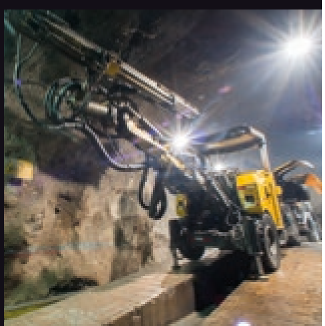
HOCHSCHILD
BEYOND MINING




OUR VISION FOR THE FUTURE OF MINING

Hochschild Mining PLC
Annual Report & Accounts 2019





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OUR PURPOSE

RESPONSIBLE AND INNOVATIVE MINING COMMITTED TO A BETTER WORLD

Hochschild's vision is for responsibility and innovation to underpin our strategy. We are focused on generating long-term stakeholder value through the transparent delivery of key minerals and a commitment to creating a positive global impact.

HOW OUR VISION DRIVES WHAT WE DO

OUR CORE BUSINESS

Focusing on life-of-mine additions and improving the quality of our resources

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OUR FUTURE BUSINESS

From innovation to exploration to acquisitions, investment in optionality is key

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OUR SOCIAL RESPONSIBILITY

Our commitment to our employees, communities and the environment we operate in

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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.

KEY HIGHLIGHTS

4.82
ECO SCORE
2018: 5.37

1.05
LTIFR
2018: 1.74

$343m
ADJUSTED EBITDA
2018: $268m

$0.09
ADJUSTED BASIC EPS
2018: $0.05

2.335C/SHARE
FINAL DIVIDEND
2018: 1.959c/share

$33m
NET DEBT
2018: $77m

$11.9/OZ AG EQ
AISC
2018: $12.0/oz Ag Eq

269,892OZ
ATTRIB. GOLD PRODUCTION
2018: 260,436oz

16.8mOZ
ATTRIB. SILVER PRODUCTION
2018: 19.7moz

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	189,000 oz	5.7m oz	$798/oz Au Eq
Pallancata Peru	26,000 oz	7.3m oz	$13.5oz Ag Eq
San Jose Argentina	105,000 oz	6.8m oz	$13.8/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.

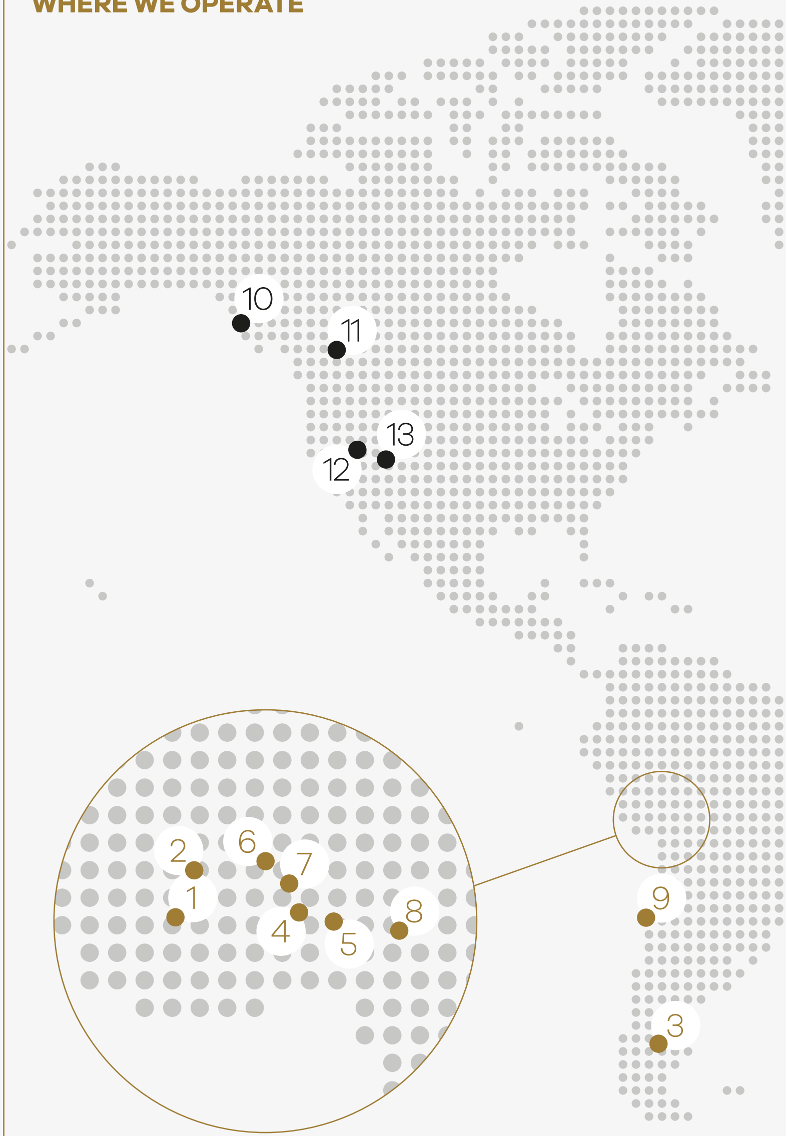
Operation	Category
Ares Peru	Former operations
Arcata Peru	
Selene Peru	
Azuca Peru	Early-stage
Condor Peru	
Crespo Peru	
Volcan Chile	
Huacullo Peru	Regional targets
Huachuilca Peru	
Pacapausa Peru	
Gaby Marina Peru	
Macarena Peru	
Sayrosa Peru	
BioLantanidos Chile	Others

GREENFIELD PROSPECTS

Hochschild has a portfolio of greenfield prospects across the Americas.

Asset	Country
Condor	Peru
Ana Lucia	
Icas	
Farallon	
Casma	
Alto Ruri	
Cueva Blanca	
Josnitoro	
Cooke Mountain	US
Illipah	
Horsethief	
Snip	Canada

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)

Exploration sites

10. Snip (Canada)
11. Cooke Mountain (US)
12. Illipah (US)
13. Horsethief (US)

Read more
Operating Review
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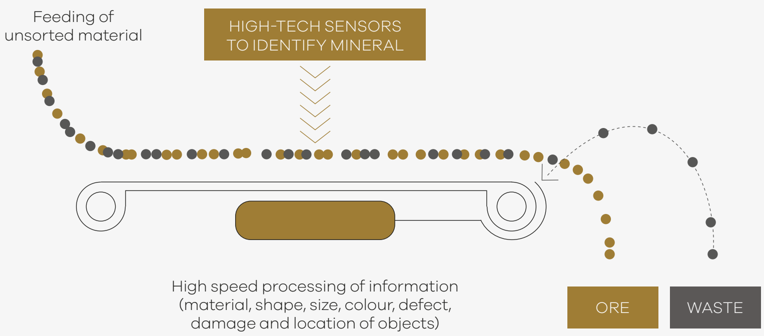
MAXIMISING
THE VALUE OF OUR ASSETS

This year we continued our ongoing programme to extend the lives of our current mines, improve the quality of our reserves and resources and incorporate innovative technologies into our operational toolkit.

INNOVATING THROUGHOUT THE VALUE CHAIN

Ore sorting technology

- New Inmaculada resources can be materially improved with ore sorting
- Initial bulk testing done in Germany with both Steinert and TOMRA
- 20t pilot scale testing in Brazil with Steinert
- Pre-Feasibility Study with Ausenco almost complete
- Team from SRK working on optimising blasting technique
- Modelling with zero cut-off and Deswik technology to better estimate additional resources and potential inclusion of more vein width
- Hochschild developing initial economic model



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NEXT STEPS

Start Feasibility Study to:

- Confirm sorting efficiency robustness
- Improve plant layout
- Optimise sorting cut-off and sampling approach.
- Deliver more accurate CAPEX, OPEX, NPV estimates

MINE DIGITALISATION

Data from in-mine used to be collected manually leading to inaccuracies and delays

Plan to digitalise in-mine data collection at Inmaculada developed

Sensors installed in May 2019 and machines selected for three month pilot test

Results indicated productivity of drillers/scoops could increase 34%/42%

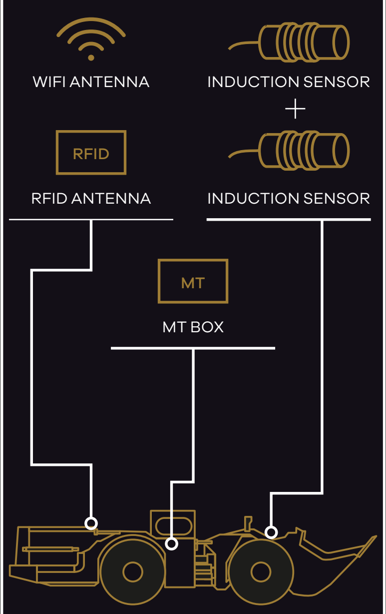
Full scale implementation given green light with conclusion in May 2020

Increase in productivity allows for significant reduction in fleet size and costs

34%

INCREASED PRODUCTIVITY OF DRILLERS AND SCOOPS

Sensors used



Metrics measured
- Operating time
- Scoops per shift
- Origin-destination correlations for each cycle

OPERATIONAL DELIVERY EXCEEDING GUIDANCE

Inmaculada
- Record production in 2019
- AISC in line with guidance
- Further 46moz resources added

Pallancata
- Production of 9.4moz Ag Eq in 2019
- AISC in line with guidance
- Drilling commenced at Pablo Sur

San Jose
- Record production in 2019
- AISC in line with guidance
- Drilling at Aguas Vivas and Telken

INNOVA

- Operations teams often submit efficiency ideas
- Previous submission/evaluation process inefficient
- Bespoke idea management platform ("Innova") implemented company-wide
- Automatically redirects ideas to appropriate evaluators and allows others to provide feedback
- Incentivisation developed to promote/reward ideas submission
- Ideas guided through 'campaigns'-themes that focus idea submission towards specific topics
- Launched in October 2019

52

IDEAS

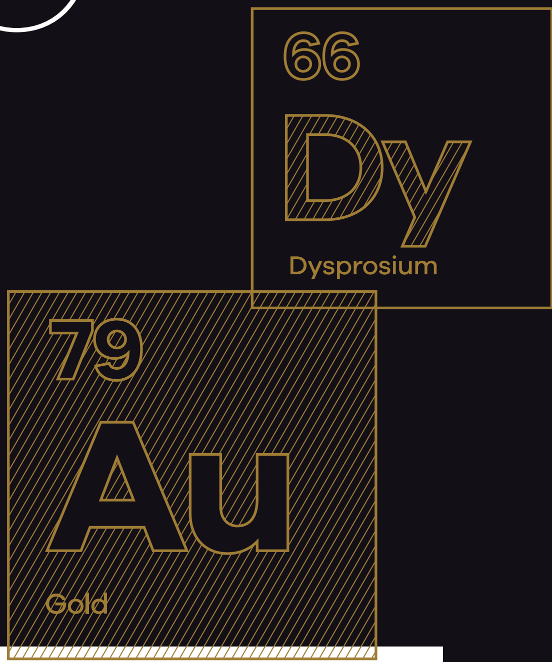
151

COMMENTS

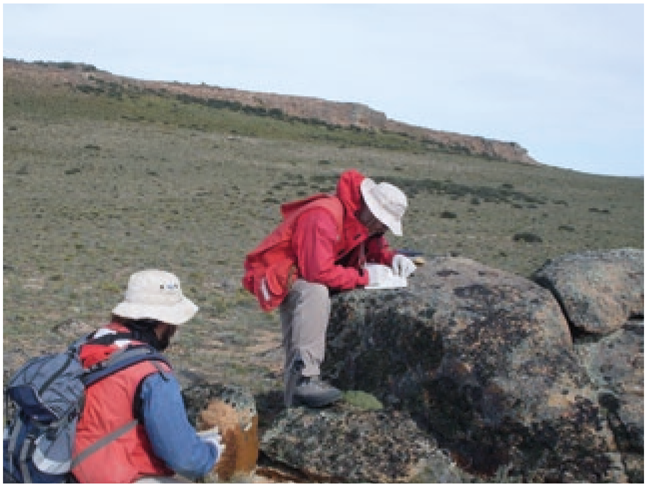
479

VOTES

INVESTING
TO SECURE FUTURE GROWTH



Investment in the future is a key part of our vision. This year we have not only continued our efforts in brownfield and greenfield exploration but also completed an acquisition that broadens our horizons.



BROWNFIELD EXPLORATION

We are aiming not only to increase the life-of-mine of our assets but also the quality of our resources. We have a long and successful track record of discovering low cost resource additions and are currently executing a comprehensive programme at all our deposits across Peru and Argentina.

Inmaculada

- Focused on adding additional high grade resources close to main Angela vein
- Titan geophysical surveys being employed
- Extensive infill drilling programme
- Strong potential in wider district

Pallancata

- Exploring to the north and south of current operations
- Drilling exciting Cochaloma and Pablo Sur targets in 2020
- Titan geophysical surveys scheduled at Selene

San Jose

- Focused on near-mine targets and Aguas Vivas deposit to north west
- Also exploring close to Newmont's Cerro Negro deposit to the south
- San Jose district still under-explored

Other Peruvian projects

- Ambitious 2020 drilling programme at other Peruvian deposits
- Advanced and near-term projects: Azuca, Crespo, Condor
- Also scheduled to drill former operations: Arcata, Ares, Selene

GREENFIELD

Our strategy with regards to our greenfield exploration programme is to maintain and drill a balanced portfolio of early-stage to advanced opportunities. We'll do this with a combination of earn-in joint ventures, private placements with junior exploration companies and the staking of properties.

Exploration targets

- Precious metals focused
- Epithermal veins and larger mineralisation styles

Project generation

- Data driven
- Past producers and districts with >1 moz Au potential
- Data rich/high risk projects with >5 moz Au potential
- Increasing project reviews but with quality more important than quantity
- Optimal permit jurisdictions – Peru, Chile, North America

Execution

- Projects secured from third parties
- Maximising investment in ground via low overheads
- Maximising use of reverse circulation drilling
- Choose the best junior explorers

Portfolio diversification

- Different deposit styles
- Different levels of advancement
- Different geographies to diversify risk of changing regulations

RARE EARTHS ACQUISITION

- Acquisition of BioLantanidos Ionic Clay Rare Earth deposit in Chile for $56 million
- These deposits are lowest cost sources of rare earths
- Special concentration of high demand rare earth elements
- Simple, low cost, no explosives
- Environmentally friendly process with no tailings dam
- Low capex, modular processing facility
- Significant upside potential
- Low risk and proven mining jurisdiction

NEXT STEPS

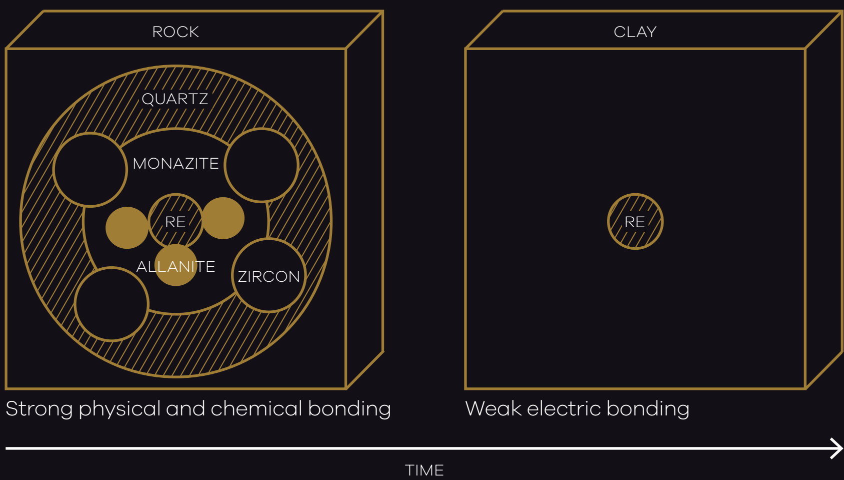
Advancing project to revised feasibility in 18 months

Separate local management team appointed

Ionic clay vs hard rock deposits

Ion Adsorption Clay deposits allow production at low costs even on a small scale unlike rock deposits, which also are associated with metallurgical and radioactive complexities.

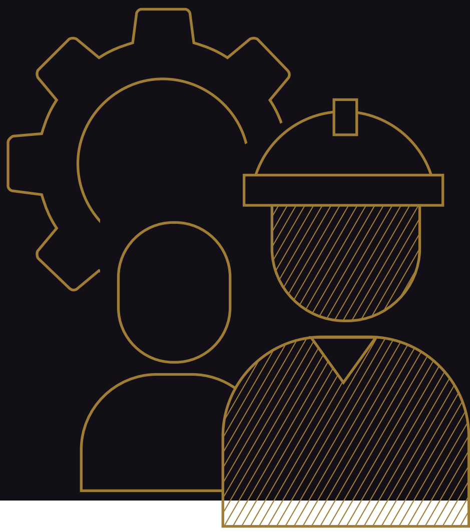
Competitive advantage comes from ionic clay deposits...



...That requires a simpler process than more common hard rock deposits

	Mining	Conditioning	Processing	Product
Traditional REE rock operation	Pre-stripping Stripping Blasting Hauling Transportation Tailings	Grinding Milling	**Bastnaesite**: Flotation, Cleaning, Concentration, Tailings **Monazite**: Screening, Shaking, Flotation, Tailings **Xenotime**: Gravity, Magnetic, Acid, Tailings Several processing stages Tailings Radioactivity	REO concentrate 40%
BioLantanidos Ionic Clay operation	Pre-stripping Hauling Transportation Tailings		Desorption Filtration Precipitation Calcination	REO concentrate 92%

RESPONSIBLE MINING IS AT THE CORE OF OUR PURPOSE

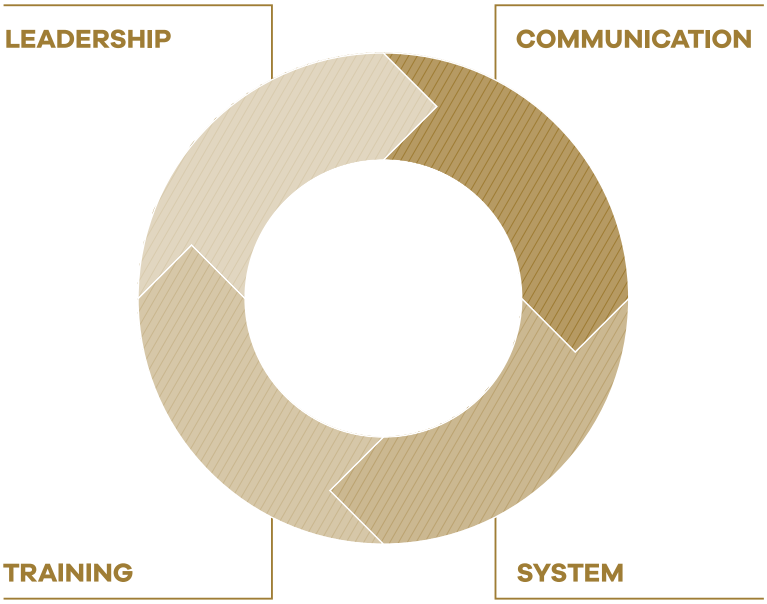


As a responsible mining company, Hochschild is committed to its employees and their safety, the environment in which we operate and our communities.

SAFETY CULTURE TRANSFORMATION PLAN

2019 – A year of outstanding safety performance

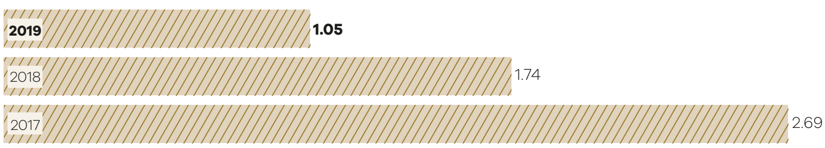
The Group's safety performance in 2019 was industry-leading and is the result of the collective efforts of not only our safety team but also those tasked with ensuring that we embed a safety-first culture at Hochschild. This has been achieved primarily through the Safety Culture Transformation Plan – an initiative that was launched in 2017 and comprises the following aspects:



40%

REDUCTION IN LTIFR

LTIFR[1]
Change over time



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

SOUND ENVIRONMENTAL PERFORMANCE

The ECO Score

Our innovative internally-designed KPI measuring our environmental performance.

The ECO Score, adopted in 2017, distils our environmental performance on numerous fronts encompassing the management of waste water, outcome of regulatory inspections and sound environmental practices relating to water consumption and the recycling of materials.

50%

REDUCTION IN WATER CONSUMPTION SINCE 2015
(from 408.35 lt/person/day to 206.01 lt/person/day)

60%

INCREASE IN RECYCLED INDUSTRIAL WASTE SINCE 2018

Read more
Sustainability
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COMMITTED TO OUR PEOPLE

Talent development
In 2019, Hochschild continued with its People Review process, mapping talent within the organisation and implementing development plans to help maximise potential.

Promoting gender diversity
A taskforce was established to increase the number of women in our workforce. Having already taken a number of significant actions, the foundations have been laid to generate a broader pipeline of talent.

Read more
Sustainability
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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 MARKET SUMMARY

Gold prices rose 9.8% on an annual average basis for the fourth consecutive year during 2019, reaching a six-year high and ending the year 18.9% higher than at the end of 2018.

The most influential factor was the reversal in Fed policy to one of loosening interest rates, which was followed by several other central banks around the world. Central banks also played a key role by being large net buyers of gold as a reserve asset. In addition, the escalation of trade tensions between the US and China helped to slow growth and disturb markets further, enhancing the attraction of holding gold.

Net purchases by central banks are estimated to have been close to 20 million ounces in 2019 - the strongest since 2015. They have been net buyers since 2008 with the focus on diversifying their reserves away from the dollar/euro in response to loose monetary policies and increased tension between the US and other countries. Central banks are expected to continue diversifying their reserves in 2020 and beyond.

Investors continued to add to their holdings during 2019, up 3.2% from 2018 levels to 12.3 million ounces. However, the gains were driven by short-term investors in futures, options, forwards and exchange traded funds whereas long-term investors buying physical gold were far less aggressive. Physical gold demand from investors in 2018 and 2019 was at its lowest level since 2001.

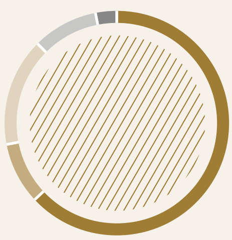
Total gold supply rose in 2019 to 128.6 million ounces, up 2% from 2018 driven by an increase both in mine supply as well as scrap. Mine supply stood at 97.6 million ounces in 2019, up from 95.8 million ounces in 2018 with gains resulting from various new mines coming on-stream during 2018 and 2019. Secondary supply meanwhile was helped by the strength in prices and stood at 31 million ounces during 2019, up from 30.3 million ounces in 2018.

Fabrication demand stood at 96.3 million ounces in 2019, down 1.8% with the decline driven by factors including the strong gold prices adversely affecting jewellery demand and slower global economic growth.

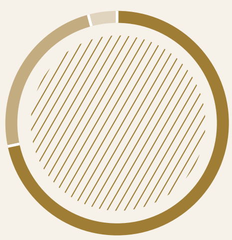
Possible drivers for gold in 2020

- Central banks expected to remain large net buyers of gold during 2020
- Expected increase in investment demand to provide good support
- Net gold investment demand forecast to rise 17% to 13.3 million ounces
- Further political and economic uncertainty affecting record high equity markets
- Total supply forecast to rise to 129.9 million ounces due to increase in both mine supply and scrap
- Gold fabrication demand is forecast to reach 96.6 million ounces in 2020

Demand %

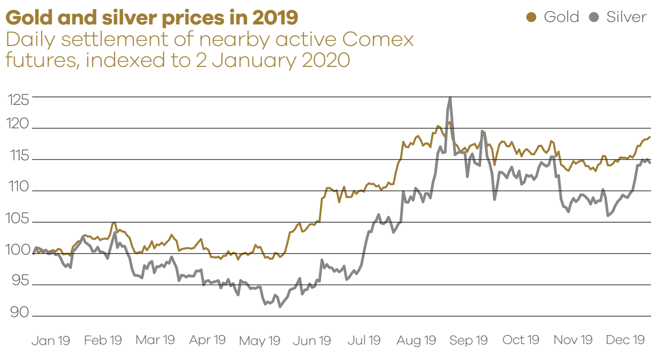


Supply %



Source: CPM Group LLC

Gold and silver prices in 2019
Daily settlement of nearby active Comex futures, indexed to 2 January 2020



Country production
Latin American production rankings

	2019		2018	
	Gold	**Silver**	**Gold**	**Silver**
Peru	**6**	**2**	6	3
Argentina	**13**	**11**	13	11
Mexico	**9**	**1**	8	1
Chile	**19**	**5**	22	6

SILVER MARKET SUMMARY

Silver prices rose along with the rest of the precious metals complex during 2019 and ended up 15% higher at the end of 2019.

Silver continued to underperform gold with the gold/silver ratio rising over the course of 2019. In the first half of the year, the ratio reached an average of 92.6x (June) but silver recovered in the second half and finished the year at 83.9. It is not unusual for silver to lag gold's performance in the early stages of a precious metal revival but then later outperform.

The most important factor influencing silver prices is investor demand which slipped to 14.3 million ounces in 2019, down from 20.1 million ounces in 2018. The greatest influences over investor sentiment are broader financial market, macro-economic, and political issues. The disconnect in investor demand for the two metals in 2019 leaves a gap to be made up.

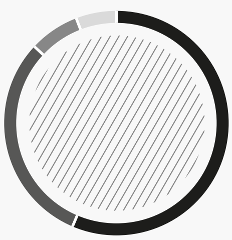
Total silver supply in 2019 slipped to its lowest since 2008 at 943.6 million ounces, down from 947.6 million ounces in 2018 with the decline driven by a fall in mine supply. Secondary supply was essentially flat year-on-year. Relative softness in the silver price is beginning to negatively affect supply, which is most evident in primary mine supply and recovery of silver from scrap.

Silver fabrication demand continued to rise during 2019, reaching 929.3 million ounces, and was at its highest since 2005 principally helped by growth in demand from electronics, solar panels, and biocides. Meanwhile, silver demand from the jewellery sector was essentially flat during 2019 at 305.8 million ounces.

Possible drivers for silver In 2020

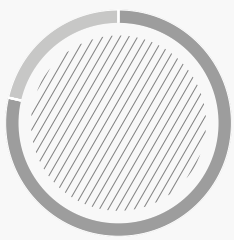
- Silver investment demand forecast to rise to 16.7 million ounces in 2020, up 16.8% from 2019
- Fragile US and global growth built on ultra-low interest rates and large government deficit spending in most parts of the world
- Total silver fabrication demand is forecast to continue rising in 2020 to reach 945 million ounces
- Demand expected to be strongest in electronics sector
- Demand from jewellery also expected to recover as silver remains relatively cheap compared to other metals
- Demand from photovoltaics is forecast to reach a record in 2020
- Total silver supply forecast to rise to 961.7 million ounces driven by an increase in scrap supply
- Mine production declining due to prolonged weak silver prices, the lack of new silver projects in the pipeline and the closing/suspension of various silver mining operations. e.g. the Escobal mine in Guatemala

Demand %



- Other industrial uses **56.6%**
- Jewellery and silverware **30.6%**
- Coin fabrication **7.2%**
- Investment demand, (excl coins) **NA**
- Photography **5.6%**

Supply %



- Mine production **78.7%**
- Secondary supply **21.3%**

Source: CPM Group LLC

FOCUSING ON DELIVERY AND **PROGRESSION**

Eduardo Hochschild
Chairman

"The Company will continue to be governed by a financially disciplined approach, emphasising a high quality portfolio and managing risk in a way that protects value."

2019 was another busy year for Hochschild Mining and I believe we have delivered further strong progress. Our team continued to drive a responsible and innovative mining strategy that aims to combine world class operational performance with exploration-led growth in a safe and environmentally friendly manner. In this regard, I am pleased to report that our delivery in these key areas has been very encouraging.

$73m
IN DIVIDENDS PAID SINCE 2016

90%
INCREASE IN PRODUCTION SINCE 2012

Upholding the Company's high standards is not only critical to our operational success, but to our reputation with our communities, host governments and investors. I also believe that we are continuing to create a stimulating, inclusive and forward-thinking workplace environment where our people can grow their careers and develop new skills and expertise.

2019 was a year in which the efforts of the management team in the design and implementation of our Safety Culture Transformation Plan bore fruit. I am delighted to report that we had our safest year on record. Our key indicators, the accident frequency index and accident severity index, were at their lowest and saw year-on-year reductions of 40% and 94% respectively. The wide-ranging transformation plan, in addition to incorporating the traditional elements of training and internal communications, also saw technology play a key role in monitoring day-to-day activities and the safe transportation of our personnel.

The Group has performed well with regards to environmental management, exceeding our target ECO Score for the year. It is also a matter of pride that I can report that the ECO Score itself has won an international award for its innovative approach to sustainability, raising environmental awareness across the entire organisation and its potential application to other industries. Moreover, following on from the successful Safety Culture Transformation Plan, we intend to launch a similar initiative recognising our responsibilities with regards to the environment.

Our people are crucial to our success and therefore it is incumbent on the Board and management to attract and retain a diverse pipeline of talent. An internal study revealed that although Hochschild's gender diversity is better than the average among our peers in Peru, it is a stark fact that women remain significantly under-represented. In order to tackle this imbalance, a working group has been established and an action plan has been developed to achieve the Group's target of increasing workforce diversity. Further details on this and all of the activities mentioned above can be found in the Sustainability section of this Annual Report.

Turning to our operations, we delivered a strong year of production despite the decision to place our Arcata mine on temporary care and maintenance in the first quarter. We saw record performances at Inmaculada and San Jose and we were able to once again meet our cost targets. Furthermore, with precious metal prices recovering significantly in the second half of the year, our business generated strong free cash flow allowing us to strengthen our balance sheet, further invest in our exploration initiatives and add value accretive projects to our portfolio. Towards the end of the year, we also augmented our strong financial position by refinancing our existing $150 million of short-term debt with a new $200 million five-year loan at a highly competitive rate.

Brownfield exploration remains the focus for our Company and we made good progress in the year with substantial resource additions at Inmaculada and encouraging results at the Palca and Corina zones close to our Pallancata mine. In addition, although there were some delays in the permitting process in Peru for our exciting Cochaloma and Pablo Sur targets, we did receive the requisite approvals in January 2020 and can now look forward to an early start to this year's programme at these two sites. We are confident that there remains a wide array of promising targets, not only surrounding all our operations but also at our early-stage projects and at former operations such as Arcata, Ares and Selene. Many of these are expected to be drilled during 2020 and 2021.

Technology is all pervasive and can help drive efficiencies, improve performance and provide insights on a wide range of activities at Hochschild. In the last few years, we have implemented a plan to build a more progressive organisation which drives innovation and also looks to capitalise on our existing skillsets. For example, we have made substantial progress in 2019 with the implementation of our mine digitalisation programme as well as the introduction of our Innova platform across the Group to facilitate efficiency ideas. But in the last few years, we have also aimed to leverage off the talent and experience within the Company and explore the potential for investment in other minerals where we believe we can create shareholder value and where the future demand characteristics are strong. I believe that the acquisition of the unique BioLantanidos rare earth deposit in Chile in October is a key example of this. It brings the Company optionality in an exciting market that benefits from a more technological and environmentally friendly world.

Outlook

2019 was a strong year for precious metals, particularly gold, which was driven by declining US interest rates and heightening geopolitical and global trade risk and represented the largest annual year-end gain since 2010. This was almost matched by silver which rose by around 15%. Such a supportive environment has reinforced our belief in our long-term strategy: a central focus on low-cost brownfield exploration; selective greenfield initiatives across the Americas; further development of our numerous early-stage projects; and a targeted approach to acquisitions. Consequently, in light of such a solid strategic and financial position the Board is pleased to recommend a final dividend of 2.335 cents per share ($12 million).

The Company will continue to be governed by a financially disciplined approach, emphasising a high quality portfolio and managing risk in a way that protects value, while our assets will be supported by operational practices that meet the highest safety and environmental standards. Finally, I would like to thank all of Hochschild's people, who work with such determination and give their very best to contribute to making Hochschild a success.

Eduardo Hochschild
Chairman
18 February 2020

STRENGTHENING OUR BALANCE SHEET AND INVESTING IN THE FUTURE

Ignacio Bustamante
Chief Executive Officer

"I firmly believe that we have set a good course for the future with a focus on low-cost growth and a determination to further increase the life-of-mine across the Group."

I am pleased to report that 2019 was another year of achievement for Hochschild. Our safety performance was considerably improved and our environmental performance delivered another robust year, which helped create strong operational reliability leading to solid production, precise cost control and impressive cash flow generation. Our exploration programme was again a key focus and we made encouraging steps in our aim to add low-cost resources and to deliver long-term growth opportunities. We believe that our portfolio is well positioned to further transform our business and deliver value and returns for our shareholders.

477,400

GOLD EQUIVALENT OUNCES PRODUCED IN 2019

46m

SILVER EQUIVALENT OUNCES DISCOVERED AT INMACULADA IN 2019

Operations

Hochschild's operational results were once again able to surpass forecasts, producing 477,400 gold equivalent ounces (38.7 million silver equivalent ounces) which improved on our 2019 target of 457,000 ounces (37.0 million silver equivalent ounces). This represented only a 5% reduction versus 2018 (2018: 503,640 gold equivalent ounces or 40.8 silver equivalent ounces) despite the decision to place our Arcata mine on temporary care and maintenance in the first quarter and included record production results from both Inmaculada and San Jose. All-in sustaining costs were in line with expectations at $11.9 per silver equivalent ounce ($965 per gold equivalent ounce). Inmaculada was again the cornerstone with production of 260,126 gold equivalent ounces at $798 per gold equivalent ounce whilst San Jose delivered another strong year with production of 15.4 million silver equivalent ounces at $13.8 per silver equivalent ounce. This was achieved despite a complex economic environment in Argentina. At Pallancata, production was broadly similar to 2018 at 9.4 million silver equivalent ounces (2018: 9.6 million ounces) at a cost of $13.5 per silver equivalent ounce.

Exploration

Our ambitious brownfield exploration programme continued in 2019 with the key highlight being the 46 million silver equivalent ounces of additional resources discovered at Inmaculada close to the Angela vein and at approximately 456 grams per tonne silver equivalent. Furthermore, we also carried out a comprehensive infill drilling programme on the veins discovered in 2018. At San Jose, we have continued to evaluate the Aguas Vivas polymetallic deposit to the north west of existing operations as well as preparing

to drill the Telken zone which we believe could form the extension to veins from Newmont's Cerro Negro mine in the south. Long hole drilling also started towards the end of the year close to the mine as well as our first use of Titan geophysics in the area. At Pallancata, drilling campaigns commenced at Palca to the south east and Corina to the north. Encouraging mineralisation was found in both zones with further campaigns scheduled in 2020. We experienced delays in receiving exploration permits for two other key targets close to the operation, Pablo Sur and Cochaloma, and have finally received them in early 2020. As a result, we have reduced production at Pallancata for 2020 in order to extend its life-of-mine and recalibrate our exploration to production cycle as well as recognising an impairment of $14.7 million.

Business development

Our team worked on a number of business development initiatives which balanced early stage opportunities including greenfield drilling and project options with the focus on stable jurisdictions in the Americas. In this regard, we carried out selective drilling campaigns in Chile, Canada and the United States. Results from the Corina deposit in Peru were encouraging, and, towards the end of the year, we saw some notable drill holes at the Snip mine in Canada from our partner, Skeena Resources. Further preparatory work has also been carried out at our existing near-term projects including Arcata, Ares, Azuca, Crespo and Condor and an exciting drill campaign is scheduled for 2020 and 2021 at a number of these sites across southern Peru subject to the receipt of the relevant exploration permits.

In October, we announced the acquisition of the remaining 94% of the BioLantanidos rare earth deposit in Chile for $56 million. We believe that this acquisition in an attractive mining jurisdiction provides unique optionality for our shareholders and was the direct result of an extensive long-term effort to identify commodities with very strong growth characteristics.

The project consists of ionic clay resources, similar to those found in China, but very different from most other rock-based rare earth projects worldwide. The process is environmentally friendly with no requirements for the use of explosives, no tailings dams and no potentially harmful chemicals. Capital and operational expenditure is projected to be low and we are also excited by the strong geological upside potential. Although Hochschild remains focused on precious metals, this diversification gives us a unique deposit in a key industry with expected exponential growth. We intend to deliver a revised feasibility study in 2021 and will thereafter decide on the appropriate path to development to maximise value for shareholders.

Financial position

We have continued to strengthen our balance sheet through the year with strong free cash flow especially in the second half and in December with the refinancing of our $150 million short-term debt with a new $200 million five-year loan at Libor + 1.15%. We ended the year with a strong cash balance of $166 million (2018: $80 million) and net debt therefore fell to $33.2 million (2018: $77.4 million).

Financial results

The average gold price received in 2019 was 12% higher than the previous year with the silver price rising 8% and therefore, combined with a rise in gold sales, revenue increased by 7% to $756 million (2018: $704 million). The operational all-in sustaining cost of $11.9 per silver equivalent ounce (2018: $12.0 per ounce) was at the better end of forecasts and reflected ongoing cost efficiencies offset by a budgeted increase in exploration expenses investment as well as selling expenses due to the export taxes in Argentina. The combination of the revenue increase and tight cost control led to Adjusted EBITDA rising strongly by 28% to $343 million (2018: $268 million) with profit from continuing operations before income tax increasing by 79% to $103.4 million (2018: $54.7 million). Adjusted earnings per share was higher at $0.09 per share (2018: $0.05 per share) resulting from the higher profitability and lower interest costs and partially offset by the above-mentioned increase in selling expenses and a rise in mine closure provisions for our former operations at Ares and Sipan ($13.6 million).

Outlook

We expect attributable production in 2020 of 422,000 gold equivalent ounces (36 million silver equivalent ounces) assuming the silver to gold ratio of 86:1 (the average ratio for 2019). This will be driven by: 252,000 gold equivalent ounces from Inmaculada; a contribution of 14.5 million silver equivalent ounces from San Jose; and 7.2 million ounces from Pallancata. All-in sustaining costs for operations are expected at between $1,040 to $1,080 per gold equivalent ounce ($12.1 to $12.5 per silver equivalent ounce). This forecast includes a $22 million investment to expand the tailings storage facility at Inmaculada. Excluding this project, all-in sustaining costs for operations are expected at between $1,000 to $1,040 per gold equivalent ounce ($11.6 to $12.0 per silver equivalent ounce).

The budget for brownfield exploration has increased to approximately $36 million with the greenfield and advanced project budget set at approximately $8 million plus approximately $7 million for advancing the BioLantanidos project. We are also furthering our innovation drive to aid in the delivery of upside in our operations and projects. Finally, we recognise that the management of environmental, social and governance ("ESG") issues is of increasing significance to investors and stakeholders in general, particularly for those operating in the resources sector. This year, we will embark on a process of enhancing our level of ESG reporting and, in particular, in relation to the Company's environmental and social performance.

