationship' between the hedged item and the hedging instrument.
– The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
– The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Group use cash flow hedges for hedging the exposure to variability in interest cash flows of a floating rate interest bearing liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss.

(w) Dividend distribution

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's Annual General Meeting.

(x) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents, as defined above, are shown net of outstanding bank overdrafts.

Liquidity funds are classified as cash equivalents if the amount of cash that will be received is known at the time of the initial investment and the risk of changes in value is considered insignificant.

(y) 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. Exceptional items mainly include:

– impairments or write offs of assets, property, plant and equipment and evaluation and exploration assets;
– incremental cost due to pandemics which are not expected to be recurring;
– gains or losses arising on the disposal of subsidiaries, investments or property, plant and equipment;
– any gain or loss resulting from restructuring within the Group;
– the impact of infrequent labour action related to work stoppages in mine units;
– the penalties generated by the early termination of agreements with providers or lenders of the Group;
– the reversal of an accumulation of prior year's tax expenses that resulted from an agreement with the government; and
– the related tax impact of the above items.

(z) Fair value measurement

The Group measures financial instruments such as derivatives at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in notes 26 and 37(e).

For assets and liabilities that are recognised in the financial statements on a recurring basis at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers, where applicable, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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 generates 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 Other 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.

3 Segment reporting continued

(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.

(a) Reportable segment information continued

	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. and the Arcata mine unit.
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.

3 Segment reporting continued

(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
Silver (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
Silver (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 36)	**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 in 2019 include costs related to stoppage of US$567,000 at the San Jose 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), supply 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 (note 27)	**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

10 Exceptional items continued

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 cost 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 31)). 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 27(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 27(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 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 27)	**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 26)	**(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 27)	**–**	(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$11,835,000).

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 29)	**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 36)	**4,088**	**–**	**4,088**	5,028	–	5,028
Special mining tax charge (note 36)	**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.

13 Income tax expense continued

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 36).
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 and 2] US$000	Vehicles[5] US$000	Mine closure asset US$000	Construction in progress and capital advances[4] 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	**94,637**
Initial recognition	–	–	–	–	235	–	**235**
Change in discount rate (note 27(1))	–	–	–	–	5,385	–	**5,385**
Change in mine closure estimate (note 27(1))	–	–	–	–	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 US$6,718,000 related to the Crespo CGU that are 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 in line with accounting policies from page 134 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 (note 25).

15 Property, plant and equipment continued

	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[4] 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	**137,073**
Asset acquisition	–	–	218	–	–	–	**218**
Change in discount rate (note 27(1))	–	–	–	–	3,249	–	**3,249**
Change in mine closure estimate (note 27(1))	–	–	–	–	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 US$6,718,000 related to the Crespo CGU that are 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 in line with accounting policies from page 134 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 (note 25).

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 and medium analysis consensus 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 amounting 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 the analysis consensus prices of silver and gold 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 showed 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 out. 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 their 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 periods of six and two 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%)	7,700[1]	4,700
Production volume (decrease by 10%)	(11,800)	
Production volume (increase by 10%)	7,700[1]	
Post tax discount rate (increase by 3%)	(8,200)	
Post tax discount rate (decrease by 3%)	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 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 price 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 periods of six and two 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 from their carrying values.

15 Property, plant and equipment continued

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%)	17,839[1]	10,600
Production volume (decrease by 10%)	(28,700)	(6,000)
Production volume (increase by 10%)	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). 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 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 to 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 to 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 31(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 dollar 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 Jose 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 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.

21 Inventories continued

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 26).

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 2019.
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 two-year period. In consideration for the extension, the Group received 452,200 ASC 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 12 months of the year-end, the assets and liabilities were transferred 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 27)	(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 (formerly known as ASC) 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 36)	**–**	**315**	–	607
Accounts payable to related parties (note 30(a))	**–**	**266**	–	192
Lease liabilities (note 25)	**–**	**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, this comprised Board members' remuneration payable of US$151,000 (2019: US$184,000) and no Long-Term Incentive Plan payable (2019: US$nil).

25 Leases

The Group has lease contracts for vehicles used in its operations and administrative offices. Leases of motor vehicles generally have lease terms of three years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	As at 31 December	
	2020 US$000	2019 US$000
Depreciation expense for right-of-use assets	**(2,123)**	(2,454)
Interest expense on lease liabilities	**(62)**	(96)
Expense relating to short-term leases (included in cost of sales, administrative, exploration and other expenses)	**(2,335)**	(4,985)
Expense relating to leases of low-value assets (included in cost of sales, administrative, exploration and other expenses)	**(1,062)**	(1,233)
Variable lease payments (included in cost of sales)	**(4,614)**	(3,470)
Total amount recognised in profit or loss	**(10,196)**	(12,238)

The Group had total cash outflows for leases of US$10,032,000 in 2020 (2019: US$12,194,000). There were no non-cash additions to right-of-use assets and lease liabilities during the year. The future cash outflows relating to leases that have not yet commenced are US$2,473,000 (2019: US$5,527,000).

26 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 in 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 interest 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 from 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**

27 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	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 (refer to note 28(c)), (ii) 2019 awards, granted in February 2019, payable in February 2022, as 50% in cash (refer to note 28(c)), (iii) 2018 awards, granted in May 2018, payable in May 2021, as 50% in cash with a result of US$nil (refer to note 28(c)). 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 net 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 is similar to the life of the awards and is indicative of future trends, which may not necessarily be the actual outcome.

28 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2020 and 2019 is as follows:

Class of shares	Issued Number	Issued Amount
Ordinary shares	513,875,563	£128,468,891

At 31 December 2020 and 2019, all issued shares with a par value of 25 pence each were fully paid (2020: weighted average of US$0.441 per share, 2019: weighted average of US$0.441 per share).

The changes in share capital are as follows:

	Number of shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2019	510,553,920	225,409	438,041
Shares issued according to the Restricted Share Plan benefit on 31 December 2019 at GBP 0.25	3,321,643	1,097	–
Shares issued as at 31 December 2019	513,875,563	226,506	438,041
Shares issued as at 31 December 2020	513,875,563	226,506	438,041

On 31 December 2019 the Company issued 3,321,643 ordinary shares, under the Restricted Share Plan, to certain employees of the Group.

Rights attached to ordinary shares

At general meetings of the Company, on a show of hands and on a poll, every member who is present in person or subject to the below, by proxy, has one vote for every share of which they are the holder/proxy. However, in the case of a vote on a show of hands where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

(b) Treasury shares

Treasury shares represent the cost of Hochschild Mining PLC shares purchased in the market and held by the trustee of the Hochschild Mining Employee Share Trust to satisfy the award of conditional shares under the Group's Enhanced Long-Term Incentive Plan granted to the CEO (note 2(o)).

