

Creating sustainable value

Hochschild Mining PLC
Annual Report & Accounts 2021

Company Number: 5777693



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Creating sustainable value means more than extracting ounces from the ground.

It's about creating value for all of our stakeholders and core to all of our work is building and maintaining strong relationships with our communities throughout the mining life cycle.

We have always been committed to collaborating to generate economic benefits and improve community wellbeing, and in doing so we hope to enhance our mutual understanding of their long-term interests and concerns.

[Read more about creating value](#)

AT A GLANCE

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.

2021 Highlights

5.29

ECO SCORE
2020: 5.74

\$86m

NET CASH/(DEBT)
2020: (\$22m)

1.26

LTIFR
2020: 1.38

\$14.4/oz Ag Eq

AISC
2020: \$12.8/oz Ag Eq

\$383m

ADJUSTED EBITDA
2020: \$271m

221,419oz

ATTRIB. GOLD PRODUCTION
2020: 175,241oz

\$0.14

ADJUSTED BASIC EPS
2020: \$0.06

12.2m oz

ATTRIB. SILVER PRODUCTION
2020: 9.8m oz

2.3¢/share

FINAL DIVIDEND
2020: 2.33

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	165,730 oz	6.2m oz	\$971/oz Au Eq
Pallancata Peru	13,045 oz	4.4m oz	\$22.8/oz Ag Eq
San Jose Argentina	83,615 oz	12.4m oz	\$16.7/oz Ag Eq

Project pipeline

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

Operation	Category
Posse ¹ Brazil	Advanced Projects
Ares Peru	
Arcata Peru	Former operations
Selene Peru	
Azuca Peru	
Crespo Peru	Early-stage
Volcan Chile	

¹ Subject to completion of acquisition of Amarillo Gold due for the end of Q1 2022.

Greenfield prospects

Hochschild has a portfolio of greenfield prospects across the Americas

Asset	Country
Condor	
Pampamali	
Corvinon	Peru
Casma	
Alto Ruri	
Cueva Blanca	
Snip	Canada
Cooke Mountain	
SW Pipe	
Currant	
Valve House	US
Timber Butte	
Lehman Butte	
Speed Goat	
Red Rock	

READ MORE
Operating review
page 28

Where we operate

Operational sites

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

Advanced Project

- ④ Posse (Brazil)

Exploration projects

- ⑤ Arcata (Peru)
- ⑥ Ares (Peru)
- ⑦ Azuca (Peru)
- ⑧ Crespo (Peru)
- ⑨ Volcan (Chile)

Exploration sites

- ⑩ Condor (Peru)
- ⑪ Snip (Canada)
- ⑫ Cooke Mountain (US)
- ⑬ SW Pipe (US)

Others not on map

Currant (US)
Valve House (US)
Timber Butte (US)
Lehman Butte (US)
Speed Goat (US)
Red Rock (US)

Creating value for communities and the environment

Our licence to operate is predicated on seeing through our social commitments, both to local communities and the environment in which we operate.

A key foundation of our corporate purpose is a collective sense of responsibility.”

Graham Birch,
Chair of Sustainability
Committee

READ MORE

ECO Score: A Hochschild innovation,

Highlights

\$5.4m

INVESTED IN LOCAL COMMUNITIES

\$16.8m

VALUE OF GOODS AND SERVICES
PROCURED FROM LOCAL PROVIDERS

53%

REDUCTION IN POTABLE WATER
CONSUMPTION SINCE 2015

Social commitments

Hochschild has a long-standing history of collaborating with and supporting our local communities. Our goal is to contribute to building an inclusive and resilient society. To do so, we established a social engagement strategy that sets out the five pillars for stakeholder engagement and our community investment approach. We also support our communities directly by tackling some of the key environmental challenges, from water shortages and loss of biodiversity to climate change. At Hochschild, we are committed to operate and produce metals with the smallest possible environmental footprint, whether through reducing water usage, taking steps to mitigate greenhouse gas emissions and adapt to climate change, or improving our waste and tailings management. In 2022 and beyond, we will continue to improve our environmental performance, measured by our award-winning ECO Score.

Social engagement strategy

The Hochschild approach to working with our communities

We strive to promote close long-term collaboration with local communities, with full respect for local customs and social dynamics. Our actions are guided by our Sustainability, Human Rights and Community Relations policies which provide the framework for our engagement with the communities and other local stakeholders. Our social engagement strategy is based on five pillars:

- stakeholder engagement strategy;
- local employment;
- the procurement of local goods and services;
- community investment in social programmes; and
- supporting local governments with capacity building and local investment projects.

Through the implementation of this strategy, our intention is to build trust and a mutually beneficial relationship with the 49 communities in our direct area of influence – approximately 3,000 families.

Creating value for our employees

Hochschild's success relies on its people. We seek to promote our Corporate Purpose and provide a positive and stimulating working environment, where the development of employees is encouraged.

Highlights

9%

REDUCTION IN LOST TIME INJURY FREQUENCY
RATE COMPARED WITH 2020

RANKED

2nd

OUT OF 21 MINING COMPANIES IN PERU FOR
EMPLOYEE-FRIENDLY POLICIES*

27

CONVERSATION SESSIONS HELD TO SUPPORT
FAMILIES THROUGHOUT THE PANDEMIC

* 2021 Merco Talento Corporate Reputation Business
Monitor rankings

At Hochschild we work to embed a Company-wide safety-first culture as our people are our most valuable assets. Our safety transformation programme continues to evolve through our updated Safety 2.0 action plan. To meet the changing needs of our employees during the Covid-19 pandemic, we have sharpened our focus on employee wellbeing, health and safety by implementing innovative initiatives and protocols. In addition, our diversity and inclusion programme, DiverSidad, enables us to maximise our reach for talent and provide equal employment opportunities for all.

Safety performance

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

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

[READ MORE](#)

[Sustainability report – page 59](#)

Safety HOC app

The 'Safety HOC app' was designed in-house in 2017 and has become the backbone of Hochschild's collection and management of safety data, integrating a suite of modules used by leaders and employees to effectively manage safety. The app played an important role during the Covid-19 pandemic, when it became essential to promote the use of technology to reduce contact.

We work to embed
a Company-wide
safety-first culture
as our people are
our most valuable
assets"

Creating value for shareholders

Hochschild has made strong strategic progress in 2021 with the execution of three main business development projects. We expect all of them to deliver significant value to shareholders in the near future.

Exploration site

- ❶ Snip (Canada)

Exploration project

- ❷ Aclara (Chile)
- ❸ Amarillo Gold (Brazil)

Snip option

In October 2021, we decided to exercise our option to start earning-in to a 60% interest in the Snip gold project located in the Golden Triangle in British Columbia, Canada. The project is currently held by Skeena Resources Limited. This delivers us a high-grade gold project with strong upside potential in a stable jurisdiction.

Snip consists of approximately 4,546 hectares and is situated in Tahltan Territory. The former mine produced approximately one million ounces of gold from 1991 until 1999 at an average gold grade of 27.5 grammes per tonne. Since then, the project has been improved with the recent construction of nearby infrastructure and substantially higher gold prices.

Underground drilling recommenced in late 2017 to explore for additional mineralised shoots in a large shear structure and a maiden mineral resource was announced in July 2020 with a technical report issued in September 2020.

Subsequent drill campaigns successfully upgraded areas of existing Inferred resources from the Mineral Resource Estimate to the Measured and Indicated categories as well as expanding the resource and delineating additional mineralisation in previously unexplored areas of the near-mine environment.

In 2022, we are planning on continuing these drill campaigns and initiating selected studies and testwork. Under the terms of the option agreement we will invest C\$100 million over a three-year period with a minimum of C\$7.5 million in exploration or development expenditures invested in the project each year. We are able to end the option at any time.

Aclara demerger

In October, we were pleased to announce the demerger of 80% of our rare earths business, Aclara Resources Inc (formerly known as Biolantanidos) as well as the listing on the Toronto Stock Exchange and a concurrent initial public offering which raised approximately \$98 million.

Aclara is a development-stage rare earth mineral resources company with a strategic land package of mineral concessions in Chile. It is developing a project called the Penco Module which contains ionic clays that are rich in heavy rare earth elements essential for the current electric revolution.

Although the project was acquired in 2019, we do believe that the demerger was the logical next step forward and that, as two standalone businesses, both Hochschild and Aclara now have the greatest potential for delivering long-term value creation with their own strategic focus on their respective products, their own dedicated management teams, separated access to capital and an independent valuation.

Furthermore, we have also maintained a strategic relationship that will allow Aclara to benefit from our track record on project execution and ESG. We believe that current and future Hochschild shareholders will also benefit from retaining the 20% stake in a business that offers an exciting proposition in a high growth market.

Amarillo purchase

In November, we announced the acquisition of Amarillo Gold and its flagship Posse gold project in Brazil for a net acquisition cost of approximately C\$135 million. The transaction is expected to close in Q1 2022.

Posse is an open pit gold project located in Mara Rosa in the mining friendly jurisdiction of Goiás State. This brownfield project benefits from existing infrastructure and attractive costs with construction of certain other infrastructure already underway and the project having received the 'License to Install' from state regulators in February 2021 and approval for the power line in October 2021.

The acquisition aligns with our core strengths and long-term strategy of acquiring and optimising development stage projects in the Americas. It enhances our project pipeline and is the result of a long-term Company review process of a wide range of growth opportunities. Posse is an attractive low-cost project with relatively near-term production and strong exploration upside potential. We believe we are ideally placed to take Posse to the next stage and generate strong sustainable value for the Company. In addition, the project has benefited from a complementary ESG-led approach with strong local community and government support and we aim to continue that focus throughout the mine cycle.

\$9m

SNIP BUDGET FOR 2022

20%

HOCHSCHILD'S STAKE IN ACLARA
AFTER THE DEMERGER

~100Koz AU

POSSE'S AVERAGE ANNUAL PRODUCTION
OVER THE FIRST 4 YEARS

MARKET REVIEW

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

Following a stellar year in 2020, when gold gained 24.4% and rose to record levels, in 2021 gold prices ended the year slightly lower year-over-year, down 3.5%.

In 2021, prices moved between \$1,673.30 and \$1,962.50, a \$289.20 band, averaging \$1,799.32 for the year. Monetary policy around the world remains extremely accommodative with fiscal policy also remaining loose although it has tightened in many countries since the depths of the 2020 economic lockdown as upward inflationary pressures continue their trajectory.

Investors are estimated to have purchased 38.8 million ounces of gold in 2021, down from 43.6 million ounces in 2020. While purchases declined, they remained near decade-high levels and were more than double the volumes of net investor demand for physical gold in 2018 and 2019. Investors remained interested in gold last year and this is expected to continue in 2022.

The official sector is estimated to have purchased around 11 million ounces of gold on a net basis in 2021. This was up from 8.0 million ounces of net purchases by central banks and monetary authorities in 2020, but not as much as the 17.3 million ounces that was bought in 2019. The major buyers of gold last year were Thailand, India, Hungary, and Brazil, each having purchased between 2 and 3 million ounces. Singapore, Uzbekistan, Kazakhstan, and Australia each bought between 500,000 ounces and 1 million ounces of gold. There was some selling by the Philippines, Turkey and a few other countries, but combined net disposals totalled around 2.0 million ounces.

Total gold supply was 131.2 million ounces last year, up from 128.9 million ounces in 2020. Mine production nearly recovered to pre-pandemic levels last year, following the relatively steep drop in output in 2020.

Many mining operations operated normally after the tumultuous 2020 and this aided the recovery of output in most gold producing countries. Market mine production was 93.3 million ounces in 2021, up 3.7% from 90.0 million ounces in 2020.

Secondary recovery remained stronger at 31.2 million ounces, down just 0.6% from 31.4 million ounces in 2020. Historically high prices continued to pull gold into the recovery cycle, especially for those populations that traditionally hold gold jewellery as a form of savings and who were adversely affected economically by ongoing Covid-related problems or restrictions.

Possible drivers for gold in 2022

Further Covid variants could continue to affect world economies. Covid could continue to push and pull at investor sentiment towards gold in addition to all other markets.

Inflation is increasingly becoming a concern to global economies and is at levels not seen since the 1970s. There are consequent rising pressures on monetary officials to react and concerns that loose fiscal policies are supporting inflation. Gold investment demand and prices should be expected to benefit from concerns about inflation, government spending, and related economic issues.

Central banks are expected to continue to be net buyers of gold in 2022, potentially adding another 11.5 million ounces to their coffers this year. Most central banks continue to look to diversify their foreign exchange holdings, notably seeking to reduce

On the demand side, offtake for gold in industrial end uses was 15.0 million ounces last year, up from 14.8 million ounces in 2020. Demand for gold in jewellery was 66.5 million ounces in 2021, surging 6.4% from 62.5 million ounces in 2020. The sharp increase occurred in developing countries, as many populations use gold as a form of savings and hedge against uncertain times.

holdings of the US dollar. However, the mechanics of global finance have kept the US dollar as the main form of foreign exchange holdings at relatively stable, high proportions of total reserves.

Investors are expected to continue to purchase historically high volumes of gold in 2022 with 38.2 million ounces being the initial projection for 2022. Mine production is expected to rise to 94.4 million ounces this year, secondary supply to 32.2 million ounces, and transitional economy sales to 6.6 million ounces, all totalling 133.1 million ounces in 2022. Total supply thus would be up from 131.2 million ounces in 2020. Fabrication demand is expected to rise at a stronger pace than supplies. Industrial demand could hold steady at 15.0 million ounces while jewellery demand could rise to 68.4 million ounces, up from 66.5 million ounces in 2020.

Silver market summary

Source: CPM Group LLC

Silver prices moved between \$21.40 and \$30.35 in 2021, ending the year at \$23.35, down 11.6% from the close of \$26.41 in 2020.

Silver prices averaged \$25.17 on an annual basis in 2021, up 21.7% from an annual average price of \$20.68 in 2020. This recovery in the average price was due to a nearly 50% increase in investment demand.

Investment demand rose as world economies continued to battle the Covid pandemic with the metal benefiting from increased fabricator and investor interest. Investment demand was 119.7 million ounces in 2021, up sharply from 80.1 million ounces in 2020, and a little more than triple the 39.8 million ounces in 2019.

With Covid vaccination programmes throughout most countries, the number and intensity of lockdowns around the globe in 2021 reduced and in turn silver mine production and refining facilities were able to operate with reduced disruption, albeit still facing other challenges, notably supply chain and other logistical issues. Total supply for silver was 1.0 billion ounces in 2021, up 5.2% from 954.7 million ounces in 2020. Mine production rose to 789.3 million ounces last year, up 8.2% from 2020. Secondary supply was 215.5 million ounces in 2021, down from 225.0 million ounces in 2020.

Fabrication demand for silver was 885.1 million ounces in 2021, up from 874.6 million ounces in 2020. Demand for jewellery and silver, electronics and batteries, and solar panels rose while silver use in photography and other uses fell.

Monetary and fiscal policy remain loose in most parts of the world, while inflation has been rising in recent months. Supply

chains remain constrained as Covid policies and infections continue to hamper logistics. Interest remains in both gold and silver as a financial asset. Social and political friction in many countries of the world have impacted governments' abilities to deal with the existing economic, social, and political issues. This confusion has been present in the gold and silver investment markets as well, adding to investor confusion to an extent.

Possible drivers for silver in 2022

The latest Covid-19 variant, Omicron, is widespread and causing tighter restrictions in various countries as of January 2022. It is unclear what 2022 will bring in terms of any new Covid variants, but the virus now appears likely to remain, affecting all aspects of life, including the silver market.

Tightening monetary policy now is expected this year. Rising inflation is causing sharply increased consumer and financial market dissatisfaction in many countries around the world with policy leaders being pressured to take steps to curb inflation while not derailing economic recovery.

Total supply of silver is expected to be 967.1 million ounces this year, down from 1.0 billion ounces in 2021. Mine

production could total 754.6 million ounces, down from 789.3 million ounces in 2021. Secondary recovery meanwhile is expected to total 212.5 million ounces, down slightly from 215.5 million ounces. Silver fabrication demand is expected to reach 903.7 million ounces, up from 885.1 million ounces last year. Demand is expected to rise across nearly all sectors except for photography.

Silver investment demand is expected to soften during 2022. On a net basis investors are expected to add around 63 million ounces of silver to their holdings during the year. This would be roughly half the amount added to investor holdings during 2021.

A strong strategic position

Eduardo Hochschild
Chairman

2021 was a very demanding year for the Company due to the continued effects of Covid-19 and challenges resulting from operating in jurisdictions with increased political, regulatory and social risk.

I am very proud of the resilience and dedication demonstrated by all colleagues in successfully delivering on our annual targets and ensuring our commitments to the environment, our stakeholders and communities remain the utmost priority. Hochschild is in a strong position strategically and in 2021 we made a number of changes to our portfolio that lay the foundations for sustainable low-cost growth in the near future.

However, I would like to first turn to an event that severely affected us in June 2021. A tragic traffic accident took place in southern Peru involving our transport contractor which claimed the lives of 26 people who worked at our Pallancata operation. The entire organisation has been deeply upset by this unprecedented incident and the management team ensured everything possible was done to investigate its circumstances and provide a wide range of support to everyone affected. We have worked with the local authorities and the contractor with their respective accident investigations and have provided whatever support we can with the aim of avoiding such incidents in the future.

Safety remains our highest priority and in 2021, we continued with the implementation of the second stage of our safety plan, known as Safety 2.0. The plan combines technical and people-focused approaches and, during the year, we saw our risk management systems externally reviewed as well as the development of an all-encompassing safety indicator – the 'Seguscore'. This will help us to further embed a safety-first culture across our organisation. As reported in the interim results, we regrettably

I am very proud to report a strong environmental performance in 2021. For the first time ever, four of our assets achieved the highest rating under our internally designed ECO Score.”

suffered a fatal accident at San Jose towards the end of the first quarter, and in November a contractor was fatally injured at the Aclara rare earths project. Further details on these accidents will be provided in our 2021 Sustainability Report.

I am very proud to report a strong environmental performance in 2021. For the first time ever, four of our assets achieved the highest rating under our internally designed ECO Score. This innovative indicator distils, in one single number, numerous facets of environmental management. Furthermore, in acknowledgement of our responsibilities to our stakeholders, we sought in 2021 to build on our environmental reporting practices. Our first standalone Sustainability Report received external recognition and we look to build on this success with numerous initiatives this year including, most notably, our ambition to achieve carbon neutrality, which is well advanced and due to be published later this quarter.

As Covid-19 eased in 2021, our community relations team was able to resume its focus on our key local initiatives. In education, we donated almost 300 tablets to elementary schoolchildren close to our

Inmaculada mine to enhance learning. We were also able to continue implementing our strategy of establishing digital centres to service the communities by establishing three more in the Ayacucho region, in southern Peru. With regards to health and nutrition, we co-ordinated home visits to promote early child development and facilitated a Covid-19 vaccination programme for the elderly. We also launched a project in a town close to Inmaculada, which seeks to enhance access to water by installing equipment to collect and store water for domestic use. Finally, among the many programmes promoting economic development, we provided technical support to community-led agricultural activities as part of our ‘Impulso Productivo’ programme. You can find further details on our work in the Sustainability Report.

In November, the Company faced an unprecedented situation when the Peruvian Head of Cabinet published minutes of a meeting held in Ayacucho which arbitrarily provided for the closure and withdrawal of certain mining projects, including the Company’s Pallancata and Inmaculada mines. It was further announced that approvals would no longer be granted to authorise additional mining, exploration, or expansion activities in relation to these mines. However, the Government subsequently affirmed its commitment to upholding the rule of law and acknowledged the continued rights of mining companies to request extensions and modifications of existing permits for mining and exploration activities. Whilst we never stopped operating, this crisis exemplifies the country’s current heightened political, regulatory and social risk.