Although the year has started with relatively high precious metal prices, cost control continues to be a top priority. Our 2020 brownfield programme has already begun at Pablo Sur and we look forward to further results from another ambitious year of exploration both around our existing operations and further afield. I firmly believe that we have set a good course for the future with a focus on low-cost growth and a determination to further increase the life-of-mine across the Group. All the elements of our strategy will be targeted on delivering sustainable long-term value to those most closely interested in our Company: our shareholders, our communities and our people.

Ignacio Bustamante
Chief Executive Officer
18 February 2020

LONG-TERM **SUSTAINABLE VALUE** FOR ALL OUR KEY STAKEHOLDERS

The Hochschild business model is designed to not only represent an attractive investment proposition but also reflects our long-term commitment to our employees, communities and society as a whole.

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 make a positive impact within the 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.

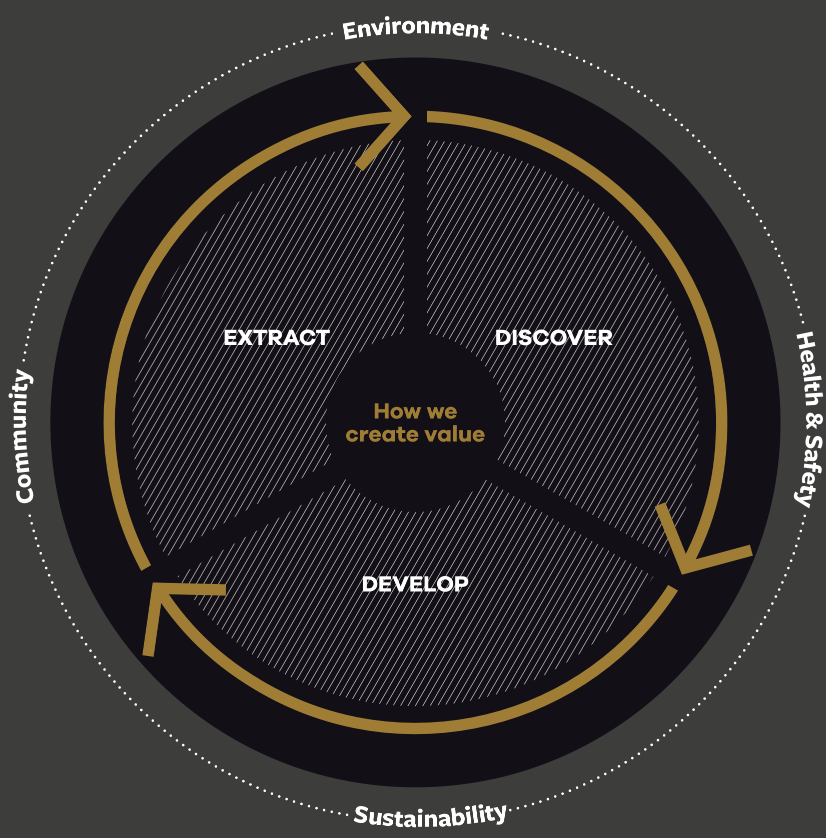
Discipline
We maintain a strong balance sheet and deploy capital in a disciplined manner underpinned by our long-standing financial relationships.

Governance
We maintain a high standard 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 expertise in discovering and developing geological districts for the long term. Our highly experienced brownfield exploration team believes that there is strong potential across all our property to improve the quantity and quality of the Company's resource base. Furthermore, our greenfield strategy is delivering drilling campaigns at a number of premium precious metal prospects across the Americas.

Develop
We are able to further the development of our discoveries and acquisitions in a short space of time with the Inmaculada project being a recent example. Hochschild's ability to execute projects in remote locations and high altitudes remains a core competitive advantage and we have extensive knowledge of the key mining jurisdictions in the Americas. We believe our team's experience in managing all project requirements including permitting, local community and government support and engineering places us in a strong position with regards to the execution of precious and non-precious opportunities.

Extract
We have developed an extensive in-house knowledge base of the challenges inherent in a range of different ore bodies as well as in a variety of environments and jurisdictions throughout our regions. This has resulted in us consistently meeting annual operational targets, implementing significant cost efficiency programmes and replacing and adding to our reserves and resources. In addition, our growing commitment to innovation is allowing incorporation of key technological advances and applying them to our operations and project pipeline.

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 partner 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.

33%
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 constant 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 through volunteer work as well as direct initiatives.

98%
WORKFORCE TRAINED IN 2019

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 shareholders and other stakeholders. Since the middle of 2016 we have paid out $61 million in equity dividends.

$12m
DIVIDEND ANNOUNCED FOR FULL YEAR 2019

STRATEGIC DEVELOPMENT AND **GROWTH**

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

Brownfield

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

2019 activities
- 46m silver equivalent resource ounces added at Inmaculada
- Drilling campaigns begun at Palca and Corina zones close to Pallancata – mineralisation discovered at both deposits
- Drilling permits received for Cochaloma and Pablo Sur

2020 priorities
- 2020 budget of $36 million
- Drilling for new potential at Inmaculada close to current operations
- Infill drilling scheduled at Inmaculada for resources added in 2019
- Drilling Cochaloma and Pablo Sur
- Further drilling at Palca and Corina
- Long hole drilling at San Jose to test geophysical targets
- Titan geophysical work ongoing

Risks
- Political, legal and regulatory
- Community relations
- Personnel: recruitment and retention

Greenfield

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

2019 activities
- Maintaining balanced portfolio of advanced/early stage opportunities
- Combination of JVs and private placements to lock in project options
- Q4 drilling at Snip project in Canada displaying promising results
- Also drilled Ferguson Mountain and Mars in Nevada in Peru and Agni & Indra in Chile

2020 priorities
- 2020 greenfield exploration budget expected to be $8 million
- Drilling to continue at Snip in Canada
- Drilling to begin at Huilacro and Casma in Peru, Cooke Mountain, Horsethief and Illipah Nevada
- Mapping and permitting activities continuing at other projects in Peru including Farallon, Ana Lucia, Las Icas, Josnitoro, Alto Ruri and Cueva Blanca

Risks
- Political, legal and regulatory
- Community relations
- Personnel: recruitment and retention

Early-stage projects

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

2019 activities
- Optimising ounces at early-stage projects
- Evaluating ore sorting and mineral transportation
- Drilling programme underway at Ares
- Permitting on a number of drill targets including former operations, early-stage projects and regional exploration targets

2020 priorities
- Drilling at 12 different projects in Peru including Crespo, Azuca, Condor, Arcata, Ares and Selene
- Ongoing ore sorting tests

Risks
- Political, legal and regulatory
- Community relations
- Personnel: recruitment and retention

Strategic alliances

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

2019 activities
- Focusing on stable jurisdictions in Americas
- Precious and non-precious metal deposits being considered
- Acquired 100% of BioLantanidos rare earth project in Chile for $56m
- Ongoing alliance with Skeena Resources for Snip project in Canada

2020 priorities
- Progressing current options to decision stage
- Further options/JVs being considered in Americas
- Larger acquisitions also being assessed
- Progressing to definitive feasibility at BioLantanidos

Risks
- Political, legal and regulatory
- Commodity prices

CAPTURING OUR **PROGRESS**

Brownfield | Greenfield | Early-stage projects | Strategic alliances

FINANCIAL MEASURES

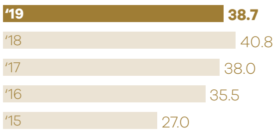
Production

Links to strategy

Links to remuneration ✓ Yes

38.7m oz

AG EQUIVALENT



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

Performance
Total silver equivalent production decreased by 5% versus 2018 due to decision to place the Arcata mine on care and maintenance early in the first quarter of 2019.

Outlook
Total silver equivalent production is forecast to be 36.0 million silver equivalent ounces in 2020 assuming a gold/silver conversion ratio of 86x.

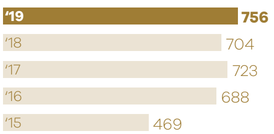
Risks
Operational performance.

Revenue

Links to strategy

Links to remuneration ✓ Yes

$756m



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

Performance
Total revenue increased by 7% versus 2018 due to an increase in the price of silver and gold.

Outlook
Total silver equivalent production is forecast to be 36.0 million silver equivalent ounces in 2020 assuming a gold/silver conversion ratio of 86x.

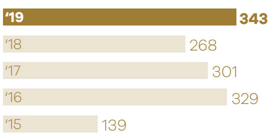
Risks
Operational performance and precious metal prices.

Adjusted EBITDA

Links to strategy

Links to remuneration ✓ Yes

$343m



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 29% versus 2018 due to an increase in prices and a fall in the cost of sales.

Outlook
Adjusted EBITDA result for 2020 will depend on precious metal prices and cost and expenses performance.

Risks
Operational performance and precious metal prices.

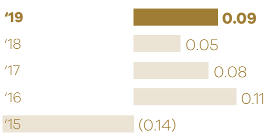
Basic earnings per share

Links to strategy

Links to remuneration ✕ No

$0.09m

PRE-EXCEPTIONAL



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

Performance
Earnings per share increased by 60% due to the increase in EBITDA in addition to a decrease in interest expenses.

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

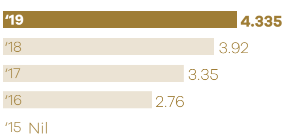
Risks
Operational performance, precious metal prices, costs, levels of financial costs and income, and tax charge.

Dividend per share

Links to strategy

Links to remuneration ✕ No

¢4.335



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

Performance
Dividend per share increased by 11%.

Outlook
Dividend per share for 2020 will depend on the level of profitability of the Company and the available uses of cash and is at the discretion of the Board.

Risks
Company profitability.

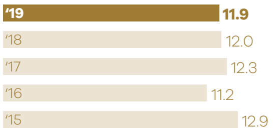
All-in sustaining costs

Links to strategy

Links to remuneration ✓ Yes

$11.9oz

$/OZ AG EQUIVALENT



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 74:1.

Performance
All-in sustaining costs for operations was flat versus 2018 due to Inmaculada's competitive $799 per gold equivalent ounce in addition to a solid result from Pallancata.

Outlook
All-in sustaining cost from operations in 2020 is expected to be between $1,040 and $1,080 per gold equivalent ounce (or $12.1 and $12.5 per silver equivalent ounce).

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

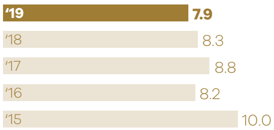
Total silver cash costs

Links to strategy

Links to remuneration ✕ No

$7.9oz

$/OZ AG EQUIVALENT



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 decreased by 5% versus 2018 due to decreases in unit costs at Pallancata and at San Jose due to further significant devaluation of the Argentinian peso along with increases in grade at Inmaculada.

Outlook
Cash costs performance in 2020 is expected to be dependent on operational performance, levels of local cost inflation and levels of local currency devaluation in Argentina.

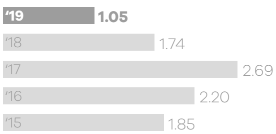
Risks
Operational performance including dilution, grade and tonnage control and local inflation.

NON-FINANCIAL MEASURES

LTIFR

Links to remuneration ✓ Yes

1.05



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

Performance
LTIFR decreased by 40% and remains low relative to the industry.

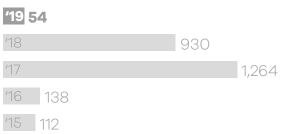
Outlook
The Company has implemented the "Hochschild Safety CultureTransformation" plan, has rolled out a safety software tool "Safety HOC" and has received Level 6 safety certification from DNV (7th edition).

Risks
Health and safety risks.

Accident Severity Index

Links to remuneration ✓ Yes

54



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

Performance
The Accident Severity index was reduced by 94% to 54 in 2019.

Outlook
The Company has implemented the "Hochschild Safety Culture Transformation" plan, has rolled out a safety software tool "Safety HOC" and has received Level 6 safety certification from DNV (7th edition).

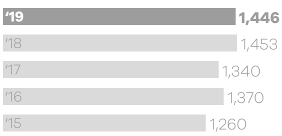
Risks
Health and safety risks.

Resource base

Links to strategy

Links to remuneration ✓ Yes

1,446



Definition
Total attributable silver equivalent metal resources as at 31 December 2019.

Performance
Total attributable silver equivalent metal resources decreased by 4% in 2019 due to the new inferred resources discovered at Inmaculada.

Outlook
Resource increases in 2020 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.

Risks
Implementing and maintaining the annual exploration drilling programme.

DELIVERING STRONG OPERATIONAL PERFORMANCE

Production

In 2019, Hochschild's attributable production was 38.7 million silver equivalent ounces (477,400 gold equivalent ounces) exceeding its full year guidance of 37.0 million attributable silver equivalent ounces (457,000 gold equivalent ounces). This comprised 269,892 ounces of gold and 16.8 million ounces of silver. This was mostly due to record years at Inmaculada and San Jose offsetting the decision to place the Arcata mine on care and maintenance in early 2019. The overall attributable production target for 2020 is 422,000 gold equivalent ounces or 36.0 million silver equivalent ounces.

422,000

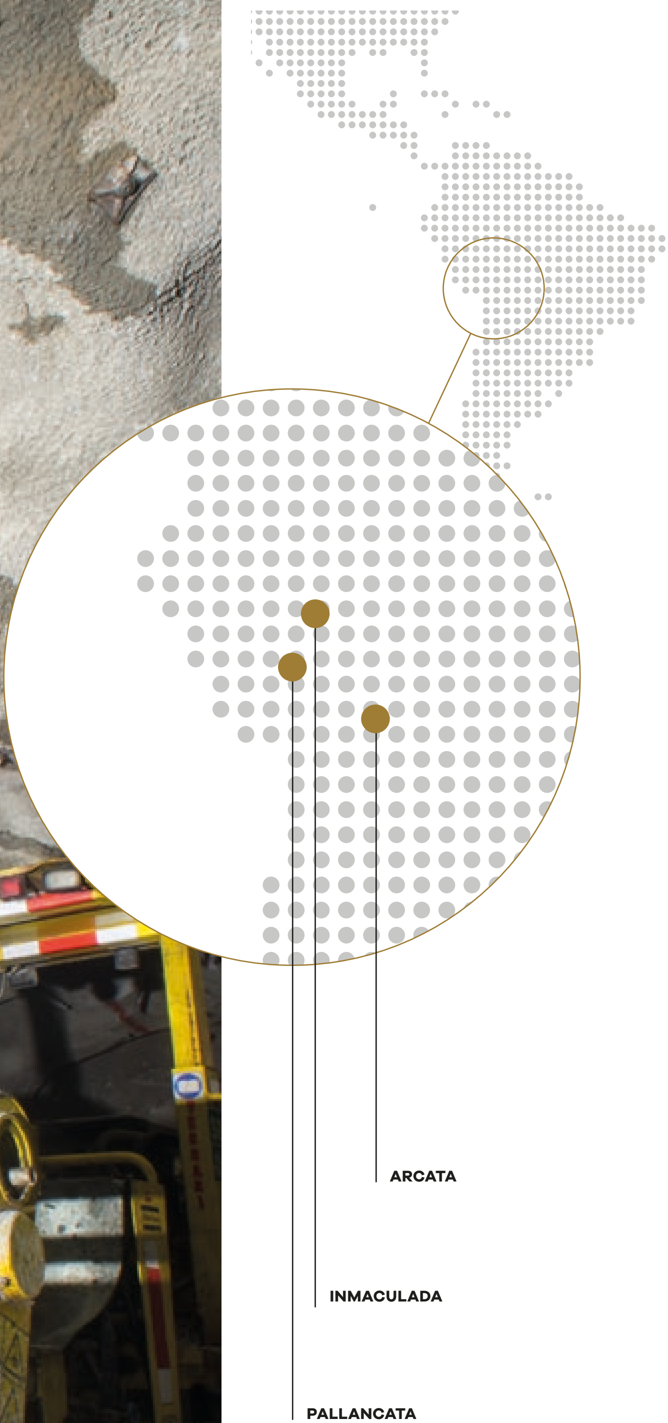
AU EQ OZ TARGET FOR 2020

$1,040–1,080/OZ (AU EQ)

2020 AISC TARGET

Note: 2019 and 2018 (restated) equivalent figures calculated using the previous Company gold/silver ratio of 81x. All 2020 forecasts assume the average gold/silver ratio for 2019 of 86x.

Main Peruvian operating sites



Total Group production

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Silver production (koz)	**20,163**	22,720
Gold production (koz)	**321.58**	307.77
Total silver equivalent (koz)	**46,210**	47,650
Total gold equivalent (koz)	**570.50**	588.27
Silver sold (koz)	**20,062**	22,687
Gold sold (koz)	**317.52**	304.51

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

Attributable Group production

	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Silver production (koz)	**16,808**	19,700
Gold production (koz)	**269.89**	260.44
Silver equivalent (koz)	**38,669**	40,795
Gold equivalent (koz)	**477.40**	503.64

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

2020 Production forecast split

	Gold production (oz approx)	Silver production (m oz approx)
Inmaculada	181,400	6.1
Pallancata	19,300	5.5
San Jose (100%)	93,300	6.5
Total	**294,000**	**18.1**

Costs

All-in sustaining cost from operations in 2019 was $965 per gold equivalent ounce or $11.9 per silver equivalent ounce (2018: $973 per gold equivalent ounce or $12.0 per silver equivalent ounce), in line with guidance of between $960 and $1,000 per gold equivalent ounce or $11.8 and $12.3 per silver equivalent ounce. This was driven by Inmaculada's competitive $798 per gold equivalent ounce (2018: $751 per ounce) in addition to a solid result from Pallancata ($13.5 per silver equivalent ounce). Please see page 36 of the Financial Review for further details on costs.

The all-in sustaining cost from operations in 2020 is expected to be between $1,040 and $1,080 per gold equivalent ounce (or $12.1 and $12.5 per silver equivalent ounce), which includes a $22 million project to expand the tailings storage facility at Inmaculada.

2020 AISC forecast split

	AISC ($/oz)
Inmaculada	930-960 Au Eq
Pallancata	13.5-13.9 Ag Eq
San Jose	13.4-13.8 Ag Eq

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

Inmaculada has delivered record gold equivalent production of 260,126 ounces in 2019, a 6% improvement on 2018 (2018: 244,445 ounces) with the key factors being better than forecast extracted grades and steady tonnage.

Costs
All-in sustaining costs were $798 per gold equivalent ounce (2018: $751 per ounce), at the better end of guidance of between $790 and $830 per gold equivalent ounce. The impact of higher than expected grades and cost efficiencies was more than offset by increased mine development and infill drilling capex to access the vein discoveries from 2018.

Inmaculada summary	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Ore production (tonnes)	**1,338,569**	1,323,525	1
Average silver grade (g/t)	**163**	150	9
Average gold grade (g/t)	**4.71**	4.36	8
Silver produced (koz)	**5,747**	5,690	1
Gold produced (koz)	**189.18**	174.20	9
Silver equivalent produced (koz)	**21,070**	19,800	6
Gold equivalent produced (koz)	**260.13**	244.45	6
Silver sold (koz)	**5,732**	5,676	1
Gold sold (koz)	**188.59**	172.40	9
Unit cost ($/t)	**93.3**	84.7	10
Total cash cost ($/oz Au co-product)	**504**	481	5
All-in sustaining cost ($/oz Au Eq)	**798**	751	6

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's production for the year was 9.4 million silver equivalent ounces, broadly in line with the 2018 result (2018: 9.6 million ounces) and reflecting a full year of production from wider (and therefore higher tonnage) but lower grade veins.

Costs

All-in sustaining costs were $13.5 per silver equivalent ounce (2018: $11.9 per ounce), at the better end of guidance of between $13.5 and $14.0 per silver equivalent ounce. The increase versus 2018 reflected a full year of production from the above-mentioned wider but lower-grade veins.

Pallancata summary	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Ore production (tonnes)	**915,877**	717,652	28
Average silver grade (g/t)	**278**	362	(23)
Average gold grade (g/t)	**1.01**	1.30	(22)
Silver produced (koz)	**7,259**	7,449	(3)
Gold produced (koz)	**25.95**	26.40	(2)
Silver equivalent produced (koz)	**9,361**	9,588	(2)
Gold equivalent produced (koz)	**115.57**	118.37	(2)
Silver sold (koz)	**7,161**	7,439	(4)
Gold sold (koz)	**25.45**	26.23	(3)
Unit cost ($/t)	**83.8**	93.6	(10)
Total cash cost ($/oz Ag co-product)	**9.6**	8.1	19
All-in sustaining cost ($/oz Ag Eq)	**13.5**	11.9	13

7,259koz
SILVER PRODUCED

25.95koz
GOLD PRODUCED

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

San Jose's overall total for 2019 was a record 15.4 million silver equivalent ounces (2018: 14.0 million ounces), an impressive 10% increase versus 2018 mostly due to better than expected grades.

Costs

All-in sustaining costs were $13.8 per silver equivalent ounce (2018: $13.8 per ounce) in line with 2018 with the devaluation of the Argentinian peso and higher gold and silver grades being offset by the reintroduction of export taxes and local inflation.

San Jose summary	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Ore production (tonnes)	**544,165**	556,185	(2)
Average silver grade (g/t)	**443**	397	12
Average gold grade (g/t)	**6.81**	6.20	10
Silver produced (koz)	**6,846**	6,165	11
Gold produced (koz)	**105.48**	96.60	9
Silver equivalent produced (koz)	**15,390**	13,989	10
Gold equivalent produced (koz)	**190.00**	172.70	10
Silver sold (koz)	**6,846**	6,175	11
Gold sold (koz)	**102.82**	96.60	7
Unit cost ($/t)	**219.2**	218.6	–
Total cash cost ($/oz Ag co-product)	**9.6**	10.1	(5)
All-in sustaining cost ($/oz Ag Eq)	**13.8**	13.8	–

6,846koz

SILVER PRODUCED

105.48koz

GOLD PRODUCED

ARCATA
PERU

The 100% owned Arcata underground operation is located in the Department of Arequipa in southern Peru. It commenced production in 1964.

PRODUCTION

On 13 February 2019, Hochschild announced the suspension of operations at Arcata with the mine subsequently placed on temporary care and maintenance. Production for the full year equalled Q1 2019 at 0.4 million silver equivalent ounces.

Arcata summary	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Ore production (tonnes)	**37,049**	373,106	(90)
Average silver grade (g/t)	**298**	321	(7)
Average gold grade (g/t)	**0.94**	0.99	(5)
Silver produced (koz)	**311**	3,416	(91)
Gold produced (koz)	**0.97**	10.57	(91)
Silver equivalent produced (koz)	**390**	4,273	(91)
Gold equivalent produced (koz)	**4.81**	52.75	(91)
Silver sold (koz)	**323**	3,397	(90)
Gold sold (koz)	**0.66**	9.93	(93)
Unit cost ($/t)	**182.2**	167.7	9
Total cash cost ($/oz Ag co-product)	**20.2**	16.9	20
All-in sustaining cost ($/oz Ag Eq)	**22.8**	19.2	19

EXPLORATION

Inmaculada

During 2019, almost 8,500m of potential resource drilling was carried out at the newly-discovered Susana Beatriz, Juliana and Salvador structures to the west of the Angela vein. Thereafter resource drilling commenced in the area and also included work at other structures including Angela, Pilar, Noelia, Dora, Jose and the Sandra veins. Over 35,000m of drilling was executed with the result that approximately 535,000 gold equivalent ounces (46 million silver equivalent ounces) of inferred resources were added to Inmaculada's resource base in 2019 at a grade of approximately 475 silver equivalent grams per tonne. Selected intercepts are detailed below:

Vein	Results (potential resource drilling)
Salvador	ANG-19-012: 2.1m @ 41.0g/t Au & 480g/t Ag
Susana Beatriz	ANE-19-010: 4.2m @ 2.9g/t Au & 280g/t Ag IMM-19-001: 1.5m @ 8.1g/t Au & 114g/t Ag IMM-19-002: 2.5m @ 2.5g/t Au & 105g/t Ag
Lady	IMS-19-003: 1.1m @ 6.3g/t Au & 58g/t Ag
Juliana	HUA-19-001: 3.1m @ 6.0g/t Au & 136g/t Ag
M.Mamani	MM-19-001: 1.0m @ 2.2g/t Au & 155g/t Ag

Vein	Results (resource drilling)
Salvador	ANE-19-010: 0.8m @ 16.7g/t Au & 349g/t Ag ANE-19-011: 0.8m @ 20.7g/t Au & 667g/t Ag ANE-19-013: 0.8m @ 5.9g/t Au & 399g/t Ag ANE-19-020: 1.6m @ 3.0g/t Au & 370g/t Ag ANE-19-021: 1.4m @ 7.1g/t Au & 318g/t Ag ANE-19-022: 3.0m @ 2.0g/t Au & 165g/t Ag ANE-19-025: 1.2m @ 2.8g/t Au & 133g/t Ag ANE-19-027: 0.8m @ 3.6g/t Au & 192g/t Ag ANE-19-028: 0.9m @ 7.8g/t Au & 357g/t Ag ANE-19-029: 0.9m @ 267g/t Au & 1,783g/t Ag ANE-19-031: 0.8m @ 5.5g/t Au & 700g/t Ag ANE-19-032: 1.6m @ 8.4g/t Au & 509g/t Ag ANE-19-035: 0.8m @ 29.6g/t Au & 794g/t Ag ANE-19-037: 1.5m @ 2.7g/t Au & 120g/t Ag IMM-19-001: 1.1m @ 31.9g/t Au & 5,053g/t Ag IMM-19-007: 0.6m @ 3.6g/t Au & 98g/t Ag IMM-19-025: 1.4m @ 5.0g/t Au & 261g/t Ag IMM-19-032: 1.0m @ 2.2g/t Au & 168g/t Ag HUA-19-005: 2.2m @ 7.7g/t Au & 335g/t Ag HUA-19-006: 1.0m @ 8.4g/t Au & 534g/t Ag
Pilar	ANG-18-023: 0.5m @ 5.0g/t Au & 236g/t Ag ANG-19-011A: 2.3m @ 7.4g/t Au & 250g/t Ag ANG-19-012: 2.2m @ 41.0g/t Au & 480g/t Ag IMM-19-001: 1.1m @ 31.9g/t Au & 5,053g/t Ag IMM-19-003: 1.9m @ 1.4g/t Au & 110g/t Ag IMM-19-008: 1.5m @ 3.7g/t Au & 203g/t Ag IMM-19-011: 3.1m @ 4.1g/t Au & 176g/t Ag IMM-19-014: 5.8m @ 17.7g/t Au & 751g/t Ag IMM-19-015: 1.4m @ 5.4g/t Au & 254g/t Ag IMM-19-016: 1.0m @ 4.9g/t Au & 52g/t Ag IMM-19-017: 2.1m @ 4.2g/t Au & 253g/t Ag IMM-19-020: 1.1m @ 23.1g/t Au & 268g/t Ag IMM-19-025: 2.1m @ 6.2g/t Au & 271g/t Ag IMM-19-026: 1.8m @ 7.2g/t Au & 279g/t Ag IMM-19-028: 1.1m @ 1.9g/t Au & 69g/t Ag IMM-19-029: 1.0m @ 1.8g/t Au & 87g/t Ag IMM-19-032: 1.5m @ 2.5g/t Au & 250g/t Ag HUA-19-003: 1.4m @ 19.4g/t Au & 438g/t Ag HUA-19-005: 1.3m @ 4.2g/t Au & 169g/t Ag HUA-19-007: 1.7m @ 3.1g/t Au & 180g/t Ag HUA-19-008: 0.8m @ 3.6g/t Au & 150g/t Ag

Vein	Results (resource drilling)
Juliana	HUA-19-002: 1.1m @ 3.7g/t Au & 78g/t Ag HUA-19-002: 5.2m @ 5.1g/t Au & 88g/t Ag
Noelia	HUA-19-005: 1.3m @ 2.7g/t Au & 109g/t Ag ANE-19-020: 1.5m @ 16.8g/t Au & 1,843g/t Ag ANE-19-021: 1.1m @ 3.3g/t Au & 101g/t Ag IMM-19-017: 1.0m @ 1.1g/t Au & 73g/t Ag IMM-19-025: 1.9m @ 13.6g/t Au & 682g/t Ag HUA-19-005: 1.1m @ 12.2g/t Au & 300g/t Ag
Rosa	ROS-19-001: 3.2m @ 3.5g/t Au & 43g/t Ag ROS-19-002: 1.0m @ 2.5g/t Au & 122g/t Ag
Susana Beatriz	ANE-19-020: 3.8m @ 4.3g/t Au & 340g/t Ag ANE-19-021: 3.6m @ 3.1g/t Au & 142g/t Ag ANE-19-022: 8.5m @ 3.6g/t Au & 188g/t Ag ANE-19-023: 1.2m @ 3.3g/t Au & 372g/t Ag ANE-19-025: 3.0m @ 5.6g/t Au & 386g/t Ag ANE-19-029: 1.8m @ 2.7g/t Au & 219g/t Ag ANE-19-030: 2.3m @ 3.1g/t Au & 253g/t Ag ANE-19-037: 2.2m @ 1.7g/t Au & 136g/t Ag HUA-19-005: 3.1m @ 8.6g/t Au & 333g/t Ag HUA-19-006: 1.3m @ 3.3g/t Au & 272g/t Ag HUA-19-007: 1.5m @ 3.7g/t Au & 102g/t Ag HUA-19-008: 1.6m @ 3.3g/t Au & 122g/t Ag IMM-19-011: 1.0m @ 13.0g/t Au & 553g/t Ag IMM-19-017: 0.9m @ 4.0g/t Au & 263g/t Ag IMM-19-024: 1.0m @ 1.3g/t Au & 31g/t Ag
Angela Sur	IMS-19-008: 1.2m @ 1.5g/t Au & 121g/t Ag IMS-19-010: 1.5m @ 1.6g/t Au & 191g/t Ag
Angela extension	ANE-19-029: 1.3m @ 266.5g/t Au & 1,783g/t Ag
Dora	IMM-19-025: 1.5m @ 13.6g/t Au & 682g/t Ag IMM-19-026: 3.0m @ 7.2g/t Au & 279g/t Ag IMM-19-030: 0.9m @ 6.9g/t Au & 231g/t Ag SP-19-0223: 1.5m @ 9.6g/t Au & 351g/t Ag SP-19-0238: 0.9m @ 6.0g/t Au & 235g/t Ag
Jose	MIL-19-033: 3.5m @ 2.6g/t Au & 12g/t Ag MIL-19-040: 1.6m @ 10.7g/t Au & 135g/t Ag MIL-19-047: 5.7m @ 3.8g/t Au & 119g/t Ag MIL-19-050: 1.6m @ 4.2g/t Au & 7g/t Ag MIL-19-052: 1.5m @ 2.3g/t Au & 40g/t Ag MIL-19-053: 0.9m @ 3.0g/t Au & 259g/t Ag MIL-19-058: 2.0m @ 4.3g/t Au & 146g/t Ag MIL-19-062: 0.6m @ 6.2g/t Au & 781g/t Ag MIL-19-063: 1.8m @ 3.8g/t Au & 191g/t Ag MIL-19-071: 0.9m @ 3.3g/t Au & 115g/t Ag MIL-19-083: 1.4m @ 3.8g/t Au & 97g/t Ag MIL-19-086: 3.7m @ 2.4g/t Au & 55g/t Ag
Sandra	MIL-19-042: 0.8m @ 3.9g/t Au & 151g/t Ag MIL-19-059: 3.6m @ 1.3g/t Au & 62g/t Ag MIL-19-060: 13.2m @ 3.0g/t Au & 148g/t Ag MIL-19-068: 1.5m @ 5.5g/t Au & 235g/t Ag MIL-19-074: 1.2m @ 8.0g/t Au & 155g/t Ag MIL-19-077: 1.8m @ 2.2g/t Au & 81g/t Ag MIL-19-079: 1.3m @ 8.0g/t Au & 349g/t Ag MIL-19-084: 1.6m @ 3.1g/t Au & 54g/t Ag MIL-19-088: 3.1m @ 5.7g/t Au & 323g/t Ag MIL-19-090: 1.4m @ 2.5g/t Au & 178g/t Ag

Infill drilling commenced in the first half of the year targeting the key Millet vein, which was discovered in 2018, with further campaigns also targeting the Divina, Keyla, Angela and Susana Beatriz veins. Infill drilling across the entire known Millet vein has now increased the resource grade by 15% from the December 2018 figure of 367 silver equivalent grams per tonne to 424 grams per tonne. Total contained ounces have also risen from 57.0 to 60.6 million silver equivalent ounces whilst tonnage has reduced.

Vein	Results (infill drilling)
Millet	MIL-19-001: 0.9m @ 1.7g/t Au & 80g/t Ag MIL-19-002: 4.5m @ 2.6g/t Au & 204g/t Ag MIL-19-003: 2.8m @ 3.6g/t Au & 153g/t Ag MIL-19-004: 1.3m @ 0.9g/t Au & 42g/t Ag MIL-19-005: 0.9m @ 3.2g/t Au & 25g/t Ag MIL-19-006: 4.2m @ 0.8g/t Au & 67g/t Ag MIL-19-007: 2.7m @ 7.0g/t Au & 129g/t Ag MIL-19-008: 1.5m @ 2.5g/t Au & 139g/t Ag MIL-19-009: 2.0m @ 4.8g/t Au & 557g/t Ag MIL-19-010: 5.0m @ 3.3g/t Au & 104g/t Ag MIL-19-011: 0.9m @ 2.0g/t Au & 37g/t Ag MIL-19-012: 6.8m @ 2.4g/t Au & 81g/t Ag MIL-19-013: 1.2m @ 1.3g/t Au & 8g/t Ag MIL-19-014: 2.0m @ 3.8g/t Au & 342g/t Ag MIL-19-015: 1.2m @ 0.9g/t Au & 97g/t Ag MIL-19-016: 5.9m @ 1.9g/t Au & 88g/t Ag MIL-19-017: 1.4m @ 2.0g/t Au & 344g/t Ag MIL-19-018: 1.2m @ 1.4g/t Au & 30g/t Ag MIL-19-019: 4.6m @ 1.3g/t Au & 67g/t Ag MIL-19-020: 1.2m @ 0.2g/t Au & 52g/t Ag MIL-19-021: 2.6m @ 9.4g/t Au & 184g/t Ag MIL-19-022: 4.0m @ 1.2g/t Au & 61g/t Ag MIL-19-023: 3.5m @ 3.1g/t Au & 208g/t Ag MIL-19-024: 1.0m @ 2.8g/t Au & 213g/t Ag MIL-19-025: 5.8m @ 2.9g/t Au & 174g/t Ag MIL-19-026: 6.2m @ 2.1g/t Au & 167g/t Ag MIL-19-027: 5.1m @ 2.7g/t Au & 264g/t Ag MIL-19-028: 3.0m @ 2.7g/t Au & 162g/t Ag MIL-19-029: 4.0m @ 2.9g/t Au & 470g/t Ag MIL-19-030: 0.7m @ 1.4g/t Au & 67g/t Ag MIL-19-031: 2.3m @ 1.6g/t Au & 113g/t Ag MIL-19-032: 2.5m @ 1.7g/t Au & 133g/t Ag MIL-19-033: 3.3m @ 3.0g/t Au & 14g/t Ag MIL-19-034: 1.4m @ 0.7g/t Au & 41g/t Ag MIL-19-035: 3.0m @ 2.7g/t Au & 77g/t Ag MIL-19-036: 2.3m @ 2.1g/t Au & 71g/t Ag MIL-19-037: 2.8m @ 4.5g/t Au & 509g/t Ag MIL-19-038: 1.0m @ 1.0g/t Au & 93g/t Ag MIL-19-039: 0.8m @ 0.9g/t Au & 68g/t Ag MIL-19-040: 3.5m @ 3.0g/t Au & 111g/t Ag MIL-19-041: 0.6m @ 0.2g/t Au & 347g/t Ag MIL-19-043: 12.5m @ 3.8g/t Au & 394g/t Ag MIL-19-044: 2.4m @ 6.5g/t Au & 720g/t Ag MIL-19-045: 10.5m @ 7.8g/t Au & 622g/t Ag MIL-19-046: 14.0m @ 3.8g/t Au & 44g/t Ag MIL-19-047: 12.5m @ 4.9g/t Au & 311g/t Ag MIL-19-048: 3.2m @ 9.8g/t Au & 374g/t Ag MIL-19-049: 1.4m @ 4.0g/t Au & 188g/t Ag MIL-19-051: 5.8m @ 3.8g/t Au & 138g/t Ag MIL-19-053: 9.2m @ 4.1g/t Au & 88g/t Ag MIL-19-056: 1.2m @ 8.2g/t Au & 804g/t Ag MIL-19-059: 10.5m @ 3.4g/t Au & 127g/t Ag MIL-19-060: 4.4m @ 11.0g/t Au & 432g/t Ag MIL-19-062: 1.6m @ 3.9g/t Au & 199g/t Ag MIL-19-072: 12.5m @ 4.5g/t Au & 51g/t Ag MIL-19-075: 2.5m @ 4.4g/t Au & 122g/t Ag MIL-19-080: 1.3m @ 3.5g/t Au & 263g/t Ag MIL-19-082: 3.3m @ 66.0g/t Au & 835g/t Ag MIL-19-088: 6.6m @ 4.7g/t Au & 184g/t Ag MIL-19-093: 3.1m @ 4.3g/t Au & 108g/t Ag MIL-19-096: 2.0m @ 5.9g/t Au & 79g/t Ag MIL-19-098: 9.9m @ 7.1g/t Au & 106g/t Ag

Vein	Results (infill drilling)
Divina	DIV-19-027: 6.8m @ 6.3g/t Au & 347g/t Ag DIV-19-029: 0.8m @ 5.0g/t Au & 406g/t Ag DIV-19-030: 8.4m @ 1.4g/t Au & 72g/t Ag DIV-19-031: 3.4m @ 1.7g/t Au & 72g/t Ag DIV-19-032: 4.2m @ 3.6g/t Au & 104g/t Ag DIV-19-033: 1.0m @ 7.5g/t Au & 153g/t Ag DIV-19-034: 7.4m @ 4.1g/t Au & 96g/t Ag
Alesandra	MIL-19-074: 7.3m @ 4.5g/t Au & 166g/t Ag MIL-19-077: 8.2m @ 3.4g/t Au & 189g/t Ag MIL-19-088: 0.8m @ 7.0g/t Au & 261g/t Ag SP-19-0284: 0.8m @ 12.8g/t Au & 25g/t Ag
Veronica	MIL-19-042: 1.8m @ 4.7g/t Au & 350g/t Ag MIL-19-045: 2.0m @ 21.3g/t Au & 2,373g/t Ag MIL-19-049: 1.3m @ 4.0g/t Au & 188g/t Ag MIL-19-053: 0.8m @ 8.6g/t Au & 55g/t Ag MIL-19-066: 0.8m @ 3.9g/t Au & 222g/t Ag MIL-19-082: 1.0m @ 5.4g/t Au & 10g/t Ag MIL-19-090: 2.2m @ 2.1g/t Au & 233g/t Ag MIL-19-096: 1.7m @ 3.8g/t Au & 113g/t Ag MIL-19-102: 0.9m @ 5.1g/t Au & 15g/t Ag

Current plans for infill drilling are for a 110,000m programme from January to July in the Millet west, Divina, Susana Beatriz, Salvador, Dora, Pilar, Barbara, Veronica, Lola, Lizina and Keyla veins.