The movements in treasury shares are as follows:

- On 21 March 2019, the Group purchased 115,640 shares for a total consideration of £236,000 (equivalent to US$309,000).
- On 22 March 2019, 115,682 treasury shares with a value of US$309,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long-Term Incentive Plan.
- On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US$292,000).
- On 30 March 2020, 182,941 treasury shares with a value of US$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long-Term Incentive Plan.

At 31 December 2020 the balance of treasury shares is nil (31 December 2019: nil).

(c) Other reserves

Fair value reserve of financial assets at fair value through OCI

In accordance with IFRS 9, the Group made the decision to classify its investments in listed and unlisted companies as financial assets at fair value through OCI. The increase/decrease in the fair value, net of the related deferred tax liability, is taken directly to this account where it will remain until disposal, when the cumulative unrealised gains and losses are recycled through retained earnings.

Cumulative translation adjustment

The cumulative translation adjustment account is used to record exchange differences arising from the translation of the financial statements of subsidiaries with a functional currency different to the reporting currency of the Group.

Merger reserve

The merger reserve represents the difference between the value of the net assets of the Cayman Holding Companies (Ardsley, Garrison, Larchmont and Hochschild Mining (Peru)) acquired under the Share Exchange Agreement and the nominal value of the shares issued in consideration of such acquisition.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. The Group uses cash flow hedges for hedging the exposure to variability in interest cash flows of floating rate interest bearing liabilities arising from changes in interest rates.

Share-based payment reserve

Share-based payment reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, as a part of their remuneration.

(i) Enhanced Long-Term Incentive Plan ('ELTIP')
In March 2014, the CEO was granted awards under the ELTIP (1,076,122 shares). Awards were made over conditional shares with a value, on the date of grant, equivalent to six times salary and which vest in tranches over an extended performance period of four, five and six years. Further details on the design of the ELTIP award and numbers of awards granted are included in the Directors' Remuneration Report.

The fair value of the option was determined using the Monte Carlo model. The carrying amount of the share-based payment reserve relating to the ELTIP at 31 December 2020 is US$nil (2019: US$1,047,000) with the amount recognised in the consolidated income statement of US$39,000 (2019: US$203,000).

As at 31 December 2019, 538,061 ordinary shares were pending to vest. The vesting percentage of the 50% of the award (538,061 shares) resulted in 34% and on 30 March 2020 the CEO received 182,941 treasury shares, and US$794,000 was transferred from the share-based payment reserve to retained earnings.

As at 31 December 2020 nil ordinary shares are pending to vest (31 December 2019: 538,061 ordinary shares).

The remaining contract life is nil days (2019: 80 days). The movement in other reserves is as follows:

	US$000
Balance at 1 January 2019	1,359
Expense recognised in the period	203
Vesting at 20 March 2019, treasury shares received by the CEO on 22 March 2019 with a value of US$2.67 per share totalling US$309,000 (refer to (b))	(515)
Balance at 31 December 2019	1,047
Expense recognised in the period	40
Vesting at 20 March 2020, treasury shares received by the CEO on 30 March 2020 with a value of US$1.60 per share totalling US$292,000 (refer to (b))	(1,087)
Balance at 31 December 2020	–

The movement of the shares according the date of vesting is as follows:

	Number of shares
Balance of shares pending to vest at 1 January 2019	807,091
Shares lapsed on 20 March 2019 (25% of the award)	(153,348)
Shares vested on 20 March 2019	(115,682)
Balance of shares pending to vest at 31 December 2019	538,061
Shares lapsed on 20 March 2020 (50% of the award)	(355,120)
Shares vested on 20 March 2020	(182,941)
Balance of shares pending to vest at 31 December 2020	–

(ii) Long-Term Incentive Plan ('LTIP')
On 25 May 2018 the Group approved the grant of 2018 LTIP awards, on 20 February 2019 the Group approved the grant of 2019 LTIP awards and on 19 February 2020 the grant of 2020 LTIP awards. The award gives a right to receive a cash payment equivalent to the 50% of the prize (cash-settled transaction) (refer to note 27(2)), and the other 50% will be used to acquire shares of the Company (equity-settled transaction). Further details on the design of the LTIP award are included in the Directors' Remuneration Report.

The fair value of the option was determined using the Monte Carlo model. The following tables list the inputs to the Monte Carlo model used for the 2018 LTIP, 2019 LTIP, and 2020 LTIP:

	LTIP 2020	LTIP 2019	LTIP 2018
Dividend yield (%)	**0.87**	1.46	1.18
Expected volatility (%)	**3.19**	2.90	5.2
Risk–free interest rate (%)	**0.51**	0.42	0.55
Expected life (years)	**2.5**	2.4	2.6
Weighted average share price (pence £)	**179.61**	161.37	235.08

The remaining contract life is 0.4 years (2019: 1.4 years), 1.1 years (2019: 2.1 years) and 2.1 years for the 2018 LTIP, 2019 LTIP and 2020 LTIP respectively.

The movement in other reserves is as follows:

	LTIP 2018 US$000	LTIP 2019 US$000	**LTIP 2020 US$000**
Balance at 1 January 2019	212	–	**–**
Expense recognised in the period	354	551	**–**
Balance at 31 December 2019	566	551	**–**
Expense recognised in the period	354	624	**438**
Balance at 31 December 2020	**920**	**1,175**	**438**

No shares vested during the period (2019: nil).

28 Equity continued

(iii) Restricted Share Plan ('RSP')

At the beginning of 2015, the Group introduced the RSP, which is a one-off share-based long-term incentive plan for some executives and key employees who play a fundamental role in the performance of the business. The carrying amount of the share-based payment reserve relating to the RSP at 31 December 2020 was US$4,132,000. The expenses recognised in the year ended 31 December 2019 amounted to US$843,000.

29 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 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 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.

30 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 27 May 2021 and is not recognised as a liability as at 31 December 2020.

31 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, an entity controlled by Eduardo Hochschild. 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.

31 Related-party balances and transactions continued

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

	Year ended 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 Plans 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).