2021 was a crucial year for business development. In the second half, we executed three different transactions that have reshaped our Company into one that is focused on delivering mid-term growth across a wider range of jurisdictions in the Americas. In September, we exercised our option to start

2.3c/share
FINAL DIVIDEND

**Our Company is managed with a conviction
that acting responsibly and with integrity
is the only way to build and manage a
business over the long term."**

earning-in a 60% interest in Skeena Resources' Snip gold project in British Columbia. In November, we announced the acquisition of Amarillo Gold with its Posse gold project in Brazil, which is due to commence production in 2024. Both projects complement our current portfolio and, with Canada and Brazil, we are entering two jurisdictions that have established and stable mining histories. Finally, we were pleased to complete the demerger and listing on the Toronto Stock Exchange of our Chilean rare earth business, renamed Aclara Resources. With almost \$100 million of capital raised concurrently, Aclara is in a strong position to advance the Penco project and our confidence is confirmed by our decision to retain a 20% stake.

Turning to our operations, we were once again able to deliver on our annual production and cost targets despite our stringent Covid protocols remaining in place throughout the year. In addition, precious metal prices remained strong, and with our business continuing to generate robust free cash flow and the additional liquidity provided by our increased loan, we are in a comfortable position to finance the construction of the Posse project over the next two years and advance Snip through the development phase.

Our brownfield programme also made excellent progress this year. The team made significant discoveries at Inmaculada in the north west of the deposit which they expect will add further high grade resources to the mine plan. At San Jose, we have also added resources near to the current mine whilst at

Pallancata, we have been able to optimise the long-term mine plan utilising the existing resource base and have extended the life of the operation for a further two years whilst we look for additional near-mine and regional resource opportunities.

Sanjay Sarma stepped down from the Hochschild Board to join the board of Aclara Resources on completion of the demerger. I would like to thank Sanjay for the valuable and unique perspective he has brought to the Hochschild Board discussions. I am delighted that Tracey Kerr joined the Hochschild Board on 10 December. She brings vast experience in areas of crucial importance to the Company including geology, safety and sustainability. The Board and I look forward to working closely with Tracey.

Outlook

2021 saw precious metal prices in a period of consolidation. Gold fell slightly by 3.5% in the year and silver was much more volatile, down 11.5% although this followed a 47% rise in 2020. However, the ongoing price strength allied to reliable operational performance and good cost control has resulted in high levels of profitability and continued good cash flow. We have maintained a strong capital base and have managed the Company's balance sheet and liquidity to ensure long-term financial stability. The Board is therefore pleased to recommend a final dividend of 2.3 cents per share (\$12.0 million).

Our Company is managed with a conviction that acting responsibly and with integrity is the only way to build and manage a business over the long term. We have a clear sense of our social purpose and a strong belief in our duty to respect the dignity of everyone who works for us. In addition, we have always been committed to operating under the highest standards of corporate citizenship, environmental and industry best practice whilst acting as a good and supportive neighbour to the communities around us and recognising our wider obligations to society as a whole. The Board and I would like to thank all of our stakeholders for their contributions and continued support during such a momentous period.

Eduardo Hochschild
Chairman
22 February 2022

Our commitment to our suite of ESG initiatives remains absolute

Ignacio Bustamante
Chief Executive Officer

2021 has been an important year for our Company. We have taken decisive strategic action to shape Hochschild's future and delivered strong operational and financial results whilst continuing to operate responsibly and focus on the implementation of our ESG strategy.

I continue to be very proud of all our people and their response to numerous challenges again posed by the pandemic and also by a volatile political, economic and social environment in Peru.

Such solid operational delivery provides the foundation upon which, in the second half of the year, we announced the acquisition of Amarillo Gold Corp. in Brazil, exercised our option to start earning-in a 60% interest in the Snip gold project in Canada and demerged our rare earths business, Aclara Resources, and listed it on the Toronto Stock Exchange. We believe that these strategic steps will underpin Hochschild's ability to grow shareholder value over the next decade.

ESG

The tragic traffic accident of our transport contractor which the Chairman has discussed in his statement was a shock for everyone in our Company. However, our commitment to a broad suite of ESG initiatives remains absolute as part of our focus on safety and responsibility towards the environment and our stakeholders. Given the partially reduced dominance of Covid-19 in 2021, we were able to resume our focus on the key pillars of our work with the local communities with numerous and wide-ranging initiatives in education, digital strategy, health and nutrition, access to safe sources of water, local employment and procurement of local goods and services. On the environmental front, we again achieved an excellent ECO Score, enhanced our reporting by participating in the Carbon Disclosure Project ('CDP') and early-adopting the Task Force on Climate-related Financial Disclosures ('TCFD') reporting requirements, and we are currently working hard to complete our first corporate strategy to become net zero carbon. During the year, we also continued to invest in our safety risk-management system which will support and complement the various programmes in our safety plan.

Creating value for shareholders

Developing our presence in Brazil with our purchase of Amarillo Gold

The acquisition enhances our project pipeline and is the result of a long-term Company review process of a wide range of growth opportunities. It is our first move into Brazil and we are ideally placed to take the Posse project to the next stage and generate strong sustainable value for the Company and the project's local stakeholders.

Building on our potential at Snip in Canada

Snip represents the first step in our strategy to add another high-grade project with strong upside potential into our pipeline. Since October 2021, we have established a positive dialogue with the Tahltan Nation and provincial authorities, designed an ambitious drill programme for 2022, and built a team to take over operations management at the project.

Posse is an attractive low-cost project with relatively near-term production and strong exploration upside potential."

Operations

Hochschild's output in 2021 continued our good record in meeting annual guidance. Overall production was 362,972 gold equivalent ounces (31.2 million silver equivalent ounces) which was understandably substantially higher than the Covid-impacted 2020 figure of 289,293 gold equivalent ounces (24.9 million silver equivalent ounces). This was produced at an all-in sustaining cost of \$1,241 per gold equivalent ounce (\$14.4 per silver equivalent ounce) which was slightly higher than 2020 reflecting increased development capital expenditure. Hochschild's flagship mine, Inmaculada, had another strong year producing 238,238 gold equivalent ounces (2020: 176,086 ounces) at \$971 per gold equivalent ounce.

At Pallancata, production in 2021 reflected the current focus on mine development and brownfield exploration to extend the mine life but still had a steady year delivering 4.4 million silver equivalent ounces (2020: 4.8 million ounces) at a cost of \$22.8 per silver equivalent ounce. In Argentina, San Jose operated throughout the year but continued to experience Covid-related restrictions on labour availability in the country limiting the Company's ability to access certain planned mining zones and impacting grades. Production was 12.4 million silver equivalent ounces (2020: 9.7 million ounces) with costs at \$16.7 per silver equivalent ounce.

Business development

In October, we decided to exercise our option to start earning-in a 60% interest in Skeena Resources' Snip project in Tahltan Territory of British Columbia. This represented the first step in our strategy to add another high-grade project with strong upside potential into our pipeline. Since October, we have established a positive dialogue with the Tahltan Nation and provincial authorities, designed an ambitious drill programme for 2022, and built a team to take over operations management at the project. It is an exciting time for Hochschild as we build out our Canadian presence.

Also in October, we announced the demerger of our rare earths business, Aclara Resources, and its listing on the Toronto Stock Exchange. We believe that it was the logical next step forward and that, as two standalone businesses, both Hochschild and Aclara will have the greatest potential for delivering long-term value creation. Each will have their own strategic focus on their respective products, their own dedicated management teams, separated

access to capital and an independent valuation whilst maintaining a strategic relationship that will allow Aclara to benefit from Hochschild's track record on project execution and ESG. Furthermore, we felt that current and future Hochschild shareholders will also benefit from retaining a meaningful stake in a business that offers an exciting proposition in a high growth market. We were pleased that the demerger and IPO were completed in December with almost \$100 million raised.

In November, we announced a definitive agreement to acquire Amarillo Gold for a net acquisition cost of C\$135 million (\$106 million) with the key asset being the flagship Posse gold project located in Goiás State, Brazil. The acquisition enhances our project pipeline and is the result of a long-term Company review process of a wide range of growth opportunities. Posse is an attractive low-cost project with relatively near-term production and strong exploration upside potential. With our significant experience in developing precious metal deposits in the Americas, Hochschild is ideally placed to take Posse to its next stage and generate strong sustainable value for the Company and the project's local stakeholders as well as widening our focus in stable mining jurisdictions in the Americas.

Exploration

Once again the brownfield programme focused on the surrounding areas of all three of our mines and I am pleased to report that our team have had a successful campaign and delivered resource increases at both Inmaculada and San Jose. At Inmaculada, drilling in the Angela North and surrounding veins yielded just over 850,000 gold equivalent ounces at higher grades than current reserve grade whilst at San Jose we have added almost 13 million silver equivalent ounces close to current operations.¹ At Pallancata, the team completed a revised mine plan that incorporates the existing resource base and therefore has been able to guarantee the mine's future for the next two years at least. There remain some promising brownfield drill targets close to the current mine and in the district as a whole which could secure the long-term supply for the nearby Selene plant.

Financial position

A reliable production performance and strong price environment have resulted in our balance sheet remaining in an enviable position with cash and cash equivalents of \$386.8 million at the end of December (2020: \$231.9 million). This is before the estimated net

payment of C\$135 million for Amarillo Gold (due by the end of Q1 2022) and includes an additional \$100 million medium-term loan (drawn down in December 2021) and a \$20 million investment in the Aclara Resources Inc IPO. This has led to a net cash position of \$86.3 million (31 December 2020: \$21.6 million net cash).

Financial results

Total Group production was significantly higher versus 2020, which was impacted by the Covid-related stoppages, and consequently, combined with a 12% rise in the silver price received, revenue increased to \$811.4 million (2020: \$621.8 million). All-in sustaining costs were in line with guidance at \$14.4 per silver equivalent ounce (2020: \$12.8 per ounce). Adjusted EBITDA of \$382.8 million (2020: \$270.9 million) mostly reflects the increased production levels and is partially offset by increased cost of sales and administrative costs. Pre-exceptional earnings per share of \$0.14 (2020: \$0.06 per share) includes the impact of an increase in finance costs in Argentina and also of income tax arising from the impact of local currency devaluation in Peru and Argentina and the increased income tax rate in Argentina. Post-exceptional earnings per share was higher at \$0.15 (2020: \$0.03 earnings per share) mainly due to the exceptional gain on Aclara demerger of \$37.5 million, partially offset by a \$24.9 million impairment of Pallancata and \$24.1 million of Covid-19 response initiatives which are also deemed to be exceptional as they were incremental to the Group's regular business. The net after-tax effect of exceptional items is \$3.7 million.

Outlook

We expect attributable production in 2022 of between 360,000–375,000 gold equivalent ounces (26.0 to 27.0 million silver equivalent ounces) assuming the silver to gold ratio of 72:1 (the average ratio for 2021). This will be driven by: 218,000–222,000 gold equivalent ounces from Inmaculada; an attributable contribution of 5.7 to 6.1 million silver equivalent ounces from San Jose; and 4.6–4.9 million ounces from Pallancata. All-in sustaining costs for operations are expected at between \$1,330 and \$1,370 per gold equivalent ounce (\$18.5 to \$18.9 per

silver equivalent ounce). This forecast includes lower grades at Inmaculada due to the inclusion into the mine plan of veins discovered between 2018 and 2020. It also includes a rise in mine development costs at Inmaculada and San Jose to access veins discovered in 2021 and increase reserves at San Jose.

The budget for brownfield exploration is at approximately \$34 million with the greenfield and advanced project budget set at approximately \$11 million. In addition, a budget of approximately \$9 million has been allocated to advancing the Snip project in Canada with a project capex budget of \$120 million assigned to the Posse project in Brazil.

We have also recently begun to re-establish operations in Chile at our 100%-owned Volcan gold project. In 2022, we expect to complete a work programme to optimise the business case for this substantial gold asset. In parallel, the project is expected to be restructured into a newly established Canadian company, named Tiernan Gold. Tiernan will be run by newly appointed CEO, Greg McCunn, and during the year, we will be evaluating different strategic alternatives.

2022 promises to be another year of volatility and the world is not free from the pandemic yet. However, throughout our history, Hochschild has shown an ability to withstand operational, political and social challenges and we believe that we have the correct long-term strategy to generate value for our shareholders today while we transition the Company for the future. Finally, our commitment to a broad suite of ESG initiatives remains absolute as part of our focus on safety and responsibility.

Ignacio Bustamante
Chief Executive Officer
22 February 2022

1 Equivalent resource figures calculated using the gold/silver ratio of 72x.

BUSINESS MODEL

Benefiting all our stakeholders

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

Inputs

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

Responsibility

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

Governance

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

Expertise

We have specific expertise in mining a variety of deposit types 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 social and environmental policies.

Discipline

We deploy capital in a disciplined manner underpinned by our long-standing financial relationships and a focus on value accretive opportunities.

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

How we create value

Environment

1.

Discover

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

2.

Develop

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

Community

Health & Safety

3.

Extract

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

Sustainability

Outputs

The efficacy and resilience 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

Over many decades, Hochschild has been able to invest in a number of local programmes focusing on our core themes of education, health and socio-economic development and allowing us to operate collaboratively with communities across our regions. We have also been able to deliver a range of innovative employment and business opportunities whilst retaining our respect for the environment and cultural traditions. Many of these initiatives continued during the 2020/2021 pandemic.

15% WORKFORCE
FROM LOCAL
COMMUNITIES

Employees

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

2nd OUT OF 21 MINING
COMPANIES IN PERU*

Shareholders

We are committed to our aims of profitable and safe operations, a strong local and international reputation and stability. We believe that if we can deliver sustainable low-cost growth and consequently generate solid free cash flow, we can use that to repay all our stakeholders. Since the middle of 2016 we have paid out \$104 million in equity dividends and we have announced a further 2021 final dividend of \$12 million despite the significant disruption to our operations from the global pandemic and the Peruvian political situation.

\$12m DIVIDEND
ANNOUNCED FOR
FULL YEAR 2021

* 2021 Merco Talento Corporate Reputation Business Monitor rankings compiled with views from HR students, HR professionals and labour unions with reference to, among other things, companies' employment policies, benefits and diversity

OUR STRATEGY

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

2021 activities

- Resources up 17% at Inmaculada vs 2020
- Additional 61m high-grade silver equivalent resource ounces added from Angela North vein at Inmaculada
- Reserves at San Jose up 30% versus 2020
- Pallancata mine plan remodelled to incorporate previously uneconomic ounces allowing the mine to continue feeding Selene plant into 2024

2022 priorities

- 2022 budget of \$34 million
- Key targets at Inmaculada: Inmaculada North (Juliana NE, Huarmapata and Lineamiento 3); Inmaculada West (Minascucho area); Inmaculada East (Melissa and Jimena)
- Aiming to add resources from several targets surrounding Pallancata and Pablo veins whilst continuing regional drilling at Corina, Palca and Cochaloma
- Main targets at San Jose for 2022 are Saavedra and San Jose West
- Snip budget for 2022 at \$9 million
- Snip exploration includes: recognising areas without geological information; exploring parallel structures to the twin zones; exploring for the north extension of 312 belt; mapping, geochemistry and geophysics programme

Risks

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

Greenfield

Streamlining portfolio

Staking properties

Progressing drill-ready projects

2021 activities

- Snip project optioned from Skeena Resources
- Drilling executed at Condor (Peru), Cooke Mountain (US), SW Pipeline (US) & Currant (US)
- Illipah (US), Los Cuarenta (Mexico), Sarape (Mexico) discarded
- 5 further US projects optioned: Valve House, Timber Butte, Lehman Butte & Speed Goat from EMX Royalties in Idaho; Red Rock from Atoka in Nevada

2022 priorities

- 2022 greenfield exploration budget expected to be \$11 million
- Focused on the US and Peru
- Drilling set to continue at Condor, Cooke Mountain, SW Pipeline, Currant
- Drilling to start at 5 new projects in Idaho and Nevada

Risks

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

Project pipeline

Advancing Posse project

Optimising early-stage projects

Further drilling

2021 activities

- Demerged Aclara Resources and executed IPO on Toronto Stock Exchange raising approximately \$100 million
- Appointed new CEO of Volcan project
- Permitting on a number of drill targets including former operations, early-stage projects and regional exploration targets

2022 priorities

- Advance development of Posse project in Brazil
- Advance Volcan project opportunities
- Drilling at Crespo and Azuca

Risks

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

Strategic alliances

Early/development stage

Control (acquisition/JVs)

Geological upside

ROIC: 12-15%

2021 activities

- Announced acquisition of Amarillo Gold
- Exercised option on Snip project in Canada from Skeena Resources
- Appointed VP North America

2022 priorities

- Further options/JVs being considered in Americas
- Larger acquisitions also being assessed with shares

Risks

- Political, legal and regulatory
- Commodity prices

KEY PERFORMANCE INDICATORS

Measuring our progress

Financial measures				
Production	Revenue	Adjusted EBITDA	Basic earnings per share	Dividend per share
31.2 _m oz Moz Ag equivalent	\$811 _m	\$383 _m	\$0.14 Pre-exceptional	¢4.3
Links to strategy	Links to strategy	Links to strategy	Links to strategy	Links to strategy
Links to remuneration Yes	Links to remuneration Yes	Links to remuneration Yes	Links to remuneration No	Links to remuneration No
Definition Silver equivalent production equals total attributable gold production multiplied by a gold/silver ratio for 2022 of 72x, 2019-2021 of 86x, 2018 of 81x, 2017 of 74x and added to the total attributable silver production	Definition Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts	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	Definition The per-share (using the weighted average number of shares outstanding for the period) profit available to equity shareholders of the Company from continuing operations before exceptional items	Definition The per-share (using the weighted average number of shares outstanding for the period) dividend paid to equity shareholders of the Company as recommended by the Board
Performance Total silver equivalent production increased by 25% versus 2020 due to the rebound from production stoppages caused by the Covid-19 pandemic in 2020	Performance Total revenue increased by 30% versus 2020 due to rebound in production versus the Covid-related stoppages in 2020	Performance Adjusted EBITDA increased by 41% to \$382.8 million (2020: \$270.9 million) mainly due to the increase in revenue resulting from the rebound in production following 2020 operational stoppages resulting from the Covid-19 crisis	Performance Pre-exceptional earnings per share rose 133% to \$0.14 due to the strong rise in the 2021 EBITDA and includes the impact of an increase in finance costs in Argentina and also of income tax arising from the impact of local currency devaluation in Peru and Argentina and the increased income tax rate in Argentina	Performance Dividend per share increased by 7%
Outlook Total silver equivalent production is forecast to be between 26.0 and 27.0 million silver equivalent ounces in 2022 assuming a gold/silver conversion ratio of 72x	Outlook Total silver equivalent production is forecast to be between 26.0 and 27.0 million silver equivalent ounces in 2022 assuming a gold/silver conversion ratio of 72x	Outlook Adjusted EBITDA result for 2022 will depend on precious metal prices and cost and expenses performance along with the ability of the operations to operate normally	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	Outlook Dividend per share for 2022 will depend on the level of profitability of the Company and the available uses of cash and is at the discretion of the Board
Risk Operational performance	Risk Operational performance and precious metal prices	Risk Operational performance, precious metal prices and costs	Risk Operational performance, precious metal prices, costs, levels of financial costs and income, tax charge	Risk Company profitability

Brownfield

Greenfield

Early-stage
projectsStrategic
alliances

Financial measures

Non-financial measures

All-in sustaining
costsTotal silver cash
costs

LTIFR

Accident Severity
IndexAttributable
resource base\$14.4_{oz}

\$/oz Ag equivalent

\$11.0_{oz}

\$/oz Ag equivalent

1.26

676

1,525

M oz Ag equivalent

Links to strategy

Links to strategy

Links to strategy

Links to strategy

Links to strategy

Links to remuneration
YesLinks to remuneration
NoLinks to remuneration
YesLinks to remuneration
YesLinks to remuneration
Yes

Definition

Calculated before exceptional items and includes cost of sales less depreciation and change in inventories, administrative expenses, brownfield exploration, operating capex and royalties divided by silver equivalent ounces produced using a gold/silver ratio of 72:1

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

Definition

Calculated as total number of accidents per million labour hours

Definition

Calculated as total number of days lost per million labour hours

Definition

Total attributable silver equivalent metal resources as at 31 December 2021

Performance

All-in sustaining costs from operations rose versus 2021 mainly as a result of returning to a full production rate versus the 2020 Covid stoppages

Performance

Total silver cash costs for the Company increased by 18% versus 2020 due to increases in unit costs in Peru and some decreases in grade across the Group

Performance

LTIFR decreased by 9% and remains low relative to the industry

Performance

The Accident Severity Index increased to 676 in 2021 due to the fatalities at San Jose and Aclara

Performance

Total attributable silver equivalent metal resources increased by 7% in 2021 due to new resources discovered at Inmaculada and San Jose

Outlook

The all-in sustaining cost from operations in 2022 is expected to be between \$18.5 and \$19.0 per silver equivalent ounce

Outlook

Cash costs performance in 2022 is expected to be dependent on operational performance, levels of local cost inflation and levels of local currency devaluation in Argentina and Peru

Outlook

The Company remains focused on its 'Safety 2.0 Hochschild Safety Transformation' plan, and, during 2021, achieved Level 7 certification of its management information system from DNV (7th edition)

Outlook

The Company remains focused on its 'Safety 2.0 Hochschild Safety Transformation' plan, and, during 2021, achieved Level 7 certification of its management information system from DNV (7th edition)

Outlook

Resource increases in 2022 will depend on the level of ongoing success in finding potential resources and the ability to turn these resources into the inferred and measured and indicated categories through drilling

Risk

Operational performance, local cost inflation, increases in brownfield exploration investment

Risk

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

Risk

Health and safety risks

Risk

Health and safety risks

Risk

Implementing and maintaining the annual exploration drilling programme

Delivering strong operational performance

2021 Highlights

14,746_{koz}

TOTAL GROUP PRODUCTION OF SILVER
2020: 11,821koz

262.39_{koz}

TOTAL GROUP PRODUCTION OF GOLD
2020: 207.08koz

14,712_{koz}

TOTAL GROUP SILVER PRODUCTION SOLD
2020: 11,846koz

260.71_{koz}

TOTAL GROUP GOLD PRODUCTION SOLD
2020: 207.78koz

Note: 2021 and 2020 equivalent figures calculated using the previous Company gold/silver ratio of 86x. All 2022 forecasts assume the average gold/silver ratio for 2021 of 72x.