Pallancata

At Pallancata, almost 10,000m of potential and resource drilling was executed in the year using conventional surface and underground horizontal drilling towards the Pablo, Marco, Mariel, Alizze, Royropata, Mercedes and additional as-yet-unnamed veins, all close to current operations. Results towards the end of the year indicated the continuation of the Rina 4 vein to the north-east. Also, in the Marco and Pablo vein zones, a further 2,400m of resource drilling was executed in the Juan, Simon and Andres structures with economic intercepts indicating new resources in this area. A Titan geophysical programme was also completed in Q4 to define targets for the 2020 programme.

Vein	Results (potential resource drilling)
Pablo	DLEP-A49: 3.4m @ 1.4g/t Au & 553g/t Ag
Ramal Mariana	DLMA-A27: 0.7m @ 1.0g/t Au & 172g/t Ag
Marco	DLMARC-A03: 0.8m @ 0.7g/t Au & 297g/t Ag DLMARC-A05: 1.0m @ 0.7g/t Au & 245g/t Ag DLMARC-A06: 1.2m @ 1.0g/t Au & 331g/t Ag DLMARC-A07: 1.7m @ 1.0g/t Au & 381g/t Ag DLMARC-A10: 1.1m @ 0.5g/t Au & 161g/t Ag
Pedro	DLEP-A43: 0.7m @ 1.4g/t Au & 283g/t Ag DLEP-A44: 1.2m @ 1.7g/t Au & 485g/t Ag
Ramal Pablo	DLEP-A43: 3.7m @ 1.9g/t Au & 111g/t Ag
Rina	DLVC-A61: 0.8m @ 1.0g/t Au & 425g/t Ag
Simon	DLMARC-A17: 2.4m @ 1.2/t Au & 366g/t Ag

Following a delay, in January 2020, the Peruvian government granted the requisite permits for surface drilling to begin at the Pablo Sur and Cochaloma zones close to Pallancata. Later in January 2020, a 4,500m potential drilling programme started at Pablo Sur whilst a 2,000m programme is also set for Cochaloma.

Palca

The Palca drilling programme started late in the first half of the year with potential resource drilling in the Roxana, Santa Beatriz and Prometida structures and continued with 6,874m of drilling in the third quarter in the Roxana, Santa Beatriz, Prometida, Alejandra, Escondida and Kimberly structures testing continuity to a depth of 300m. Results confirmed mineralisation with 200m of depth. The brownfield team is continuing with efforts to interpret the geology of the Palca zone including the optimum levels of mineralisation and the orientation of the vein structures. The next drilling campaign is scheduled for the second quarter of 2020.

Vein	Results (potential resource drilling)
Roxana	PLC-195-001: 1.8m @ 1.0g/t Au & 27g/t Ag PLC-195-004: 0.8m @ 1.0g/t Au & 33g/t Ag
Santa Beatriz	PLC-195-001: 1.2m @ 0.7g/t Au & 13g/t Ag PLC-195-009: 3.5m @ 0.4g/t Au & 13g/t Ag
Prometida	PLC-195-006: 2.9m @ 5.0g/t Au & 35g/t Ag
Escondida	PLC-195-025: 1.9m @ 4.7g/t Au & 33g/t Ag PLC-195-027: 2.8m @ 7.7g/t Au & 72g/t Ag PLC-195-031: 0.7m @ 3.9g/t Au & 50g/t Ag PLC-195-033 1.7m @ 2.5g/t Au & 202g/t Ag
Prometida North	PLC-195-030: 1.0m @ 1.2g/t Au & 15g/t Ag PLC-195-031: 0.4m @ 2.6g/t Au & 24g/t Ag
Prometida South	PLC-195-006: 4.1m @ 3.7g/t Au & 26g/t Ag PLC-195-031: 3.7m @ 1.3g/t Au & 13g/t Ag PLC-195-039: 1.0m @ 3.7g/t Au & 37g/t Ag
North east vein	PLC-195-009: 0.4m @ 12.8g/t Au & 19g/t Ag

San Jose

At San Jose, potential drilling was executed at the Aguas Vivas system in the first half with structures corresponding to an intermediate sulphidation system with associated grades of zinc and lead.

Potential drilling was also executed earlier in the year at the Pluma 19 structure, the south-east Kospi projection and East and West Antonella. In Q3 2019, just over 5,000m of potential and inferred resource drilling was carried out with the majority concentrating on an area including the Kospi, Kospi South East, Ramal Huevos Verdes and the new Milagro structures. The team has also executed a 1,800m long drill hole to the west of Huevos Verdes. Towards the end of the year, further potential drilling was carried out at the Micaela, Ayelen extension, Kospi Norte and Tonio veins. Finally, almost 4,000m of resource drilling was executed around the current operations.

A magnetometry study was performed on the potential extension of Cerro Negro structures (Telken) covering a total area of 14.3km^2.

Vein	Results (potential resource drilling)
Aguas Vivas	SJD-1627: 3.0m @ 0.1g/t Au, 43/t Ag, 0.2% Cu, 8.2% Pb & 5.5% Zn SJD-1686: 1.1m @ 3.6g/t Au, 85g/t Ag, 0.1% Cu, 19.0% Pb & 10.3% Zn SJD-1703: 1.4m @ 0.2g/t Au, 55g/t Ag, 0.6% Pb & 1.9% Zn SJD-1720: 0.8m @ 2.4g/t Au, 9g/t Ag SJD-1851: 3.4m @ 0.3g/t Au, 44g/t Ag, 1.2% Cu, 4.6% Pb & 6.4% Zn SJD-1853: 1.1m @ 0.4g/t Au, 98g/t Ag, 1.6% Cu, 5.3% Pb & 4.2% Zn SJD-1855: 2.8m @ 0.9g/t Au, 9g/t Ag, 0.2% Cu, 0.7% Pb & 1.4% Zn SJD-1857: 0.9m @ 1.6g/t Au, 18g/t Ag, 0.1% Cu, 2.7% Pb & 2.2% Zn SJD-1865: 1.3m @ 0.4g/t Au, 12g/t Ag, 0.2% Cu, 2.1% Pb & 3.9% Zn SJD-1870: 1.1m @ 5.0g/t Au, 64g/t Ag, 0.4% Cu, 2.3% Pb & 3.9% Zn
Antonella	SJM-429: 3.9m @ 8.1g/t Au & 239/t Ag
Roma	SJD-1963: 1.0m @ 2.0g/t Au & 228g/t Ag
Kospi SE	SJD-1980: 0.9m @ 7.1g/t Au & 467g/t Ag
Kospi SE 02	SJD-1980: 0.5m @ 46g/t Au & 11,416g/t Ag
Kospi	SJM-432: 2.5m @ 4.8g/t Au & 502g/t Ag
RHVN K	SJM-433: 2.0m @ 3.3g/t Au & 155g/t Ag
RHVN D	SJM-433: 1.1m @ 30.4g/t Au & 1,991g/t Ag
RMLHVND	SJM-434: 1.0m @ 2.7g/t Au & 266g/t Ag
Milagro	SJD-2001: 1.0m @ 6.3g/t Au & 355g/t Ag
Sigmoide Luli	SJD-2013: 0.9m @ 1.0g/t Au & 142g/t Ag SJD-2014: 4.1m @ 1.5g/t Au & 45g/t Ag
Luli Sur	SJD-2013: 3.1m @ 7.0g/t Au & 727g/t Ag SJD-2014: 0.8m @ 4.2g/t Au & 753g/t Ag
Shala	SJD-2013: 0.9m @ 1.2g/t Au & 90g/t Ag
Mara	SJD-2013: 1.0m @ 13.3g/t Au & 1,259g/t Ag
Ramal Luli	SJD-2014: 1.9m @ 2.7g/t Au & 43g/t Ag
Ramal Ayelen	SJD-2018: 1.6m @ 24.3g/t Au & 1,302g/t Ag
New vein	SJM-446: 2.0m @ 1.7g/t Au & 78g/t Ag

In 2020, the programme at San Jose involves further long hole drilling, a Titan geophysics programme to the south, 5,000m of drilling at the Telken structures close to Cerro Negro and an assessment of the regional opportunities also to the south of the land package.

Ares

In the fourth quarter of 2020, 1,711m of potential drilling was carried out at Ares following previous results from long drill holes. New structures were identified with grades but were generally narrow. New surveys east of the Victoria target are scheduled for 2020.

Vein	Results (potential resource drilling)
Lula	DDHVIC-1901: 0.3m @ 0.4g/t Au & 124g/t Ag
New structure	DDHVIC-1901: 0.3m @ 3.7g/t Au & 737g/t Ag DDHVIC-1901: 0.3m @ 2.8g/t Au & 262g/t Ag DDHVIC-1902: 0.3m @ 1.8g/t Au & 56g/t Ag DDHVIC-1902: 0.9m @ 4.2g/t Au & 49g/t Ag DDHVIC-1902: 0.6m @ 1.9g/t Au & 31g/t Ag DDHVIC-1902: 0.3m @ 1.2g/t Au & 3g/t Ag DDHVIC-1902: 0.3m @ 1.4g/t Au & 146g/t Ag DDHVIC-1902: 0.4m @ 9.7g/t Au & 61g/t Ag DDHVIC-1902: 1.5m @ 4.8g/t Au & 13g/t Ag

Other brownfield projects

During 2019, a considerable range of preparatory geological work and permit applications was carried out on a number of Hochschild's former mines and near-term projects with the result that in 2020, the brownfield team intends to drill a number of targets across the Company's southern Peru cluster subject to the receipt of final exploration permits. In addition to work mentioned above at the Corina and Ares deposits, this includes: Titan geophysics and drilling at the former Selene mine; geophysics and a drilling programme at Arcata; drilling at the Crespo project; and drilling at the Huacullo area, which is adjacent to Azuca.

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.

Corina

At Corina, drilling in the third quarter of the year confirmed promising mineralisation within two sub-parallel structures, Corina and Micky. Drill results are included below and do not necessarily represent true widths.

Drillhole	From (m)	To (m)	Width (m)	g/t Au	g/t Ag
COR19001	201.55	204.75	3.20	1.13	24.00
including	203.40	204.75	1.35	1.80	31.00
COR19001	218.80	228.20	9.40	0.43	7.11
COR19002	253.15	254.45	1.30	0.43	4.40
COR19002	330.20	348.50	18.30	0.26	1.35
COR19003	142.85	146.85	4.00	0.28	1.57
	219.80	221.00	1.20	0.46	67.40
COR19004	152.00	156.85	4.85	0.07	0.78
	265.00	266.35	1.35	0.61	9.00
COR19005	91.10	94.60	3.50	8.97	32.00
including	92.10	93.65	1.55	15.90	47.00
COR19005	117.90	122.90	5.00	0.60	4.99
COR19005	160.80	162.80	2.00	1.18	2.90
COR19006	209.60	211.10	1.50	1.71	7.65
including	210.70	211.10	0.40	2.89	7.90
COR19006	284.85	287.10	2.25	0.27	0.87
COR19007	126.40	142.10	15.70	4.56	53.69
including	132.30	135.00	2.70	15.94	207.20
and	132.30	133.70	1.40	19.55	290.00
COR19007	184.60	189.20	4.60	1.10	27.64
COR19007	200.75	201.75	1.00	1.32	14.50
COR19008	209.40	211.00	1.60	0.52	2.05
COR19008	220.80	223.00	2.20	3.20	25.66
including	220.80	221.80	1.00	5.73	51.00
COR19009	144.80	149.00	4.20	0.82	6.71
COR19009	152.50	157.60	5.10	1.05	14.19
including	156.50	157.00	0.50	2.63	53.70
COR19009	160.40	165.40	5.00	1.08	6.98
including	164.50	165.40	0.90	1.86	2.40
COR19010	189.10	202.60	13.50	6.15	31.10
including	195.10	198.10	3.00	16.08	82.60
COR19010	206.90	210.60	3.70	7.66	17.66
including	207.90	208.90	1.00	17.35	126.00
COR19010	222.65	230.30	7.65	4.08	37.39
including	222.65	228.40	5.75	4.95	45.85
including	224.45	224.95	0.50	8.14	77.60

Hochschild has the option to purchase the Corina Project from Lara Resources by making staged cash payments totalling $4 million of which $0.3 million has been paid to date, with the next instalment of $0.4 million due by July 2020. The Company must also carry out $2.0 million in exploration expenditures, which has been almost fulfilled by the most recent programme, and pay a 2% net smelter return royalty on any future production. The project has now been transferred to Hochschild's brownfield exploration team and a new drilling campaign will begin in 2020 to define inferred resources.

Snip

Hochschild has the right to enter into an option to earn a 60% undivided interest in Skeena Resources' Snip gold project located in the Golden Triangle of British Columbia by spending twice the amount Skeena has spent since it originally optioned Snip from Barrick.

The 2019 Phase I drilling programme was designed to validate an isolated, historical and incompletely sampled high-grade intersection in the 200 Footwall Corridor. The original target in the 200 Footwall was identified by 1997 underground drill hole UG-2610 which intersected 26.8 g/t Au over 3.4m in an incompletely sampled zone. The recent intercept in drill hole S19-044 has discovered a new occurrence of very high-grade mineralisation averaging 1,132 g/t Au over 1.5m, including a significant subinterval containing abundant visible gold grading 3,390 g/t Au over 0.5m. Additional intercepts reported include:

Target	Results
Snip	S19-035: 5.1m @ 16.6g/t Au *Including* 0.5m@ 96.2g/t Au and 0.9m @ 39.8g/t Au S19-041: 0.7m @ 57.9g/t Au S19-041: 0.5m @ 57.0g/t Au S19-043: 1.4m @ 12.0g/t Au

Phase I drill hole S19-043 was completed prior to the newly discovered mineralisation in drill hole S19-044 and intersected anomalous gold grades associated with sheared veining including 12.0 g/t Au over 1.4m. Recently completed modelling of the 200 Footwall mineralisation indicates that this drill hole did not extend deep enough to adequately test the 200 Footwall and will be deepened during the next phase of drilling.

Other projects

In 2020, the team and its joint venture/strategic alliance partners are planning to drill properties across the Americas in Peru and the United States. This includes: the Cooke Mountain gold project owned by Adamera Minerals Corp in Washington State, United States; the Horsethief project owned by Allianza Minerals Ltd, also in Nevada; and the Condor project in Peru.

BioLantanidos

On 2 October 2019, Hochschild announced the acquisition of 93.8% of the BioLantanidos rare earth deposit in Chile that it did not already own for a consideration of $56.4 million and therefore consolidated 100% of the project. BioLantanidos was previously controlled by the private fund FIP Lantanidos, managed by private equity firm Mineria Activa SpA. Hochschild initially invested $2.5 million in the project during 2018 and early 2019 in exchange for a 6.2% equity stake with an option to increase ownership.

The deposit has a high concentration of key rare earth minerals and in particular those with permanent magnetic properties such as Terbium, Dysprosium, Praseodymium and Neodymium. These metals offer highly attractive enhancement properties for a wide range of end-use applications and play a pivotal role in driving the efficiency of motors, particularly in electric vehicles and wind turbines.

The project consists of ionic clay resources, similar to those found in China, but very different from most other hard rock-based rare earth projects worldwide. Mineralisation occurs from the surface to 20-30 metres deep and mining will not require explosives. The clay undergoes a simple washing process in which rare earths will be desorbed into a solution, concentrated and calcined to obtain a rare earth oxide. Furthermore, there is no requirement for a tailings dam as the washed clay is expected to be returned to the open pits. The process is environmentally friendly as it does not require potentially harmful chemicals whilst capital and operational expenditure is projected to be low with the result that the project is expected to be one of the lowest cost rare earth producers.

An initial modular project has been developed in the Penco area in an area of 500 hectares, approximately 15km from Concepción in Chile and with excellent access to infrastructure and energy. Other modules are expected to be evaluated in the future, providing significant low capital expenditure growth potential.

Prior to the acquisition, BioLantanidos constructed an on-site pilot plant that has demonstrated both technical and commercial viability, and the opportunity to scale up into industrial operations. Although the company prepared a feasibility study, it is Hochschild's intention to revise the study over the next 14 months and has recently appointed a dedicated management team to oversee development of the project.

GENERATING **HEALTHY** CASH FLOW

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.

$755.7m
REVENUE
2018: $704.3m

$343.3m
ADJUSTED EBITDA
2018: $268.0m

$103.4m
PROFIT BEFORE INCOME TAX
2018: $54.7m

$0.09
ADJUSTED BASIC EARNINGS PER SHARE
2018: $0.05

Revenue

Gross revenue

Gross revenue from continuing operations increased by 6% to $780.4 million in 2019 (2018: $733.6 million) due to an increase in the average precious metals prices received as well as a rise in gold sales offsetting a fall in ounces sold of silver in line with decreased silver production.[1]

Gold

Gross revenue from gold in 2019 increased to $449.0 million (2018: $386.2 million) due to a 5% increase in the total amount of gold ounces sold in 2019. This resulted from increases at the Inmaculada and the San Jose mines.

Silver

Gross revenue fell in 2019 to $331.2 million (2018: $347.0 million) mainly due to a fall in silver sales resulting from the decision to place the predominantly silver producing Arcata mine on care and maintenance in the first quarter of 2019.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for 2019 and 2018:

Average realised prices	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Silver ounces sold (koz)	**20,062**	22,687
Avg. realised silver price ($/oz)	**16.5**	15.3
Gold ounces sold (koz)	**317.52**	304.51
Avg. realised gold price ($/oz)	**1,414**	1,268

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 2019, the Group recorded commercial discounts of $24.7 million (2018: $29.4 million) with the decrease explained by the significant decrease in production from the concentrate-only Arcata mine. The ratio of commercial discounts to gross revenue in 2019 was 3% (2018: 4%).

Net revenue

Net revenue was $755.7 million (2018: $704.3 million), comprising net gold revenue of $441.6 million (2018: $378.8 million) and net silver revenue of $314.0 million (2018: $325.1 million). In 2019, gold accounted for 58% and silver 42% of the Company's consolidated net revenue (2018: gold 54% and silver 46%).

Reconciliation of gross revenue by mine to Group net revenue

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Silver revenue			
Arcata	**4,984**	52,292	(90)
Inmaculada	**90,110**	86,810	4
Pallancata	**121,494**	113,108	7
San Jose	**114,623**	94,804	21
Commercial discounts	**(17,258)**	(21,958)	(21)
Net silver revenue	**313,953**	325,056	(3)
Gold revenue			
Arcata	**873**	12,573	(93)
Inmaculada	**262,033**	219,293	19
Pallancata	**37,237**	33,176	12
San Jose	**148,901**	121,202	23
Commercial discounts	**(7,460)**	(7,395)	1
Net gold revenue	**441,584**	378,849	17
Other revenue	**139**	340	(59)
Net revenue	**755,676**	704,290	7

1 Includes revenue from services.

Costs

Total cost of sales was $512.7 million in 2019 (2018: $531.8 million). The direct production cost excluding depreciation was lower at $327.7 million (2018: $363.9 million) mainly due to lower production and lower cost per tonne both resulting from the decision to place Arcata on temporary care and maintenance in early 2019. This was partially offset by higher production cost at Inmaculada and Pallancata, in line with higher production tonnage, higher mine backfill, detoxification costs and personnel expenses at Inmaculada, as well as higher costs at San Jose mainly due to the start of the new backfill and water recovery plants. Depreciation in production cost increased to $184.4 million (2018: $164.2 million) due to higher estimated unit cost to put resources into production, therefore affecting future capex. Other items, which principally includes personnel-related provisions, increased to $4.4 million in 2019 (2018: $1.1 million) mainly due to the return of the workers' profit sharing provision ($3.9 million). Change in inventories was $3.8 million in 2019 (2018: $2.5 million) due to a slight rise in products in process.

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Direct production cost excluding depreciation	**327,660**	363,922	(10)
Depreciation in production cost	**184,388**	164,244	12
Other items[2]	**4,445**	1,141	290
Change in inventories	**(3,782)**	2,481	(252)
Cost of sales	**512,711**	531,788	(4)

Unit cost per tonne

The Company reported unit cost per tonne at its operations of $115.8 per tonne in 2019, a 4% decrease versus 2018 ($121.1 per tonne) mainly due to the decision to place Arcata on temporary care and maintenance, good cost control and increased mined tonnage at Inmaculada and Pallancata. These effects were partially offset by higher mine backfill, detoxification costs, personnel expenses and permitting costs at Inmaculada. There were also higher costs at San Jose related to the operation of the new backfill and water recovery plants.

Unit cost per tonne by operation (including royalties)[3]:

Operating unit ($/tonne)	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Peru[4]	**89.4**	99.7	(10)
Inmaculada	**93.3**	84.7	10
Pallancata	**83.8**	93.6	(10)
Arcata	**182.2**	167.7	9
Argentina			
San Jose	**219.2**	218.6	–
Total	**115.8**	121.1	(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[5]:

$000 unless otherwise indicated	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Group cash cost	**378,931**	409,719	(8)
(+) Cost of sales	**512,711**	531,788	(4)
(-) Depreciation and amortisation in cost of sales	**(182,676)**	(164,819)	11
(+) Selling expenses	**21,071**	10,068	109
(+) Commercial deductions[6]	**27,825**	32,682	(15)
Gold	**7,674**	7,558	2
Silver	**20,151**	25,124	(20)
Revenue	**755,676**	704,290	7
Gold	**441,584**	378,849	17
Silver	**313,953**	325,056	(3)
Others	**139**	340	(59)
Ounces sold			
Gold	**317.5**	304.5	4
Silver	**20,062**	22,687	(12)
Group cash cost ($/oz)			
Co product Au	**698**	724	(4)
Co product Ag	**7.8**	8.3	(6)
By product Au	**141**	195	(28)
By product Ag	**(3.5)**	1.0	(450)

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.

2 Other items in and workers profit sharing in costs of sales.
3 Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively.
4 2018 unit cost per tonne for Peru includes the Arcata mine. 2019 does not include the Arcata mine.
5 Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales.
6 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore.

All-in sustaining cost reconciliation

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Arcata	Corporate & others	Total
(+) Production cost excluding depreciation	124,814	75,590	120,529	320,933	6,727	–	327,660
(+) Other items and workers' profit sharing in cost of sales	1,902	1,976	567	4,445	–	–	4,445
(+) Operating and exploration capex for units[7]	66,435	26,605	41,406	134,446	42	2,470	136,958
(+) Brownfield exploration expenses	3,976	7,116	9,753	20,845	1,065	3,954	25,864
(+) Administrative expenses (excl depreciation)[8]	3,917	1,642	6,215	11,774	44	31,669	43,487
(+) Royalties and special mining tax[9]	3,510	1,471	–	4,981	47	3,429	8,457
Sub-total	**204,554**	**114,400**	**178,470**	**497,424**	**7,925**	**41,522**	**546,871**
Au ounces produced	189,180	25,952	105,478	320,611	966	–	321,577
Ag ounces produced (000s)	5,747	7,259	6,846	19,851	311	–	20,163
Ounces produced (Ag Eq 000s oz)	21,070	9,361	15,390	45,821	390	–	46,210
Sub-total ($/oz Ag Eq)	**9.7**	**§12.2**	**11.6**	**10.9**	**20.3**	**–**	**11.8**
(+) 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)	21,008	9,222	15,174	45,404	377		45,780
Sub-total ($/oz Ag Eq)	**0.1**	**1.3**	**2.2**	**1.1**	**2.5**	**–**	**1.1**
All-in sustaining costs ($/oz Ag Eq)	**9.9**	**13.5**	**13.8**	**11.9**	**22.8**	**–**	**12.9**
All-in sustaining costs ($/oz Au Eq)	**798**	**1,097**	**1,114**	**965**	**1,847**	**–**	**1,045**

Year ended 31 Dec 2018

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	62,559	114,291	68,907	118,165	363,922	–	363,922
(+) Other items in cost of sales	–	–	–	1,141	1,141	–	1,141
(+) Operating and exploration capex for units	526	57,678	28,939	42,849	129,992	634	130,626
(+) Brownfield exploration expenses	9,024	1,732	2,162	4,224	17,142	3,563	20,705
(+) Administrative expenses (excl depreciation)	651	3,516	1,560	6,952	12,679	31,618	44,297
(+) Royalties and special mining tax[10]	–	3,113	1,381	–	4,494	2,746	7,240
Sub-total	**72,760**	**180,330**	**102,949**	**173,331**	**529,370**	**38,561**	**567,931**
Au ounces produced	10,575	174.,199	26,399	96,595	307,768	–	307,768
Ag ounces produced (000s)	3,416	5,690	7,499	6,165	22,720	–	22,720
Ounces produced (Ag Eq 000s oz)	4,273	19,800	9,588	13,989	47,650	–	47,650
Sub-total ($/oz Ag Eq)	**17.0**	**9.1**	**10.7**	**12.4**	**11.1**	**–**	**11.9**
(+) Commercial deductions	8,273	2,788	10,441	11,180	32,682	–	32,682
(+) Selling expenses	999	344	728	7,997	10,068	–	10,068
Sub-total	**9,272**	**3,132**	**11,169**	**19,177**	**42,750**	**–**	**42,750**
Au ounces sold	9,926	172,395	26,234	96,595	304,505	–	304,505
Ag ounces sold (000s)	3,397	5,676	7,439	6,175	22,687	–	22,687
Ounces sold (Ag Eq 000s oz)	4,201	19,640	9,564	13,947	47,352	–	47,352
Sub-total ($/oz Ag Eq)	**2.2**	**0.2**	**1.2**	**1.4**	**0.9**	**–**	**0.9**
All-in sustaining costs ($/oz Ag Eq)	**19.2**	**9.3**	**11.9**	**13.8**	**12.0**	**–**	**12.8**
All-in sustaining costs ($/oz Au Eq)[11]	**1,558**	**751**	**964**	**1,115**	**973**	**–**	**1,039**

7 Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments.
8 Administrative expenses does not include expenses from the BioLantanidos project ($160,000).
9 Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.
10 Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.
11 Calculated using a gold silver ratio of 81:1.

Administrative expenses
Administrative expenses was similar to 2018 at $45.9 million (2018: $45.8 million) primarily due to personnel expenses remaining broadly unchanged although the Company has started to again provision the workers' profit sharing in Peru ($1.4 million) after being in a tax loss position over the last six years. This was partially offset by lower bonus provisions (specifically LTIP).

Exploration expenses
In 2019, exploration expenses increased to $38.0 million (2018: $34.4 million) in line with the overall rise in the Company's investment in brownfield and greenfield exploration. 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 2019, the Company capitalised $6.0 million relating to brownfield exploration compared to $9.2 million in 2018, bringing the total investment in exploration for 2019 to $44.0 million (2018: $43.6 million).

Selling expenses
Selling expenses increased to $21.1 million (2018: $10.1 million) principally due to the reintroduction of export taxes in Argentina in September 2018 ($16.3 million).

Other income/expenses
Other income was slightly higher at $9.0 million (2018: $8.1 million) due to adjustments to electrical services receivables in Peru. Also, other income includes revenue from logistic services in the Matarani warehouse and net income from services provided to contractors.

Other expenses before exceptional items were higher at $33.9 million (2018: $17.1 million) mainly due to an increase in the provision for mine closure adjustments at Ares and Sipan ($13.6 million). This has resulted from the latest review completed by the Group's consultant on these former operations' mine closure plans. At Ares, the variation ($7.7 million) is the result of improvements to the Tailings Storage Facility water treatment plant as part of its final closure. The figure also includes the operational cost of the plant over two years. For Sipan, the review ($5.2 million) incorporates the operating cost of the two water treatment plants for an additional five years. In addition, there is an additional negative impact on mine closure provision ($0.6 million) due to a change in the discount rate. Other expenses also include care and maintenance expenses, corporate social responsibility tax in Argentina and adjustments to receivables.

Adjusted EBITDA
Adjusted EBITDA increased by 28% to $343.3 million (2018: $268.0 million) primarily due to the increase in the average precious metal prices received and good cost control offsetting the reintroduction of export taxes in Argentina in September 2018.

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

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange loss and income tax	**112,276**	72,804	54
Depreciation and amortisation in cost of sales	**182,676**	164,819	11
Depreciation and amortisation in administrative expenses and other expenses	**2,480**	1,486	67
Exploration expenses	**37,965**	34,381	10
Personnel and other exploration related fixed expenses	**(6,316)**	(5,916)	7
Other non-cash income, net[12]	**14,251**	436	3,169
Adjusted EBITDA	**343,332**	268,010	28
Adjusted EBITDA margin	**45%**	38%	

Finance income
Finance income before exceptional items of $2.9 million increased from 2018 ($2.0 million) due to a small increase in interest on deposits.

Finance costs
Finance costs before exceptional items decreased from $11.2 million in 2018 to $10.0 million in 2019, principally due to the reduction in interest payments resulting from the repayment of the Company's Senior Notes in H1 2018 and lower average interest rates.

Foreign exchange (losses)/gains
The Group recognised a foreign exchange loss of $1.8 million (2018: $8.9 million loss) as a result of exposures in currencies other than the functional currency – mainly the Argentinean peso which again depreciated in 2019 ($1.9 million loss) and the Peruvian sol which appreciated during the year ($0.3 million loss).

Income tax
The Company's pre-exceptional income tax charge was $43.3 million (2018: $36.5 million). The increase in the charge is explained by the Company's increase in profitability in 2019. Income tax includes royalties ($5.0 million), Special Mining Tax ($3.4 million) and withholding tax on dividends paid from Peru to the UK ($3.3 million). Excluding these effects, the effective tax rate was 29% (2018: 27%).

Exceptional items
Exceptional items in 2019 totalled an $18.6 million loss after tax (2018: $11.5 million loss after tax). Exceptional items included 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 the Pallancata mine unit of $14.7 million. 2018 exceptional items included the payment of the premium to redeem early the Senior Notes and the reversal of capitalised Senior Notes issuance costs.

The tax effect of these exceptional items was a $7.9 million tax gain (2018: $4.8 million tax gain). The total effective tax rate was 46% (2018: 83%).

12 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.

Cash flow and balance sheet review

Cash flow

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Net cash generated from operating activities	**283,259**	185,942	97,317
Net cash used in investing activities	**(203,613)**	(129,981)	(73,632)
Cash flows generated from/(used in) financing activities	**9,211**	(228,300)	237,511
Net increase/(decrease) in cash and cash equivalents during the period	**88,857**	(172,339)	261,196

Net cash generated from operating activities increased from $185.9 million in 2018 to $283.3 million in 2019 mainly due to higher Adjusted EBITDA of $343.3 million (2018: $268.0 million) and lower interest expense of $5.0 million (2018: $28.8 million).

Net cash used in investing activities increased to $203.6 million in 2019 from $130.0 million in 2018 mainly due to the acquisition of the BioLantanidos project and higher mine developments as well as infill drilling at Inmaculada to access veins discovered in 2018.

Cash from financing activities increased to an inflow of $9.2 million from an outflow of $228.3 million in 2018, primarily due the new medium-term loan of $200.0 million, which was used to prepay existing short-term loans of $150.0 million partially offset by dividends paid. The 2018 outflow included mainly the repayment of the Company's Senior Notes ($294.8 million), the repayment of bank loans and dividends paid.

Working capital

$000	As at 31 December 2019	As at 31 December 2018
Trade and other receivables	**73,618**	78,736
Inventories	**62,600**	58,035
Other financial assets	**–**	47
Income tax (payable)/receivable	**(11,005)**	17,462
Trade and other payables	**(120,537)**	(125,475)
Provisions	**(16,249)**	(3,153)
Working capital	**(11,573)**	25,652

The Group's working capital position reduced from $25.7 million to $(11.6) million in 2019. The key drivers were: higher income tax payable $(28.5) million in line with 2019 profit; higher provisions of $(13.1) million principally due to the increase of mine closure estimates at Ares and Sipan; and lower trade receivables of $(5.1) million. These effects were partially offset by higher inventories of $4.6 million which were mainly precipitates and spare parts for the new backfill plant in Argentina; and lower trade payables of $4.9 million mainly explained by the suspension of Arcata.

Net debt

$000 unless otherwise indicated	As at 31 December 2019	As at 31 December 2018
Cash and cash equivalents	**166,357**	79,704
Long-term borrowings	**(199,308)**	(50,000)
Short-term borrowings[13]	**(234)**	(107,067)
Net debt	**(33,185)**	(77,363)

The Group's reported net debt position was $33.2 million as at 31 December 2019 (31 December 2018: $77.4 million). In December 2019, the Company repaid $150 million of short-term loans using a new $200 million medium-term loan with Scotiabank and BBVA ($100 million each). This refinancing helped increase the cash and cash equivalents balance to $166.4 million, which also benefited from strong cash flow generation.

Capital expenditure[14]

$000	As at 31 December 2019	As at 31 December 2018
Arcata	**42**	526
Pallancata	**26,605**	28,939
San Jose	**43,623**	44,632
Inmaculada	**66,435**	57,678
Operations	**136,663**	131,775
BioLantanidos[15]	**60,726**	–
Other	**7,727**	2,630
Total	**205,116**	134,405

2019 capital expenditure of $205.1 million (2018: $134.4 million) mainly comprised operational capex of $136.7 million (2018: $131.8 million) with the increase versus 2018 resulting from increased capex at Inmaculada due to a rise in mine developments to access veins discovered in 2018 and the acquisition of BioLantanidos.

13 Includes pre-shipment loans and short-term interest payables.
14 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.
15 Capital expenditure from BioLantanidos includes the fair value of the asset plus additions since the acquisition.

OUR PURPOSE REFLECTS OUR COMMITMENT TO RESPONSIBILITY

Hochschild is defined by its approach to responsible and innovative mining committed to a better world.

40%

REDUCTION IN ACCIDENT FREQUENCY INDEX (OR LTIFR)
(2019: 1.05 – 2018: 1.74)

$9.3m

AMOUNT SPENT OR DONATED TO BENEFIT LOCAL COMMUNITIES
(2018: $8.3m)

OUR AREAS OF FOCUS

DEAR SHAREHOLDER

I am pleased to report on the Company's activities during 2019 which acknowledge our social licence to operate and demonstrate the collective sense of responsibility which is a key tenet of Hochschild's corporate purpose.

Safety
It is with immense pride that we are able to report on the impact of the Safety Culture Transformation Plan which was launched in 2017. As discussed later in this report, the range of training programmes and initiatives during 2019 has brought about impressive year-on-year reductions in the accident frequency index and accident severity rates of 40% and 94% respectively. These results are testament to the efforts of all involved, and I can assure you of our commitment to continue on this path as we proceed to roll out the action plan for the current year, known as "Safety 2.0".

Our communities
Our Community Relations team has had an equally active year. As part of our strategy of supporting projects targeting education, health and socio-economic development, we launched a new scholarship programme for young people living close to the Inmaculada mine and our Travelling Doctor programme has extended its reach following our collaboration with local authorities.

Our environment
From an environmental perspective, the Group performed well as reflected by the ECO Score for the year which is explained further on page 49. This initiative, which has undeniably raised the level of awareness across the organisation, has also been the subject of several external commendations including the Mines & Money 2019 Innovation in Sustainability award.

Our people
Hochschild would not be able to achieve its current successes without its people and, in this report, we have set out how the Group's Human Resources ("HR") team have contributed to strengthening employee relations. I would like to highlight two aspects in particular. Firstly, the Attributes' Weeks where employees across the Group participated in a week-long series of events that were thematically designed around a key value which underlines our corporate purpose. Secondly, the Gender Diversity project which was launched with the aim of redressing the imbalance in the make-up of our workforce, which is regrettably representative of the sector.

This year, in addition to actively reviewing the opportunities we have to improving our energy efficiency across the organisation, we are also looking to enhance our sustainability reporting and will be engaging with our stakeholders in this regard.

I hope you will find this report informative. If you should have any questions or comments, please do not hesitate to contact me at sustainability@hocplc.com

Graham Birch
Chairman
Sustainability Committee

Governance of sustainability
The Board has ultimate responsibility for establishing Group policies relating to sustainability and the Sustainability Committee has been established with the responsibility of focusing on compliance and ensuring that appropriate systems and practices are in place.

What is Hochschild Mining's approach to sustainability?
The Company has adopted a number of policies demonstrating our commitment to:

– a safe and healthy workplace;
– managing and minimising the environmental impact of our operations; and
– encouraging sustainability by respecting the communities of the localities in which we operate.

We look to achieve all of the above in compliance with applicable laws, regulations and the Company's own standards.

For further information on how we prioritise our resources and the Committee's terms of reference, please visit www.hochschildmining.com/en/sustainability.

Management of sustainability
The Board has ultimate responsibility for establishing Group policies relating to sustainability and ensuring that appropriate standards are met. The Sustainability Committee has been established as a formal committee of the Board with delegated responsibility for various 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 Sustainability Committee's work in 2019
During the year, the Sustainability Committee:

– approved the 2018 Sustainability Report for inclusion in the 2018 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 a detailed presentation on the Group's Tailing Storage Facilities ("TSFs") and approved the implementation of enhanced systems of monitoring and a programme of third-party reviews;
– undertook periodic reviews of the Group's exposure to sustainability risks and the controls and action plan to mitigate them; and
– considered and recommended to the Board, for adoption, revised Terms of Reference which formalised the Committee's role in overseeing methods of engagement with the Group's workforce to understand their views and to communicate them to the Board.

Reporting of targets and indicators
As part of the Company's ongoing strategy to make more information available online, detailed sustainability related performance indicators as well as targets for 2020 are available on the Company's website.

SAFETY

The safety of our people is our number one priority.