32 Auditor's remuneration

The Auditor's remuneration for services provided to the Group during the years ended 31 December 2020 and 2019 is as follows:

	Amounts paid to Ernst & Young in the year ended 31 December	
	2020 US$000	2019 US$000
Audit fees pursuant to legislation[1]	**855**	730
Audit-related assurance services[2]	**90**	65
Other assurance services	**12**	–
Other non-audit services[3]	**37**	4
Total	**994**	799

1 The total audit fee in respect of local statutory audits of subsidiaries is US$323,000 (2019: US$368,000).
2 Related to assurance services over the Group's environmental ECO Score.
3 Related to corporate finance transaction services for a transaction that did not proceed (2019: related to the advice on the depreciation accounting policies in use by the Group).

In 2020 and 2019, all fees are included in administrative expenses.

33 Notes to the statement of cash flows

	As at 31 December	
	2020 US$000	2019 US$000
Reconciliation of loss for the year to net cash generated from operating activities		
Profit for the year	**20,426**	41,439
Adjustments to reconcile Group loss to net cash inflows from operating activities		
Depreciation (note 3(a))	**116,920**	185,167
Amortisation of intangibles (note 17)	**1,115**	2,069
Write-off of assets (note 15)	**2,078**	1,449
Provision of doubtful receivable (note 11)	**996**	3,706
(Reversal)/impairment of assets (note 10)	**(8,303)**	14,378
Gain on sale of available-for-sale financial assets, net		
Gain on sale of property, plant and equipment	**(231)**	(4)
Provision for obsolescence of supplies (note 11)	**(1,921)**	853
Increase of provision for mine closure (note 11)	**16,056**	13,398
Finance income (note 12)	**(4,197)**	(2,938)
Finance costs (note 12)	**23,560**	10,038
Income tax expense (note 13)	**42,494**	35,403
Other	**4,012**	5,391
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	**(18,905)**	(9,748)
Income tax receivable	**2,189**	–
Other financial assets and liabilities	**90**	47
Inventories	**21,991**	(6,950)
Trade and other payables	**(8,611)**	(8,344)
Provisions	**(760)**	4,962
Cash generated from operations	**208,999**	290,316

34 Commitments

(a) Mining rights purchase options

During the ordinary course of business, the Group enters into agreements to carry out exploration under concessions held by third parties. Generally, under the terms of these agreements, the Group has the option to acquire the concession or invest in the entity holding the concession. In order to exercise these options the Group must satisfy certain financial and other obligations during the term of the agreement. The options lapse in the event that the Group does not meet its financial obligations. At any point in time, the Group may cancel the agreements without penalty, except where specified below. These agreements are not under non-cancellable/irrevocable clauses.

The Group continually reviews its requirements under the agreements and determines, on an annual basis, whether to proceed with its financial commitment. Based on management's current intention regarding these projects, the commitments at the statement of financial position date are as follows:

	As at 31 December	
	2020 US$000	2019 US$000
Commitment for the subsequent 12 months	**3,837**	2,245
More than one year	**35,552**	28,802

(b) Capital commitments

	For the year ended 31 December	
	2020 US$000	2019 US$000
Peru	**1,800**	35,370
Chile	**–**	983
Argentina	**2,111**	4,487
	3,911	40,840

35 Contingencies

As at 31 December 2020 the Group is subject to various claims which arise in the ordinary course of business. No provision has been made in the financial statements and none of these claims are currently expected to result in any material loss to the Group.

(a) Taxation

Fiscal periods remain open to review by the tax authorities for four years in Peru, five years in Argentina and Mexico and three years in Chile, preceding the year of review. During this time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, reviews may cover longer periods.

Because a number of fiscal periods remain open to review by the tax authorities, coupled with the complexity of the Group and the transactions undertaken by it, there remains a risk that significant additional tax liabilities may arise. As at 31 December 2020, the Group had exposures totalling US$26,706,000 (2019: US$29,334,000).

When the tax authority challenges the deductibility of certain expenses the Group reassesses the case internally and externally, with the support of a third party professional to determine the probability of success, and depending on the result, makes the decision to continue with the claim. Notwithstanding this risk, the Directors believe that management's interpretation of the relevant legislation and assessment of taxation is appropriate and that it is probable that the Group's tax and customs positions will be sustained in the event of a challenge by the tax authorities. Consequently, the Directors consider that no tax liability is required to be recognised in respect of these claims or risks.

(b) Guarantees

The Group is required to provide guarantees in Peru in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities (see note 27(1)).

36 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).

37 Financial risk management

The Group is exposed to a variety of risks and uncertainties which may have a financial impact on the Group and which also impact the achievement of social, economic and environmental objectives. These risks include strategic, commercial, operational and financial risks and are further categorised into risk areas to facilitate consolidated risk reporting across the Group.

The Group has made significant developments in the management of the Group's risk environment which seeks to identify and, where appropriate, implement the controls to mitigate the impact of the Group's significant risks. This effort is supported by a Risk Committee with the participation of the CEO, the Vice Presidents, and the head of the internal audit function. The Risk Committee is responsible for implementing the Group's policy on risk management and internal control in support of the Company's business objectives, and monitoring the effectiveness of risk management within the organisation.

(a) Commodity price risk

Silver and gold prices have a material impact on the Group's results of operations. Prices are significantly affected by changes in global economic conditions and related industry cycles. Generally, producers of silver and gold are unable to influence prices directly; therefore, the Group's profitability is ensured through the control of its cost base and the efficiency of its operations.

The Group´s policy is generally to remain hedge free. However, management continuously monitors silver and gold prices and reserves the right to take the necessary action, where appropriate and within Board approved parameters, to mitigate the impact of this risk. During 2020 and 2019 the Group had no hedging instruments.

At 31 December 2020 and 2019 the Group is not exposed to commodity price risk on commodity forward contracts.

The Group has price adjustments arising from the sale of concentrate and dore which were provisionally priced at the time the sale was recorded (refer to note 4). The sensitivity of the fair value to an immediate 10% favourable or adverse change in the price of gold and silver (assuming all other variables remain constant) is as follows:

Year	Increase/ decrease in price of ounces of:	Effect on profit before tax US$000
2020	**Gold +/-10%**	**+/-210**
	Silver+/-10%	**+/-890**
2019	Gold +/-10	+/-599
	Silver+/-10%	+/-895

(b) Foreign currency risk

The Group produces silver and gold which are typically priced in US dollars. A proportion of the Group's costs are incurred in pounds sterling, Peruvian nuevos soles, Canadian dollars, Argentinian pesos, Chilean pesos and Mexican pesos. Accordingly, the Group's financial results may be affected by exchange rate fluctuations between the US dollar and the local currency. The long-term relationship between commodity prices and currencies in the countries in which the Group operates provides a certain degree of natural protection. The Group does not use derivative instruments to manage its foreign currency risks.