Production

In 2021, Hochschild delivered attributable production of 362,972 gold equivalent ounces or 31.2 million silver equivalent ounces, in line with the Company's forecasts but with the increase versus 2020 reflecting the impact in 2020 from Covid-related disruptions throughout the year.

The overall attributable production target for 2022 is 360,000-375,000 gold equivalent ounces or 26.0-27.0 million silver equivalent ounces.

Costs

All-in sustaining cost from operations in 2021 was \$1,241 per gold equivalent ounce or \$14.4 per silver equivalent ounce (2020: \$1,098 per gold equivalent ounce or \$12.8 per silver equivalent ounce), higher than 2020 mainly as a result of lower grades at Pallancata and San Jose and higher costs and capital expenditure. Additional capital expenditure was also allocated to Pallancata and Inmaculada to develop resources for increasing life of mine. These figures do not include unabsorbed fixed costs from workers that were unable to work during the Covid 19 crisis of \$8.7 million (2020: \$44.7 million; includes fixed costs without depreciation from stoppages and operating at reduced capacity), as well as \$22.5 million (2020: \$27.6 million) of exceptional Covid-19 response initiatives.

The all-in sustaining cost from operations in 2022 is expected to be between \$1,330 and \$1,370 per gold equivalent ounce (or \$18.5 and \$19.0 per silver equivalent ounce). Grades at Inmaculada are expected to be lower due to the inclusion into the mine plan of veins discovered between 2018 and 2020. It also includes a rise in mine development costs at Inmaculada and San Jose to access veins discovered in 2021 and increase reserves at San Jose.

Total 2021 Group production

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Silver production (koz)	14,746	11,821
Gold production (koz)	262.39	207.08
Total silver equivalent (koz)	37,311	29,631
Total gold equivalent (koz)	433.85	344.54
Silver sold (koz)	14,712	11,846
Gold sold (koz)	260.71	207.78

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

Attributable 2021 Group production

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Silver production (koz)	12,174	9,808
Gold production (koz)	221.42	175.24
Silver equivalent (koz)	31,216	24,879
Gold equivalent (koz)	362.97	289.29

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

Attributable 2022 production forecast split

Operation	Oz Au Eq	Moz Ag Eq
Inmaculada	218,000-222,000	15.7-16.0
Pallancata	64,000-68,000	4.6-4.9
San Jose	79,000-85,000	5.7-6.1
Total	360,000-375,000	26.0-27.0

2022 AISC forecast split

Operation	\$/oz Au Eq	\$/oz Ag Eq
Inmaculada	1,180-1,210	16.4-16.8
Pallancata	1,760-1,800	24.4-25.0
San Jose	1,370-1,410	19.0-19.6
Total from operations	1,330-1,370	18.5-19.0

Where we operate

Operational sites

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

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.

6,236_{koz}

SILVER PRODUCED

165.73_{koz}

GOLD PRODUCED

Production

The Inmaculada mine delivered gold equivalent production of 238,238 ounces (2020: 176,086 ounces) in 2021, with the increase versus 2020 due to the impact of two Covid-19 related stoppages during 2020. Grades and gold recoveries have proved to be higher than originally budgeted.

Costs

All-in sustaining costs were \$971 per gold equivalent ounce (2020: \$922 per ounce) with the increase versus 2020 due to a considerable portion of capital expenditure being deferred, including the tailings dam expansion, due to the stoppages and also due to lower scheduled gold grades partially offset by higher silver grades.

Inmaculada summary	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Ore production (tonnes)	1,349,892	948,937	42
Average silver grade (g/t)	174	154	13
Average gold grade (g/t)	4.05	4.33	(6)
Silver produced (koz)	6,236	4,034	55
Gold produced (koz)	165.73	129.17	28
Silver equivalent produced (koz)	20,488	15,143	35
Gold equivalent produced (koz)	238.24	176.09	35
Silver sold (koz)	6,216	4,020	55
Gold sold (koz)	165.86	129.70	28
Unit cost (\$/t)	99.2	95.1	4
Total cash cost (\$/oz Au co-product)	557	576	(3)
All-in sustaining cost (\$/oz Au Eq)	971	922	5

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

In 2021, Pallancata produced 4.4 million silver equivalent ounces (2020: 4.8 million ounces) with the reduction versus the original forecast (5.4-5.6 million ounces) due to the effects of lower-than-budgeted grades in line with the current declining production profile.

Costs

All-in sustaining costs were at \$22.8 per silver equivalent ounce (2020: \$15.6 per ounce). Costs were increased versus 2020 mainly due to the use of more conventional mining methods in 2021 and lower grades. The figure also included new capital expenditure for development work to access newly economic resources.

Pallancata summary	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Ore production (tonnes)	530,681	519,611	2
Average silver grade (g/t)	212	247	(14)
Average gold grade (g/t)	0.84	0.87	(3)
Silver produced (koz)	3,261	3,679	(11)
Gold produced (koz)	13.05	12.93	1
Silver equivalent produced (koz)	4,382	4,790	(9)
Gold equivalent produced (koz)	50.96	55.70	(9)
Silver sold (koz)	3,263	3,654	(11)
Gold sold (koz)	13.03	12.80	2
Unit cost (\$/t)	124.8	101.2	23
Total cash cost (\$/oz Ag co-product)	19.2	13.1	47
All-in sustaining cost (\$/oz Ag Eq)	22.8	15.6	46

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.

5,250_{koz}

SILVER PRODUCED

83.62_{koz}

GOLD PRODUCED

Production

San Jose's 2021 total production was 12.4 million silver equivalent ounces (2020: 9.7 million ounces) with the increase versus 2020 reflecting Covid-related stoppages, which impacted the 2020 result. Grades were lower than budgeted for the year but practically offset by higher than expected tonnage.

Costs

All-in sustaining costs were at \$16.7 per silver equivalent ounce (2020: \$14.6 per ounce) with the rise driven by higher production costs, increased mine development capex, higher exploration expenses and the purchase of new mining equipment.

San Jose summary	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Ore production (tonnes)	539,229	401,202	34
Average silver grade (g/t)	344	357	(4)
Average gold grade (g/t)	5.47	5.63	(3)
Silver produced (koz)	5,250	4,108	28
Gold produced (koz)	83.62	64.99	29
Silver equivalent produced (koz)	12,440	9,697	28
Gold equivalent produced (koz)	144.66	112.76	28
Silver sold (koz)	5,233	4,172	25
Gold sold (koz)	81.83	65.28	25
Unit cost (\$/t)	229.0	199.4	15
Total cash cost (\$/oz Ag co-product)	13.3	11.1	20
All-in sustaining cost (\$/oz Ag Eq)	16.7	14.6	14

EXPLORATION

Inmaculada

In 2021, the exploration team carried out 9,169m of potential drilling and 39,424m of resource drilling mostly testing the newly discovered Angela North, Juliana North East and Josefa structures. The key results are below:

Vein	Results (potential/resource drilling)
Angela North	IMS21-056: 5.9m @ 2.5g/t Au & 99g/t Ag
	IMS21-062: 9.7m @ 91.7g/t Au & 3,013g/t Ag
	IMS21-063: 2.1m @ 6.5g/t Au & 217g/t Ag
	IMS21-065: 7.0m @ 3.7g/t Au & 198g/t Ag
	IMS21-066: 2.4m @ 4.3g/t Au & 386g/t Ag
	IMS21-067: 1.0m @ 2.4g/t Au & 234g/t Ag
	IMS21-070: 1.5m @ 2.1g/t Au & 156g/t Ag
	IMS21-071: 1.4m @ 3.6g/t Au & 123g/t Ag
	IMS21-072: 2.0m @ 1.8g/t Au & 109g/t Ag
	IMS21-075: 3.1m @ 5.5g/t Au & 341g/t Ag
	IMS21-077: 2.7m @ 1.4g/t Au & 103g/t Ag
	IMS21-078: 9.1m @ 14.1g/t Au & 424g/t Ag
	IMS21-087: 5.6m @ 12.6g/t Au & 494g/t Ag
	IMS21-069: 1.2m @ 7.1g/t Au & 533g/t Ag
	IMS21-078: 9.7m @ 14.1g/t Au & 424g/t Ag
	IMS21-085: 3.5m @ 5.2g/t Au & 149g/t Ag
	IMS21-088: 3.7m @ 5.9g/t Au & 304g/t Ag
	IMS21-089: 2.1m @ 1.9g/t Au & 109g/t Ag
	IMS21-100: 1.4m @ 3.2g/t Au & 171g/t Ag
Juliana	IMS21-079: 2.0m @ 12.8g/t Au & 527g/t Ag
	IMS21-088: 1.4m @ 6.8g/t Au & 292g/t Ag
	IMS21-174: 4.9m @ 11.3g/t Au & 33g/t Ag
	IMS21-182: 1.2m @ 50.8g/t Au & 81g/t Ag
	IMS21-184: 3.5m @ 18.0g/t Au & 977g/t Ag
	IMS21-127: 1.0m @ 1.8g/t Au & 259g/t Ag
	IMS21-127: 2.8m @ 2.2g/t Au & 115g/t Ag
	IMS21-127: 0.9m @ 2.8g/t Au & 196g/t Ag
	IMS21-149: 1.5m @ 8.7g/t Au & 62g/t Ag
	IMS21-149: 0.9m @ 3.6g/t Au & 111g/t Ag
	IMS21-155: 3.2m @ 7.5g/t Au & 774g/t Ag
	IMS21-156: 1.6m @ 3.2g/t Au & 33g/t Ag
	IMS21-156: 1.6m @ 3.2g/t Au & 31g/t Ag
	IMS21-156: 2.1m @ 13.8g/t Au & 316g/t Ag
	IMS21-150: 2.4m @ 20.7g/t Au & 1,255g/t Ag
	IMS21-151: 1.9m @ 2.0g/t Au & 141g/t Ag
	IMS21-058: 2.4m @ 1.3g/t Au & 119g/t Ag
	IMS21-174: 1.3m @ 3.3g/t Au & 172g/t Ag
Josefa	IMS21-155: 1.1m @ 17.6g/t Au & 1,149g/t Ag
	IMS21-155: 1.2m @ 4.3g/t Au & 70g/t Ag
	IMS21-155: 7.8m @ 2.0g/t Au & 70g/t Ag
	IMS21-155: 1.0m @ 3.6g/t Au & 114g/t Ag
	IMS21-198: 2.3m @ 2.3g/t Au & 312g/t Ag
	IMS21-200: 4.9m @ 3.8g/t Au & 311g/t Ag

In 2021, 852,000 gold equivalent ounces have been added to the Inmaculada inferred resource base at a gold equivalent grade of 7.5 grams per tonne.

During the first quarter of 2022, the programme will focus on 2,100m of potential drilling in the west of the Angela North vein and in the north of the Eduardo vein zone. Other key targets for 2022 are Josefa, Juliana NE, Minascucho, Anomalia III and Anomalia IV.

Pallancata

At Pallancata, 19,390m of potential drilling was carried out at the Pallancata vein, the Falla NW, Pablo, Pablo Piso and Marco vein structures and then later in the year at the Mirian, San Javier and the continuation of the Pallancata vein to the north west. In addition, there was drilling at the Pablo II target which intercepted quartz veins with grade and in the final quarter there were intercepts in quartz-sulphide veins, Laura and Demian. Key results are below:

Vein	Results (potential/resource drilling)
Pablo II	DLEP-A64: 2.7m @ 0.4g/t Au & 93g/t Ag
	DLEP-A65: 0.9m @ 0.7g/t Au & 222g/t Ag
Mirian	DLVC-A62: 3.4m @ 1.4g/t Au & 314g/t Ag
Norca	DLVC-A62: 1.0m @ 1.0g/t Au & 475g/t Ag
San Javier	DLVC-A62: 1.1m @ 0.6g/t Au & 473g/t Ag
Pallancata NW	DLPL-A969: 0.9m @ 1.6g/t Au & 181g/t Ag
Laura	DLLAU-A01: 1.9m @ 1.5g/t Au & 473g/t Ag
	Including : 1.2m @ 2.1g/t Au & 655g/t Ag
	DLLAU-A03: 2.5m @ 0.8g/t Au & 332g/t Ag
	Including : 1.1m @ 1.1g/t Au & 537g/t Ag
	DLLOL-A01: 6.9m @ 0.7g/t Au & 208g/t Ag
Demian	Including : 1.5m @ 1.2g/t Au & 336g/t Ag
	DLEP-A66: 1.3m @ 2.6g/t Au & 696g/t Ag
	DLLAU-A03: 2.6m @ 1.0g/t Au & 307g/t Ag
	Including : 1.1m @ 1.8g/t Au & 602g/t Ag

In Q1 2022, the schedule consists of 5,000m of potential drilling in the Laura-Demian veins as well as the Paola, Rina 4, Stockwork Veta Juliet, Stockwork Pallancata Central and Gracia veins. Other main targets for the year are expected to be Pablo West, Escarpa and Luisa.

San Jose

During 2021, the team carried out 11,455m of potential drilling around the Saavedra area in the Escondida, Betania, Isabel, Jimena, Agostina and Lucy veins as well as the North Telken area close to Cerro Negro, 6,673m of resource drilling was also executed targeting Escondida, and also in the area close to the current mine in the Amelia, Huevos Verdes, Olivia and Karina veins.

EXPLORATION CONTINUED

Vein	Results (potential drilling)
Isabel	SJD-2210: 1.2m @ 4.9g/t Au & 552g/t Ag
	SJD-2211: 1.0m @ 3.7g/t Au & 376g/t Ag
	SJD-2241: 1.0m @ 8.2g/t Au & 499g/t Ag
	SJM-179: 1.3m @ 3.7g/t Au & 586g/t Ag
Ramal Isabel 1	SJD-2210: 0.8m @ 2.2g/t Au & 772g/t Ag
	SJD-2241: 0.8m @ 1.6g/t Au & 337g/t Ag
Ramal Isabel 2	SJD-2241: 2.0m @ 1.1g/t Au & 309g/t Ag
Escondida	SJM-529: 2.0m @ 62.5g/t Au & 5,571g/t Ag
	SJD-2267: 1.4m @ 18.4g/t Au & 1,879g/t Ag
	SJD-2273: 1.9m @ 2.5g/t Au & 284g/t Ag
	SJD-2280: 1.2m @ 2.4g/t Au & 317g/t Ag
	SJD-2280: 2.4m @ 2.7g/t Au & 305g/t Ag
Betania	SJD-2328: 2.0m @ 5.5g/t Au & 6g/t Ag
	SJD-2351: 1.1m @ 12.6g/t Au & 7g/t Ag
	SJD-2371: 6.3m @ 44.4g/t Au & 34g/t Ag
	SJD-2378: 1.9m @ 7.3g/t Au & 81g/t Ag
	SJD-2408: 2.6m @ 5.4g/t Au & 10g/t Ag
	SJD-2414: 3.4m @ 6.9g/t Au & 36g/t Ag
Sig Betania	SJD-2408: 1.0m @ 6.1g/t Au & 11g/t Ag
Jimena	SJD-2353: 2.4m @ 3.8g/t Au & 40g/t Ag
	SJD-2372: 1.9m @ 14.5g/t Au & 342g/t Ag
	SJD-2378: 2.0m @ 8.5g/t Au & 24g/t Ag
	SJD-2399: 1.4m @ 3.1g/t Au & 157g/t Ag
	SJD-2406: 0.8m @ 2.6g/t Au & 482g/t Ag
	SJD-2410: 6.4m @ 7.1g/t Au & 56g/t Ag
	SJD-2418: 2.6m @ 3.1g/t Au & 12g/t Ag
Agostina	SJD-2378: 2.8m @ 5.1g/t Au & 13g/t Ag
Amelia	SJD-2329: 3.0m @ 13.0g/t Au & 1,740g/t Ag
	SJD-2342: 4.3m @ 14.9g/t Au & 1,381g/t Ag
	SJD-2361: 0.9m @ 3.4g/t Au & 323g/t Ag
Tensional Huevos Verdes N	SJD-2346: 1.8m @ 6.7g/t Au & 582g/t Ag
Olivia	SJD-2385: 0.8m @ 2.6g/t Au & 196g/t Ag
	SJM-547: 2.0m @ 7.8g/t Au & 366g/t Ag

In 2021 as a whole 12.7 million silver equivalent ounces have been added to the San Jose resource base at a silver equivalent grade of 881 grams per tonne.

The drilling plan for the first quarter of 2022 will focus on the western zone of the mine in the Olivia NW and Olivia NS structures. At Saavedra, an environmental permit is due before the programme can resume.

GREENFIELD

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.

Drilling in 2021 was carried out at: the Sarape project owned by Orogen in Mexico; the Cooke Mountain gold project owned by Adamera Minerals Corp in Washington, United States; the Condor project owned by a private company in Peru; and the Currant project owned by Da Venda Gold in Nevada, United States. Sarape was subsequently discarded. In addition, permitting work to drill in the near future is also being completed at the SW Pipe project owned by NV Gold Corp also in Nevada with drilling set to begin before the end of H1 2022. Permitting work has also continued at the Corvinon and Pampamali projects in Peru.

Given the increased political risk in Peru and Chile, the greenfield team has focused its exploration strategy primarily in North America to diversify geographic risk. Four new projects have been optioned during the year from EMX Royalties in Idaho and Nevada as well as the Red Rock prospect in Nevada from a private owner.

SNIP

Project description

Snip was acquired by Skeena from Barrick Gold Corp. in July 2017 and consists of one mining lease and eight mineral claims totalling approximately 4,546 hectares in the Liard Mining Division and is situated in Tahltan Territory. The former Snip mine produced approximately one million ounces of gold from 1991 until 1999 at an average gold grade of 27.5 g/t. Since then, the project has been improved with the recent construction of nearby infrastructure (paved highway, hydro-electric facilities and ocean port facilities) and substantially higher gold prices.

Underground drilling recommenced in late 2017 to explore for additional mineralised shoots in a large shear structure. A maiden mineral resource was announced in July 2020 including 244,000 ounces of gold in the indicated category at an average grade of 14.0 g/t and 402,000 ounces of gold in the inferred category at an average grade of 13.3 g/t. A Technical Report was issued in September 2020.

Subsequent drill campaigns, totalling approximately 32,000 metres, successfully:

- upgraded areas of existing Inferred resources from the Mineral Resource Estimate to the Measured and Indicated categories;
- expanded the resource; and
- delineated additional mineralisation in previously unexplored areas of the near-mine environment.