2019 HIGHLIGHTS

Continued implementation of the Safety Culture Transformation Plan (See opposite for further details)

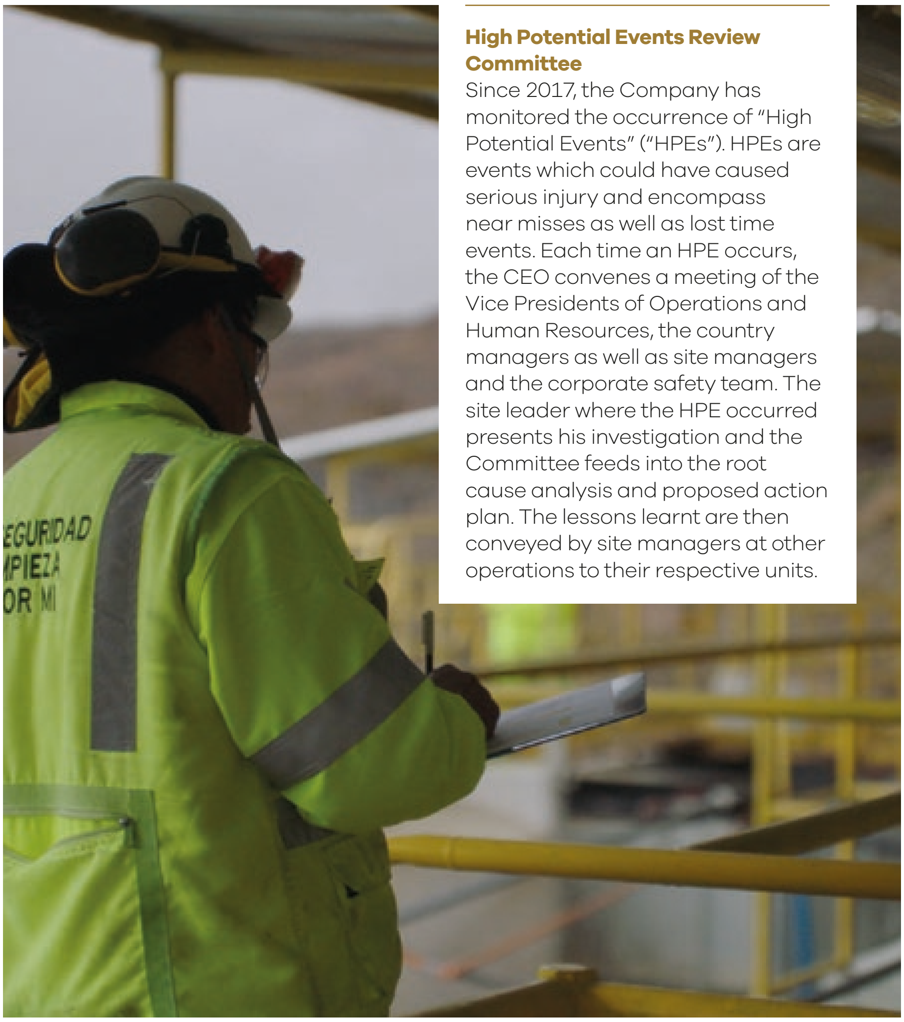
All safety management systems at operating units achieved Level 6 re-certification by Det Norske Veritas GL ("DNV"). As a sign of the Group's commitment to achieve Level 7, eight new safety sub-processes have been certified

The Hochschild approach to safety

Given the inherently high risk profile of mining, safety is always our highest priority. Ensuring the safety of our employees is a key measure of our corporate success.

Our achievements in 2019

- 40% reduction in LTIFR and rate of High Potential Events vs 2018 (see right for an explanation of this internal measurement)
- 94% reduction in the Accident Severity Index vs 2018
- Technological enhancements to personnel transportation to regulate speed and detect driver fatigue (see opposite)

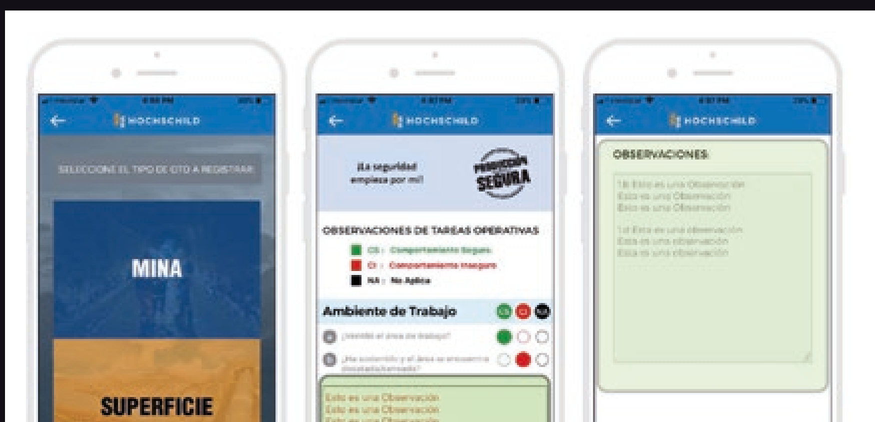


High Potential Events Review Committee

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.

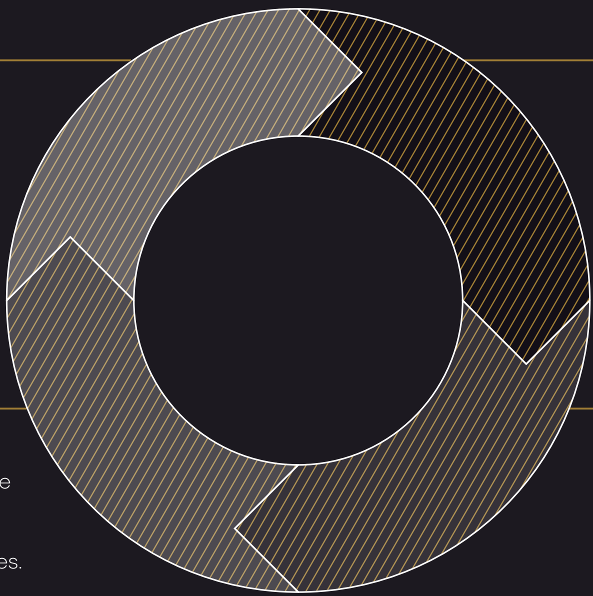
Behaviour Based Safety Checklists

As reported in the 2018 Annual Report, the Group's Behaviour Based Safety Checklists were incorporated into a mobile app, known as "the OTO app". The app, which has been designed in-house, enables users to log safety-related observations (an "OTO") during a 10-15 minute audit. By submitting an OTO, users earn points to transfer between levels of the programme and prizes are awarded based on the nature and number of OTOs submitted.



THE SAFETY CULTURE TRANSFORMATION PLAN

The Group's safety performance in 2019 was industry-leading and is the result of the collective efforts of not only our safety team but also those tasked with ensuring that we embed a safety-first culture at Hochschild. This has been achieved primarily through the Safety Culture Transformation Plan – an initiative that was launched in 2017 and comprises the following aspects:



LEADERSHIP

Leadership Programme

Coaching programme for site managers delivered through third-party specialist providers. In addition, internal sessions were delivered by Hochschild's in-house safety professionals and senior management.

COMMUNICATION

Safety Plan communications support

A campaign was run during the year promoting the new Company purpose and corporate values. Safety achievements and risks were communicated to all individuals through a corporate communication plan.

TRAINING

Mines' Annual Training Programme

Redesign of induction programme (both general and individual) and the continuation of a two-year training course for rescue brigades.

SYSTEM

Risk Management System (RMS)

Internal audits carried out across all mine sites, with results of over 75% indicating a strong level of safety awareness. In addition, the implementation of eight new safety sub-processes to progress to Level 7 certification for RMS.

Personnel transportation enhancements

During the year, management identified the heightened risk of accidents during the transportation of personnel to and from the mine site particularly given the distances between the mines and the nearest towns as well as the road conditions. Digital displays have been installed on dashboards to alert the driver to the speed limit at any given point and sensors installed to detect driver fatigue which, if triggered, will alert the driver as well as a central control centre.

HEALTH & HYGIENE

The work of Health & Hygiene is to provide an integrated approach to employee welfare.

2019 HIGHLIGHTS

Supporting the delivery of the Safety Culture Transformation Plan

Full implementation of a new data platform encompassing health, hygiene and mental wellbeing

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 services and infrastructure to ensure that treatment can be provided, the Hygiene team looks to reinforce the importance of the quality of life at work through the prevention of occupational illness.

Given the nature of the work and the two-week shift patterns which result in frequent periods of absence from families, the Group recognises the importance of ensuring the mental wellbeing of its employees.

For this reason, the Group's Health & Hygiene teams are also trained in occupational psychology.

Our Health & Hygiene teams undertake their work in line with the following guiding principles:

- Prevention comes first
- Maximising quality of life
- Adopting measures for the long-term benefit of our people
- Proactively identifying and controlling hazards at source
- Contributing to the continuous improvement in the Group's Health & Safety culture
- Developing leaders dedicated to prioritising the wellbeing of their teams and maintaining high levels of occupational health and hygiene standards

Our achievements in 2019

The Health team, in collaboration with other departments, including the Safety team, continued to go beyond its traditional area of prevention and sought to influence the way that employees approach their tasks.

During the year

- senior members of the team participated in discussions with respect to new legal requirements and provided training to team members
- the team actively participated in the delivery of the Safety Culture Transformation Plan
- implementation of the HOCSHP software in Peru and Argentina which manages data relating to preventative and recovery activities in health and psychology, as well as monitors data on other aspects of industrial hygiene

Supporting our families

The Health & Hygiene team held events in Abancay aimed at providing mineworkers' families with support and advice.

The sessions gave families the opportunity to share their experiences. Members of the Health & Hygiene team who are trained in medicine and psychology gave presentations with advice on dealing with the pressures of shift-working on family life.

OUR **PEOPLE**

Hochschild Mining's success relies on its people.

2019 HIGHLIGHTS

- Launch of corporate purpose and related events
- Gender Diversity taskforce and strategy established (see overleaf for further details)

58%

OF OUR TOTAL WORKFORCE IS REPRESENTED BY A TRADE UNION OR SIMILAR BODY
(2018: 58%)

The Hochschild approach to our people

Training and development

The quality of our people is key to the success of the business. Thus, the ability for the Group to attract and retain high quality personnel is imperative. The Human Resources team seeks to achieve this goal by actively monitoring the market to identify the best talent and providing competitive remuneration, a positive working environment and continuous opportunities for learning and professional development.

New corporate purpose

Amongst the primary responsibilities of the Human Resources team is the communication of the Group's corporate purpose which was launched in early 2019: "Responsible and innovative mining committed to a better world". In order to achieve the purpose, the following cultural attributes were identified: "We innovate", "We inspire and promote talent", "We are always responsible" and "We always look for efficiencies". The objective of the HR team is to ensure that employees feel part of the cultural transformation.

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. We recognise the core labour rights principles and, in this respect, support the right to freedom of association and collective bargaining.

Approximately 58% of our total workforce is represented by a trade union or similar body. As a signatory of the Global Compact of the United Nations, Hochschild Mining respects the human rights of all of the Company's stakeholders including those of our employees, our contractors and suppliers, as well as the members of our local communities.

Activities in 2019

The people-focused initiatives during the year included the following:

Putting Safety First

As part of the Safety Culture Transformation Plan, a multi-year leadership programme focusing on promoting our safety culture was launched in 2018. This programme encourages participation across all levels at the mining units and administrative offices and has been successfully carried out over its first two years.

Keeping our talent

The People Review process was undertaken which maps talent within the organisation and identifies key positions and succession plans. Strategic development plans have been designed and implemented for those in critical roles across the business.

OUR PEOPLE CONTINUED

Enhancing the working environment
The Group continues to make use of an Organisational Climate Survey which has been widely acknowledged as a key tool to measure levels of satisfaction amongst employees and to identify opportunities for further development. This year the Company decided to participate in the "Great Place to Work" survey. The results will be presented in Q1 2020 and will form the base of an action plan to implement improvements in the mining units and administrative offices.

Attributes' Weeks
In 2019, a series of week-long events was held to reinforce each of the attributes that emanate from the corporate purpose. The events, which were thematically designed around Innovation, the Inspiration and Promotion of Talent, and Responsibility, comprised lectures by internal and external speakers, volunteering sessions, workshops and exhibitions.

Diversity and inclusion
In recognition of the Company's commitment to promoting a workforce that is gender diverse, a taskforce was established in 2019. As further detailed above right, the taskforce has made significant progress as it embarks on increasing female representation in the workforce from the current level.

Promoting a diverse pipeline of talent
The Group has taken active steps to redress the imbalance that exists in Hochschild's workforce and which is, regrettably, typical for the mining sector.

A Diversity taskforce was established during the year comprising the CEO, the Vice Presidents of Legal & Corporate Affairs, Operations and Human Resources and a designated Diversity Champion. The taskforce oversees policy matters such as strategies and targets and is supported by working groups at the Head Office in Lima and at the Inmaculada and Pallancata mines.

In its inaugural year, the taskforce was responsible for:

- a baseline study of Hochschild's workforce in Peru (with the same planned for Argentina in the current year);
- a review of Group policies such as those relating to recruitment and the Whistleblowing facility. In relation to the latter, a campaign has been designed to raise awareness of its use to report any aspect of gender-based harassment or discrimination;
- securing a collaboration with mining contractors to establish a programme to recruit at least 15 women to operate trucks;
- holding of workshops on diversity as part of the Group's series of events reinforcing Hochschild's corporate purpose; and
- investment in new accommodation and the procurement of suitably sized Protective Personal Equipment for female employees.

People indicators

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

1 As at 31 December.
2 Defined as those who qualify under the UK statutory definition of 'senior manager'.

WORKING WITH OUR **COMMUNITIES**

Our relations with host communities form the foundation of our sustainability and our commitment to facilitate local development.

$9.3m

AMOUNT SPENT OR DONATED TO BENEFIT LOCAL COMMUNITIES
(2018: $8.3m)

2019 HIGHLIGHTS

- Successful implementation of educational initiatives
- Launch of scholarship fund for Inmaculada communities
- Re-organisation of the Group's social information with use of community relationship-tracking software

The Hochschild approach to working with our communities
The Group recognises its responsibilities to host communities and invests significant resources to understand their needs and expectations. The Hochschild way is to promote close collaboration with respect for customs and social dynamics which enables the Community Relations team to develop a strategy which implements social investment programmes focusing in the areas of education, health and socio-economic development.

Our achievements in 2019

We have continued to provide a range of social programmes aligned with the needs of our communities. We have targeted enhancements in delivery and focused on communicating effectively with key stakeholders whether directly with communities or the local authorities.

The key developments are as follows:

Education

Elementary education
This year we reinforced our approach to the use of technology in schooling younger children. Through the provision of laptop computers and educational software, we were able to enhance the teaching of numeracy and literacy. From a teaching perspective, the Group supported teachers on the use of IT in planning and delivering classes.

In 2019, we were able to support over 300 students across 12 schools in remote areas within our sphere of influence.

Secondary education
Hochschild focused its support for high school students on the development and strengthening of soft skills for adult life and entrepreneurship. Over the course of 2019, we have collaborated with close to 600 secondary students and almost 100 teachers across seven educational establishments.

Digital centres
2019 saw the second intake of students on technical courses delivered by our digital centres in the areas of IT, educational computing and audiovisual & technical support. Over 100 students were enrolled on the one-year programme with teaching provided by staff from the well-established college TECSUP. In addition to facilitating these courses, the digital centres were also used by local communities for general use.

Scholarship programme
In collaboration with the Julian Baring Scholarship Fund, the Group launched a scholarship programme for the communities close to the Inmaculada mine. The programme, which sought to address the issue of gender inequality in its selection of students, will see six students pursue mining-related technical courses at CETEMIN. The Group has currently funded over 30 young people on similarly funded schemes.

Health

Medico de Cabecera (the Travelling Doctor programme)
Through the Travelling Doctor programme, the Group formed an alliance with the Health Ministry to extend the reach of medical services to the remote communities living close to our operations. In addition to the provision of general medical care through the mobile clinic, the scheme has facilitated home visits as well as campaigns to promote good health and illness prevention. In 2019, the programme delivered over 9,000 consultations.

Socio-economic development

Business networks
This initiative, which is focused on bringing economic development within our local spheres of influence, brings technical knowledge and technical assistance for local producers and breeders. For the first time, the programme also established local community banks which supported producers to save money and leverage new business opportunities through the provision of loans. This year we supported around 250 businesses with a diversified range of produce. In 2019, the programme generated revenue of over 480,000 soles (approximately US$145,000).

Argentina

In conjunction with its joint venture partner, the Group supported a number of initiatives at the San Jose operation in Argentina. These have included scholarship opportunities for 50 students from the local town of Perito Moreno and support for local cultural events.

MANAGING OUR **ENVIRONMENTAL** IMPACT

Hochschild is committed to leading in environmental performance and operating and producing metals with the least possible environmental footprint.

2019 HIGHLIGHTS

Continued robust environmental performance

External recognition of in-house designed ECO Score

Responsible closure

In 2019, the Company incurred additional cost by making a higher provision for the liabilities associated with the closure of two of the Group's former mines; Ares and Sipan. This was prompted by an annual review of these operations' mine closure plans by a third-party consultant. The additional provision reflects improvements to, and the operation of, the Tailings Storage Facility water treatment plant at Ares as well as the operating cost of the two water treatment plants at Sipan for a longer period than originally planned.

See page 38 of the Financial Review for further details

The Hochschild approach to environmental management

Hochschild Mining is committed to being a leading global mining company in environmental performance, sourcing minerals with the smallest environmental footprint possible. Hochschild recognises that environmental and social responsibility extends beyond the life of our operations and, as a result, mine closure plans are in place to restore areas where mining activity has ceased and the Company operates a policy of progressively closing historic mine components (see inset box left).

Environmental policy

In order to achieve the Company's environmental mission, the Environmental team is committed to:

- ensuring compliance with all legal and environmental regulations in place;
- setting an annual environmental performance goal for all Company employees;
- requiring an efficient use of resources, aiming for savings by implementing the best industrial and mining practices, modern technologies and solid procedures for environmental management and control;
- requiring all Company employees to adopt an environmentally conscious culture;
- providing all Company employees with the necessary resources and training to take environmentally appropriate decisions;
- promoting innovative and forward thinking in the development and execution of new concepts and designs related to environmental management; and
- requiring those who perform activities for the Company to abide by the Corporate Environmental Policy.

Our achievements in 2019

– **A robust environmental performance**

✓ The ratio of observations per inspection carried out by OEFA has fallen by 11%

✓ Complied with 100% of treated water discharge permissible limits

✓ Drinking water consumption and domestic waste generation per person were reduced by 8% year on year

✓ Recycled 60% more industrial waste than in 2018

✓ Continued focus on maintaining awareness of environmentally responsible culture with over 500 environmental events organised

– **External recognition of the ECO Score**

✓ Industry recognition, most notably the Mines & Money 2019 Innovation in Sustainability award

✓ Finalist for the "Most Innovative Company in Peru" award in the environmental management category from the Peruvian University of Applied Sciences

✓ ECO Score selected for presentation in the International Association for Impact Assessment Congress in Spain

– **Continued support of operational and exploration activities**

✓ Secured critical environmental permits

✓ Completed environmental infrastructure improvement action plan

✓ Successful interaction with environmental regulators

ECO Score

Hochschild Mining has endeavoured to comply with the highest environmental and social standards in the mining industry.

Ever since 2015, with the collective efforts of our people, we have developed and implemented an innovative, original and efficient tool which allows us to quantify and distil in a single number our environmental performance. In this way we have succeed in expressing intangible environmental management in a way that is universally understood.

The ECO Score objective was officially adopted in 2017, and has been used with other Corporate Performance objectives to determine the level of employee bonuses.

The ECO Score is calculated by monitoring performance at two levels: at each mining operation, and overall for the entire Group using a range of KPIs which reflect, among other things, compliance with discharge limits and zero-tolerance to environmental incidents, regulatory findings, and sound environmental management (relating to water consumption and waste generation).

2019 ECO Score Performance

The Company's overall ECO Score in 2019 was 4.82 out of 6, which exceeded the most stretching target set for the year of 4.5. Since 2015, the ECO Score has improved by 45% which reflects a significantly higher level of environmental efficiency.

Find out more at www.hochschildmining.com/en/responsibility/environment

Minimising our footprint

As part of its commitment to minimise its environmental footprint, the Company continually seeks ways to improve its consumption of resources, whether through reducing water usage or increasing the amount of waste that is recycled. This approach also incorporates initiatives to improve our energy efficiency at our operations which, during 2019, was achieved through a number of ways including:

– the replacement of conventional diesel-powered equipment such as scoops, jumbos and drills with battery-operated models; and

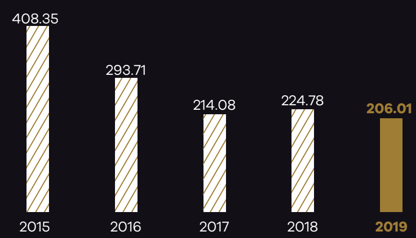
– the installation of capacitor banks at our electrical substations at Inmaculada and Pallancata

The Company will be instigating a review in the current year to assess the energy efficiency of our operations and to identify the areas of biggest opportunity to reduce our overall energy footprint.

Water usage

Regarding our water footprint, since the implementation of the ECO Score, consumption of potable water (measured on a per person basis) has been reduced by almost 50%.

Water consumption (litres/person/day)



In 2019, we saved

290,468 m3

OF DRINKING WATER

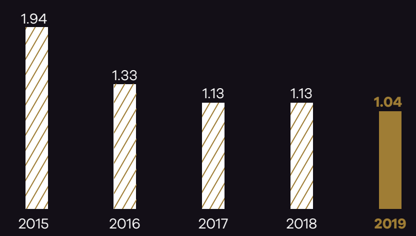
=470 million

BOTTLES OF WATER OF 625ML

Industrial Waste

Likewise, we have reduced the amount of domestic waste generated and recycled 60% more industrial waste than in 2018.

Generation of waste (Kg/person/day)



In 2019, we achieved a reduction of

46%

IN THE GENERATION OF SOLID WASTE

In 2019, we reduced domestic waste by more than

1.2 million Kg

GHG footprint

Greenhouse gas emissions data[1] (tonnes of CO_2e)	**2019[2]**	**2018[2,3]**	**2017[2]**	**2016[2]**	**2015**
Emissions from combustion of fuel and operation of facilities (tCO_2e)	39,341	38,939	47,265	46,033	46,790
Emissions from purchased electricity (tCO_2e)	82,869	80,056	94,249	91,893	78,163
Emissions intensity, per thousand ounces of total silver equivalent produced (CO_2e/k oz)[3]	3.50	3.39	4.05	4.24	5.53

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 Ares, Arcata, Selene, Pallancata, Inmaculada, San Jose and office locations.
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. Emissions include combustion of fuel and operation of facilities (Scope 1), purchased electricity (Scope 2) and other indirect sources (Scope 3).

For our 2020 environmental objectives, please visit www.hochschildmining.com/responsibility

RISK MANAGEMENT

Hochschild Mining has implemented a framework of risk management and internal controls that ensures that key risks are identified and, where they cannot be eradicated, are mitigated to within tolerable levels.

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.

The 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 potential actions to mitigate them, are reported to the Group's Audit Committee, which has oversight of risk management on behalf of the Board. In addition, during 2019, the Board agreed that the Sustainability Committee would monitor actions plans to mitigate sustainability risks.

2019 Risks

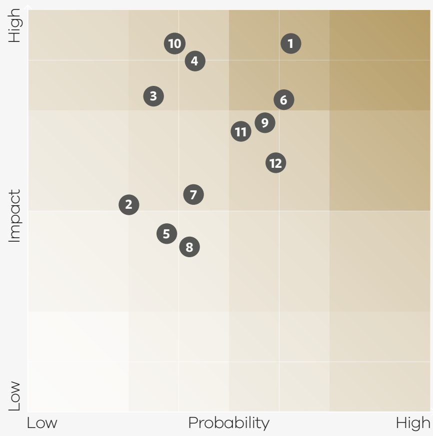
The key business risks affecting the Group set out in this report remain unchanged compared to those disclosed in the 2018 Risk Management report.

Reasons for the year-on-year change in the profile of a specific risk can be found in the commentary section of the relevant risk, which also provides an outlook on the risk for the current financial year.

RISK HEAT MAP

To assist the reader in assessing the relative significance of each risk discussed in this section, the heat map (see 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.

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 2018

— Unchanged
↑ Higher
↓ Lower

FINANCIAL RISKS

Risk	Impact	Mitigation	Commentary
1. **Commodity price** — See the Market Review on pages 10 to 11 for further details on how commodity prices performed in 2019	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. In 2019 this was achieved by: – Debt refinancing; – Controlling operating and administrative costs; – Optimising sustaining capital expenditure; and – Maintaining low working capital. As previously reported, in December 2019 the Group refinanced its short-term debt with a $200 million medium-term loan at a comparable rate which, in addition to providing a two-year grace period, has supplemented the Group's cash resources with a further $50 million. In addition, as reported in the Finance Review, 2019 working capital and production costs have been kept under control. As reported earlier in this report, the Inmaculada mine had another record year in 2019 in terms of production and, as the lowest cost operation in the Group's portfolio, it has been key in reducing overall average production costs. Even though currently no part of 2020 production has been hedged, the Group's flexible policy enables the Board to approve hedging contracts to protect cash flow as and when appropriate.

Risk	Impact	Mitigation	Commentary
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.	– Periodic 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.	Prompted by a long-standing customer entering into bankruptcy protection in 2018, the Group strengthened its risk assessment procedures by taking the following steps: – **Enhanced counterparty analysis:** the enhancement of initial financial and business quality checks of both new customers and business counterpartie, and more robust and more frequent evaluations of existing customers. These evaluations incorporated analysis of corporate governance, balance sheet strength and other aspects of credit quality. As a result, a revision of terms of sale to mitigate the Group's exposure has been implemented, emphasising prepayments before a sale is completed. – **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 identifying alternative suppliers for critical supplies and spare parts. As a 2019 Audit Committee objective, see page 69 for more information

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)	In 2019 the Group exceeded its production target by 1.7m attributable silver equivalent ounces with record performances at Inmaculada and San Jose. 2019 budgets across the Group continued to focus on maintaining controlled levels of costs, capital expenditure and expenses. As reported in the Financial Review on page 37, the all-in sustaining cost from operations was kept within the guidance for the year, at $11.9 per silver equivalent ounce. As reported last year, the decision was taken to place the high cost Arcata mine on temporary care and maintenance. Measures have been taken to manage associated costs efficiently, close certain mining components, continue to explore for new resources and maintain community relations, all in order to secure the option of re-starting operations in the future. The Group 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.

Risk	Impact	Mitigation	Commentary
4. **Business interruption**	Assets used in the Group's operations may cease to function or the supply of electricity may be interrupted (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. – Annual inspections 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 acquiring insurance policies covering machinery breakdown, mitigating actions during the year include the following: – A site visit by insurance brokers and re-insurers' engineers to assess risk exposure; – A thorough review of critical supplies and inventory was performed with data uploaded onto the Maintenance Module of SAP HANA; – Acquisition of back-up equipment to ensure power supply in Peru; and – Design of a Business Continuity Plan ("BCP") documenting the procedures to be implemented on the occurrence of certain disruptive events. Training and implementation, which was originally scheduled for Q4 2019, will take place in Q1 2020.

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.	As previously reported, a review of the Group's exposure to cyber risks was commissioned by a major audit firm in 2018 with the principal recommendations implemented, including testing which took place in two phases during the year to assure the robustness of systems security. In addition: – Industrial networks were incorporated into the Group's IS Management System ("ISMS") with associated security enhancements implemented; – ISMS was successfully recertified as compliant with ISO 27001; and – the use of SAP HANA as the Group's management information system incorporates best in class features to mitigate data loss risk.

Risk	Impact	Mitigation	Commentary
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. – Establishment of a Permitting Committee	The key highlight of the 2019 brownfield exploration programme was the 46 million silver equivalent ounces of additional resources at Inmaculada close to the Angela vein. For further details, refer to page 28. Land easements have been secured and other permits have been or are in the process of being secured to facilitate the 2020-2021 brownfield exploration programme. The Group has an internal Permitting Committee led by two Vice Presidents to co-ordinate efforts with a view to streamlining the permitting process. Senior executives actively participate in industry initiatives to simplify the permitting process. Greenfield exploration in 2019 was driven by a number of earn-in/joint venture opportunities being secured. 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 pages 15 and 19.
	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 161 for further details.

OPERATIONAL RISKS CONTINUED

Risk	Impact	Mitigation	Commentary
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 Head Office staff) and tailored personal development plans. In addition, a three-year Leadership programme continues to be implemented at all operations. The Group has also maintained the training programme for supervisors and hourly workers, and actively works to enhance the Group's employee value proposition. These include 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. Retention plans in the form of the Company's Long-Term Incentive Plan and Restricted Share Plan were also in place for key personnel.

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.	For the first time since 2012, 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. As reported last year, the decision was taken to place Arcata on care and maintenance. Where possible, workers were redeployed, and the redundancy process was completed in collaboration with the relevant unions and without disruption to the Group's other operations.

MACRO-ECONOMIC RISKS

Risk	Impact	Mitigation	Commentary
9. **Political, legal and regulatory**	Changes in the 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.	Peru went through a constitutional crisis which led to President Vizcarra dissolving Congress and calling for new congressional elections in January 2020. This situation led to increased political risk and reductions in public and private investment with lower than expected economic growth in 2019. Mining continues to be a highly regulated industry where multiple permits are required leading to increased delays and costs. Moreover, the prior consultation process for indigenous communities has caused substantial delays in the permitting process for exploration and operational activities. In addition, in October 2019, President Vizcarra announced that he would be introducing legislation to modify the mining legal framework. A government-led commission has been tasked with studying potential reforms. This initiative has increased the legal and regulatory risk for the industry as the outcome is uncertain. In terms of social conflicts, protests relating to the Las Bambas and Tia Maria projects 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. Congressional elections in January 2020 resulted in the election of nine different political parties, with no single party having a majority. Given this fragmented nature, it is unlikely that any major reforms may be approved. Left wing and radical anti-establishment parties have increased their representations in the new Congress. Some of those radical parties obtained a majority of the vote in the regions where our mines are located, increasing the risk of populism and anti-mining sentiment in these regions. In Argentina, 2019 was marked by the election of President Fernandez from the Peronist party. While the new President has publicly stated that he will promote the mining industry, it is still very early in the new Administration to fully understand the impact on the overall investment climate in Argentina and particularly on the extractive industry sector. It is expected, however, that in order to support the fragile Argentinian economy, new taxes may be under consideration by the Government.

SUSTAINABILITY RISKS

Risk	Impact	Mitigation	Commentary
10. **Health and safety**	Group employees working in the mines may be exposed to health and severe 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.	2019 was a record breaking year in terms of safety performance with the Company meeting its ongoing objective of Zero Fatalities and key indicators demonstrating year-on-year reductions of 40% and 94% in accident frequency and accident severity respectively. Management continued the implementation of the Safety Culture Transformation Plan to reinforce the Group's commitment to safety. The Plan comprises the following pillars: – Leadership, with mine management enhancing safety awareness through support from specialist consultants and internally run lectures – Communications, focusing on initiatives to motivate and incentivise safe working practices – Training, covering induction of new personnel and improvements in operational practices throughout the mining and exploration process – Technical, with re-certification of the Group's risk information management systems to DNV´s Level 6. Work has begun in order to advance to Level 7 during 2020. In addition, during the year: – The recommendations made in a third-party audit of the Group's safety procedures were fully implemented; – A High Potential Events Committee, led by the CEO, was established to investigate such cases and issue reports on lessons learned; and – The Group launched two technology based solutions to improve safety: a mobile app to log safety-related observations at the operations and the installation of software on the dashboard of personnel transportation to regulate speed and detect driver fatigue. For further details on the above, please refer to the safety section of the Sustainability Report on pages 42 and 43.

Risk	Impact	Mitigation	Commentary
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 2019, the Group performed highly in its ECO Score (with a score of 4.82 out of 6), which allows us to quantify and distil in a single number our environmental performance and recognises 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. For further details, please refer to the environmental section of the Sustainability Report on pages 48 and 49. In addition, during the year, the Environmental team: – Secured permits to support the Group's exploration programme and operational requirements; – Held over 500 events, training and housekeeping campaigns across all mine sites; – Is in the process of completing the proposed environmental infrastructure improvement action plan set in 2015. 22 water treatment plants have been installed and overhauled with the final two installations to be completed at Inmaculada; – Continued with the progressive closure of certain discontinued mining components; and – Adopted measures to minimise water consumption, particularly at San Jose, which is located in an area with very low annual rainfall and which is experiencing a severe drought, which can lead to water shortages.

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 Peru, protests relating to the Las Bambas and Tia Maria projects have increased social demands and expectations, and have led to wider social unrest. A number of actions were taken during the year to maximise the Group's ability to work with partner communities which included: – Increased efforts to collect and process information and intelligence regarding potential social conflicts; – increased interaction with local governments and other key stakeholders; – the re-launching of its social programmes based on the results of a survey conducted among surrounding communities; – the launch of a collaboration with the Julian Baring Scholarship Fund to fund six scholars from the local communities close to Inmaculada to pursue higher education in a number of mining-related disciplines. Further details on the Group's activities to mitigate sustainability risks can be found in the Sustainability Report from page 41.

VIABILITY

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 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).

The Group's largest asset is the Inmaculada mine, which currently represents approximately 75% of the Group's attributable 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 with respect to the Inmaculada mine:

Scenario 1: 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 2: 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 3: 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 4: 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 5: 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 assumed conservative prices of Au: $1,300/oz and Ag: $15/oz (the "Assumed Prices") and concluded that the Company would be viable.

Should prices fall further than the Assumed Prices, the Board would oversee the implementation of contingency actions, such as the elimination of discretionary expenditure e.g. exploration expenditure, the reduction if not the elimination of dividend distributions and other initiatives to reduce costs across the business so as to maximise the production of profitable ounces.

The modelling for the above scenarios incorporates operational and financial forecasts based on a life-of-mine plan.

The Viability Statement analysis has also taken into account other mitigating actions available to the Group upon the occurrence of one or more of the principal risks. Such actions include:

- the use of excess cash;
- the use of lines of credit with relationship banks;
- claims under the Group's insurance policies;
- administrative cost reduction;
- 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, the Directors have 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.

The Strategic Report, as set out from page 2 to page 55, has been reviewed and approved by the Board of Directors and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer

18 February 2020

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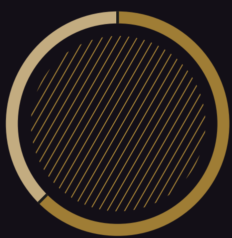
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- ◯ Chair

Balance of independence on the Board



- Independent Directors **5**
- Non-independent Directors **3**

Nationality of Board members

- Peruvian **3**
- Argentinian **1**
- United Kingdom **2**
- United States **2**

1

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 majority shareholder with a c.50% interest.

2

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. Between 1998 and 2003, Ignacio served as Chief Financial Officer of Cementos Pacasmayo S.A.A., an affiliate of the Company, and as a Board member from 2003 to 2007.

3

Dr Graham Birch
Independent
Non-Executive Director

A N R 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.

4

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.

5

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.

6

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.

7

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.

8

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.

9

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. Ramón serves as an Independent Director of Goldspot Discoveries Inc, a technology company that supports mineral exploration activity in which Hochschild Mining is an investor.

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 joined Hochschild in July 2006 after a 13-year legal career in the United States, where he was a partner at the law firm of Swidler Berlin, and subsequently worked at the World Bank. He also served two years in the Government of Peru. José has law degrees from Georgetown University and the Universidad Iberoamericana in Mexico and is admitted to practise as a lawyer in Mexico and New York. Prior to his current role, José served as VP Legal. José serves as Vice Chairman of the Board of the Mining, Electricity and Petroleum Industry Association of Peru.

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.

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2019.

Information in Directors' Report
The Directors' Report comprises the Corporate Governance Report from pages 61 to 77, this Report on pages 59 and 60, and the Supplementary Information on pages 78 to 80. 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 are included in the Sustainability Report on page 49; and
- Policy on Financial Risk Management in note 36 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 $10.2 million (2.0 US cents per ordinary share) in the year ended 31 December 2019 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 $22.2 million (2018 total dividend: $20 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 56 and 57. 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 2020 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 $9.3 million to benefit local communities (2018: $8.3 million (restated to also include community/social donations made at a corporate level)).

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 66 and, with regard to the right to appoint Directors to the Board, are set out on page 67.

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 1 to page 33. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review on pages 34 to 39 and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement on page 55. In addition, note 36 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.

As previously reported, the Group's average realisable price for gold in 2019 was 11.5% higher than in 2018 and silver was 7.8% higher.

The Group achieved attributable production of 38.7 million silver equivalent ounces (477.4k gold equivalent ounces) driven by record production at Inmaculada and San Jose. In light of this strong operational performance, costs controlled within expected levels and the refinancing of debt at a comparable rate of interest with a longer maturity, the Group is in a robust financial position.

As part of its risk management responsibilities, the Board continually reviews its capital structure, initiatives to reduce operating costs and, furthermore, contingency measures that can be implemented in the event of a downturn in precious metal prices.

In conclusion, having considered financial forecasts and projections which take into account (i) possible changes in commodity price scenarios; and (ii) the contingency measures that could be taken to alleviate pressure on the balance sheet in the event of a fall in prices, the Directors have a reasonable expectation that the Group and the Company have adequate resources, including access to contingent resources, that would see it continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AGM

The 14th AGM of the Company will be held at 9am on 21 May 2020. 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 financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole; and
– the Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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
18 February 2020

"Governance undoubtedly protects value, but a sound framework of governance and controls is value-enhancing."

Eduardo Hochschild
Chairman

Dear Shareholder

I am delighted to present the Corporate Governance Report for 2019.

In this section of the Annual Report, we report, for the first time, 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. Through this report, your Board seeks to demonstrate the effectiveness of the governance framework and, in light of the Code, two new areas are discussed: how the Board has assessed and monitored the corporate culture and our engagement with stakeholders.

I would like to highlight the following activities undertaken by the Directors during the year.

Board review

In 2019, we continued with our internally-led Board evaluation process which was managed by Michael Rawlinson, as our Senior Independent Director. The process, which is described in more detail in this report, reviewed many aspects of the functioning of the Board, the Committees and the roles played by the Directors. This exercise has always resulted in a number of recommendations which undoubtedly enhance our governance arrangements. As reported later, the findings are varied and include improvements to the reporting of our brownfield and greenfield exploration programmes and seeking a better understanding of the methodologies applied by third parties in assessing our performance with regards to environmental, social and governance matters (commonly referred to as "ESG").

Workforce

A common theme in among the work of the Board and its Committees during 2019 is that of the workforce. This is, in part, a reflection of the requirements of the Code but also acknowledges that businesses do not operate in a vacuum. In this report and the Committee reports that follow, I hope you gain an insight into how the Board has sought a better understanding of the needs of our people and the initiatives to ensure that there is an alignment of values across the entire organisation.

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

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 2019. 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 78 to 80.

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 the 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.
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 enforcing such provisions in Peru. The Remuneration Committee is, however, looking into alternative arrangements that could achieve the same objectives as PESR.
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.

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.

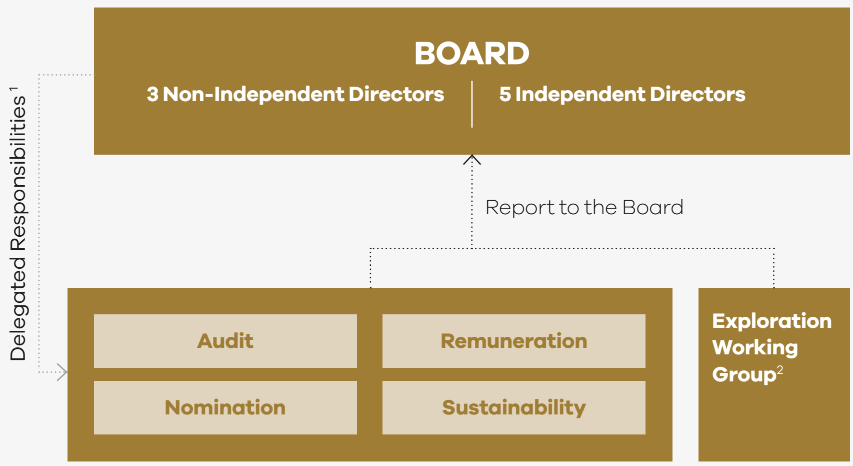
There is an agreed schedule of matters reserved for the Board which includes the approval of annual and half-yearly results, the Group's strategy, the annual budget and major items of capital expenditure.