The following table demonstrates the sensitivity of financial assets and liabilities, at the reporting date, denominated in their respective currencies, to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

Year	Increase/ decrease in US$/other currencies' rate	Effect on profit before tax US$000	Effect on equity US$000
2020			
Pounds sterling	**+/-10%**	**+/-11**	**–**
Argentinian pesos	**+/-10%**	**+/-867**	**–**
Mexican pesos	**+/-10%**	**+/-2,026**	**–**
Peruvian nuevos soles	**+/-10%**	**-/+4,059**	**–**
Canadian dollars	**+/-10%**	**+/-424**	**+/-37**
Chilean pesos	**+/-10%**	**-/+144**	**–**
2019			
Pounds sterling	+/-10%	+/-17	–
Argentinian pesos	+/-10%	-/+886	–
Mexican pesos	+/-10%	+/-2,198	–
Peruvian nuevos soles	+/-10%	-/+2,584	–
Canadian dollars	+/-10%	-/+21	+/-615
Chilean pesos	+/-10%	+/-145	–

37 Financial risk management continued

(c) Credit risk

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due (without taking into account the fair value of any guarantee or pledged assets). The Group is primarily exposed to credit risk as a result of commercial activities and non compliance, by counterparties, in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date.

Counterparty credit exposure based on commercial activities, including trade and other receivables, embedded derivatives and cash balances in banks as at 31 December 2020 and 31 December 2019:

Summary commercial partners	As at 31 December 2020 US$000	% collected as at 16 February 2021	As at 31 December 2019 US$000	% collected as at 17 February 2020
Trade receivables	45,353	56%	37,799	64%

Other receivables include advances to suppliers and receivables from contractors for the sale of supplies. There is no credit risk on these amounts as the Group can withhold the balances that it owes the suppliers or contractors for their services.

Cash and cash equivalents – Credit rating[1]	As at 31 December 2020 US$000	As at 31 December 2019 US$000
A+	20,000	32,005
A	14,479	–
A-	79,559	72,494
AA+	–	1,161
AAA	–	229
BBB+	100,421	49,998
BBB	14,528	9,792
NA	2,896	678
Total	231,883	166,357

1 Represents the long-term credit rating as at 4 February 2021 (2019: 4 February 2020).

To manage the credit risk associated with commercial activities, the Group took the following steps:

- Active use of prepayment/advance clauses in sales contracts.
- Delaying delivery of title and/or requiring advance payments to reduce exposure timeframe (potential delay in sales recognition).
- Maintaining as diversified a portfolio of clients as possible.

To manage credit risk associated with cash balances deposited in banks, the Group took the following steps:

- Increasing banking relationships with large, established and well-capitalised institutions in order to secure access to credit and to diversify credit risk.
- Limiting exposure to financial counterparties according to Board approved limits.
- Investing cash in short-term, highly liquid and low-risk instruments (term deposits mainly).

Receivable balances are monitored on an ongoing basis and the result of the Group's exposure to bad debts is recognised in the consolidated income statement. The maximum exposure is the carrying amount as disclosed in notes 20, 22 and 37(e).

Prompted by a long-standing customer entering into bankruptcy protection in 2018, the Group strengthened its risk assessment procedures by enhancing customer analysis and reviewing financial counterparties. For further details refer to the Commentary section of the Commercial Counterparty risk in the Risk Management and Viability Report.

(d) Equity risk on financial instruments

The Group acquires financial instruments in connection with strategic alliances with third parties. The Group constantly monitors the fair value of these instruments in order to decide whether or not it is convenient to dispose of these investments. The disposal decision is also based on management's intention to continue with the strategic alliance, the tax implications and changes in the share price of the investee.

At 31 December 2020 the sensitivity to reasonable movements in the share price of financial assets at fair value through OCI of +/- 25% with all other variables held constant is +/-US$101,000 (2019: +/-US$1,540,000) recognised in equity. The sensitivity to reasonable movements in the share price of financial assets at fair value through profit and loss of +/- 25% with all other variables held constant is +/-US$1,352,000 (2019: US$nil) recognised in the consolidated statement of profit and loss.

(e) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2020 and 2019, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	**31 December 2020 US$000**	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (notes 18 and 19)	**5,809**	5,809	–	–
Trade receivables (note 20)	**45,353**	–	–	45,353
Liabilities measured at fair value				
Derivative financial liabilities	**(6,003)**		(6,003)	–

Assets measured at fair value	31 December 2019 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (notes 18 and 19)	6,159	6,159	–	–
Trade receivables (note 20)	37,799	–	–	37,799

During the period ending 31 December 2020 and 2019, there were no transfers between these levels.

The reconciliation of the financial instruments categorised as level 3 is as follows:

Unlisted equity shares	Unlisted equity shares US$000	Trade receivables/ price adjustments US$000
Balance at 1 January 2019	3,186	45,201
Acquisitions	500	–
Fair value adjustments recognised through OCI	1,868	–
Reclassification to investment in subsidiaries	(3,444)	–
Reclassification to listed equity shares	(2,110)	–
Net change in trade receivables from goods sold	–	(4,887)
Changes in fair value of price adjustments (note 4)	–	14,584
Realised price adjustments during the year	–	(17,099)
Balance at 31 December 2019	–	37,799
Net change in trade receivables from goods sold	–	6,289
Changes in fair value of price adjustments (note 4)	–	10,999
Realised price adjustments during the year	–	(9,734)
Balance at 31 December 2020	**–**	**45,353**

(f) Liquidity risk

Liquidity risk arises from the Group's inability to obtain the funds it requires to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value. Management constantly monitors the Group's level of short- and medium-term liquidity, and its access to credit lines, in order to ensure appropriate financing is available for its operations.

The table below categorises the undiscounted cash flows of Group's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position to the contractual maturity date. Interest cash flows have been calculated using the spot rate at year end.

37 Financial risk management continued

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2020					
Trade and other payables	**103,419**	**211**	**–**	**–**	**103,630**
Borrowings	**14,316**	**69,124**	**135,424**	**–**	**218,864**
Derivative financial liabilities[1]	**1,500**	**1,557**	**2,946**	**–**	**6,003**
Total	**119,235**	**70,892**	**138,370**	**–**	**328,497**
At 31 December 2019					
Trade and other payables	109,953	344	230	–	110,527
Borrowings	6,150	6,083	209,898	–	222,131
Total	116,103	6,427	210,128	–	332,658

1 The interest rate swap settles the difference between the fixed and floating interest rate on a net basis on a quarterly basis.