In September 2018, Skeena granted Hochschild an option to earn a 60% interest in Snip over three years by spending twice the amount Skeena had spent since it originally optioned the property from Barrick in March 2016. Up until the exercise of the option, Skeena estimated that it had incurred approximately C\$50 million of expenditure on the project.

Terms of the option

The exercise of the HOC Option was also subject to the following terms:

- Hochschild must incur no less than C\$7.5 million in exploration or development expenditures on Snip in each year of the Option Period (which, provided that Hochschild has incurred at least C\$22.5 million on the project, can be extended by a further year on payment of US\$1 million to Skeena);
- On complying with the above, Hochschild must provide 60% of the financial assurance required by governmental authorities for the Snip mining properties; and
- Hochschild can terminate the HOC Option at any time (with no liability to complete the aggregate spending requirement), but must make a cash payment for any shortfall in the minimum annual spend (or pro-rated minimum annual spend if terminated after the first anniversary of the notice exercising the HOC Option).

2022 plans

In 2022, Hochschild plans on continuing the drill campaigns and initiating selected studies and testwork. The Company plans on drilling approximately 10,000 metres from surface and underground during the year. Approximately 70% of planned metres will be for infill and twin holes, and 30% for exploration.

A Pre-Feasibility Study will be undertaken during the year, using existing resources and results from the 2022 programme, to trade-off a series of mining and mineral processing opportunities identified at the project, and assess a potential project development route to move to a Feasibility Study.

AMARILLO GOLD

On 30 November 2021, Hochschild announced that it had entered into a definitive agreement to acquire Amarillo Gold Corporation at a net acquisition cost of an estimated C\$135 million.

The Transaction constitutes a Class 1 Transaction under the UK Listing Rules due to the level of Posse's Proven and Probable Reserves relative to those of Hochschild. As such, the Transaction is subject to Hochschild shareholder approval as well as the approvals of Amarillo shareholders, the Canadian court, regulatory authorities and the satisfaction of certain other customary conditions. The Transaction has been unanimously recommended by the board of directors of Amarillo and has the full support of Amarillo's major shareholders, Baccarat Trade Investments Ltd. and Eric Sprott. The Hochschild Board believes the Transaction is in the best interests of Hochschild and unanimously intends to recommend that shareholders vote in favour of the Transaction. Completion is expected to occur towards the end of this quarter.

Posse overview

Posse is an open pit gold project located in Mara Rosa in the mining friendly jurisdiction of Goiás State, Brazil. The brownfield project benefits from existing infrastructure and attractive costs. Construction of certain infrastructure is underway, with the project having received several of the necessary installation licences from state authorities in Goiás during 2021 and 2022, including the licences to install the power line and several mine components (e.g. waste piles, low grade deposit). Hochschild has revised the Posse mine plan contained in the August 2020 Definitive Feasibility Study, and will include further details in a mineral expert's report to be incorporated in the shareholder circular to be issued in the next few weeks.

Hochschild's Posse mine plan forecasts

Initial Mine Life	10 years
Average Annual Production	~80koz Au (~100koz Au over the first four years)
Average Annual AISC	US\$750/oz Au – US\$850/oz Au
Initial Capex	US\$180m – US\$200m
Sustaining Capex	~US\$40m
After-Tax NPV5% at US\$1,600/oz Au	US\$150m – US\$160m
After-Tax IRR at US\$1,600/oz Au	18% – 20%
After-Tax NPV5% at US\$1,800/oz Au	US\$200m – US\$240m
After-Tax IRR at US\$1,800/oz Au	24% – 26%

Posse NI 43-101 Proven and Probable Reserves

	Tonnes (Mt)	Au (g/t)	Au (koz)
Proven	11.8	1.20	456
Probable	12.0	1.16	446
Proven and Probable	23.8	1.18	902

Posse NI 43-101 Measured, Indicated and Inferred Resources

	Tonnes (Mt)	Au (g/t)	Au (koz)
Measured	14	1.2	510
Indicated	19	1.1	640
Measured and Indicated	32	1.1	1,200
Inferred ¹	0.1	0.6	1.7

Exploration potential overview

Hochschild has identified compelling near-mine and regional exploration opportunities for Posse and the Mara Rosa property. Posse is open down plunge to the southwest, providing potential to extend the mine life near the existing pit shell. There is also an opportunity to define multiple satellite deposits along the 10km Posse structural trend including the Araras, Speti 24 and Pastinho priority targets. Recent drilling has identified Pastinho as a promising target with similar geological characteristics to Posse and multiple parallel gold structures extending from the surface to approximately 200m of vertical depth while remaining open. In addition to the 2,500 hectares of mining concessions containing the Posse deposit and the 6,000 hectares of exploration concessions on the Posse structural trend, Hochschild will acquire an additional 59,000 hectares of regional exploration concessions on the Mara Rosa property.

VOLCAN

On 7 December 2021, Hochschild announced the appointment of Greg McCunn as CEO of the Volcan gold project in Chile. Concurrently, the Board has approved a work programme for 2022 which includes re-establishing operations in the Copiapo province, updating the mineral resource estimate and exploring ways of optimising the project development plan which are expected to be outlined in a new technical report.

Hochschild is also expected to restructure the project into a newly incorporated Canadian company (100%-owned by the Company) named 'Tiernan Gold'. In parallel with completion of the technical report, the Company will be evaluating strategic alternatives for Tiernan Gold.

¹ Based on limited drilling at depth.

A strong financial performance in 2021

Eduardo Noriega
Chief Financial Officer

\$811_m
2021 REVENUE

\$383_m
ADJUSTED EBITDA

\$67_m
NET PROFIT

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.

Adjusted EBITDA increased by 41% to \$382.8 million mainly due to the increase in revenue resulting from the rebound in production following 2020 operational stoppages...”

Revenue

Gross revenue¹

Gross revenue from continuing operations increased by 29% to \$831.0 million in 2021 (2020: \$641.5 million) mainly due to the rebound to a normal year of operation following the production stoppages during 2020 resulting from the Covid-19 crisis. In addition, there was a strong rise in the average realised silver price.

In February 2021, the Company hedged 4 million ounces of 2021 silver production at \$27.10 per ounce and 4 million ounces of 2022 silver production at \$26.86 per ounce. On 10 November 2021, the Company hedged 3.3 million ounces of 2023 silver production at \$25.00 per ounce. During the year ended 31 December 2021, 4.0 million silver ounces were hedged at \$27.10 per ounce, boosting the realised price.

Gold

Gross revenue from gold in 2021 increased to \$464.3 million (2020: \$376.9 million) due to the 25% rise in gold sales resulting from the rebound of production versus the Covid-19 impacted 2020. This was partially offset by a 2% fall in the average realised gold price.

Silver

Gross revenue from silver increased in 2021 to \$366.2 million (2020: \$264.5 million) due to a 24% rise in silver sales resulting from the rebound of production versus the Covid-19 impacted 2020. This was significantly augmented by a 12% rise in the average realised silver price.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for 2021 and 2020:

Average realised prices	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Silver ounces sold (koz)	14,712	11,846
Avg. realised silver price (\$/oz)	24.9	22.3
Gold ounces sold (koz)	260.71	207.77
Avg. realised gold price (\$/oz)	1,781	1,814

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 2021, the Group recorded commercial discounts of \$19.6 million (2020: \$19.7 million) in line with 2020. The ratio of commercial discounts to gross revenue in 2021 was 2% (2020: 3%).

Net revenue

Net revenue was \$811.4 million (2020: \$621.8 million), comprising net gold revenue of \$457.8 million (2020: \$370.1 million) and net silver revenue of \$353.1 million (2020: \$251.6 million). In 2021, gold accounted for 56% and silver 44% of the Company's consolidated net revenue (2020: gold 60% and silver 40%).

Reconciliation of gross revenue by mine to Group net revenue

\$000	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Silver revenue			
Inmaculada	156,675	84,651	85
Pallancata	82,727	83,405	(1)
San Jose	126,790	96,472	31
Commercial discounts	(13,088)	(12,932)	1
Net silver revenue	353,104	251,596	40
Gold revenue			
Inmaculada	296,160	230,255	29
Pallancata	22,989	24,154	(5)
San Jose	145,187	122,483	19
Commercial discounts	(6,517)	(6,810)	(4)
Net gold revenue	457,819	370,082	24
Other revenue	464	149	211
Net revenue	811,387	621,827	30

¹ Includes revenue from services.

FINANCIAL REVIEW CONTINUED

Cost of sales

Total cost of sales before exceptional items was \$487.8 million in 2021 (2020: \$397.8 million). The direct production cost excluding depreciation was higher at \$323.4 million (2020: \$218.2 million) mainly due to the Covid-19 related stoppages affecting 2020. Abnormal costs during the phases of reduced production capacity were \$8.7 million (2020: \$46.5 million). Depreciation in production cost increased to \$148.8 million (2020: \$113.1 million) due to higher extracted volumes across all operations, again mainly due to the stoppages affecting 2020. Unallocated fixed costs from workers that were unable to work during the Covid-19 crisis were \$8.7 million (2020: \$46.5 million; includes fixed costs from stoppages and operating at reduced capacity), and are shown separately below.

\$000	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Direct production cost excluding depreciation	323,418	218,212	48
Depreciation in production cost	148,842	113,146	32
Other items and workers' profit sharing	6,512	2,632	147
Fixed costs during operational stoppages and reduced capacity	8,680	46,480	(81)
Change in inventories	320	17,323	(98)
Cost of sales	487,772	397,793	23

Fixed costs during operational stoppages and reduced capacity

\$000	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Personnel	7,607	32,117	(76)
Third-party services	995	8,948	(89)
Supplies	–	1,698	–
Depreciation and amortisation	–	1,818	–
Others	78	1,899	(96)
Cost of sales	8,680	46,480	(81)

Unit cost per tonne

The Company reported unit cost per tonne at its operations of \$133.5 per tonne in 2021, an 11% increase versus 2020 (\$119.9 per tonne). This was due to: higher costs at Inmaculada resulting from using more semi-mechanised mining methods with a higher extraction cost; higher costs at Pallancata due to the use of more conventional mining methods; and higher costs at San Jose from expenditure related to the accessing and mining of incremental resources.

Unit cost per tonne by operation (including royalties)²

Operating unit (\$/tonne)	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Peru	106.5	97.5	9
Inmaculada	99.2	95.1	4
Pallancata	124.8	101.2	23
Argentina			
San Jose	229.0	199.4	15
Total	133.5	119.9	11

Cash costs

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

² Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively.

Cash cost reconciliation³ Year ended 31 Dec 2021

\$000 unless otherwise indicated

	Inmaculada	Pallancata	San Jose	Total
Group cash cost	141,316	80,354	150,663	372,333
(+) Cost of sales ⁴	213,812	93,049	172,231	479,092
(-) Depreciation and amortisation in cost of sales	(76,372)	(19,915)	(49,195)	(145,482)
(+) Selling expenses	616	620	14,195	15,431
(+) Commercial deductions ⁵	3,260	6,600	13,432	23,292
Gold	2,164	1,034	5,717	8,915
Silver	1,096	5,566	7,715	14,377
Revenue	452,835	99,116	258,972	810,923
Gold	296,160	21,955	139,704	457,819
Silver	156,675	77,161	119,268	353,104
Ounces sold				
Gold	165.9	13.0	81.8	260.7
Silver	6,216	3,263	5,233	14,712
Group cash cost (\$/oz)				
Co product Au	557	1,366	993	806
Co product Ag	79	19.2	13.3	11.0
By product Au	(99)	(182)	289	19
By product Ag	(25.3)	17.6	1.0	(6.4)

Year ended 31 Dec 2020

\$000 unless otherwise indicated

	Inmaculada	Pallancata	San Jose	Total
Group cash cost	102,135	62,181	107,119	271,435
(+) Cost of sales ⁶	154,950	83,272	113,091	351,313
(-) Depreciation and amortisation in cost of sales	(55,338)	(28,608)	(30,716)	(114,662)
(+) Selling expenses	417	632	11,705	12,754
(+) Commercial deductions ⁷	2,106	6,885	13,039	22,030
Gold	117	1,102	5,715	6,934
Silver	1,989	5,783	7,324	15,096
Revenue	314,906	100,674	206,098	621,678
Gold	230,255	23,052	116,775	370,082
Silver	84,651	77,622	89,323	251,596
Ounces sold				
Gold	129.7	12.8	65.3	207.8
Silver	4,020	3,654	4,172	11,846
Group cash cost (\$/oz)				
Co product Au	576	1,112	930	778
Co product Ag	6.8	13.1	11.1	9.3
By product Au	119	(1,658)	160	23
By product Ag	(31.9)	10.4	(3.7)	(8.9)

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.

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

4 Does not include fixed costs during operational stoppages and reduced capacity of \$8.7 million.

5 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of ore.

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

7 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of ore.

FINANCIAL REVIEW CONTINUED

All-in sustaining cost reconciliation⁸

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2021

\$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	134,110	66,859	122,449	323,418	–	323,418
(+) Other items and workers' profit sharing in cost of sales	3,489	3,023	–	6,512	–	6,512
(+) Operating and exploration capex for units ⁹	76,512	14,526	41,325	132,363	1,735	134,098
(+) Brownfield exploration expenses	3,276	5,993	9,653	18,923	3,658	22,581
(+) Administrative expenses (excl depreciation) ¹⁰	4,909	1,074	6,104	12,087	38,782	50,870
(+) Royalties and special mining tax ¹¹	5,190	1,136	–	6,326	5,916	12,242
Sub-total	227,486	92,612	179,532	499,629	50,092	549,721
Au ounces produced	165,730	13,045	83,615	262,390	–	262,390
Ag ounces produced (000s)	6,236	3,261	5,250	14,746	–	14,746
Ounces produced (Ag Eq 000s oz)	20,488	4,382	12,440	37,311	–	37,311
Sub-total (\$/oz Ag Eq)	11.1	21.1	14.4	13.4	–	14.7
(+) Commercial deductions	3,260	6,600	13,432	23,292	–	23,292
(+) Selling expenses	616	620	14,195	15,431	–	15,431
Sub-total	3,876	7,220	27,627	38,723	–	38,723
Au ounces sold	165,857	13,027	81,831	260,714	–	260,714
Ag ounces sold (000s)	6,216	3,263	5,233	14,712	–	14,712
Ounces sold (Ag Eq 000s oz)	20,480	4,383	12,270	37,133	–	37,133
Sub-total (\$/oz Ag Eq)	0.2	1.6	2.3	1.0	–	1.0
All-in sustaining costs (\$/oz Ag Eq)	11.3	22.8	16.7	14.4	1.3	15.8
All-in sustaining costs (\$/oz Au Eq)	971	1,959	1,435	1,241	115	1,357

Not included in the figure are unabsorbed fixed costs from workers that were unable to work during the Covid 19 crisis of \$8.7 million (2020: \$44.7 million; includes fixed costs without depreciation from stoppages and operating at reduced capacity), as well as \$22.5 million (2020: \$27.6 million) of exceptional Covid-19 response initiatives. These effects would have an impact on the AISC from main operations of \$0.2/oz Ag Eq and \$0.6/oz Ag Eq respectively (2020: \$1.5/oz Ag Eq and \$0.9/oz Ag Eq respectively).

Year ended 31 Dec 2020

\$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	86,874	51,534	79,804	218,212	–	218,212
(+) Other items and workers' profit sharing in cost of sales	1,383	1,249	–	2,632	–	2,632
(+) Operating and exploration capex for units ¹²	62,128	7,506	21,681	91,315	447	91,762
(+) Brownfield exploration expenses	2,526	4,652	9,720	16,898	3,745	20,643
(+) Administrative expenses (excl depreciation)	3,768	1,205	5,590	10,563	30,533	41,096
(+) Royalties and special mining tax ¹³	3,098	990	–	4,088	3,119	7,206
Sub-total	159,777	67,136	116,795	343,707	37,592	381,299
Au ounces produced	129,173	12,925	64,987	207,085	–	207,085
Ag ounces produced (000s)	4,034	3,679	4,108	11,821	–	11,821
Ounces produced (Ag Eq 000s oz)	15,143	4,790	9,697	29,631	–	29,631
Sub-total (\$/oz Ag Eq)	10.6	14.0	12.0	11.6	–	12.9
(+) Commercial deductions	2,106	6,885	13,039	22,030	–	22,030
(+) Selling expenses	417	632	11,705	12,754	–	12,754
Sub-total	2,523	7,517	24,744	34,784	–	34,784
Au ounces sold	129,697	12,798	65,280	207,776	–	207,776
Ag ounces sold (000s)	4,020	3,654	4,172	11,846	–	11,846
Ounces sold (Ag Eq 000s oz)	15,174	4,754	9,786	29,715	–	29,715
Sub-total (\$/oz Ag Eq)	0.2	1.6	2.5	1.2	–	1.2
All-in sustaining costs (\$/oz Ag Eq)	10.7	15.6	14.6	12.8	1.3	14.0
All-in sustaining costs (\$/oz Au Eq)	922	1,341	1,253	1,098	109	1,208

⁸ Calculated using a gold/silver ratio of 86:1 in line with 2020.

⁹ Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments.

¹⁰ Administrative expenses does not include expenses from Aclara Resources Inc (\$179,000).

¹¹ Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.

¹² Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments.

¹³ Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line.

Administrative expenses

Administrative expenses were increased by 20% to \$51.9 million (2020: \$43.3 million) due to increased professional fees of \$3.7 million mainly linked to M&A transactions, tax penalties of \$1.5 million and higher legal workers' profit sharing provisions in Peru of \$1.3 million.

Exploration expenses

In 2021, exploration expenses increased to \$39.9 million (2020: \$32.8 million) due to the 2020 reduced execution of the greenfield and brownfield programme as a result of the Covid-19 lockdown.

In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the Inferred or Measured and Indicated categories. In 2021, the Company capitalised \$6.1 million relating to brownfield exploration compared to \$1.7 million in 2020, bringing the total investment in exploration for 2021 to \$46.0 million (2020: \$34.5 million).

Selling expenses

Selling expenses were increased to \$15.4 million (2020: \$12.8 million) mainly due to higher volume sold and higher prices, principally due to the fact that in Argentina, which levies export taxes, the San Jose operation was affected by production stoppages in 2020.

Other income/expenses

Other income before exceptional items was higher at \$8.4 million (2020: \$3.6 million) mainly due to increased gains on the sale of equipment (\$3.3 million) and \$1.0 million of higher income on the recovery of expenses and provisions.

Other expenses before exceptional items were higher at \$44.6 million (2020: \$28.9 million) with the increase mainly due to: a voluntary redundancy programme in Argentina of \$8.3 million; mine provision increases of \$22.1 million (2020: \$16.1 million); and higher corporate social responsibility contribution in Argentina of \$3.9 million (2020: \$2.7 million).

Adjusted EBITDA

Adjusted EBITDA increased by 41% to \$382.8 million (2020: \$270.9 million) mainly due to the increase in revenue resulting from the rebound in production following 2020 operational stoppages due to the Covid-19 crisis. In addition, there was a significant increase in the average realised silver price. These effects were partially offset by higher production costs and lower gold prices.

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

\$000 unless otherwise indicated	Year ended 31 Dec 2021	Year ended 31 Dec 2020	% change
Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange loss and income tax	179,438	107,837	66
Depreciation and amortisation in cost of sales	145,482	116,480	25
Depreciation and amortisation in administrative expenses and other expenses	2,184	2,158	1
Exploration expenses	39,848	32,795	22
Personnel and other exploration related fixed expenses	(7,099)	(6,486)	9
Other non-cash income, net ¹⁴	22,958	18,134	27
Adjusted EBITDA	382,811	270,918	41
Adjusted EBITDA margin	47%	44%	

¹⁴ Adjusted EBITDA has been presented before the effect of significant non-cash (income)/expenses related to changes in mine closure provisions which were \$22.1 million in 2021 and \$16.1 million in 2020, and the write-off of property, plant and equipment.

FINANCIAL REVIEW CONTINUED

Finance income

Finance income before exceptional items of \$3.9 million decreased from 2020 (\$4.2 million) mainly due to the net effect of: a decrease of \$1.1 million due to change in the fair value of the Group's holding in Americas Gold & Silver Corporation shares received as payment for the San Felipe project; lower interest on deposits of \$0.3 million; and lower income on discount of credits of \$0.3 million. This was partially offset by higher income due to the unwinding of the discount on mine rehabilitation of \$1.6 million.