2019 Board meetings

Seven Board meetings were held during the year, of which four were scheduled meetings and three were convened at short notice. All scheduled meetings were fully attended.

In addition to the regular updates from across the business, the principal matters considered by the Board during 2019 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.

Governance Framework



1 Terms of reference are available at www.hochschildmining.com (see pages 69 to 77 for further details on the Committees' activities during 2019)

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

Safety

- Updates on the ongoing implementation of the Safety Culture Transformation Plan including the use of technology to enhance safety on Company transportation (see pages 42 and 43 for further details).

Financial

- The stress-tested scenarios and the underlying assumptions in support of the going concern and viability statements;
- Considered recommendations of the Audit Committee to adopt the 2018 Annual Report and Accounts and the 2019 Half-Yearly Report including the recommended 2018 final dividend and the 2019 interim dividend;
- The Group's ongoing financial position;
- Approval of the $200m medium-term loan taken by the Group and guaranteed by the Company; and
- The 2020 budget.

Strategy

– Strategic options to facilitate the Group's growth;
– Updates on the Group's innovation projects;
– The Group's strategic plan; and
– Reviews of the due diligence and subsequent acquisition of the BioLantanidos rare earths project as well as its short and medium-term strategies.

Business performance

– The decision to place the Arcata mine on care and maintenance (see page 27 for further details);
– Business development projects;
– Unbudgeted strategic initiatives; and
– Presentations from the Vice President of Brownfield Exploration on progress against the Group's brownfield objectives and, in particular, the significant level of resources identified at Inmaculada.

Risk

– The Risk Matrix which details the significant and emerging risks faced by the Group and the corresponding mitigation plans; and
– The terms of the Group's Directors' and Officers' Liability Insurance.

Governance

– Adoption of a revised schedule of matters reserved for the Board and terms of reference for the Board Committees in light of the 2018 edition of the UK Corporate Governance Code;
– Updates from the Company Secretary on governance developments affecting the Company and the Directors' responsibilities;
– An update on the implementation of the 2018 Board evaluation recommendations, the outcome of the 2019 Board evaluation and the form of the 2020 process;
– Review of the Group's whistleblowing arrangements; and
– The annual reviews of Directors' conflicts of interest and independence of Non-Executive Directors.

Sustainability

– Reviews of the social and political climate in Peru, Argentina and Chile and their potential impact on the Group;
– Updates on reviews of the Group's Tailing Storage Facilities; and
– Performance of the Group against the internally-designed environmental corporate scorecard (the ECO Score).

Investors' views

– Feedback from investors and proxy agencies on the 2019 AGM business, both before and after the meeting (see overleaf for further discussion on specific matters raised); and
– Feedback from the Inmaculada site visit arranged by the Company for buy and sell-side analysts.

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 reported in last year's Annual Report, 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

We **innovate**

We **inspire** and promote **talent**

We are always **responsible**

We always look for **efficiencies**

Read more
Business model **PAGE 16**
Strategy **PAGE 18**

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.

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 performance, the Safety Cultural Transformation Plan and diversity and inclusion.

For further details on the programme of employee events launched in 2019 around each of the 2019 attributes, see page 46 of the Sustainability Report.

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
Inspire and promote talent:	Team and Individual development plans , Staff turnover/retention rates
Efficiency:	Operational KPIs e.g. AISC, Production

An organisational climate survey was carried out amongst employees during the year, the results of which will be available during Q1 2020. This will be analysed versus the prior survey's results and will result in an action plan to make any improvements to the working environment.

The actions taken on all of the above aspects are detailed in the Strategic Report on pages 1 to 55.

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. This notwithstanding, 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 constitutes the s172(1) statement and summarises how engagement was undertaken and how stakeholders were considered in the key decisions taken during the year.

(1) 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 2019

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
June	Annual General Meeting
July	Site visit to Inmaculada for buy and sell-side analyst
August	2019 Half-Yearly Results presentation
September	UK Roadshow
	Denver Gold Forum
December	Scotia Capital Conference

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

2019 AGM

At the 2019 AGM, the resolution seeking the re-election of Dionisio Romero Paoletti was opposed by c.24% of the votes cast. After engagement with the Company's major shareholders who had voted against Mr Romero's re-election, it was clear that the result reflected concern with Mr Romero's time commitment due to the number of directorships that he holds in addition to his executive position at Credicorp.

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 (b) 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 benefits greatly from Mr Romero's extensive experience and knowledge, not only of doing business in Peru and within the wider region, but also of financial markets and corporate finance.

Further information on matters of particular interest to investors is available on the inside back cover and on the Company's website at www.hochschildmining.com.

(2) Other stakeholders

In light of the extensive reporting elsewhere in the Annual Report, the table below summarises how we have engaged with our other principal stakeholders (cross-referencing, where appropriate, to where further details are available).

	Employees	Social	Government / Regulators	Suppliers	Customers
Our approach	The quality of our people is key to the success of our business. We seek to attract, retain and develop our people through competitive remuneration, positive working environment and developmental opportunities.	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.	To maintain a constructive relationship and open dialogue with the various governmental authorities we interact with in each of the countries we operate in.	As a key influence on how we operate our business, we seek a relationship of mutual benefit while requiring high standards of conduct.	Due to the nature of what we produce, Hochschild has relatively few customers. As a result, relations with our customers are key to our success. Our sales and logistics teams oversee a relationship of co-operation and constant dialogue.
Engagement during 2019	See Our People on page 45. See Commentary in Risk Management and Viability report on personnel risks.	See Working With Our Communities and Managing our Environmental Impact on pages 47 to 49. See commentary in Risk Management and Viability report on Community relations and Environmental risks.	The Vice President of Corporate Affairs oversees regular interaction with relevant authorities and regulators in Peru. The equivalent role in our Argentinian joint-venture is undertaken by the General Manager.	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.	In addition to usual relationship management, engagement during 2019 primarily related to changes to the terms and conditions of sale to protect the Company against defaulting payments arising from bankruptcy. See commentary in Risk Management and Viability report on Commercial Counterparty risk.
How the Board receives feedback	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 would be 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 2019

Of the material decisions taken by the Board during the year, the placing of the Arcata mine on care and maintenance was the sole decision which required detailed consideration of the wider implications.

The potential decision to suspend operations had been highlighted by the Company over an extensive period in advance to investors and other stakeholders in light of the geological and permitting challenges that were being faced. There was extensive consultation with labour unions and suppliers with the Company's priority being, where possible, redeployment at the Group's other operations. Communities were also kept informed along the decision-making process and the Board oversaw the continuation of social initiatives for those living close to the mine even after the commencement of care and maintenance activities.

DIVISION OF RESPONSIBILITIES

Board composition

Throughout the year, 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. 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 59 of the Directors' Report).

Chairman and Chief Executive

The Board is led by the Chairman, Eduardo Hochschild, who is also the majority shareholder of the Company with a c.50% 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 independent provisions which can be found in the Directors' Report on page 59.

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

The Board considers that all of the Non-Executive Directors serving during the year were independent of the Company. In reaching this conclusion, the Board considered:

- Jorge Born's tenure on the Board of 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.

These circumstances notwithstanding, the Board is of the view that, in light of each Director's approach and contributions to Board discussions, the above circumstances are not considered to be of a nature to interfere with the exercise of the respective Director's independent judgement.

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 74 and 75.

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 page 57 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 times 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.

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 following page for a description of the process and outcome of the 2019 Board evaluation.

Implementation of 2018 Board evaluation

A number of actions were taken during the year following the 2018 Board evaluation process. These included:

- the inclusion, on the Sustainability Committee agenda as a standing item, of a tailored risk management report focusing on the overall climate for such risks and the details of mitigating strategies
- informal meetings between the Directors and those identified as successors to the key senior management positions;
- a presentation from the Group's joint corporate brokers, RBC, on the precious metal sector, and the recent corporate activity within it;

External Board evaluation

Since the process was introduced, the Directors unanimously consider that the internally-led evaluation has resulted in a number of recommendations that have significantly enhanced the way the Board and the Committees function. For this reason, an externally led evaluation was not undertaken during the year. The Board acknowledges the benefits of an external appraisal of the overall governance structure and processes and, therefore, the format of the 2020 evaluation will be kept under review.

2019 BOARD EVALUATION

Aug 19: Board discussion on evaluation design

↓

Oct 19: Discussion Sheet distributed

↓

Oct/Nov 19: One-on-one interviews

↓

Findings documented by SID and Co Sec

↓

Findings discussed with Chairman

↓

Nov 19: Board discusses findings for implementation

↓

Feb 20: Action plan for implementation agreed

In keeping with past practice and the unanimous preference of the Board, the 2019 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. The performance of the Audit Committee was discussed in greater depth with members of the Committee. In addition, the work of the Exploration Working Group, which comprises both Board members and management and reviews the Group's crucial progress on the brownfield and greenfield exploration programmes, was also discussed; and
- Specific aspects of each Committee's role and scope of responsibilities.

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.

Culture

- Consideration was given to perceptions of corporate culture; and
- Discussion on the Board's assessment and monitoring of corporate culture.

In addition to the above, the evaluation took in discussions on specific aspects of performance during 2019, suggestions for topics to be presented to the Board in 2020 and feedback on the performance of the Chairman and fellow Board members.

2019 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 2019 Board evaluation process are as follows:

- Remuneration Committee members to receive more frequent updates on developments impacting the governance of executive remuneration;
- Having established reporting lines to the Chairman of the Sustainability Committee, expanding the scope of employee engagement and, 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);
- Improvements to the reporting of progress on brownfield and greenfield exploration; and
- Consideration of innovation in mining including periodic technological reviews.

The Board's Committees

The Board has delegated authority to the Audit Committee, Sustainability Committee, Nomination Committee and Remuneration Committee. Reports from each of these Committees on their activities during the year appear on the following pages.

Further information on the activities of the Sustainability Committee and Remuneration Committee can be found in the Sustainability Report and Directors' Remuneration Report respectively.

AUDIT COMMITTEE REPORT

Eileen Kamerick
Committee Chair

Dear Shareholder

I am pleased to introduce the Audit Committee report in respect of its activities during 2019.

The Audit Committee performs a key role in overseeing the Group's financial reporting, a risk management framework and a system of internal controls that is fit for purpose. The ways in which the Audit Committee has fulfilled these responsibilities are described in this report.

Certain recurring issues arise that the Audit Committee discusses with the external audit team each year in the preparation of our annual accounts. This year, as further discussed on page 71, we have spent time discussing the valuation of our assets which, given the nature of the business, can be impacted by various macro-economic factors. Such factors have knock-on effects on various aspects of our financial accounting and, in particular, the judgements and estimations that form part of going concern and impairment assessments and the provisions for mine closure costs that are required to be made.

The Committee has also considered, as it does each year, the performance of Ernst & Young LLP ("EY") as the Company's external auditor. The provision of a high quality audit is a key form of assurance that our financial reporting systems are robust and that, ultimately, investors' funds are protected. This review incorporated both internal and external sources of feedback as further reported on page 71.

In addition, in keeping with past practice, the Committee set management a number of objectives connected with its risk management duties. One such objective related to the management of counterparty risk. As reported last year, one of the Group's long-standing customers entered into bankruptcy protection while owing the Group over $2.5m (on an attributable basis). Following a review of the circumstances, the Audit Committee oversaw the design and implementation of processes to monitor and mitigate the impact of failure of a financial or commercial counterparty. This was introduced as a principal risk in last year's Risk Management report and further details of this year's developments can be found on page 51.

2019 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	4	4

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.

"The Committee has played an active role in not only overseeing financial reporting, but ensuring that audit quality is maintained and risks are adequately managed."

Graham Birch was appointed a member of the Committee on 1 January 2018 and is also a non-executive Director of Sprott Inc. He was formerly a director of BlackRock Commodities Investment Trust plc and manager of BlackRock's World Mining Trust and Gold and General Unit Trust.

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 page 57.

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:

- Governance – Considered, and recommended to the Board, the adoption of revised terms of reference to reflect the 2018 edition of the Corporate Governance Code.
- Financial reporting – The 2018 Annual Report and Accounts and the 2019 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.
- 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 50 to 54 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. Twice 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 Board reviewed the adequacy of the Group's Whistleblowing arrangements taking into account the feedback from the Audit Committee Chair ("AC Chair") on the reports received through the various online and offline channels established by the Group. It has been agreed that even though the Board will conduct an annual review of the arrangements, the current practice will be maintained, whereby (i) whistleblowing reports are circulated to a group comprising the AC Chair, the Head of Internal Audit, the Vice-President of Human Resources and the Company Secretary ("the Reporting Group"), (ii) the AC Chair has a preliminary discussion with the Head of Internal Audit on the approach to the investigation, (iii) 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 has adopted a Code of Conduct which 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.
- 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 2019 and concluded that it was appropriate to recommend the re-appointment of EY as external Auditor at the 2019 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, efficiency of the audit process, quality of communication and reporting to the Audit Committee. In addition, the Audit Committee considered the annual audit quality inspection results issued by the Financial Reporting Council ("FRC") in relation to EY in July 2019 and, in particular, the impact on Hochschild of the FRC's key individual review findings. The AC concluded that EY had performed effectively and demonstrated commitment to delivering a high quality service.
- Auditor objectivity – The Audit Committee has adopted a 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.
- Committee objectives – The Audit Committee has continued its initiative of setting specific objectives for itself and management with a view to ensuring the diligent fulfilment of its responsibilities. Details of these objectives are set out in the Committee Chair's introductory letter.
- 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 2018 annual audit and the 2019 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 2019 financial statements and how these issues have been addressed.

(a) Impairments

The Audit Committee assessed management's analysis of potential indicators of impairment at the Group's operations as follows, prompting full impairment assessments:

- **Pallancata:** As previously reported, permitting delays and the lack of incremental resources added in 2019 resulted in a change in the mine plan. In addition, production was spread over a longer time period in order to allow the completion of further exploration work.
- **San Jose:** The discount rate used to value the San Jose mine has increased over the year to reflect the increase in the country risk resulting from the macro-economic and political situation.

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 an improvement vs December 2018; and
- the underlying calculation of the impairment tests.

The Audit Committee considered, with regards to the Volcan project, the value in-situ analysis undertaken by management together with the assumptions made therein.

In conclusion, the Audit Committee concurred with management that an impairment of $14.7m be made for the full year ending 31 December 2019 with respect to Pallancata and that no impairments or impairment reversals be recognised with regards to San Jose and Volcan.

(b) Going concern assessment

The Directors must satisfy themselves as to the Group's ability to continue as a going concern for 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. In February 2020, 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 60 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, where relevant, by 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.

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 consolidated Ethical Standard for Auditors by the Financial Reporting Council (the 'FRC'), the Audit Committee adopted a revised Policy in 2016 on the use of the Auditor for non-audit services (the 'Revised NAS Policy').

The Revised NAS Policy lists those non-audit services that the external Auditor is specifically prohibited from providing. In summary, these include (a) tax services; (b) bookkeeping; (c) payroll services; (d) designing or implementing internal control or risk management procedures with regards to financial information or related technology systems; (e) valuation services; (f) certain legal services; and (g) corporate finance type services. Certain of these services may be provided by the Auditor subject to the satisfaction of certain criteria ensuring the Auditor's objectivity and the Audit Committee's approval. The Revised NAS Policy requires (i) the Audit Committee and Chief Financial Officer to pre-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 total audit fee for that year. Please refer to the next section entitled '2019 Audit and non-audit fees' for details of the value and nature of non-audit services provided during the year.

Following the publication of a Revised Ethical Standard by the FRC in December 2019, the Audit Committee will be reviewing and adopting a new policy on the use of the Auditor for non-audit services in line with that standard.

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.

2019 Audit and non-audit fees

Details of fees paid to the external Auditor are provided in note 31 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 2020 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

Eduardo Hochschild
Committee Chair

Dear Shareholder

The Nomination Committee maintained its efforts on planning for the future in terms of the succession plans for Board members and the senior executive team.

In terms of the planning for the Board, a significant part of the discussions held during the evaluation process was spent discussing the skills that could be usefully added to your Board. A skills profile has been compiled which the Nomination Committee will use as a reference in recommending a candidate and, if possible, to also increase the diversity of the Board.

With regards to gender diversity, the Nomination Committee considered the initiatives being taken to create a diverse pipeline of talent. A benchmark study revealed that the representation of women in our workforce is at the average level among our peers in Peru and an action plan was reviewed by the Committee which should result in this level rising.

Finally, the annual review of the executive succession plan saw encouraging progress being made in the development of the talent rising through the organisation. Please see below further details of the Committee's work.

2019 Meeting attendance

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

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 below. There were no changes to committee membership during the year.

The Company Secretary acts as Secretary to the Committee.

Activity during the year

The principal matters considered during the year were:

- A review of the Committee's terms of reference in light of the 2018 edition of the Corporate Governance Code;
- Under the procedures approved by the Board, consideration of any conflicts arising from external Non-Executive Directorships proposed to be taken by Graham Birch and Michael Rawlinson. As is usual practice, the Non-Executive Director whose proposed directorship was under consideration did not participate in the respective discussions;

"In addition to considering succession plans for the Board and senior executives, the Committee considered the steps that need to be taken to promote a diverse pipeline of talent."

- The succession plan for the Non-Executive Directors. 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 is able to plan for future Non-Executive appointments both in terms of timing and the profile of potential appointees;
- The succession and development plan for the level of management just below Board level. Following last year's comprehensive review of the Talent Inventory Review ('TIR') which identified "critical positions" and "key roles", in 2019 the Committee focused on the state of preparedness of those who would succeed the Group's Vice Presidents;
- The findings of the 2018 Board evaluation process and, in particular, the training needs of the Directors;
- The format of the 2019 Board evaluation process. As explained earlier in this report, it was decided that in light of the continued benefits that have been brought about by past internally led-evaluations, the Board favoured the continuation of this approach in 2019. The format of the 2020 Board evaluation will, however, be kept under review;
- The findings of the 2019 Board evaluation process (see earlier section of the Corporate Governance Report); and
- A presentation on the steps being taken and the action plan to improve the level of female representation in the workforce.

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.

Diversity

Policy on Board appointments

- The Board acknowledges that diversity brings new perspectives which can drive superior business performance and promote innovation. However, as has been stated in past Annual Reports, the Board is keen to commit to the overriding principle that every Board member and potential appointee must be able to demonstrate the skills and knowledge to be able to make a valued contribution to the Board. This merits-based approach will continue to apply and the Directors do not intend to set diversity targets. As demonstrated by the most recent appointments, where the opportunity also arises to increase Board diversity (whether of gender, culture, professional background or nationality) this would be considered to be an additional benefit

Promoting a Diverse Pipeline

See page 46 for details of how the Company is promoting a diverse pipeline of talent.

SUSTAINABILITY COMMITTEE REPORT

Dr Graham Birch
Committee Chair

Dear Shareholder

The Company performed very well on numerous aspects in 2019; however, the highlight of the year is the stellar safety performance. We were encouraged in 2018 that the Safety Culture Transformation Plan appeared to be having the desired impact and it is with great pride that we can report on 2019 as being the best year on record in terms of safety.

The Community Relations team continued to focus on overseeing our social investment in the areas of education, health and socio-economic development.

Our environmental performance has also been robust with a strong year-end result for the Group's ECO Score. This innovative approach to measuring environmental performance has won plaudits from numerous organisations, including the 2019 Mines & Money Innovation in Sustainability award. I congratulate the team on their well-deserved achievements.

Additional details on the initiatives implemented during the year can be found on pages 40 to 49.

"The year saw many advances in terms of our safety and environmental performance and our interaction with our local communities. We remain committed to continuing to improve our performance in these key areas."

2019 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 below. 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 40 to 49.

REMUNERATION COMMITTEE REPORT

Michael Rawlinson
Committee Chair

Dear Shareholder

In addition to considering the usual matters within its terms of reference, the Committee sought advice from its advisers, Mercer Kepler, on external market developments, best practice and the latest shareholder guidelines concerning executive remuneration.

During the year we also reviewed the structure and terms of the Long-Term Incentive Plan and the annual bonus. Both of these aspects will be considered in further depth over the course of 2020 in preparation for the submission of our Remuneration Policy to the 2021 AGM.

Finally, the Committee also considered workforce remuneration to ensure its linkage to the Group's corporate values. Further details on the Committee's work in 2019 and how we seek to reflect the experience of our wider stakeholders in executive pay can be found in the Directors' Remuneration Report from page 81.

"In 2019, the Remuneration Committee sought to maintain a clear linkage between performance and reward and, under its extended scope, considered the remuneration structure of the workforce in general."

2019 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson Non-Executive Director (Chair)	Yes	3	3
Graham Birch Non-Executive Director	Yes	3	3
Eileen Kamerick Non-Executive Director	Yes	3	3

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 are listed below. There were no changes to Committee membership during the year.

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 81.

SUPPLEMENTARY INFORMATION

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 issued share capital of the Company as at 1 January 2019 was 510,553,920 ordinary shares of 25 pence each ('shares'). A total of 3,321,643 shares were issued during the year under the Company's Restricted Share Plan and, as a result, the number of shares in issue as at 31 December 2019 was 513,875,563 shares.

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.

Substantial shareholdings

As at 31 December 2019, the Company had been notified of the interests detailed in the table below in the Company's shares in accordance with Chapter 5 of the Financial Conduct Auhority's Disclosure Guidance and Transparency Rules:

Current share repurchase authority

The Company obtained shareholder approval at the AGM held in June 2019 for the repurchase of up to 51,055,392 shares which represented, at that time, 10% of the Company's issued share capital ('the 2019 Authority'). Whilst no purchases have been made by the Company pursuant to the 2019 Authority, it is intended that shareholder consent will be sought on similar terms at this year's AGM when the 2019 Authority expires.

Additional share capital information

This section provides additional information as at 31 December 2019.

(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 27 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.

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.

	Number of ordinary shares	Percentage of voting rights (indirect)	Percentage of voting rights (direct)
Eduardo Hochschild	258,565,373[1]		50.317%
Majedie Asset Management Limited	25,384,745	4.94%	
Van Eck Associates Corporation[2]	24,715,437		4.81%

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 the Company from Van Eck Associates Corporation in June 2018.

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) $200m 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.

(b) Long-Term Incentive Plans

Awards made under the Group's Long-Term Incentive Plan and Enhanced 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 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 16 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

DIRECTORS' REMUNERATION REPORT

Dear Shareholders,
On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2019 which is split into three sections: this Annual Statement, a summary of the Directors' Remuneration Policy approved at the 2018 AGM, and the Annual Report on Remuneration.

As reported earlier in the Annual Report, 2019 was characterised by a strong operating performance, with Inmaculada and San Jose producing at record levels and costs maintained within the forecast range. It is a credit to management that they have once again managed to deliver against budget in what are challenging technical environments. From an exploration perspective, we have had more mixed success - the highlight being the addition of c.535,000 gold equivalent ounces of resources discovered at Inmaculada. Against that, permit delays were in part a reason why we were unable to replace mined ounces at Pallancata over the year.

In the Sustainability Report we have showcased the Group's activities and performance in 2019 in the areas of health and safety, community relations, environmental performance and employee engagement. In 2017, we launched the Safety Culture Transformation Plan, designed to embed a safety-first culture across the organisation. The Board is delighted that the efforts expended in this crucial area have resulted in unprecedented success demonstrated by our key safety indicators; with accident frequency index reduced in 2019 by 40% compared to 2018 and accident severity index reduced by 94%. To put this into context, these results for 2019 represent reductions of 55% and 90% respectively when compared to the averages over the previous five years.

The Group continued to perform well in relation to environmental management despite a year-on-year reduction in the internal ECO Score (4.82 out of 6 vs 5.37 in 2018). This score distils our environmental performance into a single score which is discussed further on page 49 of this Annual Report.

Remuneration in 2019

For 2019, the Chief Executive Officer ('CEO') will receive an annual bonus of 142.5% of salary (equivalent to 95% of maximum). As a reminder, the annual bonus is linked to a scorecard of measures that reward consistency in operational matters and strong financial performance. The bonus outcome for 2019 reflects the Company's achievement against objectives for production and financial results which were met in full and which, together, account for 55% of the bonus score. The remaining 45% of the bonus score was dependent on the success of our brownfield exploration programme, the target for which was partially met, and Hochschild's safety and environmental awareness targets, which were fully achieved. Further detail on performance against the bonus scorecard is included on page 89.

During 2019, the CEO was granted a Long-Term Incentive Plan ('LTIP') award of 200% of salary. The purpose of the LTIP at Hochschild is to incentivise sustained shareholder value creation over the long term. Vesting will be based on performance over the three financial years to 31 December 2021. Consistent with our approach for many years, the 2019 award will vest to the extent that relative Total Shareholder Return ('TSR') targets are achieved over the period.

Based on relative TSR performance to 31 December 2019, 34% of the six-year tranche of the legacy 2014 Enhanced Long-Term Incentive Plan ('ELTIP') award will vest in March 2020 whereas there is nil vesting of the 2017 LTIP award. Whilst it is disappointing that the LTIP did not vest, given strong operational performance over the past few years, the ELTIP vesting level reflects the Company's sustained long-term TSR performance over a six-year period to 2019. The Committee reviewed the formulaic vesting levels in the context of the Company's underlying business and financial performance, and concluded that they were appropriate and that no further discretionary adjustment was required.

Implementation of Remuneration Policy in 2020

For 2020, the maximum annual bonus opportunity will remain 150% of salary. The bonus payment will be subject to performance against broadly the same measures as those used in 2019.

An LTIP award of 200% of salary is proposed for 2020, in line with past years. Vesting will be based on relative TSR vs. a tailored peer group of precious metals mining companies (weighted 70% of the award) and vs. the FTSE350 mining sector (30%), measured over three years. The TSR targets for the 2020 award will remain unchanged vs. previous years.

For 2020, the CEO's salary will remain unchanged at $700,000.

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 those of full-time salaried employees in Peru can be found in the section headed "Percentage change in CEO remuneration".

Looking ahead

Our existing Directors' Remuneration Policy was approved by shareholders with 96.9% support at the 2018 AGM, and we will be seeking shareholder approval for a new Policy at the 2021 AGM. Over the course of 2020, the Committee will be focused on reviewing the current suite of incentives to ensure the appropriate alignment of remuneration to business strategy, culture, market best practice, and shareholder preferences.

The new UK Corporate Governance Code, in particular, has precipitated several developments in remuneration practice, which we continue to monitor closely. The Committee believes that the current remuneration structure is clear, simple, and appropriately aligned with the Company's strategy, risk appetite and culture, and that incentives are appropriately capped. It is intended that the Policy review in 2020 be focused on similar objectives. We support the principle of long-term share ownership and, in 2020, will be reviewing the appropriateness, and legal enforceability in Hochschild's jurisdictions, of a post-termination share ownership policy. With regards to pensions, the CEO does not receive a pension contribution from the Company, and this is not expected to change. A formal review of these matters will be part of the review of Policy during 2020. As well as looking at governance-driven changes, we will also be looking at how we calibrate targets in the annual bonus, and how we measure performance in the LTIP and potential alternative structural approaches.

The Committee remains committed to continued dialogue with our shareholders, and will be engaging with major shareholders and other stakeholders in advance of the 2021 AGM for input to help shape the proposed Policy.

I hope you, our shareholders, find this report to be informative. If you should have any queries or comments on any aspect of this year's report, I would welcome engagement and would encourage you to contact me through the Company Secretary.

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 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.

As no changes have been made to the Remuneration Policy, which shareholders approved at the 2018 AGM, the full Policy is not repeated here. The principal objectives of the Policy, the Policy Table for both Executive Directors and Non-Executive Directors, details of service contracts and letters of appointment of the Board, and the updated pay scenario charts are included below for information. The full Policy can be found in the 2017 Annual Report and Accounts.

Directors' Remuneration Policy (unaudited)

The principal objectives of the Remuneration Committee's agreed 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 relative TSR.

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.

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 are normally delivered in cash. The Committee has discretion to defer all or a portion of the bonus, payable in cash or Hochschild shares under the Deferred Bonus Plan, for up to three years. Deferred bonus is subject to malus, i.e. forfeiture or reduction, in circumstances such as material misstatement or gross misconduct. 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 150% of salary. For 'threshold' and 'target' levels of performance, the bonus earned is up to 50% and up to 75% 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 material misstatement, material failure of risk management, action or omission resulting in serious reputational damage. 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. For LTIP awards made in 2018 and subsequent years, 50% of vested awards is paid immediately on vesting in cash (less tax), and 50% after tax is 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, such as to aid the recruitment or retention of an Executive Director).	The current performance condition is TSR performance relative to specific sector-based comparator groups, although the Committee has the discretion to adjust the performance measures and/or comparator groups before each cycle to ensure that they remain appropriate. 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 material misstatement, material failure of risk management, action or omission resulting in serious reputational damage. Details of the TSR comparator groups and targets used for specific LTIP grants are included in the Annual Report on Remuneration.

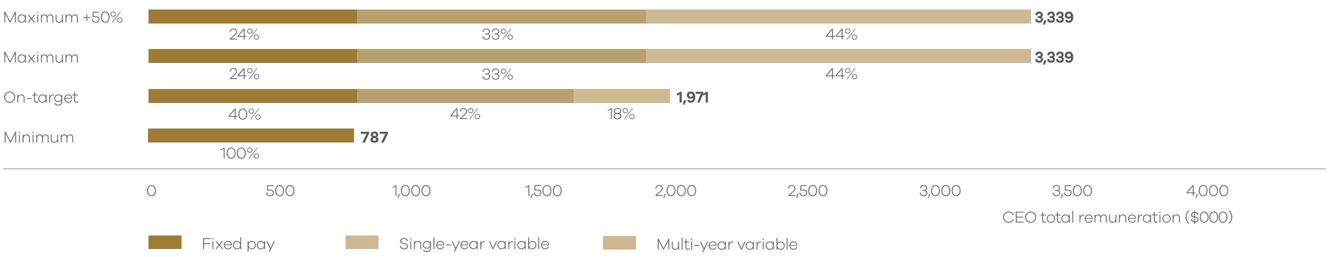
In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure, but within the limits sets out in the Policy Table, in order to facilitate the recruitment of an individual, exercising the discretion available under Listing Rule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

The Committee also retains discretion to make non-significant changes to the Policy without going back to shareholders. The Committee is satisfied that the Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking.

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 2020 of $700,000.

Performance scenario ($'000)



The chart above excludes the effect of any Company share price appreciation except in the 'maximum +50%' scenario.

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 a target payout of 75% 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 paid in shares, this scenario is the same as the 'maximum' scenario.

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 2020
Jorge Born Jr.	16 October 2006	16 October 2021
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 2021

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.

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 2019, and how the Remuneration Committee intends to implement the Remuneration Policy in 2020. 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 (Chair from 1 January 2018), and its other members were Graham Birch and Eileen Kamerick. 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. Following the publication of the 2018 edition of the UK Corporate Governance Code, the Committee's terms of reference were revised during the year to include, among other things, the extension of its responsibilities to review workforce remuneration and related policies and their alignment with culture.

The Remuneration Committee met three times during the year (details of members' attendance at meetings are provided in the Corporate Governance Report on page 77) and undertook the items of business noted below.

Key activities of the Remuneration Committee in 2019:

- Considered, and recommended to the Board the adoption of, revised terms of reference in light of the 2018 edition of the UK Corporate Governance Code;
- 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;
- Reviewed and approved incentive outcomes for 2018 (2018 annual bonus and vesting of 2016 LTIP awards and the second tranche of 2014 ELTIP awards);
- Reviewed the CEO's total remuneration, including salary for 2019;
- Considered and approved the 2018 Directors' Remuneration Report ('DRR');
- Considered investor feedback on the 2018 DRR;
- Approved the opportunity/award level and performance targets for 2019 annual bonus and LTIP awards;
- Considered and approved the CEO's 2019 objectives; and
- Reviewed the remuneration structure for employees across the Group and linkages to the organisation's cultural values.

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 2019 (based on time and materials) totalled £34,785, 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.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2018 Annual Report on Remuneration at the 2019 AGM, as well as of the binding vote on the 2018 Remuneration Policy at the 2018 AGM:

	2018 Remuneration Policy		2018 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%	349,704,099	86.21%
Against	12,459,724	3.08%	55,937,042	13.79%
Total votes cast (excluding withheld votes)	405,038,050		405,641,141	
Votes withheld	7,681		2,225,776	

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.

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 2019 and the prior year:

	2019 (US$000)	2018 (US$000)
Base salary[1]	700	700
Taxable benefits[2]	28	20
Total fixed	**728**	**721**
Single-year variable[3]	998	945
Multi-year variable[4]	458	1,705
Restricted shares[5]	1,359	605
Profit share[6]	184	0
Total variable	**2,999**	**3,255**
Compensation for Time Service ('CTS')[7]	176	191
Tax refunds[8]	7	7
Total remuneration	**3,910**	**4,174**

All figures are rounded to the nearest $000.

Notes:
1. Figures disclosed include certain statutory payments accounted for internally within base salary ('Statutory Supplements') as follows: 2019: $300; 2018: $300.
2. Taxable benefits include: use of a car and driver (2019: $22k; 2018: $14k) and medical insurance.
3. Payment for performance during the year under the Annual Bonus Plan. See following sections for further details.
4. 2019 value represents the third (six-year) tranche of the 2014 ELTIP vesting at 34% (comprising (a) $436k using the three-month average share price to 31 December 2019 of 179.6p and (b) $22k, being the value of dividend entitlements from the date of award to the date of vesting, payable in cash) based on performance to 31 December 2019 and subject to continued employment on the vesting date. The vested award is paid in shares and even though the £-based share price increased over the vesting period by 16.0%, the $-value of the award fell due to the GBP:USD exchange rate declining by 22.0% over the same period. 2018 value comprises: (a) the 2016 LTIP award ($1,400k), and (b) a restatement, as required by reporting regulations, of the value of the second (five-year) tranche of the 2014 ELTIP vesting at 43% (which is itself comprised of (a) $296k using the share price on the date of vesting of 194.2p, rather than the three-month average share price to 31 December 2018 and (b) $9k, 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; the Committee determined that the individual performance underpin had been met. 2018 value comprises the third tranche of restricted shares (being 20% of the total award) granted on 30 December 2014 which vested on 30 December 2018 at a share price of 160.0p.
6. All-employee profit share mandated by Peruvian law (see policy table for further information).
7. For further details on CTS, see page 82. 2019 CTS comprises: CTS on base salary ($58k), 2019 bonus ($42k), fourth tranche of vested RSP awards ($57k), and third tranche of the 2014 ELTIP ($19k). 2018 CTS comprises: CTS on base salary ($58k), 2018 bonus ($39k), 2016 LTIP ($58k), third tranche of vested RSP awards ($25k), and second tranche of the 2014 ELTIP ($10k).
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 2019 and the prior year:

	Base fee (US$000)		Additional fees (US$000)		Taxable benefits (US$000)		Total (US$000)	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Eduardo Hochschild[1]	400	400	0	0	651	531	1,051	931
Dr Graham Birch	90	93	0	0	0	0	90	93
Jorge Born Jr	90	93	0	0	0	0	90	93
Eileen Kamerick	90	93	18	19	0	0	107	112
Michael Rawlinson	90	93	36	37	0	0	125	131
Dionisio Romero	90	93	0	0	0	0	90	93
Sanjay Sarma	90	93	0	0	0	0	90	93

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.

Salary and fees for the year ended 31 December 2019

Executive Director

The Committee reviewed the CEO's salary in 2019 and determined that there would be no increase.

Executive Director	Base salary from 1 March 2019 (US$000)	Base salary from 1 March 2018 (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 the role of Chair of the Remuneration Committee, Chair of the Audit Committee and Senior Independent Director. No change to fees was made in 2019.

A summary of current fee levels is provided below:

	Base salary from 1 March 2019 (US$000)	Base salary from 1 March 2018 (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	–

Incentive outcomes for the year ended 31 December 2019 (audited)

Annual bonus in respect of 2019 performance

Objectives for the 2019 bonus were set by the Committee at the beginning of the year and assessment of performance during the year was undertaken at the February 2020 Committee meeting.

Details of the bonus paid to the CEO for 2019, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below:

			Targets			2019 Assessment	
Objective	**KPI**	**Target weighting**	**Threshold**	**Target**	**Maximum**	**2019 result**	**Bonus score**
Profitable production and financial results	Production[1] (Oz Ag Eq)	25%	36.5m	37.0m	37.8m	38.3m	25%
	Adjusted EBITDA[2]	15%	US$195m	US$210m	US$224m	US$231.5m	15%
	AISC from operations with growth[3]	15%	US$12.6 /Oz	US$12.3 /Oz	US$12.0 /Oz	US$11.8 /Oz	15%
Brownfield exploration	Inferred resources (subject to permits available) (Oz Ag Eq)	10%	40m	60m	80m	56.7m	5%
Safety and environmental awareness	Accident frequency rate (LTIFR)	15%	3.00	2.50	2.00	1.05	15%
	Accident Severity Index	10%	540	450	300	54	10%
	ECO Score[4]	10%	3.5 – 3.99	4.0 – 4.49	≥ 4.5	4.82	10%
Bonus payable (as a percentage of maximum opportunity)							**95%**

Notes:
1. Production is adjusted to exclude unbudgeted production from Arcata.
2. Adjusted EBITDA is used for the annual bonus and is determined based on EBITDA adjusted to neutralise price effects and to exclude the portion of unbudgeted workers' profit sharing and bonuses ("Unbudgeted 2019 Compensation").
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 Unbudgeted 2019 Compensation.
4. Refer to the Sustainability Report on page 49 for further details on the methodology of calculating the Group's ECO Score (the internally designed measurement of the Company's environmental performance).

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.

The Committee assessed performance against the scorecard and the CEO's performance in 2019. A number of 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 the budgeted prices), the higher provision for vesting of LTIP awards (based on relative Total Shareholder Return), and any budgetary additions approved by the Board. Hochschild has had a successful year in terms of profitable production and cost control and, accordingly, the production and financial targets have been met in full. As stated in the Exploration Review, due to permitting delays and geological conditions, the brownfield exploration objective was not fully met and, after consideration, the Remuneration Committee concluded that performance should result in a partial payout. The ECO Score for the year was 4.82, meaning that the most stretching objective has been satisfied.