(g) Interest rate risk

The Group has financial assets and liabilities which are exposed to interest rate risk. Changes in interest rates primarily impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group does not have a formal policy of determining how much of its exposure should be at fixed or at variable rates. However, at the time of taking new loans or borrowings, management applies its judgement to decide whether it believes that a fixed or variable rate borrowing would be more favourable to the Group over the expected period until maturity.

	As at 31 December 2020				
	Within 1 year US$000	**Between 1 and 2 years US$000**	**Between 2 and 5 years US$000**	**Over 5 years US$000**	**Total US$000**
Fixed rate					
Assets	**150,851**	**–**	**–**	**–**	**150,851**
Liabilities	**(10,628)**	**–**	**–**	**–**	**(10,628)**
Floating rate					
Liabilities	**(150)**	**(66,666)**	**(132,888)**	**–**	**(199,704)**

	As at 31 December 2019				
	Within 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
Fixed rate					
Assets	128,110	–	–	–	128,110
Floating rate					
Liabilities	(234)	–	(199,308)	–	(199,542)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The sensitivity to a reasonable movement in the interest rate, with all other variables held constant, of the financial instruments with a floating rate, determined as a +/-20bps change in interest rates has a -/+US$400,000 effect on profit before tax (2019: -/+US$15,000). The Group is exposed to fluctuations in market interest rates.

This assumes that the amount remains unchanged from that in place at 31 December 2020 and 2019 and that the change in interest rates is effective from the beginning of the year. In reality, the floating rate will fluctuate over the year and interest rates will change accordingly.

Derivative financial liabilities – Interest rate swap
On 14 February 2020, the Group and JP Morgan Chase Bank, N.A. entered into an interest rate swap with a notional amount equal to the principal of the medium-term loan whereby the Group pays fixed rate of 2.534% and receives interest at a variable rate equal to LIBOR+1.15% on the notional amount from 17 March 2020 to 17 December 2024. The interest rate swap is being used to hedge the exposure to changes in the cash flows of its variable rate medium-term loan. In accordance with IFRS 9, this derivative instrument is categorised as a cash flow hedge at the inception of the hedging relationship, and on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge effectiveness requirements. At a minimum, an entity shall perform the ongoing assessment at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

The Group has established a ratio of 1:1 for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedging instrument and the hedged item have values which move in the opposite direction due to the same risk and, therefore, there is an economic relationship between the hedged item and the instrument coverage as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity and payment dates). That said, it is observed that the effectiveness tests comply with the requirements of IFRS 9 and conclude that the hedging strategy is highly effective. There is no ineffectiveness recognised in profit or loss.

The fair value of the interest rate swap was calculated using a discounted cash flow model applying a combination of level 1 (USD swap curve and USD zero yield curve) and level 2 inputs. This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy. The fair value of the interest rate swap as at 31 December 2020 is as follows:

	US$000
Current derivative financial liabilities	1,500
Non-current derivative financial liabilities	4,503
	6,003

The effect recorded is as follows:

	US$000
Income statement – Finance costs	90
Equity – Cash flow hedge reserve	5,913

The sensitivity to a reasonable movement in the interest rate, with all other variables held constant, of the financial instruments with a floating rate, determined as a +/-20bps change in interest rates has a US$977,000 / -US$984,000 effect on OCI.

(h) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Management considers as part of its capital, the financial sources of funding from shareholders and third parties (notes 26 and 28).

In 2020 the Group collected US$48,520,000 (2019: collected US$315,808,000 net of transaction costs of US$692,000) due to proceeds of borrowings while US$37,717,000 (2019: US$272,500,000) of debt was repaid.

Management also retains the right to fund operations (fully owned and with joint venture partners) with a mix of equity and joint venture partners' debt.

38 Subsequent events
(a) On 8 February 2021, the Group signed agreements to hedge the sale of 4,000,000 ounces of silver at US$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 cash flows 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.

Parent company statement of financial position

As at 31 December 2020

	Notes	As at 31 December 2020 US$000	2019 US$000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**2,104,219**	1,815,913
		2,104,219	1,815,913
Current assets			
Other receivables	6	**2,603**	6,282
Cash and cash equivalents	7	**748**	554
		3,351	6,836
Total assets		**2,107,570**	1,822,749
EQUITY AND LIABILITIES			
Equity share capital	8	**226,506**	226,506
Share premium	8	**458,267**	458,267
Other reserves		**2,533**	2,164
Retained earnings		**1,127,421**	863,622
Total equity		**1,814,727**	1,550,559
Non-current liabilities			
Trade and other payables	9	**872**	1,166
Provisions	10	**81**	60
		953	1,226
Current liabilities			
Trade and other payables	9	**291,890**	270,964
		291,890	270,964
Total liabilities		**292,843**	272,190
Total equity and liabilities		**2,107,570**	1,822,749

The profit of the Company after tax amounted to US$283,560,000 (2019: US$160,858,000).

The 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

Parent company statement of cash flows

For the year ended 31 December 2020

	Notes	Year ended 31 December 2020 US$000	2019 US$000
Reconciliation of loss for the year to net cash used in operating activities			
Profit for the year		**283,560**	160,858
Adjustments to reconcile Company profit to net cash outflows from operating activities			
Reversal of impairment on investment in subsidiary	5	**(288,306)**	(165,984)
Share-based payments		**1,456**	1,951
Finance income		**(296)**	(36)
Finance costs		**12**	14
(Decrease)/increase of cash flows from operations due to changes in assets and liabilities			
Other receivables		**(1,496)**	(1,925)
Trade and other payables		**390**	10,655
Provision for Long-Term Incentive Plan	10	**21**	691
Cash generated/(used) in operating activities		**(4,659)**	6,224
Interest received		**1**	25
Net cash (used in)/generated from operating activities		**(4,658)**	6,249
Cash flows from investing activities			
Repayment of loans to subsidiaries		**5,175**	4,014
Dividends collected		**–**	21
Net cash generated from investing activities		**5,175**	4,035
Cash flows from financing activities			
Dividends paid	12	**(20,556)**	(20,213)
Purchase of treasury shares	8(b)	**(292)**	(309)
Repayment of loan from subsidiary		**(5,000)**	–
Loans from subsidiaries		**25,525**	10,000
Cash flows used in financing activities		**(323)**	(10,522)
Net increase/(decrease) in cash and cash equivalents during the year		**194**	(238)
Cash and cash equivalents at beginning of year		**554**	792
Cash and cash equivalents at end of year	7	**748**	554