Finance costs

Finance costs before exceptional items increased from \$23.6 million in 2020 to \$32.1 million in 2021, principally due to: the cancellation of the Libor rate swap of the refinanced \$200 million medium-term loan (\$3.8 million); the refinancing cost of the medium-term loan (\$1.8 million); and foreign exchange transaction costs to acquire \$18.1 million dollars in Argentina, which resulted in a loss of \$15.3 million (2020: \$12.8 million).

Foreign exchange (losses)/gains

The Group recognised a foreign exchange loss of \$2.4 million (2020: \$2.6 million loss) as a result of exposures in currencies other than the functional currency – the Peruvian sol and the Argentinean peso, which both depreciated in 2021.

Income tax

The Company's pre-exceptional income tax charge was \$81.3 million (2020: \$49.6 million). The significant rise in the charge is explained by the rebound in profitability versus the Covid-impacted 2020. In addition, there was an increase in the tax rate in Argentina to 35% impacting deferred income tax by \$12.5 million.

The effective tax rate (pre-exceptional) for the period was 54.7% (2020: 57.8%), compared to the weighted average statutory income tax rate of 30.9% (2020: 30.8%). The high effective tax rate in 2021 versus the average statutory rate is mainly explained by the impact of a higher income tax rate in Argentina increasing the effective rate by 8.4%, royalties and the Special Mining Tax which increased the effective rate by 8.2%, local currency devaluation in Peru increasing the rate by 5.0%, and the impact of non-deductible expenses related to buying US dollars in Argentina increasing the rate by 3.4%.

Exceptional items

Exceptional items in 2021 totalled a \$3.7 million gain after tax (2020: \$15.8 million loss after tax). Exceptional items in 2021 included: a gain on the demerger of Aclara Resources of \$37.5 million (non-taxable); impairment of the Pallancata mining unit of \$24.9 million; and \$24.1 million of Covid-19 response initiatives distributed between cost of sales and other expenses (2020: \$31.2 million). Covid-19 response initiatives include: incremental personnel expenses; Covid tests; accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units; and additional transportation costs to facilitate social distancing. These items are presented as exceptional as they are incremental to the Group's regular business, resulting from initiatives to respond to the impact from Covid-19. Given the current progress of the pandemic, the response expenses are not expected to be recorded as exceptional items in the future.

Covid-19 response initiatives¹⁵

\$'000	Peru	Argentina	Total
Personnel	2,743	2	2,745
Donations	1	3	4
Third-party services	8,236	11,421	19,657
Others	1,381	227	1,608
Total	12,361	11,653	24,014

The tax effect of these exceptional items was a \$15.1 million tax gain (2020: \$7.2 million tax gain). The total effective tax rate was 48.2% (2020: 68.0%). The net attributable profit of exceptional items was \$7.4 million.

¹⁵ Covid-19 response initiatives are distributed between cost of sales and other expenses. Cost of sales mainly includes the expenses related to the operating mine units (Inmaculada, Pallancata, San Jose) of \$22.5 million. Other expenses includes corporate expenses and expenses from non-operating units of \$1.5 million.

Cash flow and balance sheet review**Cash flow**

\$000	Year ended 31 Dec 2021	Year ended 31 Dec 2020	change
Net cash generated from operating activities	282,520	195,374	86,137
Net cash used in investing activities	(183,434)	(112,229)	(71,205)
Cash flows generated from/(used in) financing activities	59,307	(12,411)	71,718
Foreign exchange adjustment	(3,487)	(5,208)	2,730
Net increase in cash and cash equivalents during the year	154,906	65,526	89,380

Net cash generated from operating activities increased from \$195.4 million in 2020 to \$282.5 million in 2021 mainly due to higher Adjusted EBITDA of \$382.8 million (2020: \$270.9 million).

Net cash used in investing activities increased from \$112.2 million in 2020 to \$183.4 million in 2021 mainly due to higher purchases of property, plant and equipment, and evaluation and exploration assets; and the purchase of Aclara shares for \$20.0 million.

Cash from financing activities increased to an inflow of \$59.3 million from an outflow of \$12.4 million in 2020, primarily due to the additional medium-term loan of \$100.0 million, partially offset by higher dividends to non-controlling interest of \$9.8 million (2020: \$0.3 million) and lower repayment of borrowings of \$14.8 million (2020: \$37.7 million).

Working capital

\$000	As at 31 December 2021	As at 31 December 2020
Trade and other receivables	69,749	78,196
Inventories	49,184	42,362
Derivative financial assets/(liabilities)	14,073	(1,500)
Income tax payable, net	(22,322)	(20,709)
Trade and other payables	(133,482)	(114,415)
Provisions	(32,058)	(25,504)
Working capital	(54,856)	(41,570)

The Group's working capital position declined in 2021 from \$(41.6) million to \$(54.9) million. The key drivers were: higher trade and other payables of \$19.1 million; lower trade and other receivables of \$8.5 million; and higher provisions of \$6.6 million. These effects were partially offset by: higher derivative financial assets of \$15.6 million mainly comprised of the position on the Company's silver hedges; and higher inventories of \$6.9 million.

Net cash

\$000 unless otherwise indicated	As at 31 December 2021	As at 31 December 2020
Cash and cash equivalents	386,789	231,883
Non-current borrowings	(300,000)	(199,554)
Current borrowings ¹⁶	(499)	(10,778)
Net cash/(debt)	86,290	21,551

The Group's reported net cash position was \$86.3 million as at 31 December 2021 (31 December 2020: net cash of \$21.6 million).

The Group benefited from strong cash flow generation resulting from the high precious metal prices. In 2021, the Company recorded an increase in borrowings resulting from the drawing down of a further \$100 million of the Company's revised medium-term loan.

¹⁶ Includes pre-shipment loans and short-term interest payables.

FINANCIAL REVIEW CONTINUED

Capital expenditure¹⁷

\$000	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Pallancata	14,250	7,506
San Jose	43,666	23,030
Inmaculada	76,512	62,128
Operations	134,428	92,664
Aclara	11,476	8,650
Other	7,957	6,610
Total	153,861	107,924

2021 capital expenditure of \$153.9 million (2020: \$107.9 million) mainly comprised operational capex of \$134.4 million (2020: \$92.8 million) with the increase versus 2020 resulting from deferred capex at all operations in 2020 due to the impact of the Covid-19 pandemic and higher capex for development work at Pallancata to access newly economic resources which have further extended the mine life.

¹⁷ 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.

STAKEHOLDER ENGAGEMENT

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

Our six key stakeholder groups**Section 172**

On these pages, we describe our key stakeholders and summarise the engagement that has been undertaken across the business.

How the Board develops an understanding of the interests of stakeholders, and how it considers stakeholders' interests in its principal decisions and the section 172(1) statement can be found in the Corporate Governance Report on pages 88 and 89.

1.

Shareholders

2.

Employees

3.

Social

4.Government/
Regulators**5.**Suppliers/
Lenders**6.**

Customers

1. Shareholders

Why are they important to us?

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

Engagement activities

We interact with our shareholders through various methods throughout the year with the participation of the CEO, CFO, members of the Board, the Company Secretary and the Head of Investor Relations.

Examples of shareholder engagement in 2021 include discussions with investors, led by the Remuneration Committee, on executive Remuneration Policy and feedback on the 2020 Remuneration Report, and the Capital Markets presentation on the Group's rare earths business (Aclara Resources).

2. Employees

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

Employee engagement generally takes many forms and includes the use of surveys, presentations and Q&A sessions with management. Our 2021 programme included:

- workshops hosted by senior management and external specialists facilitating discussions themed around the Group's cultural attributes;
- sessions led by the Country General Managers with managers of the mining units; and
- regular meetings with labour unions to negotiate collective agreements and discuss matters of interest.

3. Social

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

We adopt a varied approach to engaging with local communities including:

- direct interaction with local mayors and residents;
- our Permanent Information Office (which re-opened for in-person service in 2021) and town hall meetings;
- community surveys;
- collaborative activities, for example environmental monitoring; and
- the implementation of local purchasing and hiring protocols.

Issues raised in 2021**Additional information**

- Impact of safety events on executive remuneration
- Progress at Aclara's rare earths project
- Various issues relating to ESG (environmental, social and governance) including environmental management, safety and relations with communities
- Growth strategy

For further information on the actions taken by the Company in response to investor feedback on executive remuneration, please refer to the Directors' Remuneration Report.

READ MORE

Corporate Governance Report (Shareholder Engagement)
– page 87

Directors' Remuneration Report
– page 104

- Covid-19 health protocols and information on vaccines
- Adaptations prompted by the pandemic such as working shift changes and changes in catering provision due to contractor staff shortages
- Remuneration retention plans for health personnel

READ MORE

Sustainability Report (Our people)
– page 61

Risk Management (Personnel risks)
– page 71

- Environmental issues
- Local hiring and purchasing
- Provision of education to children and others returning from cities
- Covid vaccinations

READ MORE

Sustainability Report (Environment Management & Communities)
– from page 54

Risk Management (Environmental risks)
– page 74

Risk Management (Community relations)
– page 75

4. Government / Regulators

Why are they important to us?

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

Engagement activities

The Vice President of Corporate Affairs oversees regular interaction with relevant authorities and regulators, both at a Company level but also through the National Mining Association. Various teams also regularly interact with public officials and regulators as part of their operational functions.

The equivalent role in our Argentinian joint venture is undertaken by the General Manager and General Counsel. We also play an active role through the National Mining Association.

In 2021, management engaged directly with members of the Peruvian Government in response to actions by the Prime Minister in the Coracora district. For further details, please refer to the commentary on Political, Legal and Regulatory risks in the Risk Management report.

5. Suppliers/ Lenders

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

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.

6. Customers

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

Our sales and logistics teams oversee a relationship of co-operation and constant dialogue.

In addition to usual relationship management, customer engagement during 2021 took place virtually including during London Metals Exchange week.

Issues raised in 2021**Additional information**

- Ongoing implementation of Covid-19 health protocols
- Health & Safety and environmental performance and compliance
- Contribution to regional development such as through local job creation and investment in social programmes/infrastructure
- Discussions with representatives of the Tahltan Central Government on Hochschild's planned activities at the Snip project

READ MORE

Risk Management (Political, Legal & Regulatory risks) – from page 72

- Ongoing application of Covid-19 health protocols for onsite suppliers (such as catering contractors)
- The maintenance of stocks of critical consumables to mitigate supply chain risks
- Ongoing discussions to anticipate price variations due to rising freight costs
- With regards to its lenders, the Group provides information on an ongoing basis on relevant developments including operational, social and political matters

READ MORE

Risk Management (Business Interruption/ Supply Chain risks) – page 70

- Shipping schedules due to the impact of delays in global logistics
- Adjustments to standard logistics protocols to avoid shipping delays
- Discussions on the provision of additional information/guarantees in light of HOC's procedures to mitigate counterparty risk

READ MORE

Risk Management (Commercial Counterparty risk) – page 70

Responsible and innovative mining committed to a better world

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

Dear shareholder

A key foundation of Hochschild's corporate purpose is our collective sense of responsibility. I am pleased to report on our key Environmental, Social and Governance (ESG) activities and achievements for 2021. We will also publish our stand-alone Sustainability Report in Q2 2022 outlining our efforts in greater detail.

Serving our communities

Our Community Relations team has continued to support our local communities during the ongoing Covid-19 pandemic. We invested \$5.4m in our local communities, we provided employment to over 1,000 people from our surrounding communities in Peru, Argentina and Chile, and procured goods and services worth over \$16m from local providers.

Protecting the environment

From an environmental perspective, I would like to highlight two aspects in particular. For the first time since we launched our ECO Score framework in 2015, we ended the year with four mining units with perfect scores of 6 out of 6. Also, over the last year we have embarked on an ambitious journey to develop our first corporate carbon strategy to become net zero, which will be ready by the end of Q1 2022 for adoption in Q2 2022.

Health and safety

Our people's safety and wellbeing continue to be our highest priority.

Our Health and Safety Risk Information Management System was certified by DNV¹ to Level 7 a year ahead of schedule and is the culmination of three years of

progressive improvement. Despite our continued focus on safety, I am very saddened to report that two fatal incidents occurred in 2021. Two of our contractors were fatally injured while working at our San Jose and Aclara mining projects. As always, whenever such accidents occur at our mine sites, a full investigation is carried out and we take whatever steps are necessary to achieve our aim of zero harm.

As previously reported, an unprecedented tragic traffic accident occurred in June 2021 involving our transport contractor which claimed the lives of 26 colleagues. The entire organisation was deeply affected by this accident and we provided support to the families of the victims and supported the local authorities and contractor with their respective investigations.

Our people

Diversity, particularly with regards to gender, continues to be a focus area for Hochschild. We have achieved 33% female representation on the Board compared to the average score of 24.6% across World Gold Council members. During the year we also continued with our initiatives across the organisation to promote diversity and inclusion.

Ensuring we are a responsible business

It is important for us that we always operate in an ethical manner. In 2021, we achieved the Zero Corruption Certification of Entrepreneurs for integrity. Furthermore, we were recognised with the EMIN award (Mining Excellence of the South Macro Region), by the Peruvian National Society of Industries and the Arequipa Chamber of Commerce in Peru.

Looking forward, we have a comprehensive work plan to drive continuous improvement including: continue rolling out internal training on our Human Rights Policy, implementing a human rights due diligence process, strengthening our environmental culture, and carefully managing our climate-related risks and their potential impacts.

We welcome your comments and feedback on our sustainability activities, which can be shared via sustainability@hocplc.com.

Graham Birch

Chair, Sustainability Committee
22 February 2022

¹ Independent certification body

² According to the latest data available published in 2020

\$16.8m

VALUE OF GOODS AND
SERVICES PROCURED FROM
LOCAL PROVIDERS

\$5.4m

INVESTED IN
LOCAL COMMUNITIES

33%

FEMALE BOARD
COMPOSITION

Our approach to sustainability



Hochschild's approach to sustainability

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

To ensure these values continue to be met, we have operationalised our policies to be able to showcase our commitment to areas in which we can impact the most, underpinned by our recognition of the United Nations Sustainability Development Goals (UN SDGs).

Refreshed materiality assessment

In 2021, we completed a materiality assessment refresh, which identified 14 material ESG topics critical for Hochschild to manage. The process included an external trends analysis, engagement with internal and external stakeholders, and an in-depth topic analysis and prioritisation. We are planning to refresh our materiality assessment every two years.

Sustainability Strategy

Best in class

Robust culture

Transparency

Maximise innovation

Minimal footprint

Governance

Strong sustainability governance is critical for Hochschild to maintain its social licence to operate, requiring leadership from the very top of the organisation. Our Board of Directors has ultimate responsibility for establishing Group policies relating to sustainability and employee matters, and ensuring that international and national standards are met.

In December 2021, Tracey Kerr was appointed to the Board as an Independent Non-Executive Director. Tracey joins the Company having spent a considerable part of her career with Anglo American and she brings with her a breadth of sustainability experience from her previous roles as a senior mining executive with ESG responsibilities.

The Sustainability Committee, a formal committee of the Board, has been delegated responsibility for various sustainability issues, focusing on compliance and ensuring that appropriate systems and practices are in place Group-wide to ensure the effective management of ESG-related risks and opportunities.

Graham Birch, who chairs the Committee, has Board-level responsibility for ESG issues and is the Designated Non-Executive Director for Workforce Engagement. The Vice Presidents of Operations, Legal & Corporate Affairs, and Human Resources report to Graham Birch as chair of the Sustainability Committee.

Committee membership and attendance at Committee meetings are detailed in the table below.

Tracey Kerr will join the Committee as a member on 1 March 2022 and, following Graham Birch's retirement from the Board at the 2022 AGM, will become Committee Chair.

The Committee conducted the following key activities during 2021:

- Approved the 2020 Sustainability Report for inclusion in the 2020 Annual Report;
- Monitored the execution of the annual plan in our key areas of focus: Serving our communities, Protecting the environment, Health and safety and our people;
- Received updates on the Company's initiatives supporting employees and local communities through the ongoing Covid-19 pandemic;
- Oversight of the ongoing rollout of the Environment Culture Transformation Plan to assure a robust environmental culture across the organisation;
- Reviewed the ICMM's Global Standard on Tailings Management and adopted a Tailings Storage Facility Policy;
- Considered the investigations into the two workplace fatalities that occurred during the year as well as the traffic accident involving a bus operated by one of our transport contractors;
- Reviewed the key sustainability-related risks to which the Company is exposed as well as assessing the adequacy of the mitigation measures that have been adopted.

Sustainability reporting

In 2021, we completed the Climate, Forest and Water Security Carbon Disclosure Project (CDP) disclosures and aligned climate reporting with the Task Force on Climate-related Financial Disclosures (TCFD) framework. The 2021 TCFD report can be found from page 64.

To provide stakeholders with a transparent account of the sustainability topics of most importance to our business and the steps we are continually taking to better measure our impact and improve our sustainability performance, we will publish a standalone Sustainability Report, aligned with GRI core-level requirements in Q2 2022. Going forward we will publish a standalone Sustainability Report every other year and continue to provide stakeholders with our progress on ESG related topics within our Annual Report.

Members	Independent	Maximum possible attendance	Actual attendance
Graham Birch, Non-Executive Director (Chair)	Yes	4	4
Ignacio Bustamante, Chief Executive Officer	No	4	4
Eileen Kamerick, Non-Executive Director*	Yes	3	3
Michael Rawlinson, Non-Executive Director	Yes	4	4
Sanjay Sarma, Non-Executive Director**	Yes	4	4

* Eileen Kamerick was appointed a member of the Committee on 1 May 2021

** Sanjay Sarma stepped down from the Committee on his retirement from the Board on 10 December 2021

Serving our communities

Highlights

\$5.4m

SPENT OR DONATED TO BENEFIT
LOCAL COMMUNITIES (2020: \$5.5m)

\$16.8m

WORTH OF GOODS AND SERVICES PROCURED
FROM COMMUNITY-RUN BUSINESSES

1,057

COMMUNITY MEMBERS EMPLOYED ACROSS NINE
OF OUR SITES IN PERU, ARGENTINA AND CHILE

Alignment to UN SDGs

Hochschild recognises its responsibilities to support communities working together with governmental authorities, investing significant resources to understand their needs and expectations. We have identified the following material topics related to this pillar: positively impacting local communities and respecting human rights.

Our approach to serving our communities

The Hochschild way is to promote close collaboration with our local communities with full respect for local customs and social dynamics. Our actions are guided by our Community Relations Policy and our active engagement strategy, which set out our intention to build trust, provide clear communication and actively listen to and understand community concerns.

Key achievements 2021

- **Digital inclusion:** As part of our Conexión Futuro ('Future Connection') programme to keep communities connected during the Covid-19 pandemic, we installed three new digital centres in the communities of Quilcaccasa, Belen and Pacapausa.
- **Education:** Our educational programme Aprender Para Triunfar ('Learn to Succeed') provided academic support in mathematical reasoning and reading comprehension for elementary students as well as focusing on emotional and entrepreneurial skills for secondary students. In 2021, we were able to support almost 200 students and over 80 teachers across 11 communities.

We also donated over 300 tablets to schoolchildren, which facilitated the delivery of educational programmes developed by the government. This allowed students to have access to learning experiences during school shut down due to the pandemic, aligned with Peru's national curriculum. Alongside this, we trained 65 teachers in the use of technological tools and wellbeing techniques.

Finally, in 2021, 13 women from our communities graduated as plant and infrastructure assistants through our scholarship programme Becas Futuro Mujer ('Women of the Future Scholarship'). Five of these graduates have since been employed by Hochschild to work at the Inmaculada mine. The programme, launched in 2020, offers the opportunity for higher studies in technical careers, equipping students with skills that are sought after in the mining industry.

- **Health and nutrition:** Through the Siempre Sanos ('Always Healthy') programme implemented in collaboration with the Peruvian Health Ministry, we are providing medical care for our communities. In addition, the programme facilitates workshops on health prevention and health education, particularly providing support to new parents on early childhood development and child nutrition. In 2021, 92 mothers and 100 children benefited from this programme. We also carried out over 100 home visits to families through our health promoters to improve parents' understanding and knowledge of early child development.
- **Economic development:** Hochschild's Impulso Productivo ('Boosting Productivity') programme seeks to strengthen local entrepreneurs' business management, as well as providing access to markets. In 2021, we worked with 229 agricultural producers, who achieved sales of over \$40,000 in local produce. Additionally, through our Orgullo Pecuário ('Pride in our Livestock') programme we provided 215 livestock producers with technical assistance on genetic improvement of livestock and animal health to improve the wellbeing and development of their livestock.