As stated earlier in the report, 2019 was a year of unprecedented performance in terms of safety. The Committee acknowledges that this is largely attributed to the 'the Safety Culture Transformation Plan designed by management which was launched in 2017. This plan comprises short-term and longer-term actions focusing on (a) enhancing Hochschild's risk management systems, (b) establishing a leadership programme comprising workshops and initiatives to promote safe working, (c) the redesign of the annual training programmes for our workers, and (d) a comprehensive programme to enhance internal communications on safety. The Sustainability Report from page 40 describes in more detail the actions taken as part of the Safety Culture Transformation Plan during 2019.

The Committee's assessment of performance resulted in the award of a bonus to the CEO of 95% of the maximum opportunity, which equates to 142.5% of salary.

2017 LTIP vesting

On 8 March 2017, 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 on the average of local and common currencies.
2. The 2017 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 2017 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 2017 and 31 December 2019 ranked 38th percentile vs. that for the tailored peer group and underperformed the median of the constituents of the FTSE350 Mining Index by 16.3% per annum. Accordingly, the award will lapse in full.

2014 ELTIP vesting

On 20 March 2014, Ignacio Bustamante was granted an award of 1,076,122 shares under the 2014 ELTIP (as adjusted for the rights issue in October 2015). Vesting was dependent on four-, five- and six-year relative TSR performance against a tailored peer group. There was no retesting of performance. Further details of the performance conditions are shown in the table below:

Performance periods	1 January 2014 to 31 December 2017 in respect of 25% of the award 1 January 2014 to 31 December 2018 in respect of 25% of the award 1 January 2014 to 31 December 2019 in respect of 50% of the award
Vesting dates (subject to performance)	20 March 2018 in respect of 269,030 shares 20 March 2019 in respect of 269,030 shares 20 March 2020 in respect of 538,062 shares
Performance conditions	Relative TSR performance: Upper decile (90th percentile): full vesting Upper quartile (75th percentile): 75% vesting Median (50th percentile): 25% vesting Straight-line vesting between these points
TSR comparator group as at the date of grant	Acacia Mining, Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold, Centamin Egypt, Cia des Minas Buenaventura, Coeur Mining, Eldorado Gold, Fresnillo, Gold Fields, Goldcorp, Hecla Mining, Highland Gold, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Petropavlovsk, Polymetal, Randgold Resources, and Silver Standard Resources.

The third tranche of these shares will vest based on the six-year period ending 31 December 2019. The Remuneration Committee considered corporate activity affecting the tailored peer group and concluded that the Company's TSR over the performance period between 1 January 2014 and 31 December 2019 ranked 54.5th percentile vs. that for the tailored peer group. The Committee is satisfied that the vesting reflects the underlying financial and operational performance over the performance period. Therefore, 34% of the award will vest on 20 March 2020, subject to continued employment on the vesting date.

Scheme interests awarded in 2019 (audited)

On 20 February 2019, 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 2019 to 31 December 2021, 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	20 February 2019	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 2019 LTIP peer group, at the date of grant, comprised: Acacia Mining, 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, Goldcorp, Hecla Mining, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Petropavlovsk, Polymetal, Silver Standard Resources, Tahoe Resources, and Volcan Compania Minera.
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 2020

A summary of how the Remuneration Policy will be applied for the year ended 31 December 2020 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 2020 financial year will remain at 150% of salary. The bonus payment will be subject to performance against broadly the same measures as those used in 2019. Further disclosure of measures and targets, where not commercially sensitive, will be provided in next year's Annual Report on Remuneration. In line with Remuneration Policy, payout for 'threshold' and 'target' performance will be 50% and 75% of the maximum opportunity, respectively.

As in 2019, 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.

The Remuneration Committee will continue to retain discretion as to whether any part of the bonus should be paid in shares and/or deferred for any period up to three years.

LTIP

The Committee will make awards in 2020 within the maximum limits described in the Remuneration Policy.
The performance conditions will be the same as for 2019 awards.

50% of any vested LTIP award will be paid immediately in cash, with the remaining 50% 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 2020 in line with the Remuneration Policy.

Percentage change in CEO remuneration

The table below shows the percentage change in CEO remuneration from the prior year compared with the percentage change in remuneration for all other employees.

	CEO remuneration US$000			Other employees[1]
	2019	**2018**	**% change**	**% change**
Base salary[2]	700	700	0%	+6.74%
Taxable benefits[3]	28	20	+40%	n/a
Single-year variable[4]	1,182	945	+25.1%	+71.5%

Notes:
1. 'Other employees' comprise full-time salaried employees in Peru.
2. Base salary only (i.e. excluding Statutory Supplements – see footnote 1 to table on single figure of total remuneration for Executive Directors on page 87).
3. 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 87).
4. 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.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (that is dividends and share buybacks) from the financial year ended 31 December 2018 to the financial year ended 31 December 2019.

Distribution to shareholders (US$000)[1]			Employee remuneration (US$000)		
2019	**2018**	**% change**	**2019**	**2018**	**% change**
22,200	20,000	11%	152,440	153,566	-0.73%

Notes:

1. Comprises the interim dividend and the final dividend (or in the case of 2019, the proposed final dividend).

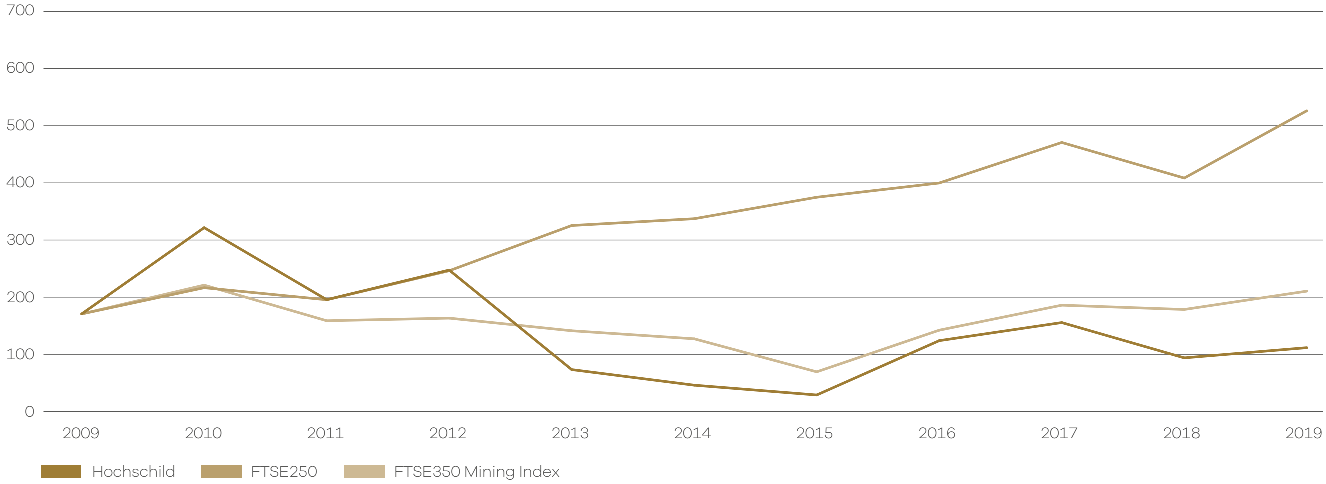
The Directors are recommending the payment of a final dividend of US$12m for the year ended 31 December 2019.

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 2009. 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 2019



CEO	Miguel Aramburú	Ignacio Bustamante									
	2010[1]	2010[1]	2011	2012	2013	2014	2015	2016	2017	2018	2019
CEO single figure of remuneration ($000)	1,019	1,525	1,120	1,852	999	924	1,328	3,474	4,519	4,174	3,910
Annual bonus outcome (% of maximum)	46%	100%	100%	90%	81%	67%	67%	83%	83%	90%	95%
LTI vesting outcome (% of maximum)	0%	47% (LTIP)	0%	98% (LTIP)	0%	0%	0%	0% (ELTIP) 90% (LTIP)	86% (ELTIP) 100% (LTIP)	43% (ELTIP) 100% (LTIP)	34% (ELTIP) 0% (LTIP)

Notes:

1. Miguel Aramburú resigned on 31 March 2010. Ignacio Bustamante was appointed on 1 April 2010.

Directors' interests (audited)

The interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2019 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. 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 (on a net basis) regardless of his achievement of the shareholding guideline.

	Shares held							
	Owned outright or vested at 31 Dec 2018 (or date of appointment if later)	Owned outright or vested at 31 Dec 2019 (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	1,221,317	1,933,629	0	538,062	0	250%	670%[1]	Yes
Eduardo Hochschild	258,565,373	258,565,373						
Dr Graham Birch	33,750	33,750						
Jorge Born Jr	0	0						
Eileen Kamerick	0	0						
Michael Rawlinson	0	0						
Dionisio Romero	0	0						
Sanjay Sarma	0	15,000						

Notes:
1. Using the Company's closing share price and GBP/USD exchange rate as at 31 December 2019 (being the last trading day of the year) of 182.99p and £1: $1.3262 respectively.

There have been no changes to Directors' shareholdings since 31 December 2019.

Directors' interests in share options, shares and cash awards in Hochschild long-term incentive plans and all employee plans

Details of Directors' interests in shares and cash awards under Hochschild's long-term incentives are set out in the table below.

Ignacio Bustamante	Date of grant	Share price at grant[1]	Exercise price at grant	Number of shares awarded[1]	Face value at grant[2]	Performance period	Vesting date
2014 ELTIP	20.03.14	155p	Nil	269,030	£416,996	01.01.14 – 31.12.18	20.03.19
2014 ELTIP	20.03.14	155p	Nil	538,062	£833,996	01.01.14 – 31.12.19	20.03.20
2016 LTIP	09.03.16	n/a	n/a	n/a	$1.4m	01.01.16 – 31.12.18	09.03.19
2017 LTIP	08.03.17	n/a	n/a	n/a	$1.4m	01.01.17 – 31.12.19	08.03.20
2018 LTIP	25.05.18	n/a	n/a	n/a	$1.4m	01.01.18 – 31.12.20	25.05.21
2019 LTIP[3]	20.02.19	n/a	n/a	n/a	$1.4m	01.01.19 – 31.12.21	20.02.22
RSP[4]	30.12.14	77p	Nil	596,630	£458,094	n/a	30.12.19

Notes:
1. 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.
2. 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). These figures have been updated for the October 2015 rights issue.
3. See 'Scheme interests awarded in 2019' for further details.
4. This tranche of the 2014 RSP vested on 30 December 2019.

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 2019, 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

18 February 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable 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 prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

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. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS 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 inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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.

INDEPENDENT AUDITOR'S REPORT

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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Hochschild Mining PLC which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2019	Statement of financial position as at 31 December 2019
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 37 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 Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the Annual Report set out on pages 50 to 54 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 55 in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 60 in the Annual Report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;
- whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 55 in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	– Recoverability of the carrying value of the Group's mining assets – Revenue recognition – Mine rehabilitation provisions
Audit scope	– We performed an audit of the complete financial information of three components, 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 96% of Total assets.
Materiality	– Overall Group materiality of US$6.9m which represents 2% of Adjusted EBITDA.

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 71); Accounting policies (page 109); and Notes 16, 17 and 18 to the Consolidated Financial Statements.* At 31 December 2019 the carrying values of the Group's mining assets were: – Property, plant and equipment: US$795.3m (2018: US$849.2m); – Evaluation and exploration assets: US$181.6 (2018: US$155.2); and – Intangible assets: US$22.4m (2018: US$24.4m). 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, 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 an 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 16 to the financial statements, indicators of impairment were identified in 2019 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 San Jose CGU and recognised an impairment charge of $14.7m in respect of the Pallancata CGU. There is a risk that the carrying values of the Group's mining assets might not be recoverable or could require additional 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 controls, in order to assess their design effectiveness in supporting the prevention, detection or 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 during 2019, 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 2018 and 2019, and assessed whether the movements were indicators of impairment or impairment reversal – We independently 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 all those CGUs requiring a full impairment assessment and assessed the appropriateness of the methodology applied in preparing the model as well as the arithmetical accuracy of management's model. – With respect to the recoverable value model for the San Jose and Pallancata CGUs, 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 a rigorous assessment of management's track record of accuracy in forecasting to determine the reliability of current forecast. 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 assessing the appropriateness of the discount rates used in the calculations – With respect to the recoverable value model for the Volcan CGUs, 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 – Furthermore, we considered the appropriateness, sufficiency, and clarity of the impairment-related disclosures provided in the financial statements, including sensitivity disclosures We performed audit procedures at the Group level over this risk area covering 100% of the amount at risk.	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 when applicable, fell within the range of acceptable outcomes that we had calculated. Based on the procedures performed, we consider the impairment charge of $14.7m recognised in respect of the Pallancata CGU to be appropriate and that the carrying values of the San Jose and Volcan CGUs are not impaired nor require a reversal of impairment as at 31 December 2019. 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 *Accounting policies (page 113); and Note 5 to the Consolidated Financial Statements.* For the year ended 31 December 2019 the Group recognised revenue from operations of US$755.7m (2018: US$704.3m). 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 management's process and key controls around the revenue recognition process. We walked through the controls in order to assess their 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 accounted for in line with the Group's revenue recognition policy – 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, bill of ladings, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue and performing cut-off testing to ensure 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 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 We performed audit procedures in two components subject to a full scope audit, covering 100% of the amount at risk, supervised by the Group 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 72); Accounting policies (page 113); and Note 26 to the Consolidated Financial Statements.* At 31 December 2019 management has recorded a mine rehabilitation provision of US$106.7m (2018: US$93.9m). 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 remained stable in comparison to the prior year. However, as certain mines are approaching the end of their life, this matter had a greater effect on directing the efforts of the engagement team and therefore we consider it as a key audit matter.	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 objectiveness and competence 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 – In addition, we proactively sought out potential 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 nominal risk- free rate according to the life of each mine unit to independent sources – We assessed the appropriateness of the accounting for the changes to these provisions, and ensured that these changes and the provisions were appropriately reflected and disclosed in the Group financial statements We performed audit procedures on two full scope components covering 100% of this risk amount, under the supervision of the Group team.	As a result of the procedures performed, 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. Based on the procedures performed, we consider the judgements and assumptions made by management and the external specialists to be reasonable.

The key audit matters in the current year audit report have not changed since the prior year.

As part of our audit, we also addressed 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.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity 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 entity.

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.

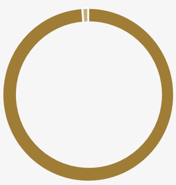
We performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. In addition to this, for three components ("specific scope components"), we performed audit procedures on specific accounts within 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% (2018: 98%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2018: 100%) of the Group's Revenue and 96% (2018: 97%) of the Group's Total assets. For the current year, the three full scope components contributed 99% (2018: 98%) of the Group's Adjusted EBITDA, 100% (2018: 100%) of the Group's Revenue and 84% (2018: 89%) of the Group's Total assets. The three specific scope components contributed 12% (2018: 8%) 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 1% of the Group's Adjusted EBITDA (2018: 2%), none are individually greater than 1% of the Group's Adjusted EBITDA. For these components, we performed other procedures, including analytical reviews, 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 %

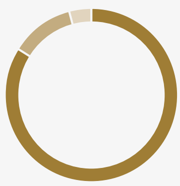


- Full scope components **99%**
- Other procedures **1%**

Revenue %

- Full scope components **100%**

Total assets %



- Full scope components **84%**
- Specific scope components **12%**
- Other procedures **4%**

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 Group audit engagement team, or by component auditors from other EY global network firms operating under our instruction. The audit procedures on two of the full scope components were performed by component team auditors and for the other full scope component, the audit procedures were performed directly by the Group audit team. For the three specific scope components, the Group audit team performed the audit procedures.

The Group audit team continued to follow 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. During the current year's audit cycle, one visit was undertaken by the Group audit team (including the Senior Statutory Auditor) to the component team in Peru and one visit to the component team in Argentina. These visits involved discussing the audit approach with the component team and any issues arising from their work, and meetings with local management. In addition, 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.

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$6.9 million (2018: US$5.4 million), which is 2% (2018: 2%) of the Group's Adjusted EBITDA as reported in the Strategic Report. We believe that Adjusted EBITDA provides us with 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$15.5 million (2018: US$14.1 million), which is 1% (2018: 1%) of Equity. The Parent Company materiality is higher than the Group materiality as it is based on Equity, which we considered 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 finance cost, foreign exchange loss and income tax (US$112.3m)
Adjustments	– Add: Depreciation and amortisation in cost of sales and in administrative expenses (US$185.1m) – Add: Exploration expenses other than personnel and other exploration related fixed expenses (U$31.7m) – Add: Other non-cash expenses (US$14.2m)
Materiality	– US$343.3m Adjusted EBITDA – Materiality of US$6.9m (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% (2018: 75%) of our planning materiality, namely US$5.2m (2018: US$4.0m). 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$2.0m to US$5.2m (2018: US$1.8m to US$4.0m).

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$345k (2018: US$270k), 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 95, including Strategic Report and Governance sections (including 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.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

– **Fair, balanced and understandable set out on page 60** – the statement given by the Directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
– **Audit Committee reporting set out on pages 69 to 73** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
– **Directors' statement of compliance with the UK Corporate Governance Code set out on page 62** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 95, 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

The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- 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 report framework (IFRSs, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in UK, Peru and Argentina.
- We understood how Hochschild Mining plc is complying with those frameworks through 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 and papers provided to the Audit Committee.
- 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 on efforts made by 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. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, Group management, internal audit and all full and specific scope management; and focused testing, as referred to in the key audit matters section above.
- In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the UK Listing Authority, and those laws and regulations relating to health and safety and environmental matters.

A further description of our responsibilities for the audit of the financial statements is located on the FRC'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

- 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 14 years, covering periods from our initial appointment in 2006 through to the year ended 31 December 2019.
- 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

19 February 2020

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 Before exceptional items US$000	Year ended 31 December 2019 Exceptional items (note 11) US$000	Year ended 31 December 2019 Total US$000	Year ended 31 December 2018 Before exceptional items US$000	Year ended 31 December 2018 Exceptional items (note 11) US$000	Year ended 31 December 2018 Total US$000
Continuing operations							
Revenue	4,5	**755,676**	**–**	**755,676**	704,290	–	704,290
Cost of sales	6	**(512,711)**	**–**	**(512,711)**	(531,788)	–	(531,788)
Gross profit		**242,965**	**–**	**242,965**	172,502	–	172,502
Administrative expenses	7	**(45,920)**	**–**	**(45,920)**	(45,783)	–	(45,783)
Exploration expenses	8	**(37,965)**	**–**	**(37,965)**	(34,381)	–	(34,381)
Selling expenses	9	**(21,071)**	**–**	**(21,071)**	(10,068)	–	(10,068)
Other income	12	**9,014**	**–**	**9,014**	8,062	–	8,062
Other expenses	12	**(33,894)**	**(12,199)**	**(46,093)**	(17,144)	–	(17,144)
Impairment and write-off of non-current assets, net		**(853)**	**(14,378)**	**(15,231)**	(384)	–	(384)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		**112,276**	**(26,577)**	**85,699**	72,804	–	72,804
Finance income	13	**2,938**	**–**	**2,938**	2,048	–	2,048
Finance costs	13	**(10,038)**	**–**	**(10,038)**	(11,194)	(16,346)	(27,540)
Foreign exchange loss, net		**(1,757)**	**–**	**(1,757)**	(8,946)	–	(8,946)
Profit/(loss) from continuing operations before income tax		**103,419**	**(26,577)**	**76,842**	54,712	(16,346)	38,366
Income tax (expense)/benefit	14	**(43,336)**	**7,933**	**(35,403)**	(36,487)	4,822	(31,665)
Profit/(loss) for the year from continuing operations		**60,083**	**(18,644)**	**41,439**	18,225	(11,524)	6,701
Attributable to:							
Equity shareholders of the parent		**47,598**	**(18,644)**	**28,954**	24,360	(11,524)	12,836
Non-controlling interests		**12,485**	**–**	**12,485**	(6,135)	–	(6,135)
		60,083	**(18,644)**	**41,439**	18,225	(11,524)	6,701
Basic earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	**0.09**	**(0.03)**	**0.06**	0.05	(0.02)	0.03
Diluted earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	**0.09**	**(0.03)**	**0.06**	0.05	(0.02)	0.03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Year ended 31 December 2019 US$000	Year ended 31 December 2018 US$000
Profit for the year		**41,439**	6,701
Other comprehensive income that might be reclassified to profit or loss in subsequent periods, net of tax:			
Exchange differences on translating foreign operations		**(327)**	4
		(327)	4
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Net gain/(loss) on equity instruments at fair value through other comprehensive income ('OCI')	19	**3,628**	(6,447)
		3,628	(6,447)
Other comprehensive income/(loss) for the year, net of tax		**3,301**	(6,443)
Total comprehensive income for the year		**44,740**	258
Total comprehensive income attributable to:			
Equity shareholders of the parent		**32,255**	6,393
Non-controlling interests		**12,485**	(6,135)
		44,740	258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	As at 31 December 2019 US$000	2018 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**795,277**	849,172
Evaluation and exploration assets	17	**181,562**	155,241
Intangible assets	18	**22,359**	24,363
Financial assets at fair value through other comprehensive income ('OCI')	19	**6,159**	5,296
Trade and other receivables	20	**5,188**	5,451
Other financial assets	36(e)	**–**	47
Deferred income tax assets	28	**1,627**	1,504
		1,012,172	1,041,074
Current assets			
Inventories	21	**62,600**	58,035
Trade and other receivables	20	**73,618**	78,736
Income tax receivable		**206**	20,733
Cash and cash equivalents	22	**166,357**	79,704
Assets held for sale	23	**38,295**	–
		341,076	237,208
Total assets		**1,353,248**	1,278,282
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the parent			
Equity share capital	27	**226,506**	225,409
Share premium	27	**438,041**	438,041
Other reserves		**(221,800)**	(223,156)
Retained earnings		**290,263**	278,995
		733,010	719,289
Non-controlling interests		**74,631**	71,003
Total equity		**807,641**	790,292
Non-current liabilities			
Trade and other payables	24	**526**	787
Borrowings	25	**199,308**	50,000
Provisions	26	**99,322**	94,640
Deferred income		**172**	31,966
Deferred income tax liabilities	28	**63,103**	71,231
		362,431	248,624
Current liabilities			
Trade and other payables	24	**120,537**	125,475
Borrowings	25	**234**	107,067
Provisions	26	**16,249**	3,153
Deferred income		**400**	400
Income tax payable		**11,211**	3,271
Liabilities directly associated with asset held for sale	23	**34,545**	–
		183,176	239,366
Total liabilities		**545,607**	487,990
Total equity and liabilities		**1,353,248**	1,278,282

These financial statements were approved by the Board of Directors on 18 February 2020 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
18 February 2020

	Notes	Year ended 31 December 2019 US$000	2018 US$000
Cash flows from operating activities			
Cash generated from operations	32	**290,316**	222,667
Interest received		**2,622**	2,337
Interest paid		**(4,955)**	(28,758)
Payment of mine closure costs	26	**(3,488)**	(4,494)
Income tax, special mining tax and mining royalty paid[1]		**(1,236)**	(5,810)
Net cash generated from operating activities		**283,259**	185,942
Cash flows from investing activities			
Purchase of property, plant and equipment		**(133,724)**	(114,498)
Purchase of evaluation and exploration assets	17	**(68,632)**	(10,221)
Purchase of intangibles	18	**(2)**	(1,907)
Purchase of financial assets at fair value through OCI	19	**(1,100)**	(6,433)
Purchase of Argentinian bonds		**(14,795)**	–
Proceeds from sale of Argentinian bonds		**11,835**	–
Proceeds from sale of financial assets at fair value through OCI		**421**	954
Proceeds from sale of other assets	19	**–**	30
Proceeds from deferred income	23	**2,250**	2,000
Proceeds from sale of property, plant and equipment		**134**	94
Net cash used in investing activities		**(203,613)**	(129,981)
Cash flows from financing activities			
Proceeds from borrowings	25	**316,500**	266,500
Transaction costs related to borrowings		**(692)**	–
Repayment of borrowings	25	**(272,500)**	(463,393)
Payment of lease liabilities	2(a)	**(2,506)**	–
Purchase of treasury shares		**(309)**	(579)
Dividends paid to non-controlling interests		**(11,069)**	(10,829)
Dividends paid	29	**(20,213)**	(19,999)
Cash flows generated from/(used in) financing activities		**9,211**	(228,300)
Net increase/(decrease) in cash and cash equivalents during the year		**88,857**	(172,339)
Exchange difference		**(2,204)**	(4,945)
Cash and cash equivalents at beginning of year		**79,704**	256,988
Cash and cash equivalents at end of year	22	**166,357**	79,704

1 Taxes paid have been offset with value added tax (VAT) credits of US$3,717,000 (2018 US$4,320,000).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

		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	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 2018		224,315	438,041	(140)	(937)	–	(13,712)	(210,046)	7,634	(217,061)	286,356	731,511	90,177	821,688
Other comprehensive income/(expense)		–	–	–	(6,447)	–	4	–	–	(6,443)	–	(6,443)	–	(6,443)
Profit for the year		–	–	–	–	–	–	–	–	–	12,836	12,836	(6,135)	6,701
Total comprehensive income/(expense) for the year		–	–	–	(6,447)	–	4	–	–	(6,443)	12,836	6,393	(6,135)	258
Sale of financial assets at fair value through OCI	19	–	–	–	3,060	–	–	–	–	3,060	(3,060)	–	–	–
Issuance of shares	27(a)	1,094	–	–	–	–	–	–	–	–	–	1,094	–	1,094
Exercise of share options	27(b)	–	–	719	–	–	–	–	(4,675)	(4,675)	2,862	(1,094)	–	(1,094)
Expiration of dividends		–	–	–	–	62	–	–	–	62	–	62	–	62
Dividends	29	–	–	–	–	–	–	–	–	–	(19,999)	(19,999)	–	(19,999)
Dividends to non-controlling interests	29	–	–	–	–	–	–	–	–	–	–	–	(13,039)	(13,039)
Purchase of treasury shares	27(b)	–	–	(579)	–	–	–	–	–	–	–	(579)		(579)
Share-based payments	27(c)	–	–	–	–	–	–	–	1,901	1,901	–	1,901	–	1,901
Balance at 31 December 2018		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	19	–	–	–	1,658	–	–	–	–	1,658	(1,658)	–	–	–
Transfer of financial assets at fair value through OCI to subsidiary	3	–	–	–	(944)	–	–	–	–	(944)	944	–	–	–
Issuance of shares	27(a)	1,097	–	–	–	–	–	–	–	–	–	1,097	–	1,097
Exercise of share options	27(b)	–	–	309	–	–	–	–	(4,647)	(4,647)	3,241	(1,097)	–	(1,097)
Expiration of dividends		–	–	–	–	37	–	–	–	37	–	37	2	39
Dividends	29	–	–	–	–	–	–	–	–	–	(20,213)	(20,213)	–	(20,213)
Dividends to non-controlling interests	29	–	–	–	–	–	–	–	–	–	–	–	(8,859)	(8,859)
Purchase of treasury shares	27(b)	–	–	(309)	–	–	–	–	–	–	–	(309)		(309)
Share-based payments	27(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**

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, United States and Chile at various stages of development.

These consolidated financial statements were approved for issue by the Board of Directors on 18 February 2020.

The Group´s subsidiaries are as follows:

			Equity interest at 31 December	
Company	**Principal activity**	**Country of incorporation**	**2019 %**	2018 %
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**	–
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 On 2 October 2019 the Group acquired 100% interest on REE UNO SpA, a Chilean exploration company with a project of rare earths named BioLantanidos. Registered address: Av. Presidente Riesco 5335, office 2104, Las Condes, Santiago de Chile, Chile.
5 Registered address: La Colonia 180, Santiago de Surco, Lima, Peru.
6 Registered address: 17 Cavendish Square, London, W1G0PH, United Kingdom.
7 Registered address: Bustamante N 2106, Col Altavista, CP 31200, Chihuahua, Ciudad de Mexico, 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 2019 and 2018 is as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Non-current assets	**164,190**	173,637
Current assets	**81,564**	67,317
Non-current liabilities	**(56,926)**	(56,894)
Current liabilities	**(39,382)**	(42,015)
Equity	**(149,446)**	(142,045)
Revenue	**250,715**	205,367
Profit for the year and total comprehensive income	**25,480**	(12,518)
Net cash generated from operating activities	**74,996**	38,707
Net cash used in investing activities	**(43,583)**	(44,488)
Cash flow used in financing activities	**(24,293)**	(22,617)

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 Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Companies Act 2006.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2019 and 2018 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.

The financial statements have been prepared on the going concern basis. Details of the factors which have been taken into account in assessing the Group's going concern status are set out within the Directors' Report.

Changes in accounting policy and disclosures

The Group applied IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments for the first time from 1 January 2019. The nature and effect of these changes as a result of the adoption of the new standard and interpretation are described below. Other than the changes described below, the accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statement for the year ended 31 December 2018.

Several other amendments and interpretations applied for the first time in 2019 but did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed.

– IFRS 16 Leases, applicable for annual periods beginning on or after 1 January 2019.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, including the exemptions to recognise assets and liabilities for all leases unless the lease term is 12 months or less or when the underlying asset has a low value. Lease costs will be recognised in the income statement over the lease term in the form of depreciation on the right-of-use asset and finance charges representing the unwinding of the discount on the lease liability. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases.

The Group has adopted IFRS 16 Leases from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard ("modified retrospective approach, alternative 2"). The adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.12% for contracts denominated in US dollars. Contracts in other currencies are not material.

The associated right-of-use assets were measured at the amount equal to the lease liability, therefore there was no adjustment to retained earnings on adoption.

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In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- The accounting for operating leases related to low value assets (below US$5,000).

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The resulting lease liability as of 1 January 2019 was determined as follows:

	US$000
Operating lease commitments as at 31 December 2018	**2,448**
Previous not disclosed operating lease commitments	**5,579**
	8,027
Discounted using the lessee's incremental borrowing rate at the date of initial application	**7,785**
Less: short-term leases recognised on a straight-line basis as expense	**(730)**
Less: low-value leases recognised on a straight-line basis as expense	**(1,474)**
Less: other adjustments	**(244)**
Lease liability recognised as at 1 January 2019	**5,337**
Less: current portion	**(2,553)**
Non-current portion	**2,784**

The effect of adoption of IFRS 16 is as follows:

	Right-of-use assets vehicles[1] US$000	Lease liabilities[2] US$000
Recognised on transition as at 1 January 2019	5,337	(5,337)
Depreciation expense	(2,454)	—
Interest expense[3]	—	(96)
Termination of contracts	(350)	350
Payments	—	2,506
Balance at 31 December 2019	**2,533**	**(2,577)**

1 Included in the consolidated statement of financial position within "Property, plant and equipment".
2 Included in the consolidated statement of financial position within "Trade and other payables" (Current: US$2,577,000, Non-current: US$nil).
3 Included in the consolidated income statement within "Finance costs".

– IFRIC 23 Uncertainty over Income Tax Treatments, applicable for annual periods beginning on or after 1 January 2019.

IFRIC 23 clarifies the accounting for uncertainties in income taxes. This interpretation is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The interpretation specifically addresses the following:

– Whether an entity considers uncertain tax treatments separately;
– The assumptions an entity makes about the examination of tax treatments by taxation authorities;
– How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
– How an entity considers changes in facts and circumstances.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions; the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. Therefore, the interpretation did not have a material impact on the consolidated financial statements of the Group.

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 2020 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(e).

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(g).

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(i), 16, 17 and 18.

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. 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. 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(m) and 26(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(r), 2(s),14, 28 and 34(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.

Judgement is also required when determining the provision for taxes as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached with the tax authorities. Provisions are also made 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 provisions are made if it is probable that a liability will arise (refer to note 34(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(d).

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.

2 Significant accounting policies continued

– Recognition of evaluation and exploration assets and transfer to development costs – notes 2(f), 16 and 17.

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.

– Significant judgement and assumptions for assets classified as held for sale - note 23.

To determine whether an asset should be classified as an asset held for sale in accordance with IFRS 5, consideration should be given as to whether the sale meets the definition of 'highly probable'. The three main criteria are: there is a plan in place to sell the asset; the sale is due to complete within 12 months of the year end; and that it is unlikely that significant changes to the plan will be made or the sale withdrawn. As disclosed in note 23, the sale of the San Felipe property is considered to be "highly probable" (as defined by IFRS 5) and therefore the property has been classified as an asset held for sale as at 31 December 2019.

– Acquiring a subsidiary or a group of assets – note 3(a).

In identifying a business combination (note 2(c)) or acquisition of assets the Group considers the underlying inputs, processes and outputs acquired as a part of the transaction. For an acquired set of activities and assets to be considered a business there must be at least some inputs and processes that have the capability to achieve the purposes of the Group. Where significant inputs and processes have not been acquired, a transaction is considered to be the purchase of assets. For the assets and assumed liabilities acquired the Group allocates the total consideration paid (including directly attributable transaction costs) based on the relative fair values of the underlying items. On 2 October 2019 the Group acquired the control of REE UNO (note 3). The transaction was accounted as a purchase of assets as no systems, processes or outputs were acquired, with the main asset acquired being the BioLantanidos project which is in a pre-development stage.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position, performance and cash flows as at 31 December 2019 and 31 December 2018 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.

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) 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.

(e) 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 are recognised in the income statement as incurred.

(f) 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

(g) 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.

(h) Intangible assets

Right to use energy of transmission line
Transmission line costs represent the investment made by the Group during the period of its use. 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 represent the cost that allows the holder 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.

(i) 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, exploration potential and operating performance. 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 16) and for the exploration projects is based on the value-in-situ methodology (note 18(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.

(j) 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.

(k) 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.

(l) 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.

(m) 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, 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 of each year. This amount is charged to the income statement within personnel expenses (note 10) 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.

(n) 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 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 10).

(o) 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 are transferred to the customers 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.

Income from services provided to related parties (note 30) 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.

2 Significant accounting policies continued

(p) Contingencies
Contingent liabilities are not recognised in the financial statements and are disclosed in notes to the financial statements unless their occurrence is remote.

Contingent assets are not recognised in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

(q) 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.

(r) 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.

(s) Uncertain tax positions
An estimated 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 34(a) for specific tax contingencies.

(t) 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.

(u) 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 at fair value through OCI (debt instruments)

  The Group does not have debt instruments at fair value through OCI.

- 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 elected to classify irrevocably its 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.

  This category includes derivative instruments. 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.

2 Significant accounting policies continued

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.

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.

  Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

  Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

  Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability 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.

(v) 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.

(w) 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.

(x) 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;
- 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.

(y) 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 25 and 36(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 Acquisition of assets

REE UNO SpA ("REE UNO")

On 9 November 2018 Minera Hochschild Chile SCM ("Hochschild") signed an agreement for an investment in the BioLantanidos Project with Fondo de Inversión Privado Lantanidos ("FIP"). REE UNO has the rights over the concessions called the BioLantánidos, a rare-earth metals extraction and production project, located in Penco, Biobío Region, Chile.

On that date, Hochschild subscribed for 591,326,947 type A shares of REE UNO, that represented 5% of the total type A shares, and 4.84% of the total share capital of REE UNO. The total consideration was 1,351,880,000 Chilean pesos equivalent to US$2,000,000. FIP was the owner of the remaining 11,235,211,986 type A shares of "REE UNO" (representing 95% of total type A shares of REE UNO) whilst multiple shareholders held 100% of the interest in the type B shares.

In April 2019, Hochschild signed a new agreement to increase its interest in REE UNO and subscribed for additional 147,831,737 type A shares, that represented 1.23% of the total type A shares. The total consideration was 333,065,000 Chilean pesos' equivalent to US$500,000.

On 22 August 2019, Hochschild signed an agreement for the sale and transfer of all the type A and B shares of REE UNO, from FIP and all the other shareholders. The transfer of the remaining type A shares and type B shares was completed on 2 October 2019 with the total consideration amounting to US$57,344,974, of which US$983,142 remains pending payment as at 31 December 2019.

On the date of completion, the Group remeasured the fair value of the investment previously held and recognised a gain of US$998,000 in OCI. On reclassification of the investment to subsidiary, US$944,000 was reclassified from the fair value reserves of financial assets at fair value through OCI to retained earnings.

The transaction is considered as an asset acquisition, and REE UNO consolidates its financial information with the Group from 2 October 2019, being the date when the Group obtained control.

The fair value of assets acquired and liabilities assumed as at 2 October 2019 comprise the following:

	US$000
Cash and cash equivalents	1,120
Other receivables	1,541
Evaluation and exploration assets	59,358
Property, plant and equipment	218
Total assets	**62,237**
Accounts payable and other liabilities	(1,448)
Total liabilities	**(1,448)**
Net assets acquired	**60,789**
Fair value of type A shares held in REE UNO (note 19)	3,444
Consideration for the acquisition of remaining type A shares and B shares in REE UNO	57,345
Total consideration	**60,789**
Cash paid	56,362
Less cash acquired with the subsidiary	(1,120)
Net cash flow on acquisition	**55,242**

4 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 units – Arcata and Pallancata, which generate revenue from the sale of gold and silver (concentrate). The Arcata mine unit was put into care and maintenance on 13 February 2019.
- 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 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 IFRS as adopted for use in the European Union.

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

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

(a) Reportable segment information

	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	Total US$000
Year ended 31 December 2019								
Revenue from external customers	**5,261**	**140,784**	**242,972**	**351,936**	**–**	**139**	**–**	**741,092**
Inter segment revenue	–	–	–	–	–	6,101	(6,101)	**–**
Total revenue from customers	5,261	140,784	242,972	351,936	–	6,240	(6,101)	**741,092**
Provisional pricing adjustment	(180)	6,814	7,743	207	–	–	–	**14,584**
Total revenue	**5,081**	**147,598**	**250,715**	**352,143**	**–**	**6,240**	**(6,101)**	**755,676**
Segment profit/(loss)	(2,027)	15,187	61,472	144,199	(38,062)	9,169	(6,009)	**183,929**
Others[2]								**(107,087)**
Profit from continuing operations before income tax								**76,842**
Other segment information								
Depreciation[3]	(430)	(50,432)	(51,754)	(79,917)	(397)	(4,327)	–	**(187,257)**
Amortisation	–	–	(1,396)	(144)	(462)	(67)	–	**(2,069)**
Impairment and write-off of assets, net	(30)	(14,892)	(488)	(135)	315	(1)	–	**(15,231)**
Assets								
Capital expenditure	42	25,357	43,623	66,435	62,881	6,778	–	**205,116**
Current assets	2,133	20,500	48,286	26,601	38,301	2,873	–	**138,694**
Other non-current assets	5,977	50,438	163,656	506,779	220,934	51,414	–	**999,198**
Total segment assets	**8,110**	**70,938**	**211,942**	**533,380**	**259,235**	**54,287**	**–**	**1,137,892**
Not reportable assets[4]	–	–	–	–	–	215,356	–	**215,356**
Total assets	**8,110**	**70,938**	**211,942**	**533,380**	**259,235**	**269,643**	**–**	**1,353,248**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$45,920,000, other income of US$9,014,000, other expenses of US$46,093,000, write-off of assets (net) of US$853,000, impairment of assets (net) 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.