Parent company statement of changes in equity

For the year ended 31 December 2020

	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Other reserves: Share-based payment reserve US$000	Other reserves: Total other reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2019		**225,409**	**458,267**	**–**	**4,860**	**4,860**	**719,736**	**1,408,272**
Other comprehensive income		–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	160,858	160,858
Total comprehensive profit for the year		–	–	–	–	–	160,858	160,858
Exercise of share options	8(c)	–	–	309	(4,647)	(4,647)	3,241	(1,097)
Dividends	12	–	–	–	–	–	(20,213)	(20,213)
Issuance of shares	8(a)	1,097	–	–	–	–	–	1,097
Purchase of treasury shares	8(b)	–	–	(309)	–	–	–	(309)
Share-based payments	8(c)	–	–	–	1,951	1,951	–	1,951
Balance at 31 December 2019		**226,506**	**458,267**	**–**	**2,164**	**2,164**	**863,622**	**1,550,559**
Other comprehensive income		–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	283,560	283,560
Total comprehensive profit for the year		–	–	–	–	–	283,560	283,560
Exercise of share options	8(c)	–	–	292	(1,087)	(1,087)	795	–
Dividends	12	–	–	–	–	–	(20,556)	(20,556)
Purchase of treasury shares	8(b)	–	–	(292)	–	–	–	(292)
Share-based payments	8(c)	–	–	–	1,456	1,456	–	1,456
Balance at 31 December 2020		**226,506**	**458,267**	**–**	**2,533**	**2,533**	**1,127,421**	**1,814,727**

1 Corporate information

Hochschild Mining PLC (hereinafter 'the Company') is a public limited company incorporated on 11 April 2006 under the Companies Act 1985 as a Limited Company and registered in England and Wales with registered number 05777693.

The Company's registered office is located at 17 Cavendish Square, London W1G 0PH, United Kingdom. The Company was incorporated to serve as a holding company to be listed on the London Stock Exchange. The Company acquired its interest in a group of companies to constitute the Hochschild Mining Group ('the Group') pursuant to a share exchange agreement ('Share Exchange Agreement') dated 2 November 2006.

The ultimate controlling party of the Company is Mr Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries (together 'the Group' or 'Hochschild Mining Group') is held through Pelham Investment Corporation, a Cayman Islands company.

On 8 November 2006, the Company's shares were admitted to the Official List of the UKLA (United Kingdom Listing Authority) and to trading on the London Stock Exchange.

2 Significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The Company applies the same Group policies, unless there is an exception in its financial statements.

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in US dollars (US$) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

(b) Going concern

The financial position of the Company is set out in the Statement of Financial Position. The Company has received a support letter from its wholly owned subsidiary, Hochschild Mining Holdings Ltd, indicating that it will not request a repayment of the interest free loan of US$287,385,000 for a period of at least 12 months from the date of approval of the balance sheet of the Company.

The ability for the Company to continue as a going concern is dependent on Compañía Minera Ares S.A.C. ('Minera Ares'), another wholly owned subsidiary of the Company providing additional funding to the extent that the operating inflows of the Company are insufficient to meet future cash requirements. The Company has obtained a letter of support from Minera Ares indicating that the financial support will continue until at least 12 months from the date of these financial statements.

Considering the impact of Covid-19 pandemic and the support available from the subsidiaries described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation until 31 March 2022, being a period of at least 12 months from the date of these financial statements. These considerations included the impact of Covid-19 pandemic on the wider Hochschild Group and the Hochschild Group´s Directors' assessment of going concern. Accordingly, the financial statements have been prepared on the going concern basis.

(c) Exemptions

The Company's financial statements are included in the Hochschild Mining Group consolidated financial statements for the years ended 31 December 2020 and 31 December 2019. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

(d) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the Company financial statements for the year ended 31 December 2019. Amendments to standards and interpretations which came into force during the year did not have a significant impact on the financial statements.

(e) Investments in subsidiaries

Subsidiaries are entities over which the Company controls operating and financial policies, generally by owning more than 50% of voting rights. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(f) Dividends receivable

Dividends are recognised when the Company's right to receive payments is established. Dividends received are recorded in the income statement.

(g) Judgements in applying accounting policies and key sources of estimation uncertainty

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements.

Significant estimates:

– *Impairment in subsidiaries – notes 2(e) and 5*

Estimates are required to be made by management in determining the recoverable value of the investments in subsidiaries. The Company tested its investment in subsidiary determining the recoverable value using a fair value less cost of disposal, that was determined with reference to the market capitalisation of the Company, to which a control premium is applied. Judgement is involved in determining the control premium rate to be paid by market participants in an arm's length transaction.

Critical judgements:

– *Income tax – note 2(n)*

The Company analyses the possibility of generation of profit and determined the recognition of deferred tax. No deferred tax asset is being recognised by the Company as it does not expect to generate any profit to settle the temporary difference.

(h) Other receivables

Other receivables are initially recognised at fair value less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according to IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

2 Significant accounting policies continued

(i) Currency translation

The functional currency of the Company is the US dollar and is determined by the currency of the primary economic environment in which its subsidiaries operate and therefore drives their ability to pay dividends.

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Nonmonetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash in hand and deposits held with banks that are readily convertible into known amounts of cash within three months or less and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(k) Share capital

Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of those shares is classified as share premium. In the case the excess above par value is available for distribution, it is classified as merger reserve and then transferred to retained earnings.

(l) Share-based payments

Cash-settled transactions

The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting dates are recognised as personnel expenses. The fair value of the awards is taken to be the market value of the shares at the date of award adjusted by a factor for anticipated relative TSR performance. Fair values are subsequently remeasured at each reporting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expenses.

(m) Finance income and costs

Finance income and costs mainly comprise interest income on funds invested, interest expense on borrowings and foreign exchange gains and losses. Interest income and costs are recognised as they accrue, taking into account the effective yield on the asset and liability, respectively.

(n) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the following exemptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The Company measures financial assets at amortised cost (debt instruments) if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and financial guarantee liabilities.

Subsequent measurement
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(p) Financial guarantees
Financial guarantees are initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cash flows required under a debt instrument, and the net present value of the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of ECL. Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cash flows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

(q) Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 Profit and loss account
The Company made a profit attributable to equity shareholders of US$283,560,000 (2019: US$160,858,000).

4 Property, plant and equipment
At 31 December 2020 and 2019 the Company has property, plant and equipment with cost of equipment of US$265,000 which is fully depreciated.

There were no additions during 2019 and 2020.