Material topics in serving our communities

Positively impacting local communities

At Hochschild, we are proud of the work we do to support our local communities. We invest our resources to understand the needs and expectations of our communities and governments, with a particular focus on education, health and socio-economic development. Where possible, we look for opportunities for community and governmental collaboration to ensure that our social investment strategies are implemented successfully and have a long-lasting impact.

Respecting human rights

Hochschild is committed to upholding and respecting human rights within the Company and throughout our value chain. We seek to apply relevant international standards to understand, control and mitigate our impact. In 2020, we published a standalone Human Rights Policy. In 2021 we commenced training for our managers and staff across the business.

The Hochschild way is to promote close collaboration with our local communities with full respect for local customs and social dynamics."

Protecting the environment

Highlights

5.29

2021 ECO SCORE (VS TARGET OF 5.00)

48%

DECREASE IN DOMESTIC SOLID WASTE GENERATION SINCE 2015

Alignment to UN SDGs

Hochschild is committed to contribute to a sustainable future, always acting with responsibility and environmental excellence. We have identified the following material topics related to this pillar: Climate change resilience, Water management, Responsible management of waste and tailings and Safeguarding biodiversity natural resources through effective land use.

Our approach to protecting the environment

Hochschild is committed to protecting the environment through applying best-in-class environmental management practices. All our activities are guided by the principles set out in our Environmental Policy, continually seeking ways to produce metals with the least possible environmental footprint. Such efforts include improving our consumption of resources, whether through reducing water usage, improving energy efficiency, or increasing the amount of waste that is recycled.

Key achievements 2021

– Environment Culture Transformation

Plan: We continue to work on our Environment Culture Transformation Plan. The plan's objective is to strengthen and embed an environmentally conscious culture across our business and assure long-term environmental performance. In 2021, we launched the following initiatives:

- **Environmental Ambassadors:** We established Hochschild's first group of 85 ambassadors across Peru (46) and Argentina (39). These ambassadors are tasked with promoting a key aspect of the Group's corporate purpose: a sense of environmental responsibility in all that we do.

• Environmental Processes

Optimisation Programme: This programme enables us to assess our environmental risks across our operations and establish the most appropriate environmental controls.

- **Innova Campaign to improve water and waste management:** Of the 43 proposals that were submitted via our innovative projects portal in 2021, 15 innovative projects have been selected for implementation. To date, six projects have been completed and five are in progress.

– ECO Score: A Hochschild innovation:

To achieve a best-in-class environmental footprint, Hochschild created an innovative programme that allows us to quantify and distil our environmental performance in a single number, expressing intangible environmental management in a way that is universally understood. The ECO Score is an effective and innovative tool used to manage environmental matters, hold employees accountable and create value for all stakeholders. In 2021, our overall ECO Score was 5.29 out of 6 (2020: 5.74)

Among the 2021 results, Hochschild achieved the highest environmental culture compliance score since 2015 (96.4%).

Moreover, our performance has inspired the voluntary take up of the ECO Score framework by our suppliers, which will help us improve our business practices across our supply chain. For instance, our waste management contractor in Peru adapted the ECO Score for their operations in Peru, focusing on water consumption, waste segregation and energy use.

The ECO Score has received external recognition since its launch in 2015. For details on how the ECO Score is calculated, visit

<http://www.hochschildmining.com/en/responsibility/environment>

Material topics in protecting the environment

Climate change resilience

We understand the global importance of climate change and are committed to taking the necessary measures to continually reduce our greenhouse gas (GHG) footprint. Our low-carbon grid-based electricity supply is 78% sourced from renewable sources. On the other hand, the nature of the underground mining of narrow high-grade veins in both Peru and Argentina allows us to have a low GHG intensity.

We are in the process of developing a climate risk assessment and carbon strategy to become net zero, which will be ready by end of Q1 2022 for adoption in Q2. We will be launching reduction targets, increasing our energy procurement from renewable sources and improving our operational energy efficiency.

Climate change-related risks are reported to the Risk Committee and Sustainability Committee. To provide our stakeholders with greater transparency and understanding of the impacts of climate change on our business, Hochschild commenced participating in CDP in 2021 and reporting under the TCFD framework voluntarily with respect to 2020. With regards to the former, Hochschild scored a C rating in line with the sector average.

Details on our approach to manage climate risks and opportunities, including our governance approach, strategy, and risk management, can be found in our TCFD report from page 64.

53%

**DECREASE IN POTABLE
WATER CONSUMPTION
SINCE 2015**

Greenhouse gas emissions

data^{1,2} (tonnes of CO₂e)	2021	2020³	2019	2018	2017	2016	2015	2014
Emissions from combustion of fuel and operation of facilities (tCO ₂ e) ⁴	46,628	40,647	39,341	38,939	47,265	46,033	46,8923	73,244
Emissions from purchased electricity (tCO ₂ e) ⁴	53,802 ⁵	41,254 ⁵	82,833 ³	85,084 ³	94,249	91,893	78,163	69,933
Total Scope 1 & Scope 2 emissions (tCO₂e)⁴	100,430	81,901	122,174	124,023	141,514	137,926	125,055	143,178
Energy consumption used to calculate above emissions	464,221,143	366,955,382	446,288,131	n/a	n/a	n/a	n/a	n/a
From combustion of fuel (kWh) ⁶	164,307,150	132,414,133	143,763,206	n/a	n/a	n/a	n/a	n/a
From purchased electricity (kWh)	299,913,993	234,541,249	302,524,925	n/a	n/a	n/a	n/a	n/a
Emissions intensity, per thousand ounces of total silver equivalent produced (CO ₂ e/k oz) ^{4,5}	2.69	2.76	2.64	2.60	3.16	3.27	3.70	5.08

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

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

3 Restated following a review of underlying data and external verification of the emissions from Inmaculada, Pallancata, Selene and San José.

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

5 Location based emissions.

6 Collected information has been converted to kWh from gallons of fuel using net calorific values obtained from the Peruvian Ministry of Environment.

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

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

Our 2021 carbon footprint for operations will be externally assured by an independent third party.

Water management

In 2021, 85% of all water used in processing was re-used water, predominantly from water recovery plants from tailing storage facilities. At the Inmaculada mine, 75% of water was re-used (2020: 73%), 99.3% at Selene mine (2020: 100%) and 77.1% in the San Jose mine (2020: 75%).

Potable water consumption decreased by 16.4% in 2021 compared to 2020 levels. This is the result of the successful implementation of initiatives focused on responsible water management. This includes installing electro-valves to improve water use and control, running a communication campaign around the efficient use of water and ensuring high quality maintenance of water lines.

Water consumption (litres/person/day)

2021	2020	2019	2018	2017	2016	2015
192.83	230.67	206.01	224.78	214.08	293.71	408.35

Safeguarding biodiversity and natural resources through effective land use

Peru sits within the top 10 of the most biodiverse countries and several of our sites are located adjacent to a legally recognised national protected area. To maintain and protect the biodiversity of our surroundings, monitoring is conducted by a specialised consulting firm across each mine unit twice a year (both in the rainy and dry seasons). The results of these surveys in 2021 confirmed the overall health of the ecosystem.

Responsible management of waste and tailings

In 2021, domestic waste generated across all our sites decreased by 15.3% from 2020 levels. Since the implementation of the ECO Score in 2015, domestic waste generation has decreased by 48.5%.

Domestic waste generation (Kg/person/day)

2021	2020	2019	2018	2017	2016	2015
1.00	1.18	1.04	1.13	1.13	1.33	1.94

Hochschild has 11 tailings storage facilities in total, nine of which are downstream with rock buttresses and nine are classified as low risk. We currently have four operating facilities, two in Peru and two in Argentina. We commission external inspections of operational facilities every two years. The last audit took place in 2021 and concluded that all dams are stable, with any observations being minor and related to care and maintenance. An action plan is being developed to address all observations.

Hochschild fully supports the need for greater transparency in the mining sector and discloses full details on each of its TSFs and how they are managed.

READ MORE

See [hochschildmining.com](https://www.hochschildmining.com) for further details on the Group's TSFs

Health and Safety

Highlights

9%

REDUCTION IN LOST
TIME INJURY
FREQUENCY RATE
COMPARED WITH 2020

4.5m

MORE LABOUR-HOURS
IN 2021 THAN 2020 DUE
TO THE RESUMPTION
OF OPERATIONS
FOLLOWING THE
PANDEMIC

27

CONVERSATION
SESSIONS HELD TO
SUPPORT FAMILIES
THROUGHOUT THE
PANDEMIC

Alignment to UN SDGs

Given the inherently high-risk profile of mining and recognising that our people are our most valuable asset, ensuring employee safety is a key measure for our corporate success. Occupational health, safety and wellbeing was identified as a priority topic in our materiality assessment.

Our approach to health and safety

We recognise that a more engaged workforce is one where people actively look out for their own and others' safety, helping us to manage our safety and health risks. To further embed a Company-wide safety culture, we updated our Safety Plan in 2020, known as Safety 2.0. Our Safety 2.0 action plan is made up of seven key attributes covering training, effective communication, recognition, and linking compensation with safety indicators.

Key achievements in 2021

- Achieved Level 7 certification by DNV for operating Health & Safety Management Systems at all mining units.
- Successfully continued implementation of our updated action plan known as 'Safety 2.0'.
- We released the Seguscore, a new integrated safety performance tool which incorporates proactive safety indicators (such as internal inspection results) to the traditional indicators (such as frequency, severity, and high potential indices).
- A weekly safety and leadership training programme is in place at all sites with a 90% attendance rate.

- We developed an integrated GPS and on-board video system programme with artificial intelligence which will be implemented in early 2022. This will give our drivers more control and safety. The system can identify fatigue signals and detects the use of the seat belt.
- We developed an in-house tailored risk perception tool to improve our employees' understanding of safety-related risks. This tool will help employees identify and control triggers connected to incidents and accidents.

Additionally, throughout 2021 we continued to protect our people from the ongoing impacts of the pandemic. We provided ongoing reinforcement of responsible behaviours at the mine sites and administrative offices. We also co-ordinated with regional and local authorities to roll out vaccination campaigns in Peruvian sites.

Investigating and learning from safety incidents

With deep regret we reported an accident at our San Jose mine towards the end of the first quarter that claimed the life of one of our contractors during the preparation of scheduled electrical maintenance work. The victim was being transported in a mobile elevating work

platform when, during its operation, the platform impacted the ground at force causing severe injury. A detailed investigation was carried out following the incident and findings were reported to the Board. An action plan comprising internal communications and changes to operating procedures were subsequently implemented across all operations.

In November, a worker of a local contractor at Aclara's Penco project sustained fatal injuries. The victim was not on active duty but was found, by his colleagues, at the foot of a nearby embankment, together with the road roller he was operating. Local authorities were notified and we provided support to the worker's family through the contractor.

As part of Hochschild's ongoing efforts to reduce the occurrence of these events, in-depth training is provided to staff members. In 2021, workers received training in accident investigation through a comprehensive 20-hour course. The contents were co-designed with leading independent risk and assurance firm DNV to standardise the investigation techniques and improve the preparation of action plans.

High Potential Events

Since 2017, we have 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, our CEO convenes a meeting where the accident is analysed in detail as well as the proposed corrective action plan.

Systematically managing risks is at the centre of our approach to safety and is underpinned by our Occupational Health & Safety Management System."

Material topic in Health and Safety Occupational health, safety and wellbeing

We strive to ensure that the health, safety and wellbeing of employees and contractors is central to our processes and business practices. We adopt practical measures to avoid workplace fatalities, eliminate occupational health hazards and support employee wellbeing.

Systematically managing risks is at the centre of our approach to safety and is underpinned by our Occupational Health & Safety Management System. This management system is aligned with recognised international practices and is externally certified to ensure compliance amongst mining units. In 2021, our Health and Safety Management System operating at all units achieved Level 7 certification by DNV (Level 6 in 2020).

Safety performance

Fatal accidents

Lost Time Injury Frequency Rate (LTIFR)

Accident Severity Index

1 After extensive consideration by senior management and the Sustainability Committee on the HOC 2018 Parameters (with reference to the ICMM's Health and Safety Guidance), it was decided that the Pallancata bus highway accident would not be reportable by Hochschild in its safety KPIs as it took place outside of Hochschild Mining's operation and involved third-party transportation.

Our people

Highlights

15%

WORKFORCE FROM
LOCAL COMMUNITIES
(2020: 13%)

53%

WORKFORCE
REPRESENTED BY A
TRADE UNION OR
SIMILAR BODY
(2020: 54%)

33%

FEMALE REPRESENTATION
AT BOARD LEVEL (COMPARED
TO 24% ACROSS WGC
MEMBERS IN 2020)

Alignment to UN SDGs

Hochschild's success relies on its people. We seek to promote our corporate purpose and provide a positive and stimulating working environment, where the development of employees is encouraged. We have identified the following material topics related to this pillar: Labour relations, Diversity and inclusion, Recruitment, retention, engagement and Innovation through technological solutions.

Our approach to supporting our people

Underpinning the importance we place on our people and their wellbeing, we commit to providing an integrated approach to employee welfare, supporting our people's health and wellbeing and ultimately, improving employee motivation and productivity.

In addition, we trained 30 members of Amautas Mineros, a civil society association of university students which showcases modern mining practices to students in Peru. Through this training, we have built a programme that has impacted more than 2,700 students in Arequipa and Cusco.

Key achievements in 2021

– Creating a diverse talent pool:

Hochschild's Siembra ('Providing for the Future') programme is part of our external efforts to reduce the barriers and stereotypes that women face in the mining sector. By running training sessions on unconscious bias and gender equality, we provide participants with the knowledge they need to become agents of change when they eventually enter the workforce. In 2021, over 90 leaders of the Company were trained through this programme, along with 17 women from the Women in Mining Peru programme (a non-profit association promoting the personal and professional growth of women in the mining sector).

- **Internship programme:** Eleven women completed the Mujeres de Oro ('Golden Women') internship programme and were hired as assistants at the Inmaculada mine. Each intern undertook 38 hours of training and developed improvement projects in the mines under the guidance of mentors.
- **Sexual harassment campaign:** It is a priority for Hochschild to provide a workplace that is free of harassment. As part of Hochschild's 2021 #LibreDeAcoso ('#Free from harassment') campaign, 1,564 employees completed online training and obtained a certificate of completion.

- **Leadership:** Hochschild continued with our multi-year leadership programme Lideres HOC ('HOC Leaders'), focused on promoting our safety and environmental culture. A third group of 65 participants completed the programme in 2021, which included 84 hours of training. In addition, Hochschild has continued promoting a female leadership development programme called Mujer Integral ('Integral Woman'), with 23 participants completing it successfully in 2021. The programme seeks to train our female workers with the objective of promoting their development and growth within the Company.
- **Recognition:** 72% of personnel interacted with the Brilla HOC online platform and 31% of workers were acknowledged at least once during 2021. The platform allows workers to acknowledge extraordinary behaviours that reflect our cultural attributes and that are aligned with the Company's purpose. The cultural attributes include: showing innovation, always acting responsibly, inspiring and promoting talent and always searching for efficiency.

Material topics in our people

Labour relations

Our Code of Conduct sets out our undertakings to treat all employees fairly and work in a safe and collaborative working culture. As a foundation of everything that we do, we recognise and uphold freedom of association, collective representation, just compensation, job security and development opportunities. In 2021, approximately 54% of our total workforce was represented by a trade union or similar body. We did not record any strikes or lockouts during 2021.

People indicators

Gender diversity*	2021	2020	2019	2018	2017	2016
Number of employees						
Male	3,347	3,155	3,024	3,894	3,849	3,859
Female	316	275	218	245	235	222
Number of senior managers						
Male	43	41	37	37	36	35
Female	2	1	1	1	1	1
Number of Board members						
Male	6	7	7	7	7	8
Female	3	2	1	1	1	1

* as at 31 December

Diversity and inclusion

At Hochschild we are committed to providing equal employment opportunities for all, regardless of race, gender or religion. We believe diversity brings new and innovative ideas that contribute to our overall business success. Diversity, particularly gender, continues to be an area of focus, with our commitment to promoting the participation, education, and development of women outlined in our Diversity and Inclusion Policy. By the end of 2021, 33% of our Board of Directors are women.

Recruitment, retention and engagement

Our people are key to the success of the business. We are therefore committed to attracting and retaining high quality talent by providing an attractive and innovative place to work. In 2021, we ranked second within the mining sector in the Merco Talento rankings (increased by one place compared to 2020), and 23rd out of the top 100 companies (increased by four places compared to 2020), ranked according to practices of attracting and retaining talent in Peru.

Promoting innovation

We are dedicated to the development of more efficient business practices through the adoption of new technologies. This enables us to enhance and improve day-to-day mining operations in a safe and secure way. We strive to promote innovation in all aspects of our business to drive business performance and identify opportunities for greater resource efficiency.

Our dedication to innovation allows us to incorporate key technological advances and apply them to our business. In 2021, we launched a state-of-the-art reverse osmosis treatment plant at our Ares mine site to dewater its tailing storage facility and we put into operation the eighth leach tank in Inmaculada, increasing the residence time and the recovery of gold and silver.

In 2021, we carried out three innovation campaigns through our Innova programme. We received more than 130 project proposals, 22 of which are being implemented. We have also held innovation talks to inspire and encourage creativity. Led by subject matter experts, the topics range from bioremediation to mining robots, the latter drawing on a research project led by Stanford and UTEC universities. The talks reached an audience of over 100 people.

We believe diversity brings new and innovative ideas that contribute to our overall business."

Ensuring we are a responsible business

At Hochschild, we firmly believe that the sustainability of our business can only be built by doing the right thing – always acting honestly and ethically. We have identified the following material topics related to this pillar: Responsible business conduct and ethics, Advocacy for positive change and Responsible supply chain management.

Our approach to responsible business

We comply with codes, policies and procedures designed to ensure responsible, honest, innovative, and sustainable business management based on ethical standards. As a foundation of everything we do, all employees must comply with our Code of Conduct. The Code is supported by various policies, which cover a broad range of issues including anti-corruption and money laundering prevention.

Key achievements in 2021

- Achieved the Zero Corruption Certification of Entrepreneurs for Integrity.
- Recognised by the EMIN award (Mining Excellence of the South Macro Region) by the Peruvian National Society of Industries and the Arequipa Chamber of Commerce in Peru.
- In line with the Company's commitment to diversity and inclusion, the Board achieved its target of 33% female Board representation with the appointment Tracey Kerr as an independent Non-Executive Director in December 2021.
- Reviewed and updated the following governance policies:
 - Prevention and Criminal Compliance Manual
 - Anti-Corruption and Anti-Bribery Policy
 - Interaction with Public Officials Policy

Material topics in Ensuring we are a responsible business

Responsible business conduct and ethics

We are dedicated to maintaining the highest levels of ethical standards in the conduct of both our and our suppliers' operations and ensuring that robust corporate governance systems are in place to promote better economic, social and environmental outcomes. This is supported by Anti-bribery and Anti-Corruption policies. The Code of Conduct and supporting policies apply to every individual who acts on behalf of the Company.

Breaches are treated very seriously and to facilitate anonymous reporting, the Company has a long-established Whistleblowing Policy. The Whistleblowing Portal is online, designed to provide employees with a mechanism to raise (anonymously if preferred) concerns and other matters of concern. The platform is aligned with our zero-tolerance policy of behaviours that are inconsistent with the values that underpin our corporate culture as set out in our Code of Conduct.

Advocacy for positive change

We responsibly engage with policy makers, practitioners and civil society to participate in policy and rule-making procedures to craft and approve new initiatives to enhance applicable mining and environmental regulations. We also

Highlights

Zero corruption

CERTIFICATE AWARDED BY
ENTREPRENEURS FOR INTEGRITY

Alignment to UN SDGs

participate in various industry and professional forums to promote ESG guidelines and practices.