	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	Total US$000
Year ended 31 December 2018								
Revenue from external customers	**57,836**	**138,221**	**207,431**	**306,108**	**–**	**340**	**–**	**709,936**
Inter segment revenue	–	–	–	–	–	6,328	(6,328)	**–**
Total revenue from customers	57,836	138,221	207,431	306,108	–	6,668	(6,328)	**709,936**
Provisional pricing adjustment	(1,199)	(2,378)	(2,064)	(5)	–	–	–	**(5,646)**
Total revenue	**56,637**	**135,843**	**205,367**	**306,103**	**–**	**6,668**	**(6,328)**	**704,290**
Segment profit/(loss)	(7,314)	31,226	20,289	116,361	(34,800)	11,178	(8,887)	**128,053**
Others[2]								**(89,687)**
Profit from continuing operations before income tax								**38,366**
Other segment information								
Depreciation[3]	(178)	(36,377)	(52,006)	(74,878)	(377)	(4,771)	–	**(168,587)**
Amortisation	–	–	(1,324)	(221)	(462)	(84)	–	**(2,091)**
Impairment and write-off of assets, net	(38)	(31)	(233)	(56)	–	(26)	–	**(384)**
Assets								
Capital expenditure	526	27,079	44,632	57,678	1,856	2,634	–	**134,405**
Current assets	5,155	27,076	40,220	27,479	7	3,299	–	**103,236**
Other non-current assets	6,395	84,449	172,726	517,321	195,975	51,910	–	**1,028,776**
Total segment assets	**11,550**	**111,525**	**212,946**	**544,800**	**195,982**	**55,209**	**–**	**1,132,012**
Not reportable assets[4]	–	–	–	–	–	146,270	–	**146,270**
Total assets	**11,550**	**111,525**	**212,946**	**544,800**	**195,982**	**201,479**	**–**	**1,278,282**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$45,783,000, other income of US$8,062,000, other expenses of US$17,144,000, write-off of assets (net) of US$384,000, finance income of US$2,048,000, finance expense of US$27,540,000, and foreign exchange loss of US$8,946,000.
3 Includes depreciation capitalised in the Crespo project (US$810,000), and San Jose unit (US$1,783,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$5,296,000, other receivables of US$38,986,000, other financial assets of US$47,000, income tax receivable of US$20,733,000, deferred income tax asset of US$1,504,000 and cash and cash equivalents of US$79,704,000.

(b) Geographical information

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

	Year ended 31 December 2019 US$000	Year ended 31 December 2018 US$000
External customer		
Canada	**381,149**	28,661
Switzerland	**109,927**	89,285
Korea	**91,304**	97,943
Germany	**75,003**	32,277
Peru	**50,579**	70,842
Japan	**24,404**	26,084
Bulgaria	**17,864**	2,102
USA	**5,446**	357,096
Total	**755,676**	704,290
Inter-segment		
Peru	**6,101**	6,328
Total	**761,777**	710,618

4 Segment reporting continued

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 2019			Year ended 31 December 2018		
	US$000	**% Revenue**	**Segment**	US$000	% Revenue	Segment
Asahi Refining Canada	**352,949**	**47%**	**Inmaculada**	12	0%	Inmaculada
Argor Heraus	**105,436**	**14%**	**San Jose**	74,210	11%	San Jose
LS Nikko	**91,304**	**12%**	**Pallancata and San Jose**	97,943	14%	Pallancata and San Jose
Republic Metals Corporation	**66**	**0%**	**San Jose**	86,974	12%	Inmaculada and San Jose
Bank of Nova Scotia	**–**	**0%**	**Inmaculada**	162,843	23%	Inmaculada
Asahi Refining USA	**(806)**	**0%**	**Inmaculada**	85,136	12%	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	
	2019 US$000	2018 US$000
Peru	**709,022**	753,016
Argentina	**163,656**	172,726
Mexico	**838**	38,835
Chile	**125,682**	64,199
Total non-current segment assets	**999,198**	1,028,776
Financial assets at fair value through OCI	**6,159**	5,296
Trade and other receivables	**5,188**	5,451
Other financial assets	**–**	47
Deferred income tax assets	**1,627**	1,504
Total non-current assets	**1,012,172**	1,041,074

5 Revenue

	As at 31 December	
	2019 US$000	2018 US$000
Gold (from dore bars)	**322,062**	277,357
Silver (from dore bars)	**135,583**	131,818
Gold (from concentrate)	**119,522**	101,492
Silver (from concentrate)	**178,370**	193,238
Other minerals (from concentrate)	**–**	45
Services	**139**	340
Total	**755,676**	704,290

Included within revenue is an effect relating to provisional pricing adjustments arising on sales resulting in total revenue from customers in the amount of US$741,092,000 (2018: US$709,936,000).

The provisional pricing adjustments are as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Gold (from dore bars)	**238**	(8)
Silver (from dore bars)	**60**	(43)
Gold (from concentrate)	**5,748**	(1,080)
Silver (from concentrate)	**8,538**	(4,515)
Total	**14,584**	(5,646)

Included within revenue is a transaction price related to the shipping services provided by the Group to the customers arising on sale of:

	As at 31 December	
	2019 US$000	2018 US$000
Gold (from dore bars)	**1,011**	856
Silver (from dore bars)	**766**	664
Gold (from concentrate)	**2,456**	1,806
Silver (from concentrate)	**2,920**	2,159
Total	**7,153**	5,485

6 Cost of sales

Included in cost of sales are:

	As at 31 December	
	2019 US$000	2018 US$000
Depreciation and amortisation in cost of sales[1]	**182,676**	164,819
Personnel expenses (note 10)[2]	**102,977**	116,065
Mining royalty (note 35)	**6,412**	5,857
Change in products in process and finished goods	**(3,782)**	2,481
Other items[3]	**567**	1,141

1 The depreciation and amortisation in production cost is US$184,388,000 (2018: US$164,244,000).
2 Includes workers' profit sharing of US$3,878,000 (2018: US$nil).
3 Other items include costs related to stoppage of US$567,000 at the San Jose mine unit (2018: Other items include costs related to stoppage of US$202,000 and termination benefits of US$939,000 at the San Jose mine unit).

7 Administrative expenses

	As at 31 December	
	2019 US$000	2018 US$000
Personnel expenses (note 10)	**26,580**	28,165
Professional fees	**5,481**	3,614
Donations	**331**	785
Lease rentals	**1,343**	1,372
Travel expenses	**1,058**	1,061
Third party services	**347**	3,434
Communications	**502**	430
Indirect taxes	**1,461**	1,041
Depreciation and amortisation	**2,274**	1,486
Technology and systems	**1,400**	537
Security	**912**	784
Other[1]	**4,231**	3,074
Total	**45,920**	45,783

1 Predominantly related to advertising costs of US$388,000 (2018: US$163,000), insurance fees of US$384,000 (2018: US$243,000), repair and maintenance of US$320,000 (2018: US$480,000), supplies costs of US$202,000 (2018: US$145,000) and personnel transportation of US$330,000 (2018: US$303,000).

8 Exploration expenses

	As at 31 December	
	2019 US$000	2018 US$000
Mine site exploration[1]		
Arcata	**1,065**	9,024
Ares	**884**	699
Inmaculada	**3,976**	1,732
Pallancata	**7,116**	2,162
San Jose	**9,753**	4,224
	22,794	17,841
Prospects[2]		
Peru	**265**	815
USA	**3,600**	2,928
Chile	**1,300**	2,213
	5,165	5,956
Generative[3]		
Peru	**3,322**	4,640
USA	**–**	28
	3,322	4,668
Personnel (note 10)	**5,748**	5,398
Others	**568**	518
Depreciation right-of-use assets	**368**	–
Total	**37,965**	34,381

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 increase in exploration expenses is mainly explained by the work performed at the mine units trying to identify new possible ore 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$7,503,000 in 2019 (2018: US$10,498,000).

9 Selling expenses

	As at 31 December	
	2019 US$000	2018 US$000
Personnel expenses (note 10)	**288**	302
Warehouse services	**1,627**	2,032
Taxes[1]	**16,259**	5,148
Other	**2,897**	2,586
Total	**21,071**	10,068

1 Corresponds to the export duties in Argentina, applicable from September 2018.

10 Personnel expenses before exceptional items

	As at 31 December	
	2019 US$000	2018 US$000
Salaries and wages	**100,441**	110,290
Workers' profit sharing	**5,965**	–
Other legal contributions	**21,453**	23,268
Statutory holiday payments	**6,380**	7,282
Long-Term Incentive Plan	**1,294**	4,487
Restricted share plan	**843**	1,374
Termination benefits	**2,265**	4,101
Other	**1,600**	2,764
Total	**140,241**	153,566

Personnel expenses are distributed as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Cost of sales	**102,977**	116,065
Administrative expenses	**26,580**	28,165
Exploration expenses	**5,748**	5,398
Selling expenses	**288**	302
Other expenses	**4,263**	3,225
Capitalised as property, plant and equipment	**385**	411
Total	**140,241**	153,566

Average numbers of employees for 2019 and 2018 were as follows:

	As at 31 December	
	2019	2018
Peru	**2,072**	2,878
Argentina	**1,394**	1,220
Chile	**3**	3
United Kingdom	**10**	10
Total	**3,479**	4,111

11 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 2019 US$000	Year ended 31 December 2018 US$000
Other expenses		
Restructuring of Arcata mine unit[1]	**(12,199)**	–
Total	**(12,199)**	–
(Impairment)/impairment reversal of non-financial assets, net		
Impairment of assets[2]	**(14,693)**	–
Reversal of impairment of assets[2]	**315**	–
Total	**(14,378)**	–
Finance costs		
Expenses related to the repayment of the bond[4]	**–**	(16,346)
Total	**–**	(16,346)
Income tax benefit[3 and 5]	**7,933**	4,822
Total	**7,933**	4,822

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

1 The termination benefits of 859 employees resulting from the restructuring process generated as the Arcata mine unit was placed on care and maintenance. The Arcata mine unit was impaired in December 2017.

2 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.

3 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.

The exceptional items for the year ended 31 December 2018 are as follows:

4 Premium and other finance expenses related to the repayment of Compañia Minera Ares S.A.C. ("Minera Ares") bond of US$350,000,000 fully repaid on 23 January 2018. The Group repaid the capital of US$294,775,000, plus interest of US$11,423,000, premium of US$11,423,000 and their corresponding withholding tax of US$946,000. The charge in profit and loss during 2018 was US$17,833,000, of which US$1,487,000 corresponded to the interests (US$1,392,000) and its corresponding withholding tax (US$95,000) generated in 2018, and the balance of US$16,346,000, recognised as an exceptional item, includes the premium of US$11,423,000, its corresponding withholding tax of US$473,000 and the recognition of the capitalised expenses related to obtaining the bond of US$4,450,000.

5 Deferred tax credit generated by the premium and other finance expenses related to the repayment of the Minera Ares bond.

12 Other income and other expenses before exceptional items

	Year ended 31 December 2019 Before exceptional items US$000	Year ended 31 December 2018 Before exceptional items US$000
Other income		
Decrease in provision for mine closure (note 26(1))	**223**	–
Export credits[1]	**6**	1,287
Logistic services	**4,489**	4,128
Income related to the San Felipe agreement (note 23)	**600**	–
Other[2]	**3,696**	2,647
Total	**9,014**	8,062
Other expenses		
Increase in provision for mine closure (note 26(1))	**(13,621)**	(52)
Provision of obsolescence of supplies (note 21)	**(1,449)**	(384)
Care and maintenance expenses of Ares mine unit	**(4,593)**	(5,688)
Contingencies	**71**	(140)
Donations	**(10)**	(9)
Write off of value added tax	**(144)**	(66)
Corporate social responsibility contribution in Argentina[3]	**(3,636)**	(2,382)
Termination benefits of Arcata mine unit[4]	**–**	(1,324)
Care and maintenance expenses of Arcata mine unit	**(4,888)**	–
Provision for impairment of receivables[5]	**(3,706)**	(5,656)
Other[6]	**(1,918)**	(1,443)
Total	**(33,894)**	(17,144)

1 Corresponds to the benefit of silver refund in Argentina which was effective until August 2018.
2 Mainly corresponds to the recognition of a receivable from a supplier following a claim ruled in favour of the Group of US$1,061,000 (2018: US$nil), the gain on recovery of expenses of US$623,000 (2018: US$930,000), gain on sale of supplies of US$325,000 (2018: US$410,000) and the gain recognised for the Mosquito project of US$400,000 (2018: US$400,000).
3 Relates to a contribution in Argentina to the Santa Cruz province, effective since January 2016 and calculated as a proportion of sales.
4 Due to the redundancy of 107 employees in the Arcata mine unit, aligned with the mine plan for 2018.
5 Mainly due to write-off of a claim receivable of US$2,934,000 (2018: mainly due to the write-off of a trade receivable of US$4,946,000 from a customer declared bankrupt under the United States bankruptcy code chapter 11).
6 Mainly corresponds to the expenses due to concessions of US$667,000 (2018: US$320,000), depreciation expense for right-of-use assets of US$206,000 (2018:US$nil) and rentals of US$33,000 (2018: US$191,000).

13 Finance income and finance costs before exceptional items

	Year ended 31 December 2019 Before exceptional items US$000	Year ended 31 December 2018 Before exceptional items US$000
Finance income		
Interest on deposits and liquidity funds	**2,557**	2,001
Interest income	**2,557**	**2,001**
Other	**381**	47
Total	**2,938**	2,048
Finance costs		
Interest on secured bank loans (note 25)	**(4,122)**	(4,923)
Other interest	**(335)**	(726)
Interest on the US$350m bond (note 11)	**–**	(1,392)
Interest expense	**(4,457)**	**(7,041)**
Unwind of discount on mine rehabilitation (note 26)	**(506)**	(368)
Loss on discount of other receivables[1]	**(902)**	(1,625)
Loss from changes in the fair value of financial instruments[2]	**(3,007)**	(1,256)
Other[3]	**(1,166)**	(904)
Total	**(10,038)**	(11,194)

1 Mainly related to the effect of the discount of tax credits in Argentina and Peru.
2 Mainly due to the effect of the sale of the bonds in Argentina (2018: related to the fair value adjustments of the warrants of Red Eagle Mining Corporation acquired in 2017).
3 Includes the effect of the discount of the lease liabilities related to IFRS 16 (refer to note 2(a)).

14 Income tax expense

	Year ended 31 December 2019			Year ended 31 December 2018		
	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	**35,543**	**(3,599)**	**31,944**	8,338	–	8,338
Withholding tax	**3,253**	**–**	**3,253**			
	38,796	**(3,599)**	**35,197**	8,338	–	8,338
Deferred taxation						
Origination and reversal of temporary differences from continuing operations (note 28)	**(2,687)**	**(4,334)**	**(7,021)**	20,909	(4,822)	16,087
Effect of change in income tax rates[1]	**(1,230)**	**–**	**(1,230)**	–	–	–
	(3,917)	**(4,334)**	**(8,251)**	20,909	(4,822)	16,087
Corporate income tax	**34,879**	**(7,933)**	**26,946**	29,247	(4,822)	24,425
Current mining royalties						
Mining royalty charge (note 35)	**5,028**	**–**	**5,028**	4,494	–	4,494
Special mining tax charge (note 35)	**3,429**	**–**	**3,429**	2,746	–	2,746
Total current mining royalties	**8,457**	**–**	**8,457**	7,240	–	7,240
Total taxation charge/(credit) in the income statement	**43,336**	**(7,933)**	**35,403**	36,487	(4,822)	31,665

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 2021.

The weighted average statutory income tax rate was 30.9% for 2019 and 32.2% for 2018. 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 no tax related to items charged or credited to equity during the year ended 31 December 2019 (2018: 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	
	2019 US$000	2018 US$000
Profit from continuing operations before income tax	**76,842**	38,366
At average statutory income tax rate of 30.9% (2018: 32.2%)	**23,740**	12,352
Expenses not deductible for tax purposes	**360**	593
Adjustment related to Restricted Share Plan (RSP)	**(940)**	–
Change in statutory income tax rate	**1,230**	–
Deferred tax recognised on special investment regime[1]	**(2,590)**	(1,399)
Movement in unrecognised deferred tax[2]	**5,223**	2,915
Special mining tax and mining royalty deductible for corporate income tax	**(2,495)**	(2,136)
Other	**(2,288)**	(1,971)
Corporate income tax at average effective income tax rate of 28.9% (2018: 27.0%) before foreign exchange effect and withholding tax	**22,240**	10,354
Special mining tax and mining royalty[3]	**8,457**	7,240
Corporate income tax and mining royalties at average effective income tax rate of 39.9% (2018: 45.9%)	**30,697**	17,594
Foreign exchange rate effect[4]	**1,453**	14,071
Corporate income tax and mining royalties at average effective income tax rate of 41.8% (2018: 82.5%) before withholding tax	**32,150**	31,665
Withholding tax	**3,253**	–
Total taxation charge in the income statement at average effective tax rate 46.1% (2018: 82.5%) from continuing operations	**35,403**	31,665

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$836,000 (2018: income tax credit of US$412,000), the tax charge related to the Inmaculada mine unit depreciation of US$1,636,000 (2018: US$1,631,000), and the effect of not recognised tax losses of US$2,751,000 (2018: US$1,696,000).
3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 35).
4 The foreign exchange effect is composed of US$3,280,000 loss (2018: US$9,311,000 loss) from Argentina and a gain of US$1,827,000 (2018: US$4,760,000 loss) 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 2018 is the devaluation of the Argentinian peso.

15 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 2019 and 2018, EPS has been calculated as follows:

	As at 31 December	
	2019	2018
Basic earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.09**	0.05
Exceptional items (US$)	**(0.03)**	(0.02)
Total for the year and from continuing operations (US$)	**0.06**	0.03
Diluted earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.09**	0.05
Exceptional items (US$)	**(0.03)**	(0.02)
Total for the year and from continuing operations (US$)	**0.06**	0.03

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

	As at 31 December	
	2019	2018
Profit attributable to equity holders of the parent – continuing operations (US$000)	**28,954**	12,836
Exceptional items after tax – attributable to equity holders of the parent (US$000)	**18,644**	11,524
Profit from continuing operations before exceptional items attributable to equity holders of the parent (US$000)	**47,598**	24,360
Profit from continuing operations before exceptional items attributable to equity holders of the parent for the purpose of diluted earnings per share (US$000)	**47,598**	24,360

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

	As at 31 December	
	2019	2018
Basic weighted average number of ordinary shares in issue (thousands)	**510,562**	508,878
Effect of dilutive potential ordinary shares related to contingently issuable shares (thousands)	**538**	4,018
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	**511,100**	512,896

16 Property, plant and equipment

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2019							
Cost							
At 31 December 2018	**1,345,516**	**519,450**	**590,447**	**6,680**	**96,397**	**14,966**	**2,573,456**
Recognised on transition of IFRS 16	–	–	–	5,337	–	–	5,337
At 1 January 2019, after IFRS 16 adjustment	1,345,516	519,450	590,447	12,017	96,397	14,966	2,578,793
Additions	99,658	716	21,084	842	–	14,773[3]	137,073
Asset acquisition	–	–	218	–	–	–	218
Change in discount rate	–	–	–	–	3,249	–	3,249
Change in mine closure estimate	–	–	–	–	50	–	50
Disposals	–	–	(1,893)	(1,969)	–	–	(3,862)
Write-offs	–	–	(3,426)	–	–	(241)	(3,667)
Transfers and other movements[2]	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/(reversal of impairment), net	10,856	1,864	1,798	49	–	–	14,567
Transfers and other movements[2]	–	–	(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 there is a balance at 31 December 2019 related to Crespo project (US$27,693,000) that is not currently being depreciated as the unit is not operating.
2 Transfers and other movements include US$4,200,000 that was transferred from evaluation and exploration assets (note 17).
3 There were no borrowing costs capitalised in property, plant and equipment.

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2018							
Cost							
At 1 January 2018	**1,259,902**	**496,924**	**557,482**	**6,611**	**98,537**	**33,409**	**2,452,865**
Additions	83,106	754	18,888	82	–	19,447[3]	122,277
Change in discount rate	–	–	–	–	(1,126)	–	(1,126)
Change in mine closure estimate	–	–	–	–	(1,014)	–	(1,014)
Disposals	–	–	(156)	(212)	–	–	(368)
Write-offs	–	(176)	(1,094)	(392)	–	(21)	(1,683)
Transfers and other movements[2]	2,508	21,948	15,327	591	–	(37,869)	2,505
At 31 December 2018	**1,345,516**	**519,450**	**590,447**	**6,680**	**96,397**	**14,966**	**2,573,456**
Accumulated depreciation and impairment							
At 1 January 2018	**899,381**	**266,069**	**318,817**	**4,745**	**67,155**	**1,032**	**1,557,199**
Depreciation for the year	100,185	32,095	31,983	476	3,848	–	168,587
Disposals	–	–	(141)	(191)	–	–	(332)
Write-offs	–	(141)	(808)	(350)	–	–	(1,299)
Impairment/(reversal of impairment), net	–	–	–	–	–	–	–
Transfers and other movements[2]	129	1	57	27	–	(85)	129
At 31 December 2018	**999,695**	**298,024**	**349,908**	**4,707**	**71,003**	**947**	**1,724,284**
Net book amount at 31 December 2018	**345,821**	**221,426**	**240,539**	**1,973**	**25,394**	**14,019**	**849,172**

1 Within mining properties and development costs there is a balance at 31 December 2018 related to Crespo project (US$26,855,000) that is not currently being depreciated.
2 Transfers and other movements include US$2,379,000 that was transferred from evaluation and exploration assets (note 17).
3 Includes borrowing costs capitalised in property, plant and equipment amounting to US$239,000. The capitalisation rate used was 2.88%.

16 Property, plant and equipment continued

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.

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).

In 2018, management determined there were triggers of impairment in the San Jose mine unit due to the devaluation of the US$, inflation and the new export tax approved in Argentina since September 2018. The impairment test result did not show a difference versus the carrying value given that the level of devaluation offset inflation and the new export tax. Therefore, no impairment was recognised.

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

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

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

2019

US$ per oz.	2020	2021	2022	2023	2024	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%

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

2018

US$ per oz.	2019	2020	2021	2022	2023	Long-term
Gold	1,251	1,258	1,237	1,218	1,300	1,300
Silver	15.70	16.9	17.1	16.6	18.0	18.0

	San Jose
Discount rate (post tax)	9.5%

A period of six years was used to make the cash flow projections of the San Jose mine unit which reflects its life-of-mine.

31 December 2018 (US$000)	San Jose
Current carrying value of CGU, net of deferred tax	138,877

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

Sensitivity analysis

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

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

	US$000	
	San Jose	Pallancata
Gold and silver prices (decrease by 10%)	(62,700)	(19,900)
Gold and silver prices (increase by 5%)[1]	17,839	8,500
Production costs (increase by 10%)	(38,000)	(11,300)
Production costs (decrease by 10%)[1]	17,839	10,600
Production volume (decrease by 10%)	(28,700)	(6,000)
Production volume (increase by 10%)[1]	17,839	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 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.

Lease contracts

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:

US$000	
Depreciation expense for right-of-use assets	(2,454)
Interest expense in lease liabilities	(96)
Expense relating to short-term leases (included in cost of sales, administrative, exploration and other expenses)	(4,985)
Expense relating to leases of low-value assets (included in cost of sales, administrative, exploration and other expenses)	(1,233)
Variable lease payments (included in cost of sales)	(3,470)
Total amount recognised in profit or loss	**(12,238)**

The Group had total cash outflows for leases of US$12,194,000 in 2019 (US$14,133,000 in 2018). 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$5,527,000.

17 Evaluation and exploration assets

	Azuca US$000	Crespo US$000	San Felipe US$000	BioLantanidos US$	Volcan US$000	Others US$000	Total US$000
Cost							
Balance at 1 January 2018	**81,599**	**26,239**	**55,450**	**–**	**94,452**	**12,668**	**270,408**
Additions	427	360	–	–	230	9,204	10,221
Transfers to property, plant and equipment	–	–	–	–	–	(2,508)	(2,508)
Balance at 31 December 2018	**82,026**	**26,599**	**55,450**	**–**	**94,682**	**19,364**	**278,121**
Asset acquisition (note 3)	–	–	–	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	–	–	–	–	–	(4,236)	(4,236)
Balance at 31 December 2019	**82,713**	**27,242**	**–**	**60,507**	**95,452**	**21,153**	**287,067**
Accumulated impairment							
Balance at 1 January 2018	45,876	9,878	17,470	–	44,381	5,404	123,009
Transfers to property, plant and equipment	–	–	–	–	–	(129)	(129)
Balance at 31 December 2018	**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	–	–	–	–	–	(31)	(31)
Balance at 31 December 2019	**45,876**	**9,878**	**–**	**–**	**44,381**	**5,370**	**105,505**
Net book value as at 31 December 2018	36,150	16,721	37,980	–	50,301	14,089	155,241
Net book value as at 31 December 2019	**36,837**	**17,364**	**–**	**60,507**	**51,071**	**15,783**	**181,562**

At 31 December 2019, the Group has recorded an impairment charge with respect to evaluation and exploration assets of the Pallancata mine unit of US$126,000 (the calculation of the recoverable values is detailed in note 16).

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 (refer to note 23).

18 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 2018	22,157	26,583	1,872	6,686	57,298
Additions	–	–	13	1,894	1,907
Transfer	–	–	3	–	3
Balance at 31 December 2018	**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**
Accumulated amortisation and impairment					
Balance at 1 January 2018	14,163	12,686	1,529	4,376	32,754
Amortisation for the year[4]	1,113	–	212	766	2,091
Balance at 31 December 2018	**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**
Net book value as at 31 December 2018	6,881	13,897	147	3,438	24,363
Net book value as at 31 December 2019	**5,671**	**13,897**	**26**	**2,765**	**22,359**

1 The transmission line is amortised using the units of production method. At 31 December 2019 the remaining amortisation period is approximately six years (2018: seven years).
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$6.60 per gold equivalent ounce of resources at 31 December 2019 (2018: US$6.70). The risk adjusted enterprise value figure has been determined using a combination of level 2 and level 3 inputs, 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 2019 the remaining amortisation period is from 4 to 14 years (2018: 5 to 20 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 2019 and 2018. The estimated recoverable amount is not materially different to its carrying value.

Key assumptions

	2019	2018
Risk adjusted value per in-situ (gold equivalent ounce) US$	**6.60**	6.70

US$000	**2019**	2018
Current carrying value Volcan CGU	**64,968**	64,198

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)	**2019**	2018
Value per in-situ ounce (10% decrease)	**(6,297)**	(6,407)
Value per in-situ ounce (10% increase)	**6,297**	6,407
Risk factor (increase by 5%)	**(4,844)**	(1,725)
Risk factor (decrease by 5%)	**4,844**	1,725

19 Financial assets at fair value through OCI

	As at 31 December	
	2019 US$000	2018 US$000
Beginning balance	**5,296**	6,264
Acquisitions[1]	**1,100**	6,433
Fair value change recorded in OCI	**3,628**	(6,447)
Disposals[2]	**(421)**	(954)
Transfer of shares (note 3)	**(3,444)**	–
Ending balance	**6,159**	5,296

1 Corresponds to the purchase of 147,831,737 shares of REE UNO (US$500,000), and 452,200 shares of Americas Silver Corporation (ASC) (US$600,000) (note 23) (2018: Purchase of 591,326,947 shares of REE UNO (US$2,000,000), 7,519,331 shares of Skeena Resources Limited (Skeena) (US$4,313,000) and 15,600 shares of Cobalt Power Group (US$120,000)).
2 As the investments were not considered to be strategic, 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 (2018: Sale of 14,545,454 shares of Red Eagle and 3,383,000 shares of SCSM with a fair value at the date of sale of US$799,000 and US$155,000, generating a loss on disposal of US$2,514,000 and US$546,000 respectively).

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

The fair value at 31 December 2019 and 31 December 2018 is as follows:

	US$000	
	2019	2018
Listed equity investments:		
Power Group Projects Corp (formerly Cobalt Power Group)	**28**	53
Santa Cruz Silver Mining	**–**	435
Revelo Resources Corp.	**4**	4
Skeena Resources Limited	**3,937**	1,599
Goldspot Discoveries Inc.	**755**	–
Americas Silver Corporation	**1,417**	–
Empire Petroleum Corp.	**18**	19
Total listed equity investments	**6,159**	2,110
Non-listed equity investments:		
Pembrook Mining Corp.	**–**	–
ECI Exploration and Mining Inc.	**–**	–
Goldspot Discoveries Inc.	**–**	1,240
REE UNO SpA	**–**	1,946
Total non-listed equity investments	**–**	3,186
Total	**6,159**	5,296

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.

20 Trade and other receivables

	As at 31 December			
	2019		2018	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade receivables (note 36(c) and 36(e))	**–**	**37,799**	–	45,201
Advances to suppliers	**–**	**3,810**	–	2,950
Duties recoverable from exports of Minera Santa Cruz[1]	**664**	**–**	1,546	1,788
Receivables from related parties (note 30(a))	**–**	**569**	–	76
Loans to employees	**726**	**177**	744	206
Interest receivable	**–**	**178**	–	66
Receivable from Kaupthing, Singer and Friedlander Bank	**–**	**197**	–	195
Other[2]	**1,671**	**11,496**	723	12,591
Provision for impairment[3]	**–**	**(6,766)**	–	(5,997)
Assets classified as receivables	**3,061**	**47,460**	3,013	57,076
Prepaid expenses	**800**	**2,281**	8	2,028
Value Added Tax (VAT)[4]	**1,327**	**23,877**	2,430	19,632
Total	**5,188**	**73,618**	5,451	78,736

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 (2018: 24 months) at a rate of 22.24% (2018: 9.98%) for dollar denominated amounts and 48.93% (2018: 57.00%) for Argentinian pesos. The loss on the unwinding of the discount is recognised within finance costs.
2 Mainly corresponds to account receivables from contractors for the sale of supplies of US$6,235,000 (2018: US$6,111,000), and other tax claims of US663,000 (2018: US$3,227,000).
3 Includes the provision for impairment of trade receivable from customers in Peru of US$1,533,000 (2018: US$1,554,000), the impairment of deposits in Kaupthing, Singer and Friedlander of US$197,000 (2018: US$195,000), the impairment of the account receivable from a third party of US$4,626,000 (2018: US$3,233,000) and other receivables of US$410,000 (2018: US$1,015,000).
4 Primarily relates to US$12,832,000 (2018: US$11,462,000) 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$7,724,000 (2018: US$6,248,000) and Empresa de Transmisión Aymaraes S.A.C. of US$2,435,000 (2018: US$3,569,000). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

	Individually impaired US$000
At 1 January 2018	**4,594**
Provided for during the year (note 12)	5,884
Released during the year[1]	(4,481)
At 31 December 2018	**5,997**
Provided for during the year (note 12)	3,706
Released during the year[1]	(2,937)
At 31 December 2019	**6,766**

1 Corresponds to the release of the provision of US$5,000 (2018: increase of US$2,000) and write off of US$2,932,000 (2018: US$4,479,000).

As at 31 December 2019 and 2018, none of the financial assets classified as receivables (net of impairment) were past due.

21 Inventories

	As at 31 December	
	2019 US$000	2018 US$000
Finished goods valued at cost	**1,950**	1,543
Products in process valued at cost	**19,460**	16,085
Products in process accrual	**6,445**	8,030
Supplies and spare parts	**41,582**	37,765
	69,437	63,423
Provision for obsolescence of supplies	**(6,837)**	(5,388)
Total	**62,600**	58,035

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

Products in process include 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 2019 and 2018 the Group had no dore on hand included in products in process.

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

As part of the Group's short-term financing policies, it acquires pre-shipment loans which are guaranteed by the sales contracts. The Group has no such contracts as at 31 December 2019 (2018: $6,047,000) (refer to note 25).

The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US$112,383,000 (2018: US$111,485,000).

Movements in the provision for obsolescence comprise an increase in the provision of US$1,449,000 (2018: US$384,000) and the reversal of US$nil relating to the sale of supplies and spare parts, that had been provided for (2018: US$nil).

22 Cash and cash equivalents

	As at 31 December	
	2019 US$000	2018 US$000
Cash at bank	**331**	366
Liquidity funds[1]	**16**	–
Current demand deposit accounts[2]	**37,900**	43,095
Time deposits[3]	**128,110**	36,243
Cash and cash equivalents considered for the statement of cash flows	**166,357**	79,704

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 (2018: nil days).
2 Relates to bank accounts which are freely available and bear interest.
3 These deposits have an average maturity of seven days (2018: Average of 14 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 (2018: US$31,396,000). 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 (2018: US$2,000,000).

ASC has demonstrated its intention to pay the outstanding balance of US$3,750,000 during the first semester of 2020, and in consequence, as the sale is highly probable to be completed within 12 months of the year-end, the assets and liabilities were transfered to assets and liabilities related to asset held for sale, respectively.

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 17)	38,295
Total non-current assets	38,295
Liabilities	
Provision for mine closure (note 26)	(899)
Deferred income	(33,646)
Total liabilities directly associated with assets held for sale	(34,545)
Net assets directly associated with assets held for sale	3,750

24 Trade and other payables

	As at 31 December			
	2019		2018	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade payables[1]	**–**	**75,252**	–	69,568
Salaries and wages payable[2]	**–**	**26,956**	–	36,272
Dividends payable	**–**	**37**	–	2,247
Taxes and contributions	**6**	**5,220**	14	6,314
Guarantee deposits	**–**	**5,440**	–	7,922
Mining royalties (note 35)	**–**	**607**	–	506
Accounts payable to related parties (note 30(a))	**–**	**192**	–	7
Liabilities related to right-of-use assets	**–**	**2,577**	–	–
Other	**520**	**4,256**	773	2,639
Total	**526**	**120,537**	787	125,475

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 2019, there was Board members' remuneration payable of US$184,000 (2018: US$nil) and no long-term incentive plan payable (2018: US$8,215,000).

25 Borrowings

	As at 31 December					
	2019			2018		
	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 20)		**–**	**–**	4.0% to 5.0%	–	6,047
Bank loans	**3.05%**	**199,308**	**234**	2.43% to 3.00%	50,000	101,020
Total		**199,308**	**234**		50,000	107,067

(a) Secured bank loans:

Short-term bank loans:

As at 31 December 2018 the Group held two credit agreements signed by Minera Ares with BBVA Continental with an interest rate of 2.70% and Scotiabank with an interest rate of 3.00%. Both loans were repaid during the year. The carrying value including accrued interest payable at 31 December 2018 was US$50,581,000 and US$50,111,000 respectively.

Medium-term bank loans:

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

As at 31 December 2018, the Group held two credit agreements signed by Minera Ares with Nova Scotia Bank with an interest rate of 2.43% and Citibank with an interest rate of 2.43%. The carrying value including accrued interest payable at 31 December 2018 is US$25,164,000 and US$25,164,000 respectively and theywere fully repaid during 2019.

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Between 1 and 2 years	**–**	50,000
Between 2 and 5 years	**199,308**	–
Over 5 years	**–**	–
Total	**199,308**	50,000

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

	Carrying amount as at 31 December		Fair value as at 31 December	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Secured bank loans	**199,308**	50,000	**186,653**	47,353
Total	**199,308**	50,000	**186,653**	47,353

The movement in borrowings during the year is as follows:

	As at 1 January 2019 US$000	Additions US$000	Repayments US$000	Reclassifications US$000	**As at 31 December 2019 US$000**
Current					
Bank loans	107,067	120,622	(227,455)	–	**234**
	107,067	120,622	(227,455)	–	**234**
Non-current					
Bank loans	50,000	199,308	(50,000)	–	**199,308**
	50,000	199,308	(50,000)	–	**199,308**
Accrued interest	(1,067)	(4,122)	4,955	–	**(234)**
Before accrued interest	156,000	315,808	(272,500)	–	**199,308**

26 Provisions

	Provision for mine closure[1] US$000	Long-Term Incentive Plan[2] US$000	Workers' profit sharing US$000	Other US$000	Total US$000
At 1 January 2018	**100,069**	**5,831**	**–**	**4,410**	**110,310**
Additions	–	3,386	–	140	3,526
Accretion (note 13)	368	–	–	–	368
Change in discount rate	(1,609)	–	–	–	(1,609)
Change in estimates	(479)	–	–	–	(479)
Foreign exchange effect	–	–	–	(1,614)	(1,614)
Transfer to trade and other payables	–	(8,215)	–	–	(8,215)
Payments	(4,494)	–	–	–	(4,494)
At 31 December 2018	**93,855**	**1,002**	**–**	**2,936**	**97,793**
Less: current portion	1,986	–	–	1,167	3,153
Non-current portion	**91,869**	**1,002**	**–**	**1,769**	**94,640**
At 1 January 2019	**93,855**	**1,002**	**–**	**2,936**	**97,793**
Additions/(reduction)	–	(184)	5,965	(71)	5,710
Accretion (note 13)	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 liabilities directly associated with assets held for sale (note 23)	(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**

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 quantitative easing as at 31 December 2019 and 2018 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 0.00% (2018: 0.30%). Expected cash flows will be over a period from one to eighteen years (2018: over a period from one to nineteen years).

Based on the internal and external reviews of mine rehabilitation estimates, the provision for mine closure increased by US$12,878,000 mainly due to increase in the Ares mine unit (US$7,787,000) and Sipan mine unit (US$5,264,000) (2018: decreased by US$479,000, mainly due to the decrease in the Selene mine unit (US$1,131,000) and Inmaculada mine unit (US$903,000), partially offset by the increase in the Arcata mine unit (US$1,745,000).

A 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 was recognised directly in the income statement (2018: a net charge of US$52,000 related to changes in estimates (US$535,000) and credit for discount rates (US$483,000) for mines already closed).

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	10,087
Discount rate (increase by 0.5%) (decrease of provision)	(2,201)

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) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash (refer to note 27(c)(iv)), (ii) 2018 awards, granted in May 2018, payable in May 2021, as 50% in cash (refer to note 27(c)(iii)), (iii) 2017 awards, granted in March 2017, payable in March 2020 with a result of US$nil. Only employees who remain in the Group's employment on the vesting date will be entitled to vested awards, subject to exceptions approved by the Remuneration Committee of the Board. There are two parts to the performance conditions attached to LTIP awards: 70% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, and 30% is subject to the Company's TSR ranking relative to the constituents of the FTSE350 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 decrease to the provision of US$184,000 (2018: US$3,386,000 increase) has been recorded as administrative expenses US$172,000 (2018: US$3,203,000) and exploration expenses US$12,000 (2018: US$183,000).