5 Investments in subsidiaries

	Total US$000
Year ended 31 December 2019	
Cost	
At 1 January 2019	2,336,010
Additions	1,472
At 31 December 2019	2,337,482
Accumulated impairment	
At 1 January 2019	687,553
Reversal of Impairment	(165,984)
At 31 December 2019	521,569
Net book value at 31 December 2019	1,815,913
Year ended 31 December 2020	
Cost	
At 1 January 2020	2,337,482
At 31 December 2020	2,337,482
Accumulated impairment	
At 1 January 2020	521,569
Reversal of impairment	(288,306)
At 31 December 2020	233,263
Net book value at 31 December 2020	**2,104,219**

In 2020, the Company tested its investment in subsidiary for impairment reversal in light of increases in the Company's publicly listed share price. As a result of this test, the Company recognised an impairment reversal of the investment in Hochschild Mining Holdings Ltd of US$288,306,000 (2019: US$165,984,000).

The recoverable value of the investment in Hochschild Mining Holdings Ltd was determined using a fair value less costs of disposal. The fair value less costs of disposal was determined with reference to the market capitalisation of the Company at 31 December 2020 translated from pounds sterling into US dollars using the year-end exchange rate (both level 1 inputs), to which a control premium was added based on recent market transactions (a level 2 input), and subsequently adjusted for the assets and liabilities held directly by the Company, which result in fair value measurements categorised in its entirety as level 3 in the fair value hierarchy. A level 1 input refers to quoted prices in active markets, while a level 2 input corresponds to other information that can be observed directly or indirectly.

A positive/ adverse change of 10% of the market capitalisation would result in an additional increase/reduction to the reversal of impairment recognised by US$181,638,000 (2019: US$155,274,000). A change in the control premium would have the following impact over the reversal of impairment recognised as follows:

	As at 31 December 2020 US$000	As at 31 December 2019 US$000
Control premium (increase by 5%)	**72,655**	223,524
Control premium (decrease by 5%)	**(72,655)**	86,953

The breakdown of the investments in subsidiaries is as follows:

	As at 31 December 2020			As at 31 December 2019		
Name	**Country of incorporation**	**Equity interest %**	**Carrying value US$000**	Country of incorporation	Equity interest %	Carrying value US$000
Hochschild Mining Holdings Ltd	**England and Wales**	**100%**	**2,104,219**	England and Wales	100%	1,815,913
Total			**2,104,219**			1,815,913

The list of indirectly held subsidiaries of the Company is presented in note 1 (Corporate information) of the notes to the consolidated financial statements.

During 2019 the Company recorded a capital contribution of $1,472,000 related to the financial guarantee granted over some borrowings entered into by Compania Minera Ares, one of its indirectly held subsidiaries (note 9).

6 Other receivables

	Year ended 31 December	
	2020 US$000	2019 US$000
Amounts receivable from subsidiaries (note 11)	**2,371**	6,188
Prepayments	**231**	93
Receivable from Kaupthing, Singer and Friedlander	**201**	197
Other receivable	**1**	1
	2,804	6,479
Provision for impairment[1]	**(201)**	(197)
Total	**2,603**	6,282
Less current balance	**(2,603)**	(6,282)

1 Corresponds to the balance of the impairment of cash deposits with Kaupthing, Singer and Friedlander of US$201,000 accrued in 2008 (2019: US$197,000).

The fair values of other receivables approximate their book values.

Movements in the provision for impairment of receivables:

	Total US$000
At 1 January 2019	195
Provided for during the year	2
At 31 December 2019	197
Provided for during the year	4
At 31 December 2020	**201**

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

7 Cash and cash equivalents

	Year ended 31 December	
	2020 US$000	2019 US$000
Bank current account[1]	**411**	420
Time deposits[2]	**337**	134
Cash and cash equivalents considered for the cash flow statement	**748**	554

1 Relates to bank accounts which are freely available and bear interest.
2 These deposits have an average maturity of nil days (2019: 2 days).

8 Equity

(a) Share capital and share premium (note 28 of consolidated financial statements)

Issued share capital

The issued share capital of the Company as at 31 December 2020 and 2019 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	513,875,563	£128,468,891

At 31 December 2020 and 2019, all issued shares with a par value of 25 pence each were fully paid (weighted average of US$0.441 per share).

The changes in share capital are as follows:

	Number of shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2019	510,553,920	225,409	458,267
Shares issued according to the Restricted Share Plan benefit on 31 December 2019	3,321,643	1,097	–
Shares issued as at 31 December 2019	513,875,563	226,506	458,267
Shares issued as at 31 December 2020	513,875,563	226,506	458,267

On 31 December 2019 the Company issued 3,321,643 ordinary shares, under the Restricted Share Plan, to certain employees of the Group.

Rights attached to ordinary shares

At general meetings of the Company, on a show of hands and on a poll, every member who is present in person or subject to the below by proxy, has one vote for every share of which they are the holder/proxy. However, in the case of a vote on a show of hands where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

8 Equity continued

(b) Treasury shares

Treasury shares represent the cost of Hochschild Mining PLC shares purchased in the market and held by the trustee of the Hochschild Mining Employee Share Trust to satisfy the award of conditional shares under the Company's Enhanced Long-Term Incentive Plan granted to the CEO (note 2(l)).

The movements in the treasury shares are as follows:

- On 21 March 2019, the Group purchased 115,640 shares for a total consideration of £236,000 (equivalent to US$309,000).
- On 22 March 2019, 115,682 treasury shares with a value of US$309,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long-Term Incentive Plan.
- On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US$292,000).
- On 30 March 2020, 182,941 treasury shares with a value of US$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long-Term Incentive Plan.

At 31 December 2020 the balance of treasury shares is nil (31 December 2019: nil).

(c) Other reserves

Share-based payment reserve

Share-based payment reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, as a part of their remuneration.

Refer to note 28(c) to the consolidated financial statements for details of the share-based payment reserve at 31 December 2020 and 2019.

9 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	**–**	**286**	–	422
Payables to subsidiaries (note 11 (a))	**–**	**290,952**	–	269,917
Remuneration payable	**–**	**244**	–	236
Taxes and contributions	**–**	**113**	–	94
Financial guarantees[1]	**872**	**295**	1,166	295
Total	**872**	**291,890**	1,166	270,964

1 The Company provided a financial guarantee to the bank loan entered into by its subsidiary Compania Minera Ares. The financial guarantee was recognised at its fair value at initial recognition of US$1,472,000. This fair value was determined through the use of certain level 3 estimates, the most significant of which being the estimated rate of interest Compania Minera Ares would have been charged were it not for the guarantee provided by the Company.