Responsible supply chain management

At Hochschild, we work closely with our suppliers to ensure we are part of a value chain that protects human rights and promotes sustainability outcomes. We prioritise ethical decision-making when purchasing goods and services and promote the safe production, use, recycling and disposal of metals and their products to ensure responsible production. We also ensure we meet all regulatory obligations, whilst also responding to the increasing demand from our customers for assurance that the metals they buy are produced responsibly.

Climate change is one of the greatest challenges facing society. The mining sector has a key role to play in helping the world transition to net zero and Hochschild Mining is committed to playing its part.

Below we have provided information (or cross-referred to other parts of this Annual Report to find such information) consistent with the TCFD's recommendations and recommended disclosures.

Pillar 1 – Governance:

Disclose the organisation's governance around climate-related risks and opportunities

Recommended Disclosure 1:

Describe the board's oversight of climate-related risks and opportunities

Hochschild Mining PLC's Board of Directors engages with senior management on strategic planning and risk management and reviews management's performance in consistently achieving productive, safe and environmentally sound operations. Sustainability and ESG topics, like climate change, are becoming an increasingly important aspect of Hochschild's operations for stakeholders.

Sustainability Committee

Since 2006, the Sustainability Committee has been delegated authority from the Board in overseeing the implementation of systems dealing with, amongst other things, environmental matters as well as compliance with the Company's environmental commitments.

Given the scope of the Sustainability Committee's responsibilities, it is tasked with making the necessary recommendations to the Board of Directors in connection with matters such as climate change and greenhouse gas (GHG) emissions that are material to the organisation operationally and financially.

For details on the composition of the Sustainability Committee, its terms of reference and its workings, please refer to page 53.

Recommended Disclosure 2:

Describe management's role in assessing and managing climate-related risks and opportunities

Managing risk

The monitoring of climate-related risks and opportunities ultimately resides with the management Risk Committee, which is responsible for implementing Hochschild's policy on risk management and monitoring the effectiveness of controls in support of Hochschild's business objectives.

For further details on the composition of the Group's approach to risk management and the workings of the Risk Committee, please refer to page 68 (Risk Management report)

Environmental Corporate Manager

The Environmental Corporate Manager reports to the VP, Legal and Corporate Affairs and to the CEO. Management reports to the Sustainability Committee, which is responsible for overseeing efforts to incorporate sustainability into Hochschild's business practices and the setting of environmental sustainability objectives. The Environmental team, led by the Environmental Corporate Manager, collects and reports on ESG data such as energy, GHG emissions, water consumption, waste generation, etc. and oversees the development of corporate sustainability disclosures and communications with external stakeholders on Hochschild's ESG performance.

Pillar 2 – Strategy:

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material

Recommended Disclosure 3:

Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term

Hochschild is committed to assessing and reducing its exposure to climate-related financial risks, which is why the organisation is in the process of completing a Climate Risk Assessment ('CRA') and strategy and developing an action plan to continually reduce operational energy, GHG emissions and water consumption, with the ultimate aim of reaching net zero GHG emissions. This risk assessment and strategy (which will comprise commitments and targets) are expected to be completed in Q1 2022 for adoption in Q2 2022.

Climate-related risks and opportunities that could have a potential impact to business over short (1–3 years), medium (3–5 years) and long-term (5+ years) time horizons are as follows:

Climate risks

– Current regulations

Many of Hochschild's customers are taking regulatory and/or voluntary positions to reduce energy and GHG emissions in their operations. Those more mature organisations are now requiring and pushing for GHG emission reductions in the value chain. While Hochschild is not yet exposed to these requirements, it is understood that this will happen, and as such, Hochschild has committed investment and demonstrated leadership in technology for future growth in alignment with intersecting global industry megatrends – including electrification, software and more.

– Emerging regulations

Mining continues to be a highly regulated industry where multiple permits are required leading to increased delays and costs. 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. Carbon regulations, like those being established in the UK (net zero by 2050), Peru (reducing GHG emissions by 30% by 2030), and Argentina (absolute, economy-wide and unconditional goal of limiting greenhouse gas emissions to 313 MtCO₂e (excl. LULUCF) by 2030) are likely to directly increase future capital costs as Hochschild integrates and adopts more energy efficient and lower emissions technologies in mining operations. Emerging carbon regulations will also impact operational costs as renewable portfolio standards, renewable fuel requirements and carbon taxes will directly and indirectly increase the cost of fuels and energy sources.

– Technology

Technological advancements have the ability to impact both operational competitiveness as well as demand for Hochschild's products. For example, the increased adoption of renewable energy technologies and electric vehicles will likely play a role on the path to achieving carbon neutrality and increase the demand for Hochschild's metal products. However, operationally, off-road vehicle and engine manufacturers can be slow to adopt to low / no-carbon products and as such, there is only a handful of market players offering these products. Much like the electric light duty vehicle market, this is

a short-term transition that will be mitigated as more manufacturers enter the market and the market matures. Adopting these technologies has the potential to hinder Hochschild's competitiveness in the short term (i.e. increase costs and reduce EBITDA) but would improve Hochschild's social licence to operate and move the organisation towards its climate goals. Renewable energy technologies and electric vehicles will also likely require increased battery demand for energy storage which is also a risk in the short term as battery storage is relatively new; over time, this risk will dissipate.

– Legal

If no action is taken on climate change and GHG emissions, Hochschild could be at risk to climate-related legal action, reputational issues (social licence to operate) and investor risk which could materialise as increased costs, longer permitting delays, higher interest loans, or reduced access to capital. Given what is occurring in jurisdictions such as Canada and the US where lawsuits have been filed against oil and gas companies for climate-related impacts, over the medium to long term, should no action be taken to reduce / eliminate Hochschild's carbon footprint, there could be carbon legal-related risks. To date, Hochschild has not experienced legal issues regarding climate change related issues.

– Market

Hochschild is currently evaluating the risk of changing demand for its metal products under a low- carbon economy. Under a 2-degree scenario, it is likely that there will be an increase in the uptake of battery powered vehicles and 5G networks which increase the demand for silver. Gold demand could also play out well under a 2-degree scenario as the metal can be used in nanomaterial technologies (e.g., enhance hydrogen fuel cell performance and solar PV) that can help facilitate the transition to a low-carbon economy. In light of these opportunities, Hochschild sees a downside of not managing its own carbon, environmental and social footprint, as under a 2-degree scenario customers and investors will expect higher ESG performance as part of their procurement and investment criteria. As previously stated, Hochschild is mitigating these risks by developing a carbon neutral strategy, a climate risk assessment, and continually striving to improve organisational ESG performance.

– Reputation

Poor performance with respect to managing the risks and opportunities of climate change could result in reputational impairment. This could lead to public and regulatory opposition to Hochschild's projects and/or operations or lead to a potential increase in cost-of-capital and perceived risk amongst the investor community. For example, Hochschild may suffer from reputational risk and may be liable for losses arising from environmental hazards associated with its mining activities and production methods. In Peru, protests relating to mining projects have increased social demands and expectations and have led to wider social unrest. Communities living in the areas surrounding Hochschild'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 relevant laws. For details on the actions taken by the Company to maximise its ability to work with partner communities, please refer to page 54.

– Physical (acute and chronic)

With respect to Hochschild's operations, climate change will likely result in the following risks to operations:

- Intense rainfall/long duration rainfall may result in increased risk of erosion, road washouts, overtopping of existing tailings dams and flooding in the mines.
- Chronic drought at some locations may result in water shortages for operations and the drinking water supply. Hochschild has taken water conservation measures to address these long-term conditions and related impacts, such as the use of dry stacked tailings and enhancing water recovery at its San Jose mine.
- High winds, snow and ice, and electrical storms can damage the power transmission system supplying the operations. Voltage spikes in the power system may cause damage to electrical equipment, substations, pumps, compressors and other equipment.
- Free-thaw cycles and increasing extreme cold temperatures can cause water pipes to freeze and ice to form on bearing surfaces like roads and ramps.
- Hochschild is adapting to the physical impacts of climate change and increasing the resilience of operations by incorporating climate scenarios into project design and mine closure planning. Many of the climate risks identified are being addressed through

policy changes and new monitoring programmes at mine sites to track the impacts of climate change to operations and develop proactive policies and operating procedures to minimise the impacts to the operations. For example, Hochschild has an active programme to reduce water consumption that enables mines to continue to operate in a more water scarce environment.

Climate opportunities

– Increased revenues resulting from increased demand for products and services

The demand for Hochschild's products may increase as a consequence of regulatory or market curtailments. For example, under a 2- degree scenario, there will likely be an increase in the uptake of battery powered vehicles and 5G networks which incorporate silver and gold in the manufacture of their hardware components. Bloomberg estimates that by 2040, 55% of vehicles on the road will be electric which means more demand for silver. Gold will also play out well under a 2-degree scenario as the metal can be used in nanomaterial technologies (e.g., enhance hydrogen fuel cell performance and solar PV) that can help facilitate the transition to a low-carbon economy.

– Improved market capitalisation

Investors are demanding that companies improve their long-term sustainability / ESG performance to reduce climatic and climate-related risks while improving shareholder value and social and environmental well-being. Current market and shareholder pressures with regards to 'sustainable investments' and consideration of climate change in investment could potentially impact Hochschild's share price over the medium to long term simply on the basis of its ESG rating. Hochschild is heavily focused on improving its ESG performance. This is evidenced by its significantly increased reporting on ESG matters, ECO Score programme, the commitment to rolling out internal training on relevant matters; continuing to scale initiatives to improve gender diversity across the business; strengthening the environmental culture; and carefully managing climate-related risks and their impacts by completing a CRA and strategy, and the development of a carbon strategy to continually reduce its GHG emissions through target-setting.

– Fuel-switching/energy-saving technologies

Hochschild's carbon emissions primarily result from electricity use in mining and processing operations. Operations in both Peru and Argentina have a favourable GHG emissions intensity compared to other gold and silver mines globally (2.69 tCO₂e/koz Ag eq). This is due to the underground nature of the mining operations – high grade narrow vein mines (which generally have lower GHG emissions than larger open pit mines which require significantly more processing of material) and the low-carbon, grid-based electricity supply which is around 78% sourced from hydro or wind power. However, acknowledging the global significance of climate change, Hochschild is committed to taking the necessary measures to continually reduce its GHG footprint by evaluating additional low-carbon energy options and improving the operational energy efficiency, which also helps to deliver valuable cost savings to the business.

Recommended Disclosure 4:

Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

As noted above, both physical and transitional risks are impacting and will continue to impact Hochschild's operations, businesses, strategy, and financial planning. Many of the climate risks identified are being addressed through policy changes and new monitoring programmes at mine sites to track the impacts of climate on the operations and develop proactive policies and operating procedures to minimise the impacts to operations. For example, climate-related risks such as prolonged droughts have been identified in Hochschild's risk management tools and have triggered precise plans and budget allocations to implement the necessary actions to minimise the risk. Dedicated teams have been established and time schedules set, both of which are monitored to assure success.

Hochschild is in the process of completing a climate change risk assessment and a carbon strategy to put the organisation on a path towards net zero operations

through target-setting. While the Company's approach to mine-planning already takes weather patterns into account, the completion of a climate risk and vulnerability assessment will be used to inform the risks to the operations, enable the Company to better assess the possible financial impacts, and develop appropriate mitigation measures to mitigate those risks. At this stage, however, it can be stated that climate change risks are expected, over time, to result in increased capital expenditure and production costs. Again, over time, climate change could also impact the average life of mine with consequences for the calculations of impairments, deferred tax and depreciation. In summary, the Company is not yet able to quantify the total financial impact of climate change on the 2021 financial statements but it is not expected to be material.

With regards to future years, the impact of climate change is expected to be limited as (a) the Group's approach to mine planning already takes into account weather patterns, and (b) the Group's average life of mine is no greater than 8 years whereas climate change risks have a longer time horizon.

Recommended Disclosure 5:

Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The Company is not yet able to definitively state the resilience of its strategy until completion of the CRA. However, the modelling in the CRA uses various greenhouse gas (GHG) emissions scenarios, known as Representative Concentration Pathways (RCPs), to project future climate variables under different concentrations and rates of release of GHGs to the atmosphere, as well as different global energy balances.

RCP 8.5 is being used to assess the impacts that climate change would have on Hochschild's operations and infrastructure. The time horizon has been set in alignment with Hochschild's mines' current operational lives and decommissioning phases.

RCP 2.6 is being used as the <2°C Scenario to align with the mid-century goals of the Paris Agreement and is being used to assess Hochschild's market (electric vehicles), regulatory (e.g., carbon pricing), technology and renewable energy risks / opportunities (e.g., increased adoption of renewables resulting in improved ROI) as part of the carbon strategy to put the organisation on a path towards net zero operations.

Pillar 3 – Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks

Recommended Disclosures:

- 6. Describe the organisation's processes for identifying and assessing climate-related risk
- 7. Describe the organisation's processes for managing climate-related risks
- 8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Risk management

Climate change risk has been identified by the Company as one of the principal risks facing the business. As such, the risk is monitored on an ongoing basis by management and its status as well as mitigating actions are reported to the Audit Committee and the Board on a quarterly basis. For details on Hochschild Mining's general approach to risk management and mitigating actions taken in 2021, please refer to page 68 (Risk Management report).

The organisation is in the process of completing a climate change risk assessment and developing an action plan to continually reduce operational energy, GHG emissions and water consumption, with the ultimate aim of reaching net zero GHG emissions. This risk assessment and strategy are expected to be completed in the first quarter of 2022 for adoption in Q2 2022. In general terms, with regards to physical (chronic and acute) risks, climate change may, among other things, cause or result in atypical precipitation patterns which could lead to overtopping, prolonged drought resulting in water shortages for operations, and extreme weather events

(winds) and disruptions to upstream and downstream operations. Hochschild is adapting to these risks by increasing the resilience of operations by incorporating climate assessments into project design planning as needed. Risks or losses from climate change or other natural events are being continuously monitored and reviewed as part of ongoing operations. Where an unacceptable risk is identified, asset level mitigation plans are developed and are the responsibility of local management.

Pillar 4 – Metrics & Targets:
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Recommended Disclosures:

- 9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- 10. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

The Sustainability Committee is charged with making sure the organisation is meeting sustainability and ESG targets. To form a link between the organisation and environmental performance and risks, the ECO Score programme was established in 2015, which brings together the management/mitigation of environment and climate change risks. The ECO Score programme incorporates quantitative and qualitative indicators directly related to environmental management, including water consumption and waste generation. Performance against the annual ECO Score objective determines the extent of annual bonus pay-outs to eligible employees, thereby aligning interests to reduce the Company's environmental footprint. The results are shared across the Company on a monthly basis.

In 2021, Hochschild's ECO Score was 5.29 out of 6, exceeding the stretch target of 5.00. The 2021 results are independently verified by Ernst & Young ('EY') following the International Standard on Related Services (ISRS) 4400.

Since 2015, the ECO Score has improved by 59%, reflecting a significantly higher level of environmental efficiency. Hochschild has set a target of 5 out of 6 for 2022.

Due to the importance of water and climate-related risks, Hochschild minimises water consumption as much as possible and has set a target of 250 litres per person per day of potable water. Between 2015 and 2021 the Company reduced the consumption of potable water by almost 53%.

Another key indicator that forms part of the ECO Score is waste generation, with a target of 1.5 kg per person per day of domestic waste generation. Between 2015 and 2021 the Company reduced its waste generation by 49%.

Energy and GHG emission reduction targets, that align with the Science Based Targets initiative (SBTi), will be established in the carbon strategy that will put the organisation on a path towards net zero operations.

Please refer to page 56 on the ongoing implementation, in 2021, of the Environment Culture Transformation Plan which was launched to further embed an environmentally conscious culture across the Company and assure the long-term environmental performance.

Recommended Disclosure 11:

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Please refer to page 58 (Environmental section of the Sustainability Report) for details on the Company's Scope 1, Scope 2 and Scope 3 GHG emissions.

For the purposes of Listing Rule 9.8.6R (8), we have concluded that, through this report (and the parts cross-referred to which are incorporated herein by reference), the Company has complied with the Listing Rules requirements with regards to the TCFD Recommendations and Recommended Disclosures with the exceptions in the table below.

TCFD Elements	TCFD Recommended Disclosures	Cross-reference/reason for non-compliance	Next steps/other comments
Pillar 2	Recommended disclosure 3	As the Company is in the process of finalising its CRA, climate-related risks are described in general terms only.	To be progressed on completion of the CRA in Q1 2022.
	Recommended disclosure 5	As the Company is in the process of finalising its CRA, the Company is unable to definitively state the resilience of its strategy taking into consideration different climate-related scenarios.	
Pillar 4	Recommended disclosures 9 & 10	Partial disclosure of the metrics and targets used by the Company to assess/manage climate-related risks and performance against targets	

RISK MANAGEMENT

Hochschild's system of risk management is designed to give the Board full visibility of the risks associated with the business and the ability to allocate resources to take risks within tolerable levels.

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

Risk appetite

Defining risk appetite is crucial in ensuring that a risk management system is embedded into Hochschild's organisational culture. Our risk appetite approach is to minimise our exposure to reputational, compliance and excessive financial risk, whilst accepting a certain level of risk to achieve our strategic goals. As part of setting risk appetite, the Board will consider and monitor the level of acceptable risk it is willing to take in each of the principal risk areas.

Appetite for risk will vary according to the activity undertaken, and is predicated on the fact that a risk will only be tolerated after a full understanding of the potential benefits and its implications before proceeding with a course of action, and that sensible mitigation measures are identified and implemented.

Covid-19

As reported in the 2020 Annual Report, in response to the Covid-19 pandemic, Hochschild Mining established a Crisis Committee which oversaw the implementation of the Covid-19 Crisis Plan. This plan resulted in the instigation of, among other things, enhanced health protocols designed to prioritise employee welfare. In 2021 the protocols on testing and social distancing measures at the operations remained in place to control the spread of the virus among employees.

2021 Risks

Details of the principal and emerging risks affecting the Group and the associated mitigating actions are provided on the following pages. The risks differ from those reported in the 2020 Annual Report in the following respects:

- Acknowledging the reduced impact of Covid-19 on the Group's principal risks in 2021, Covid-19 has this year been presented as a separate risk; and
- The inclusion of Climate Change as a new risk which, as described later, discusses both the impact on the business of the physical aspects of climate change, as well as the impact on the Group in light of the transition to a low-carbon economy which may include increased costs of compliance and governance.

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.

Outlook

At the time of approval of this Annual Report, the number of new daily cases in Peru and Argentina is falling from a recent peak due to the Omicron variant which, although more transmissible, is resulting in a much lower proportion of severe illness.

The Company continues to monitor the situation and, as described later in this report, is able to scale up the implementation of the Covid-19 Crisis Plan as required.