The following table lists the inputs to the Monte Carlo model used for the LTIPs as at 31 December 2019 and 2018, respectively:

	LTIP 2017		LTIP 2018		LTIP 2019	
For the period ended	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
Dividend yield (%)	**–**	1.80	**1.73**	1.80	**1.73**	–
Expected volatility (%)	**–**	2.41	**2.70**	3.51	**2.70**	–
Risk–free interest rate (%)	**–**	0.71	**0.61**	0.71	**0.53**	–
Expected life (years)	**–**	1	**1**	2	**2**	–
Weighted average share price (pence £)	**–**	240.88	**235.08**	235.08	**161.37**	–

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

27 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2019 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	513,875,563	£128,468,891

The issued share capital of the Company as at 31 December 2018 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	510,553,920	£127,638,480

At 31 December 2019 and 2018, all issued shares with a par value of 25 pence each were fully paid (2019: weighted average of US$0.441 per share, 2018: 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 2018	507,232,310	224,315	438,041
Shares issued according to the Restricted Share Plan benefit on 2 January 2018 at GBP 0.25	1,660,805	564	–
Shares issued according to the Restricted Share Plan benefit on 31 December 2018 at GBP 0.25	1,660,805	530	–
Shares issued as at 31 December 2018	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

On 2 January 2018 the Company issued 1,660,805 ordinary shares and on 31 December 2018 the Company issued 1,660,805 ordinary shares, under the Restricted Share Plan, to certain employees of the Group.

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(n)).

The movement in Treasury shares are as follows:

- On 5 April 2018, the Group purchased 205,400 shares for a total consideration of £414,000 (equivalent to US$579,000).
- On 20 March 2018, 40,383 Treasury shares with a value of US$84,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Deferred Bonus Plan benefit.
- On 5 April 2018, 232,172 Treasury shares with a value of US$635,000 (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 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.

At 31 December 2019 the balance of Treasury shares is nil (31 December 2018: 42) ordinary shares with a value of US$nil (31 December 2018: US$115).

27 Equity continued

(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.

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) Restricted Share Plan ('RSP')
At the beginning of 2015, the Group introduced the RSP, which is a new 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.

Under the RSP of the Group, on 30 December 2014 and 16 February 2015, 1,319,392 and 6,026,089 share options with a fair value of 86.8p (US$1.35) and 92.3p (US$1.42) per share were granted to the CEO and certain key employees. Following the rights issue in October 2015, the number of share options were adjusted to 1,491,572 and 6,812,485 with a fair value of 76.7p (US$1.19) and 81.6p (US$1.25) per share, respectively.

The vesting of the options is subject to the satisfaction of certain performance as well as service conditions classified as non-market conditions. The options vest over a five-year period in tranches of 20% of the shares after each of two, three and four years and the balance after five years.

If the service conditions are not met, the options lapse. As the performance conditions are non-market-based they are not reflected in the fair value of the award at grant date, and therefore the Group will assess the likelihood of these conditions being met with a relevant adjustment to the cumulative charge as required at each financial year end.

The fair value of the option was determined with respect to the market price of the shares on the grant date. The awards do not entitle the recipients to dividends or payment in lieu of dividends during the vesting period.

The RSP does not have an exercise price.

The carrying amount of the share-based payment reserve relating to the RSP at 31 December 2019 is US$nil (2018: US$3,289,000) with the amount recognised in the consolidated income statement of US$843,000 (2018: US$1,374,000).

The movement in other reserves is as follows:

US$000	
Balance at 1 January 2018	6,047
Vesting at 30 December 2017, shares issued on 2 January 2018 at GBP 0.25 (refer to (a))	(2,066)
Vesting at 30 December 2018, shares issued on 31 December 2018 at GBP 0.25 (refer to (a))	(2,066)
Expense recognised in the period	1,374
Balance at 31 December 2018	3,289
Vesting at 30 December 2019, shares issued on 31 December 2019 at GBP 0.25 (refer to (a))	(4,132)
Expense recognised in the period	843
Balance at 31 December 2019	**–**

The balance of shares pending to vest at 31 December 2019 is nil (2018: 3,321,643) ordinary shares. The remaining contract life is nil (2018: one year).

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 2018	4,982,448
Shares vested on 30 December 2018	(1,660,805)
Balance of shares pending to vest at 31 December 2018	3,321,643
Shares vested on 30 December 2019	(3,321,643)
Balance of shares pending to vest at 31 December 2019	**–**

(ii) 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 2019 is US$1,047,000 (2018: US$1,359,000) with the amount recognised in the consolidated income statement of US$203,000 (2018: US$311,000).

As at 31 December 2017, 1,076,122 ordinary shares were pending to vest. The vesting percentage of the 25% of the award (269,030 shares) resulted in 86.3% and on 5 April 2018 the CEO received 232,172 Treasury shares, and US$140,000 was transferred from the share-based payment reserve to retained earnings.

As at 31 December 2018, 807,091 ordinary shares were pending to vest. The vesting percentage of the 25% of the award (269,030 shares) resulted in 43% and on 22 March 2019 the CEO received 115,682 Treasury shares, and US$206,000 was transferred from the share-based payment reserve to retained earnings.

As at 31 December 2019, 538,061 ordinary shares are pending to vest (31 December 2018: 807,091 ordinary shares).

The remaining contract life is 80 days (2018: 1.2 years).

The movement in other reserves is as follows:

US$000	
Balance at 1 January 2018	1,543
Expense recognised in the period	311
Vesting at 20 March 2018, treasury shares received by the CEO on 5 April 2018 with a value of US$2.73 per share totalling US$635,000 (refer to (b))	(495)
Balance at 31 December 2018	**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**

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 2018	1,076,122
Shares lapsed on 20 March 2018 (25% of the award)	(36,859)
Shares vested on 20 March 2018	(232,172)
Balance of shares pending to vest at 31 December 2018	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**

(iii)Long-Term Incentive Plan ('LTIP')
On 25 May 2018 the Group approved the 2018 LTIP and on 11 February 2019 the 2019 LTIP. The award gives a right to receive a cash payment equivalent to 50% of the prize (cash-settled transaction) (refer to note 26(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 LTIPs 2018 and 2019:

	LTIP 2019	LTIP 2018
Dividend yield (%)	**1.46**	1.18
Expected volatility (%)	**2.90**	5.2
Risk–free interest rate (%)	**0.42**	0.55
Expected life (years)	**2.4**	2.6
Weighted average share price (pence £)	**161.37**	235.08

The remaining contract life is 1.4 years (2018: 2.4 years) and 2.1 years for the 2018 LTIP and 2019 LTIP respectively.

The movement in other reserves is as follows:

	LTIP 2018 US$000	LTIP 2019 US$000
Balance at 1 January 2018	–	–
Expense recognised in the period	212	–
Balance at 31 December 2018	212	–
Expense recognised in the period	354	551
Balance at 31 December 2019	**566**	**551**

No shares vested during the period (2018: nil).

28 Deferred income tax

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

	As at 31 December 2019 US$000	2018 US$000
Beginning of the year	**(69,727)**	(53,640)
Income statement charge/(credit) (note 14)	**8,251**	(16,087)
End of the year	**(61,476)**	(69,727)

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 2018	44,122	69,333	201	1,627	115,283
Income statement (credit)/charge	(3,908)	14,255	809	49	11,205
At 31 December 2018	**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**

	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 2018	30,672	19,483	1,839	802	8,847	61,643
Income statement credit/(charge)	(4,374)	(1,080)	(1,635)	(109)	2,316	(4,882)
At 31 December 2018	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**

1 Credit/(charge) in the period mainly related to inventory of US$1,149,000 (2018: US$635,000), statutory holiday provision of US$866,000 (2018: US$1,113,000) and Long-Term incentive Plan of US$574,000 (2018: US$2,655,000).

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

	As at 31 December 2019 US$000	2018 US$000
Deferred income tax assets	**1,627**	1,504
Deferred income tax liabilities	**(63,103)**	(71,231)

Unrecognised tax losses expire in the following years:

	As at 31 December 2019 US$000	2018 US$000
Expire in one year	**–**	465
Expire in two years	**4,843**	–
Expire in three years	**2,990**	4,511
Expire in four years		2,861
Expire after four years	**128,109**	121,583
	135,942	129,420

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

	As at 31 December 2019 US$000	2018 US$000
Provision for mine closure[1]	**7,456**	6,596

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 2019 and 2018, 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.

29 Dividends

	2019 US$000	2018 US$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2018: 1.959 US cents per share (2017: 1.965 US cents per share)	**10,002**	9,999
Interim dividend for 2019: 2.000 US cents per share (2018: 1.965 US cents per share)	**10,211**	10,000
Total dividends paid on ordinary shares	**20,213**	19,999
Proposed dividends on ordinary shares:		
Final dividend for 2019: 2.335 US cents per share (2018: 1.959 US cents per share)	**12,000**	10,002
Dividends declared to non-controlling interests: 0.05 US$ per share (2018: 0.08 US$ per share)	**8,859**	13,039
Total dividends declared to non-controlling interests	**8,859**	13,039

Dividends per share

The interim dividend paid in September 2019 was US$10,000,211 (2.000 US cents per share). A proposed dividend in respect of the year ending 31 December 2019 of 2.335 US cents per share, amounting to a total dividend of US$12,000,000, is subject to approval at the Annual General Meeting to be held on 21 May 2020 and is not recognised as a liability as at 31 December 2019.

30 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 2019 and 2018. 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	
	2019 US$000	2018 US$000	2019 US$000	2018 US$000
Current related party balances				
Cementos Pacasmayo S.A.A.[1]	**569**	76	**56**	7
Tecsup[2]	**–**	–	**41**	–
Universidad UTEC[2]	**–**	–	**95**	–
Total	**569**	76	**192**	7

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo S.A.A. The account payable relates to the payment of rentals.
2 Peruvian not for profit educational institutions controlled by Eduardo Hochschild.

As at 31 December 2019 and 2018, all accounts are, or were, non-interest bearing.

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

Principal transactions between affiliates are as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Expenses		
Expense recognised for the rental paid to Cementos Pacasmayo S.A.A.	**(200)**	(200)
Expense recognised for the interests generated by the short-term loan from Banco de Credito del Peru	**(480)**	–

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

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

(b) Compensation of key management personnel of the Group

	As at 31 December	
Compensation of key management personnel (including Directors)	2019 US$000	2018 US$000
Short-term employee benefits	**7,911**	6,619
Long-Term Incentive Plan, Deferred Bonus Plan and Restricted Share Plan	**1,184**	2,899
Total compensation paid to key management personnel	**9,095**	9,518

This amount includes the remuneration paid to the Directors of the parent company of the Group of US$4,238,000 (2018: US$4,601,000).

31 Auditor's remuneration

The auditor's remuneration for services provided to the Group during the years ended 31 December 2019 and 2018 is as follows:

	Amounts paid to Ernst & Young in the year ended 31 December	
	2019 US$000	2018 US$000
Audit fees pursuant to legislation[1]	**730**	597
Audit-related assurance services	**65**	53
Taxation compliance services	**–**	9
Other non-audit services[2]	**4**	–
Total	**799**	659

1 The total audit fee in respect of local statutory audits of subsidiaries is US$368,000 (2018: US$340,000).
2 Related to the advice on the depreciation accounting policies in use by the Group.

In 2019 and 2018, all fees are included in administrative expenses.

32 Notes to the statement of cash flows

	As at 31 December	
	2019 US$000	2018 US$000
Reconciliation of loss for the year to net cash generated from operating activities		
Profit for the year	**41,439**	6,701
Adjustments to reconcile Group loss to net cash inflows from operating activities		
Depreciation (note 4(a))	**185,167**	163,639
Amortisation of intangibles (note 18)	**2,069**	2,091
Write-off of assets	**1,449**	384
Provision of doubtful receivable	**3,706**	5,656
Impairment of assets (note 11)	**14,378**	–
Gain on sale of available-for-sale financial assets, net		–
Loss/(gain) on sale of property, plant and equipment	**(4)**	(61)
Provision for obsolescence of supplies	**853**	384
Increase/(decrease) of provision for mine closure	**13,398**	52
Finance income	**(2,938)**	(2,048)
Finance costs	**10,038**	28,796
Income tax expense	**35,403**	31,666
Other	**5,391**	9,045
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	**(9,748)**	(16,242)
Income tax receivable		–
Other financial assets and liabilities	**47**	–
Inventories	**(6,950)**	(1,741)
Trade and other payables	**(8,344)**	648
Provisions	**4,962**	(6,303)
Cash generated from operations	**290,316**	222,667

33 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	
	2019 US$000	2018 US$000
Commitment for the subsequent 12 months	**2,245**	1,100
More than one year	**28,802**	46,369

(b) Lease commitments

As at 31 December 2019 and 31 December 2018, the future aggregate minimum lease payments under the operating lease agreements are as follows:

	US$000
Not later than one year	1,746
Later than one year and not later than five years	702

The Group has various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts are US$4,895,000 within one year, and US$632,000 in one to two years mainly related to the rental of vehicles and offices.

(c) Capital commitments

	For the year ended 31 December	
	2019 US$000	2018 US$000
Peru	**35,370**	33,625
Chile	**983**	–
Argentina	**4,487**	2,564
	40,840	36,189

34 Contingencies

As at 31 December 2019 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 2019, the Group had exposures totalling US$29,334,000 (2018: US$26,345,000) which are assessed as 'possible', rather than 'probable'. No amounts have been provided in respect of these items. This predominantly relates to potential tax penalties and related interest on intercompany loans.

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 they have made adequate provision for any future outflow of resources and no additional provision is required 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 26 (1)).

35 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.

d) In the case of the Arcata mine unit, the Company left the tax stability agreement, but has maintained the agreement for the mining royalties, such that the Arcata unit is liable for the new SMT but the mining royalties remain payable at the same rate as they were, before the modification in 2011. The tax stability agreement expired on 31 December 2018, therefore as of 1 January 2019 the mining royalty of Arcata is calculated as for the other mining units.

As at 31 December 2019, the amount payable as under the former mining royalty (for the Arcata mining unit), the new mining royalty (for the Arcata, Pallancata and Inmaculada mining units), and the SMT amounted to US$nil (2018: US$39,000), US$1,263,000 (2018: US$975,000), and US$1,196,000 (2018: US$279,000) respectively. The former mining royalty is recorded as 'Trade and other payables', and the new mining royalty and SMT as 'Income tax payable' in the statement of financial position. The amount recorded in the income statement was US$nil (2018: US$561,000) representing the former mining royalty, classified as cost of sales, US$5,028,000 (2018: US$4,494,000) of new mining royalty and US$3,429,000 (2018: US$2,727,000) 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 2019, the amount payable as mining royalties amounted to US$607,000 (2018: US$467,000). The amount recorded in the income statement as cost of sales was US$6,412,000 (2018: US$5,296,000).

36 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 2019 and 2018 the Group had no hedging instruments.

At 31 December 2019 and 2018 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 5). 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
2019	**Gold +/-10%** **Silver+/-10%**	**+/-599** **+/-895**
2018	Gold +/-10% Silver+/-10%	+/-111 +/-456

(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
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**	**–**
2018			
Pounds sterling	+/-10%	+/-23	–
Argentinian pesos	+/-10%	+/-40	–
Mexican pesos	+/-10%	+/-939	–
Peruvian nuevos soles	+/-10%	-/+334	–
Canadian dollars	+/-10%	+/-8	+/-343
Chilean pesos	+/-10%	-/+92	+/-195

36 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 receivables, embedded derivatives and cash balances in banks as at 31 December 2019 and 31 December 2018:

Summary commercial partners	**As at 31 December 2019 US$000**	**% collected as at 17 February 2020**	As at 31 December 2018 US$000	% collected as at 19 February 2019
Trade receivables	**37,799**	**64%**	45,201	63%

Cash and cash equivalents – Credit rating[1]	**As at 31 December 2019 US$000**	As at 31 December 2018 US$000
A+	**32,005**	–
A	**–**	10,165
A-	**72,494**	3,744
AA+	**1,161**	–
AAA	**229**	–
BBB+	**49,998**	65,102
BBB	**9,792**	37
NA	**678**	656
Total	**166,357**	79,704

1 Represents the long-term credit rating as at 4 February 2020 (2018: 31 January 2019).

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 36(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 2019 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$1,540,000 (31 December 2018: +/-US$528,000) recognised in equity.

(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 2019 and 2018, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31 December 2019 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (note 19)	**6,159**	6,159	–	–
Trade receivables (note 20)	**37,799**	–	–	37,799

Assets measured at fair value	31 December 2018 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (note 19)	5,296	2,110	–	3,186
Warrants	47	47	–	–
Trade receivables (note 20)	45,201	–	–	45,201

During the period ending 31 December 2019 and 2018, there were no transfers between these levels.

The reconciliation of the financial instruments categorised as level 3 is as follows:

	Unlisted equity shares US$000	Trade receivables/ price adjustments US$000
Balance at 1 January 2018	581	43,201
Acquisitions	2,120	–
Fair value adjustments recognised through OCI	485	–
Net change in trade receivables from goods sold	–	(2,297)
Changes in fair value of price adjustments	–	(5,646)
Realised price adjustments during the period	–	9,943
Balance at 31 December 2018	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	–	14,584
Realised price adjustments during the period	–	(17,099)
Balance at 31 December 2019	**–**	**37,799**

(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.

	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 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**
At 31 December 2018					
Trade and other payables	111,898	338	564	–	112,800
Borrowings	107,855	51,272	–	–	159,127
Total	219,753	51,610	564	–	271,927

36 Financial risk management continued

(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 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)**

	As at 31 December 2018				
	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	36,243	–	–	–	36,243
Liabilities	(107,067)	–	–	–	(107,067)
Floating rate					
Liabilities	–	(50,000)	–	–	(50,000)

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 +/-50bps change in interest rates has a -/+US$38,000 effect on profit before tax (2018: -/+US$479,000). The Group is exposed to fluctuations in market interest rates.

This assumes that the amount remains unchanged from that in place at 31 December 2019 and 2018 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.

(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 25 and 27).

In 2019 the Group collected US$315,808,000 net of transaction costs of US$692,000 (2018: US$266,500,000) due to proceeds of borrowings while US$272,500,000 (2018: US$463,393,000) 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.

37 Subsequent events

(a) Interest rate swap

On 14 February 2020 the Group signed an interest swap agreement with JP Morgan to fix the floating Libor interest rate of the medium-term loan of Minera Ares to 2.534%, effective from 17 March 2020.

(b) Sale of financial assets at fair value through OCI

In January 2020, the Group sold 7,339,331 shares of Skeena for a total consideration of CAD 7,030,000 (equivalent to US$5,337,00), generating a gain of US$1,093,000, recognised in OCI. Also, in January 2020, the Group sold 452,200 shares of ASC for a total consideration of CAD 1,651,000 (equivalent to US$1,257,000), generating a gain of US$657,000, recognised in OCI.

	Notes	As at 31 December 2019 US$000	2018 US$000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**1,815,913**	1,648,457
		1,815,913	1,648,457
Current assets			
Other receivables	6	**6,282**	8,392
Cash and cash equivalents	7	**554**	792
		6,836	9,184
Total assets		**1,822,749**	1,657,641
EQUITY AND LIABILITIES			
Equity share capital	8	**226,506**	225,409
Share premium	8	**458,267**	458,267
Other reserves		**2,164**	4,860
Retained earnings		**863,622**	719,736
Total equity		**1,550,559**	1,408,272
Non-current liabilities			
Trade and other payables	9	**1,166**	–
Provisions	10	**60**	71
		1,226	71
Current liabilities			
Trade and other payables	9	**270,964**	249,298
		270,964	249,298
Total liabilities		**272,190**	249,369
Total equity and liabilities		**1,822,749**	1,657,641

The profit of the Company after tax amounted to US$160,858,000 (2018: loss of US$686,831,000).

The financial statements were approved by the Board of Directors on 18 February 2020 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
18 February 2020

	Notes	As at 31 December 2019 US$000	2018 US$000
Reconciliation of loss for the year to net cash used in operating activities			
Profit for the year		**160,858**	(686,831)
Adjustments to reconcile Company profit to net cash outflows from operating activities			
Impairment/(reversal) of impairment on investment in subsidiary	5	**(165,984)**	687,553
Share-based payments		**1,951**	(1,543)
Finance income		**(36)**	(5,207)
Finance costs		**14**	11
Income tax		**–**	–
(Decrease)/increase of cash flows from operations due to changes in assets and liabilities			
Other receivables		**(1,925)**	(38)
Trade and other payables		**10,655**	385
Provision for Long-Term Incentive Plan		**691**	293
Cash generated/(used) in operating activities		**6,224**	(5,377)
Interest received		**25**	12
Net cash generated/(used) in operating activities		**6,249**	(5,365)
Cash flows from investing activities			
Repayment of loans		**4,014**	5,553
Dividends collected		**21**	–
Net cash generated from investing activities		**4,035**	5,553
Cash flows from financing activities			
Dividends paid		**(20,213)**	(19,999)
Purchase of treasury shares		**(309)**	(579)
Repayment of borrowings		**–**	(1,500)
Loans from subsidiaries		**10,000**	20,500
Cash flows used in financing activities		**(10,522)**	(1,578)
Net decrease in cash and cash equivalents during the year		**(238)**	(1,390)
Cash and cash equivalents at beginning of year		**792**	2,182
Cash and cash equivalents at end of year	7	**554**	792

					Other reserves			
	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Share-based payment reserve US$000	Total other reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2018		224,315	458,267	(140)	7,634	7,634	1,423,704	2,113,780
Other comprehensive income		–	–	–	–	–	–	–
Loss for the year		–	–	–	–	–	(686,831)	(686,831)
Total comprehensive profit for the year		–	–	–	–	–	(686,831)	(686,831)
Issuance of shares	8(a)	1,094	–	–	–	–	–	1,094
Exercise of share options	8(a)	–	–	719	(4,675)	(4,675)	2,862	(1,094)
Dividends		–	–	–	–	–	(19,999)	(19,999)
Purchase of treasury shares	8(b)	–	–	(579)	–	–	–	(579)
Share-based payments		–	–	–	1,901	1,901	–	1,901
Balance at 31 December 2018		**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		–	–	309	(4,647)	(4,647)	3,241	(1,097)
Dividends		–	–	–	–	–	(20,213)	(20,213)
Issuance of shares	8(a)	1,097	–	–	–	–	–	1,097
Purchase of treasury shares	8(b)	–	–	(309)	–	–	–	(309)
Share-based payments		–	–	–	1,951	1,951	–	1,951
Balance at 31 December 2019		**226,506**	**458,267**	**–**	**2,164**	**2,164**	**863,622**	**1,550,559**

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 Financial Reporting Standards (IFRS) as adopted by the European Union, as applied in accordance with 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 ability for the Company to continue as a going concern is dependent on Hochschild Mining Holdings Limited providing additional funding to the extent that the operating inflows of the Company are insufficient to meet future cash requirements. As Hochschild Mining Holdings Limited has committed to provide this support, is itself a going concern and can provide financial support if necessary, the Directors have prepared the financial statements for the Company 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 2019 and 31 December 2018. 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 consolidated financial statement 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 such as the impairment in subsidiaries 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. 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.

(h) Other receivables

Other 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.

(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 it operates.

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. 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.

(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.

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 Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in categories:

- Financial assets at amortised cost (debt instruments)

  The Company 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 Company's financial assets at amortised cost includes trade receivables.

- Financial assets at fair value through OCI (debt instruments)

  The Company does not have debt instruments at fair value through OCI.

- Financial assets designated at fair value through OCI (equity instruments)

  The Company does not have equity instruments at fair value through OCI.

– 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.

This category includes derivative instruments. 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 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 trade 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 derivative financial instruments.

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.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

– Loans and borrowings

This is the category most relevant to the Company. 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.

A detailed description of the Company's policies in respect of financial instruments is included in the Group's financial statements (note 2(u)).

(p) 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$160,858,000 (2018: loss of US$686,831,000).

4 Property, plant and equipment

At 31 December 2019 and 2018 the Company has property, plant and equipment with cost of equipment of US$265,000 which is fully depreciated.

There were no additions during 2018 and 2019.

5 Investments in subsidiaries

	Total US$000
Year ended 31 December 2018	
Cost	
At 1 January 2018	2,336,010
At 31 December 2018	2,336,010
Accumulated impairment	
At 1 January 2018	–
Impairment	687,553
At 31 December 2018	687,553
Net book value at 31 December 2018	1,648,457
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**

In 2019, the Company tested its investment in subsidiary for impairment reversal in light of increases in the prices of gold and silver, as well as 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$165,984,000.

In 2018, the Company tested its investment in subsidiary for impairment in light of decreases in the Company's publicly listed share price, which were determined to be indicators of impairment. As a result of this test, the Company recognised an impairment of the investment in Hochschild Mining Holdings Ltd. of US$687,553,000.

The recoverable value of the investment in Hochschild Mining Holdings Limited 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 2019 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 net debt held directly by the Company. 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 of US$155,274,000. A change in the control premium would have the following impact over the reversal of impairment recognised as follows:

	Total US$000
Control premium (increase by 5%)	223,524
Control premium (decrease by 5%)	86,953

The breakdown of the investments in subsidiaries is as follows:

	As at 31 December 2019			**As at 31 December 2018**		
Name	**Country of incorporation**	**Equity interest %**	**Carrying value US$000**	Country of incorporation	Equity interest %	Carrying value US$000
Hochschild Mining Holdings Limited	**England and Wales**	**100%**	**1,815,913**	England and Wales	100%	1,648,457
Total			**1,815,913**			1,648,457

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 Compañía Minera Ares S.A.C ('Minera Ares'), one of its indirectly held subsidiaries (note 9).

6 Other receivables

	Year ended 31 December	
	2019 US$000	2018 US$000
Amounts receivable from subsidiaries (note 11)	**6,188**	8,318
Prepayments	**93**	72
Receivable from Kaupthing, Singer and Friedlander	**197**	195
Other receivable	**1**	2
	6,479	8,587
Provision for impairment[1]	**(197)**	(195)
Total	**6,282**	8,392
Less current balance	**(6,282)**	(8,392)

The fair values of other receivables approximate their book values.

1 Corresponds to the balance of the impairment of cash deposits with Kaupthing, Singer and Friedlander of US$197,000 accrued in 2008 (2018: US$195,000).

Movements in the provision for impairment of receivables:

	Total US$000
At 1 January 2018	208
Provided for during the year	(13)
At 31 December 2018	195
Released during the year	2
At 31 December 2019	**197**

As at 31 December 2019 and 2018, none of the financial assets classified as receivables (net of impairment) were past due.

7 Cash and cash equivalents

	Year ended 31 December	
	2019 US$000	2018 US$000
Bank current account[1]	**420**	519
Time deposits[2]	**134**	273
Cash and cash equivalents considered for the cash flow statement	**554**	792

1 Relates to bank accounts which are freely available and bear interest.
2 These deposits have an average maturity of two days (2018: nil days).

8 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2019 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	513,875,563	£128,468,891

The issued share capital of the Company as at 31 December 2018 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	510,553,920	£127,638,480

At 31 December 2019 and 2018, all issued shares with a par value of 25 pence each were fully paid (2019: weighted average of US$0.441 per share, 2018: 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 2018	507,232,310	224,315	458,267
Shares issued according to the Restricted Share Plan benefit on 2 January 2018	1,660,805	564	–
Shares issued according to the Restricted Share Plan benefit on 31 January 2018	1,660,805	530	–
Shares issued as at 31 December 2018	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**

On 2 January 2018 the Company issued 1,660,805 ordinary shares and on 31 December 2018 the Company issued 1,660,805 ordinary shares, under the Restricted Share Plan, to certain employees of the Group.

On 31 December 2019 the Company issued 3,321,643 ordinary, 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 Company's Enhanced Long-Term Incentive Plan granted to the CEO (note 1(l)).

The movements in the Treasury shares are as follows:
- On 5 April 2018, the Group purchased 205,400 shares for a total consideration of £414,000 (equivalent to US$579,000).
- On 20 March 2018, 40,383 Treasury shares with a value of US$84,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Deferred Bonus Plan benefit.
- On 5 April 2018, 232,172 Treasury shares with a value of US$635,000 (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 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.

At 31 December 2019 the balance of Treasury shares is nil (31 December 2018: 42) ordinary shares with a value of US$nil (31 December 2018: US$115).

(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 27(c) to the consolidated financial statements for details of the share-based payment reserve at 31 December 2019 and 2018.

9 Trade and other payables

	As at 31 December			
	2019		2018	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade payables	**–**	**422**	–	447
Payables to subsidiaries (note 11)	**–**	**269,917**	–	247,776
Remuneration payable	**–**	**236**	–	904
Taxes and contributions	**–**	**94**	–	171
Financial guarantees[1]	**1,166**	**295**	–	–
Total	**1,166**	**270,964**	–	249,298

1 The Company provided financial guarantee to the bank loan entered into by its subsidiary Minera Ares. The financial guarantee was recognised at its fair value at initial recognition of US$1472,000. This fair value was determined through the use of certain Level 3 estimates, the most significant of which being the estimated rate of interest Minera Ares would have been charged were it not for the guarantee provided by the Company. The liability is subsequently amortised on a straight-line basis over the life of the guarantee.

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	
	2019 US$000	2018 US$000
Beginning balance	**71**	480
(Decrease)/increase in provision, net	**(11)**	(409)
At 31 December	**60**	71
Less: current portion	**–**	–
Non-current portion	**60**	71

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 July 2019, payable in February 2022 (ii) Long-Term Incentive Plan awards, granted in May 2018, payable in May 2021, and (iii) 2017 awards, granted in March 2017, payable in March 2020 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 26 to the consolidated financial statements for details of the LTIP awards and assumptions used for the valuation as at 31 December 2019 and 2018.

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 2019 and 31 December 2018.

	As at 31 December 2019		As at 31 December 2018	
	Accounts receivable US$000	**Accounts payable US$000**	Accounts receivable US$000	Accounts payable US$000
Subsidiaries				
Compañía Minera Ares S.A.C.1	**5,349**	**3,037**	7,590	1,894
Hochschild Mining Holdings Ltd.2	**–**	**266,860**	–	245,860
Other subsidiaries	**839**	**20**	728	22
Total	**6,188**	**269,917**	8,318	247,776

1 The account receivable mainly relates to the Deferred Bonus Plan, LTIP 2019 and LTIP 2018 (50% paid in shares), enhanced LTIP and Restricted Share Plan provision that are going to be paid by Hochschild Mining plc in shares on behalf of Minera Ares. The account payable mainly relates to the services performed by Minera Ares to Hochschild Mining plc, which during 2019 amounts to US$1,145,000 (2018: US$1,903,000). The Company provided certain financial guarantees on behalf of 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.

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$990,000 (2018: US$1,017,000).

12 Dividends paid and proposed

Dividends per share

The interim dividend paid in September 2019 was US$10,000,211 (2.000 US cents per share). A proposed dividend in respect of the year ending 31 December 2019 of 2.335 US cents per share, amounting to a total dividend of US$12,000,000, is subject to approval at the Annual General Meeting to be held on 21 May 2020 and is not recognised as a liability as at 31 December 2019 (refer to note 29 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 and Canadian dollars. 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
2019			
Pound sterling	**+/-10%**	**+/-14**	**–**
2018			
Pound sterling	+/-10%	+/-20	–

(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); and
- 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.

(c) Liquidity risk

Liquidity risk arises from the Company'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 Company's level of short- and medium-term liquidity and its access to credit lines on reasonable terms 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 equivalent held by the Company and Hochschild Mining Holdings Ltd at 31 December 2019 of US$554,000 (2018: US$792,000) and US$6,760,000 (2018: US$3,556,000) respectively. 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 2019					
Trade and other payables	**270,575**	**–**	**–**	**–**	**270,575**
At 31 December 2018					
Trade and other payables	249,174	–	–	–	249,174

The table below analyses the maximum amounts payable under financial guarantees provided to Compañía Minera Ares S.A.C. (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 2019					
Financial guarantees159[1]	**1,461**	**–**	**–**	**–**	**1,461**
At 31 December 2018					
Financial guarantees[1]	–	–	–	–	–

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 2019

Group (US$000)	Arcata	Pallancata	Inmaculada	San Jose	Consolidation adjustment and others	Total/HOC
Revenue	**5,081**	**147,598**	**352,143**	**250,715**	**139**	**755,676**
Cost of sales (pre-consolidation)	(6,958)	(131,415)	(207,463)	(169,799)	2,924	(512,711)
Consolidation adjustment	(172)	(1,644)	(1,264)	156	2,924	–
Cost of sales (post-consolidation)	(6,786)	(129,771)	(206,199)	(169,955)	–	(512,711)
Production cost excluding depreciation	(6,727)	(75,590)	(124,814)	(120,529)	–	(327,660)
Depreciation in production cost	(49)	(50,767)	(82,524)	(51,048)	–	(184,388)
Workers' profit sharing	–	(1,976)	(1,902)	–	–	(3,878)
Other items	–	–	–	(567)	–	(567)
Change in inventories	(10)	(1,438)	3,041	2,189	–	3,782
Gross profit	**(1,877)**	**16,183**	**144,680**	**80,916**	**3,063**	**242,965**
Administrative expenses	–	–	–	–	(45,920)	(45,920)
Exploration expenses	–	–	–	–	(37,965)	(37,965)
Selling expenses	(150)	(996)	(481)	(19,444)	–	(21,071)
Other income/(expenses)	–	–	–	–	(37,079)	(37,079)
Operating profit before impairment	(2,027)	15,187	144,199	61,472	(117,901)	100,930
Impairment and write-off of assets	–	–	–	–	(15,231)	(15,231)
Finance income	–	–	–	–	2,938	2,938
Finance costs	–	–	–	–	(10,038)	(10,038)
Foreign exchange loss	–	–	–	–	(1,757)	(1,757)
Profit/(loss) from continuing operations before income tax	**(2,027)**	**15,187**	**144,199**	**61,472**	**(141,989)**	**76,842**
income tax	–	–	–	–	(35,403)	(35,403)
Profit/(loss) for the year from continuing operations	**(2,027)**	**15,187**	**144,199**	**61,472**	**(177,392)**	**41,439**

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 161 to 163 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

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

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

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

The estimates of ore reserves and mineral resources are shown as at 31 December 2019, 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$1,300 per ounce and Ag price: US$16.0 per ounce.

Attributable metal reserves as at 31 December 2019

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS[1]						
Inmaculada						
Proved	2,326,765	170	4.3	12.7	324.0	40.6
Probable	3,286,326	111	2.6	11.8	276.8	35.6
Total	**5,613,091**	**136**	**3.3**	**24.5**	**600.7**	**76.1**
Pallancata						
Proved	773,843	322	1.2	8.0	29.6	10.6
Probable	121,375	255	1.1	1.0	4.3	1.4
Total	**895,218**	**313**	**1.2**	**9.0**	**33.9**	**11.9**
San Jose						
Proved	399,500	489	7.8	6.3	99.5	14.8
Probable	125,729	363	5.8	1.5	23.4	3.5
Total	**525,228**	**459**	**7.3**	**7.7**	**122.9**	**18.3**
GRAND TOTAL						
Proved	**3,500,108**	**240**	**4.0**	**27.0**	**453.1**	**66.0**
Probable	**3,533,429**	**125**	**2.7**	**14.2**	**304.4**	**40.4**
TOTAL	**7,033,537**	**182**	**3.3**	**41.2**	**757.5**	**106.4**

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 2019[1]

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
Operations							
Inmaculada							
Measured	2,230,000	214	5.54	691	15.4	397.5	49.5
Indicated	3,353,000	145	3.63	456	15.6	390.9	49.2
Total	**5,583,000**	**172**	**4.39**	**550**	**30.9**	**788.3**	**98.7**
Inferred	10,368,000	131	3.19	405	43.6	1,063.1	135.1
Pallancata							
Measured	1,635,000	364	1.51	493	19.1	79.1	25.9
Indicated	571,000	275	1.24	382	5.0	22.8	7.0
Total	**2,206,000**	**341**	**1.44**	**464**	**24.2**	**101.9**	**32.9**
Inferred	1,982,000	297	1.22	402	18.9	77.9	25.6
San Jose							
Measured	797,640	537	8.59	1,276	13.8	220.4	32.7
Indicated	503,370	364	6.04	883	5.9	97.7	14.3
Total	**1,301,010**	**470**	**7.61**	**1,124**	**19.7**	**318.1**	**47.0**
Inferred	905,760	356	5.62	839	10.4	163.6	24.4
GROWTH PROJECTS							
Crespo							
Measured	5,211,000	47	0.47	85	7.9	78.7	14.3
Indicated	17,298,000	38	0.40	70	20.9	222.5	39.0
Total	**22,509,000**	**40**	**0.42**	**74**	**28.8**	**301.0**	**53.2**
Inferred	775,000	46	0.57	92	1.1	14.2	2.3
Azuca							
Measured	191,000	244	0.77	307	1.5	4.7	1.9
Indicated	6,859,000	187	0.77	249	41.2	168.8	54.9
Total	**7,050,000**	**188**	**0.77**	**250**	**42.7**	**173.5**	**56.7**
Inferred	6,946,000	170	0.89	242	37.9	199.5	54.1
Volcan							
Measured	105,918,000	–	0.74	60	–	2,513.1	203.6
Indicated	283,763,000	–	0.70	57	–	6,368.0	515.8
Total	**389,681,000**	**–**	**0.71**	**57**	**–**	**8,881.1**	**719.4**
Inferred	41,553,000	–	0.50	41	–	670.7	54.3
Arcata							
Measured	834,000	438	1.35	554	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**	**538**	**29.0**	**93.0**	**37.0**
Inferred	3,533,000	371	1.26	479	42.1	142.6	54.4
GRAND TOTAL							
Measured	**116,816,640**	**18**	**0.89**	**95**	**69.4**	**3,329.5**	**355.7**
Indicated	**313,651,370**	**11**	**0.73**	**73**	**105.9**	**7,327.5**	**736.1**
Total	**430,468,010**	**13**	**0.77**	**79**	**175.3**	**10,657.0**	**1,091.8**
Inferred	**66,062,760**	**73**	**1.10**	**167**	**154.1**	**2,331.5**	**354.6**

1 Prices used for resources calculation: Au: $1,300/oz and Ag: $16.0/oz and Ag/Au ratio of 86x.

Change in attributable reserves and resources

Ag equivalent content (million ounces)	Category	Percentage attributable December 2019	December 2018 Att.[1]	December 2019 Att.[2]	Net difference	% change
Inmaculada	Resource	**100%**	221.9	**233.8**	12.0	5.4%
	Reserve		68.4	**76.1**	7.7	11.3%
Pallancata	Resource	**100%**	69.7	**58.6**	(11.1)	(16.0%)
	Reserve		20.6	**11.9**	(8.7)	(42.0%)
San Jose	Resource	**51%**	78.5	**71.4**	(7.1)	(9.0%)
	Reserve		20.7	**18.3**	(2.4)	(11.6%)
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**		**1,452.6**	**1,446.3**	**(6.3)**	**0.4%**
	Reserve		109.7	**106.4**	(3.3)	(3.0%)

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 are charged at the standard geographic rate and will vary by provider. Lines are open 9.00am-5.30pm Monday to Friday 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 15 May 2020 in respect of the 2019 final dividend.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility in respect of the 2019 final dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 15 May 2020. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

Financial calendar

Dividend dates	2020
Ex-dividend date	7 May
Record date	11 May
Deadline for return of currency election forms	15 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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