Trade payables mainly relate to the purchase of third-party services. These payables do not accrue interest and no guarantees have been granted in relation to these payables. The fair value of trade and other payables approximate their book values.

10 Provisions

	As at 31 December	
	2020 US$000	2019 US$000
Beginning balance	**60**	71
Increase/(decrease) in provision, net	**21**	(11)
At 31 December	**81**	60
Less: current portion	**–**	–
Non-current portion	**81**	60

1 Corresponds to the provision related to cash-settled share-based payment awards granted under the Long-Term Incentive Plan ('LTIP)' to designated personnel of the Company. Includes the following benefits: (i) Long-Term Incentive Plan awards, granted in February 2020, payable in February 2023, as 50% in cash (ii) Long-Term Incentive Plan awards, granted in February 2019, payable in February 2022 (iii) Long-Term Incentive Plan awards, granted in May 2018, payable in May 2021, with a result of US$nil. Only employees who remain in the Company's employment until the vesting date will be entitled to a cash payment, subject to exceptions approved by the Remuneration Committee of the Board. Refer to footnote 2 of note 27 to the consolidated financial statements for details of the LTIP awards and assumptions used for the valuation as at 31 December 2020 and 2019.

11 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Company had the following related-party balances and transactions during the years ended 31 December 2020 and 31 December 2019.

	As at 31 December 2020		As at 31 December 2019	
	Accounts receivable US$000	**Accounts payable US$000**	Accounts receivable US$000	Accounts payable US$000
Subsidiaries				
Compañía Minera Ares S.A.C.[1]	**1,416**	**3,545**	5,349	3,037
Hochschild Mining Holdings Ltd[2]	**–**	**287,385**	–	266,860
Other subsidiaries	**955**	**22**	839	20
Total	**2,371**	**290,952**	6,188	269,917

1 The account receivable mainly relates to the LTIP 2020, LTIP 2019 and LTIP 2018 (50% paid in shares that are going to be paid by Hochschild Mining PLC in shares on behalf of Compania Minera Ares). The account payable mainly relates to the services performed by Compania Minera Ares to the Company, which during 2020 amounts to US$508,000 (2019: US$1,145,000). The Company provided certain financial guarantees on behalf of Compania Minera Ares (note 9).

2 Relates to loans receivable by and payable to Hochschild Mining Holdings Ltd. The loan payable is repayable on demand and is free of interest. In February 2021, the Company has received a support letter from Hochschild Mining Holdings Ltd indicating that it will not request a repayment of the interest free loan for a period of at least 12 months from the date of approval of the balance sheet of the Company.

The fair values of the receivables and payables approximate their book values. Transactions between the Company and these companies are on an arm's length basis.

(b) Compensation of key management personnel of the Company

Key management personnel include the Directors who receive remuneration. The amount of this remuneration totals US$1,030,000 (2019: US$990,000).

12 Dividends paid and proposed

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 27 May 2021 and is not recognised as a liability as at 31 December 2020 (refer to note 30 to the consolidated financial statements).

13 Financial risk management

The Company is exposed to a variety of risks and uncertainties which may have an impact on the achievement of financial and economic objectives. These risks include strategic, operational and financial risk and are further categorised into risk areas to facilitate risk assessment.

The Company is not exposed to significant sources of commodity price, equity or interest rate risk.

(a) Foreign currency risk

Due to the operations of the Company, it has cash and cash equivalents and trade payables denominated in pounds sterling. Accordingly, the financial results of the Company may be affected by exchange rate fluctuations. The Company does not use derivative instruments to manage its foreign currency risks. The following table demonstrates the sensitivity of financial assets and liabilities, at the reporting date denominated in their respective currencies, to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

Year	Increase/ decrease in US$/other currencies rate	Effect on profit before tax US$000	Effect on equity US$000
2020			
Pounds Sterling	**+/-10%**	**+/-14**	**–**
2019			
Pounds Sterling	+/-10%	+/-14	–

(b) Credit risk

The Company is primarily exposed to credit risk in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date. The Company has evaluated and introduced efforts to try to mitigate credit risk exposure.

To manage credit risk associated with cash balances deposited in banks, the Company is:

- increasing banking relationships with large, established and well-capitalised institutions in order to secure access to credit and to diversify credit risk;
- investing cash in short-term, highly liquid and low risk instruments (term deposits);
- maintaining excess cash abroad in hard currency.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Company's counterparties whose added risk exposure is significant to the Company's total credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 6.

13 Financial risk management continued

(c) Liquidity risk

Liquidity risk arises from the Company's inability to obtain the funds it requires to comply with its commitments. Management constantly monitors the Company's level of short- and medium-term liquidity in order to ensure appropriate financing is available for its operations.

The Company is funded by Hochschild Mining Holdings Ltd through loans in order to meet its obligations. Liquidity is supported by the balance of cash and cash equivalents held by the Company of US$748,000 (2019: US$554,000) and the financial support provided by Minera Ares (see note 2(b). The Company also serves as principal funding conduit for the Group's capital raising activities such as equity issuances.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date:

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2020					
Trade and other payables	**291,482**	**–**	**–**	**–**	**291,482**
At 31 December 2019					
Trade and other payables	270,575	–	–	–	270,575

The table below analyses the maximum amounts payable under financial guarantees provided to Minera Ares (note 9), considering that if the guarantees were to be called, the guaranteed amounts would be due immediately:

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2020					
Financial guarantees[1]	**200,000,000**	**–**	**–**	**–**	**200,000,000**
At 31 December 2019					
Financial guarantees[1]	200,000,000	–	–	–	200,000,000

1 Not including any accumulated interest that may be payable at the call date.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management considers as part of its capital the financial sources of funding from shareholders and third-parties (notes 8 and 9). In order to ensure an appropriate return for shareholders' capital invested in the Company, management monitors capital thoroughly and evaluates all material projects and potential acquisitions before submission to the Board for ultimate approval, where applicable.

PROFIT BY OPERATION[1] (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.

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 188 to 190 was 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 represent 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. This arrangement is only available in respect of dividends paid in UK pounds sterling. 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. Alternatively you can register your bank details via Signal Shares, a secure online site where you can manage your shareholding quickly and easily. To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or a previous dividend confirmation voucher. 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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FORWARD LOOKING STATEMENTS

This Annual Report 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. 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 Annual Report. 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 Annual Report. Nothing in this Annual Report should be construed as a profit forecast.

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