1
Identify

2
Measure

3
Manage

4
Monitor

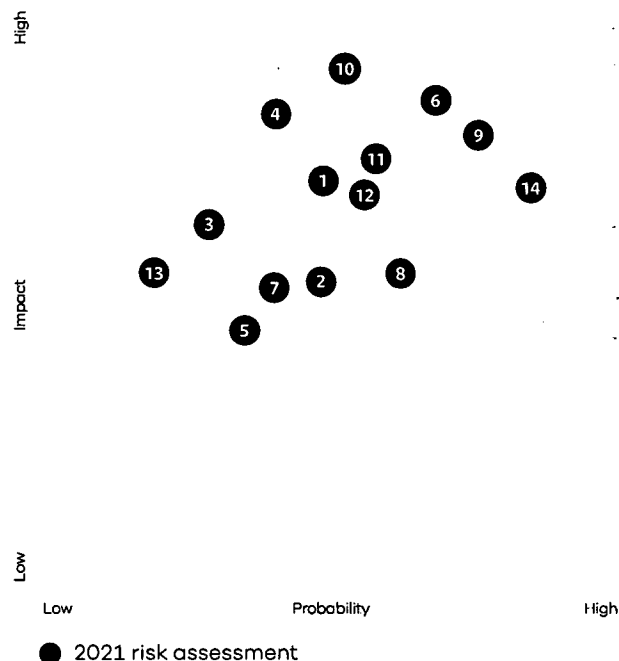
5
Report

Risk heat map

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

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

1. — Commodity price
2. — Commercial counterparty
3. ↓ Operational performance
4. — Business interruption/supply chain
5. — Information security and cybersecurity
6. ↑ Exploration and reserve and resource replacement
7. — Personnel: recruitment and retention
8. ↑ Personnel: labour relations
9. ↑ Political, legal and regulatory
10. — Health and safety
11. ↓ Covid-19
12. — Environmental
13. ↓ Climate change
14. ↑ Community relations



● 2021 risk assessment

— Unchanged ↑ Higher ↓ Lower N New

RISK MANAGEMENT CONTINUED

Change in risk profile vs 2020



Financial risks

Risk	Impact	Mitigation	Commentary
1 Commodity price 	Adverse movements in precious metal prices could materially impact the Group in various ways beyond a reduction in the financial results of operations. These include impacts on the feasibility of projects, the economics of mineral resources, heightened personnel retention and sustainability related risks.	– Constant focus on maintaining a low all-in sustaining cost of production and an efficient level of administrative expense. – Policy to maintain low levels of financial leverage to ensure flexibility through price cycles. – Flexible hedging policy that allows the Company to contract hedges to mitigate the effect of price movements taking into account the Group's asset mix and forecast production.	The Group's principal strategy to mitigate against commodity price volatility is focused on conserving capital and optimising cash flow through: – controlling operating and administrative costs; – optimising sustaining capital expenditure; and – maintaining low working capital. As reported in the Financial Review, the Group increased borrowing by an additional \$100m under its medium-term facility. The Group has ended the year with a net cash position and is therefore in a robust financial position. As previously reported, in early February 2021 the Group hedged 4 million ounces of silver for both 2021 and 2022 at an average price of c.\$27 per ounce to protect cash flows in Peru. In addition, in November 2021, the Group hedged 3.3 million ounces of silver for 2023 at \$25 per ounce. These hedges will ensure profitable production from existing resources mainly at Pallancata while brownfield exploration efforts continue to add near-term resources.
2 Commercial counterparty 	Insolvency of a customer or other business counterparty (bank, insurance company, contractor, etc.) could result in the Group's inability to collect accounts receivable or to access funds or to receive services which could adversely impact the Group's profitability.	– Active assessment of customers and business counterparties. – Risk mitigation practices seeking to diversify the Group's customer base and/or to limit the size of shipments. – Ongoing assessment of methods to mitigate collection risk.	During the year, the Group undertook the following: – Annual counterparty analysis: The annual review of existing customers incorporated analysis of corporate governance, balance sheet strength and other aspects of credit quality. Although the counterparty risk analysis did not raise any material issues, we continue to require customers to make advance payments for 90% - 98% of the amount sold. We also obtained parent guarantees; – Review of financial counterparties: The Group has implemented policies to identifying suitable financial counterparties to support the Group's treasury and insurance needs. On an ongoing basis, the Group has adopted a number of practices such as the placing of limits on cash balances invested with financial institutions, monitoring of advanced payments from customers and ensuring diversification.

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.	– 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.	In 2021 the Group benefited from a year of uninterrupted operations enabling it to meet its production target for the year of 312m silver equivalent ounces. In setting budgets for the year, the Group continued to focus on maintaining controlled levels of costs, capital expenditure and expenses. As reported in the Financial Review from page 36, the all-in sustaining cost from operations was in line with guidance for the year, at \$14.4 per silver equivalent ounce (excluding exceptional items including Covid costs).
4 Business interruption/ supply chain 	Assets used in the Group's operations may cease to function or the provision of supplies or of electricity may be disrupted (e.g. as a result of technical malfunction or earthquake damage) thereby causing production stoppages with material effects.	– Insurance coverage to protect against major risks. – Management reporting systems to support appropriate levels of inventory. – Inspections every 18 months (to coincide with renewal) by insurance brokers and insurers assist management's efforts to understand and mitigate operational risks. – Negotiation of long-term power supply contracts and the procurement of contingent generators.	In addition to maintaining insurance policies covering machinery breakdown, mitigating actions during the year include the following: – A thorough review of critical supplies and inventory was performed with data uploaded onto the Maintenance Module of SAP HANA; – Maintaining back-up equipment to ensure power supply in Peru and Argentina; and – A Crisis Response Plan ('CRP') was developed in 2019 with the support of external consultants. Management received training on the CRP in Q1 2020 on how to mount a co-ordinated response to unforeseen disruption. Specifically with regards to supply chain risks, the Company: – has identified alternative suppliers; – has increased its stocks of critical consumables and strategic spare parts; and – maintains ongoing dialogue with vendors and shippers.

Risk	Impact	Mitigation	Commentary
5 Information security and cybersecurity 	Failure of any of the Group's business critical information systems as a result of unauthorised access by third parties may affect the Group's ability to operate.	– Compliance with ISO 27001, an internationally recognised certification to evaluate information security management systems. – Dedicated team within the IT department focused on preventing cyber-attacks. – Audits performed by the internal audit department and third parties to test systems and issue recommendations. – Primary information processing supported by SAP Hana which has best-in-class security features	Security of the Group's network infrastructure is assured through the following means: – The inclusion of industrial networks into the Group's IS Management System ('ISMS') which accordingly benefit from associated security enhancements; – SMS received BSI certification; and – The implementation of the principal recommendations arising from an ethical hacking assessment. To counter the heightened risks as a result of the widespread use of remote working, the Group has adopted use of VPN software, enhanced security monitoring efforts and upgraded anti-spam software for use with corporate email services. In addition, internal communication campaigns were launched to ensure best practices in remote working.
6 Exploration and reserve and resource replacement 	The Group's future operating margins and profitability depend upon its ability to find mineral resources and to replenish reserves.	– Implementing and maintaining an annual exploration drilling plan. – Ongoing evaluation of acquisition and joint venture opportunities to acquire additional ounces. – Implementation of a comprehensive permitting strategy led by a Permitting Committee. – Comprehensive engagement activities with communities and governmental authorities (see later sections on Macroeconomic and Sustainability risks).	General The Group has an internal Permitting Committee led by two Vice Presidents to co-ordinate efforts with a view to streamlining the permitting process for exploration and operational requirements. Senior executives actively participate in industry initiatives to simplify the permitting process. Greenfield exploration is primarily conducted through the negotiation of earn-in/joint venture opportunities. These provide the Group with a balanced portfolio of advanced and early-stage opportunities in stable jurisdictions in the Americas. Developments during the year As described elsewhere in the Annual Report, social conditions in Peru have worsened leading to higher social demands and social conflicts involving mining projects. This has led to delays in securing permits from the communities, impacting the Group's exploration programme. Following events in southern Ayacucho in November 2021 (as described in the commentary of Political, legal and regulatory risks), the risk of delay in the granting of environmental permits for exploration in Ayacucho, where Pollancota and Inmaculada are located, has increased substantially. Further details on brownfield exploration are provided on pages 33 and 34 and in relation to greenfield projects, on page 34.
	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 198 for further details.
7 Personnel: recruitment and retention 	Inability to attract or retain personnel through a shortage of skilled personnel.	– The Group's approach to recruitment and retention provides for the payment of competitive compensation packages, well defined career plans, training and development opportunities and the overall employee value proposition.	The Group has undertaken a number of initiatives to improve the retention of employees. These include the use of non-financial benefits (e.g. flexible working arrangements for office-based staff) and tailored personal development plans. In addition to the five-year Leadership programme implemented at all operations, a new Leadership model aligned with the Company's culture is being deployed. Training programmes for supervisors and hourly workers continued to be delivered virtually during 2021. Enhancing the Group's employee value proposition includes the launching of initiatives related to causes that are valued by employees; providing employees with the opportunity to contribute to the relaunched purpose of the Company which includes innovation, community relations and environmental performance. To assist retention of key personnel, the Company has a Long-Term Incentive Plan.
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.	Peru The Group's Peruvian operation generated sufficient taxable income to give rise to an entitlement to statutory profit sharing for Peruvian mineworkers. In keeping with recent practice, 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. The left-wing Castillo administration, elected in July 2021, has expressed its support for the country's labour unions and the right for employees to strike. This has resulted in an increased risk in labour relations overall relative to 2020. Argentina In Argentina the Company maintains constructive relations with the labour unions through ongoing and regular dialogue.

For further details see the Directors' Remuneration Report on page 104

Macro-economic risks

Risk	Impact	Mitigation	Commentary
 Political, legal and regulatory	Changes in the political, legal, tax and regulatory landscape could result in significant additional expense, restrictions on or suspensions of operations and may lead to delays in the development of current operations and projects. Delays in granting/securing the necessary environmental permits for exploration or operations could affect future production and financial results of the Group.	– Local specialist personnel continually monitor and react, as necessary, to policy changes. In addition, political, social and communications advisers have been engaged to support the Group in responding to developments. – Participation in local industry organisations.	Peru General After suffering from the devastating impact of the Covid-19 pandemic in 2020, the first half of the year saw political uncertainty in Peru in the lead up to the Presidential elections. The second round of voting in June polarised the country along political lines and saw a contested victory by Pedro Castillo of the left-wing Free Peru party who was inaugurated in late July 2021. On assuming office, President Castillo announced his government's intentions to increase state participation in the economy and to form a constituent assembly to oversee constitutional reform. The government's stated focus with regards to the mining sector was to implement a policy of enhancing 'social profitability' which would see mining companies facilitating the promotion of local development, increasing State revenues and facilitating the redistribution of wealth. President Castillo has appointed four successive Prime Ministers who have been vocal proponents of the government's stated objectives. With the arrival of the new administration, mining has become highly politicised and has prompted many social conflicts with local communities seeking to capitalise on the Government's commitments during the presidential campaign and election (see commentary on Community relations risks for further details). In line with its election campaign pledge, the Executive sought to increase taxes on the mining industry but failed to seek the requisite authority from Congress. The Coracora Act As announced by the Company, in November 2021, a meeting by the Head of Cabinet and certain vice-ministers in a town in southern Ayacucho resulted in the publication of minutes (the 'Coracora Act') which (a) alleged undisclosed environmental complaints, and (b) established a commission (the 'Executive Commission') to negotiate the timetable and terms for the closure and withdrawal of certain mining projects in southern Ayacucho including the Company's Pallancata and Inmaculada mines. It was further announced that approvals would no longer be granted to authorise additional mining, exploration, or expansion activities in relation to these mines. In response to protests from the industry, the business community in general and other organisations, official statements were issued expressing the Government's commitment to upholding the rule of law and acknowledging the continued rights of mining companies to request extensions and modifications of existing permits for mining and exploration activities. In mid-December 2021, the Government announced its intention to issue, before the end of the year, a decree formalising the Executive Commission. In mid-January 2022, a temporary working group for the development of certain provinces in southern Ayacucho was established to oversee the implementation of the Coracora Act. Environmental permits With regards to environmental permits for operating activities, the Group was expecting to hold the virtual townhall in mid-December 2021 in connection with the second modification of the detailed Environmental Impact Study ('EIS') for Inmaculada. Less than 24 hours prior to the scheduled time of the event, the Company was notified by the relevant authority (SENACE) of its cancellation citing safety concerns. The Company believes that this decision was premature and unfounded and it made its position known to the relevant officials and authorities. As a result, the virtual townhall had to be rescheduled and was held on 12 February 2022 which, in turn, will cause the EIS approval process to be delayed, potentially impacting future mine developments and production at Inmaculada. The virtual townhall was held successfully and the EIS approval process continues to advance, with approval expected during H2 2022. Argentina President Fernandez's administration has been very cautious in supporting and promoting the mining industry. Covid-19 and certain populist measures have negatively impacted the overall investment climate in Argentina including in the extractive industry sector. Mid-term congressional elections in November 2021 saw the ruling Peronist Government lose its majority in Congress as well as the key stronghold of Buenos Aires province.

Risk	Impact	Mitigation	Commentary
 Political, legal and regulatory continued 			2022 Outlook Peru The political outlook for 2022 in Peru remains uncertain with opponents to mining accusing the Castillo Government of reneging on its commitments in the Coracora Act and calling for strikes and other action. Accordingly, the risk of stoppage has increased substantially, as well as the granting of new permits for explorations and operations under complex social conditions. In addition, with regional and local elections scheduled for October 2022, the risk of further political turmoil and polarisation remains high. The Government has announced that it plans to submit a legislative bill to Congress to increase taxes on the mining sector during the first quarter of 2022. Argentina President Fernandez's administration is expected to continue cautiously supporting mining activity, however its approach will be influenced by the dynamics within the coalition government and the general state of the economy which is expected to be dominated by high rates of inflation and limited growth.

Sustainability risks

Risk	Impact	Mitigation	Commentary
 Health and safety 	Group employees working in the mines may be exposed to severe health and safety risks. Failure to manage these risks may result in occupational illness, accidents, a work slowdown, stoppage or strike and/or may damage the reputation of the Group and hence its ability to operate.	– Health & Safety operational policies and procedures reflect the Group's zero tolerance approach to accidents. – Use of world-class DNV safety management systems. – Dedicated personnel to ensure the safety of employees at the operations via stringent controls, training and prevention programmes. – Systematic programme of training, communication campaigns and other initiatives promoting safe working practices. – Use of reporting and management information systems to monitor the incidence of accidents and enable preventative measures to be implemented.	The Group reported two fatalities at its operations during 2021 which occurred at the San Jose and Aclara sites. For further details on the investigation of these accidents, please refer to the Sustainability Report on pages 59 and 60. During the year, there was a particularly tragic traffic accident involving a bus operated by one of our contractors resulting in the loss of 26 lives. The Group worked together with the contractor in question and the relevant authorities to take all necessary measures to collectively mitigate the risk of such a tragic accident from recurring. Management continued with the implementation of 'Safety 2.0', an action plan to reinforce a safety-first culture. The plan, which combines technical and people-led approaches, comprises seven key attributes covering training, effective communication, recognition and aligning compensation with measurable safety performance. In addition, during the year: – a new internal safety indicator, the Seguscore, was developed for roll-out in 2023; and – the Health team partnered with the Community Relations team to visit local families to promote early childhood development. For further details on the above, please refer to the safety section of the Sustainability Report on pages 59 and 60.
 Covid-19 	Another wave of infections, whether in general in Peru/ Argentina, or localised at the Group's operations, could result in a) operational disruption or stoppages (e.g. due to personnel shortage, disruption in the supply chain etc), b) increased costs and c) reputational risks. Secondary Covid-19 risks include legal risks (e.g. litigation from suppliers/ contractors), permitting delays, IT risks (in light of increased reliance on IT systems) and fraud risk due to increased use of remote working.	– Covid-19 Crisis Plan	Management designed and implemented the Covid-19 Crisis Plan following the outbreaks in 2020 (further details of which can be found in the 2020 Annual Report). The protocols in the Crisis Plan continue to be largely in place and can be scaled up at short notice on the signs of an increase in the level of infections. In summary, these protocols include: – a comprehensive testing programme; – the increased presence of medical personnel and availability of medical facilities; – the redeployment of high-risk employees; – the adaptation of working areas and transportation; – the use of technology-based systems to monitor cases and support the logistics related to shift changes; and – adapting the focus and style of delivery of our Community Relations programmes. As reported in the 2020 Annual Report, a tailored Covid-19 risk matrix was compiled which, in addition to forming the basis of the operating protocols referred to above, also established mitigating actions with regards to secondary Covid-19 risks. During 2021, the Company took a number of steps to increase its level of preparedness through: – the commissioning of an audit of its biosecurity protocols which were certified by Bureau Veritas; and – the procurement of stocks of medication, personal protective equipment and testing kits.

Sustainability risks continued

Risk	Impact	Mitigation	Commentary
 Environmental	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.	In 2021, the Group performed highly in its ECO Score (with a score of 5.29 out of 6 (2020: 5.74)), reflecting the following notable achievements: – Four operations achieving a perfect score of 6 out of 6 (Inmaculada, San Jose, Pollancata and Arcata); – The lowest water consumption since 2015; – The lowest amount of waste generated since 2015 (0.98 kg/person/day); – The highest level of environmental culture compliance (using an internal scoring system). In addition, during the year: – the Environmental team had an unprecedented year in terms of reporting on the Group's environmental performance by participating in numerous reporting initiatives; – there was continued progress with the implementation of the Environment Culture Transformation Plan (ECTP) which, in 2021, focused on people, innovation and technology; and – as part of the ECTP, 85 environmental ambassadors were appointed across the operations in Peru and Argentina tasked with promoting a robust environmental culture across the organisation. As disclosed in the Operational risks, the Group has published information on its website regarding its TSFs, including their construction method and risk profile. It also continues to commission independent third-party reviews of all such facilities and monitors on an ongoing basis their stability, with particular emphasis on older TSFs such as the Ares facility which is in the process of being closed. The independent review conducted in 2021 did not identify any material issues. For further details, please refer to the environmental section of the Sustainability Report on pages 56 to 58.
 Climate change	Changes in climate and weather patterns, including the occurrence of extreme weather events such as higher rainfall, droughts, and storm conditions, may cause operational disruption and, at worse, could result in a suspension of operations. Failure to comply with climate-related laws and regulations could result in reputational risks for the Group, increased costs and longer permitting delays. Lack of climate change actions could result in restricted access to capital.	– Enhanced management oversight and operating protocols to: – maximise the use of natural resources and minimise energy consumption. – monitor weather projections for operations, incorporating weather assessments in operating applications. – Promoting transparency with regards to the Group's performance through participation in investor-led reporting initiatives.	Actions taken in 2021 include: – The recognition of climate-change related risks on the Group Risk Register resulting in the monitoring of mitigating actions by the Risk Committee, Sustainability Committee and, as appropriate, by the Board; – Increasing the percentage of recycled water used in processing plants at Inmaculada and San Jose; – Assessing purchasing increased levels of energy from renewable sources. Reporting of the Group's performance has been enhanced through: – external assurance of the calculation of the Group's carbon footprint at operations; – participation in CDP information request; and – voluntary TCFD disclosure in respect of 2020. The 2022 Action Plan includes, most notably, the launch of Hochschild's Carbon Neutral strategy.

Read our
2021 TCFD Report
from page 64.

Risk	Impact	Mitigation	Commentary
 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.	Overall The overall social climate has become markedly hostile to mining since July 2021 as the promises made by the governing party during the presidential campaign resulted in increased and unrealistic expectations. Social conflicts have led to the temporary stoppage of major mining operations such as Las Bambas and Antamina. In addition, in October 2021, violent protests against the Apumayo mining unit in Southern Ayacucho led to the attack and burning down of Apumayo's camp and certain mining infrastructure. The Group experienced brief stoppages at Pallancata and Inmaculada but they did not affect production during the year. However, social conflicts have led to the stoppage of certain of the Group's exploration projects in Peru, such as Corina and Huacullo. As described earlier (in relation to political, legal and regulatory risks), given the actions of the Government in Southern Ayacucho since November 2021, the political and social risks have increased substantially as the Government has further raised expectations which, if not met, could lead to further acts of violence and attempts to disrupt mining operations in general. Governmental authorities remain very sensitive to conflicts between communities and mining companies and typically take a cautious approach by prioritising dialogue between parties and supporting social demands regardless of their merit. Hochschild developments The Group continues to implement its social engagement strategy in recognition of its responsibilities to host communities. The Group invested significant resources to understand the needs and expectations of local communities and governments. During the year: - the Group spent or donated \$5.4m to benefit local communities and supported local community-run businesses; - we continued to support the communities with a wide range of programmes covering our areas of focus: education, health and nutrition, and sustainable development; - the Community Relations team continued to support the business, for example, by successfully securing surface rights and concluding prior consultation processes to facilitate exploration activities. Further details can be found in the Sustainability Report from page 54.

VIABILITY STATEMENT

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 principal risks.

Period of Viability Statement

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

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

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

Approach to assessing viability

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

In their assessment of the financial impact of each of the above scenarios, the Directors made the same assumptions as those used for the Remote Scenario in the Going Concern analysis, namely:

- conservative prices of Au: \$1,396/oz and Ag: \$18.6/oz (the 'Assumed Prices');
- operational forecasts are in line with the life of mine plans which incorporate planned 10% reductions in operating and capital expenditure in response to low precious metal prices;
- debt repayments in 2022 and 2023 will proceed as planned;
- all necessary operational permits will be obtained such that operations can continue without limitation;
- that the Group will incur incremental Covid-related expenses in 2022 as part of business as usual operations;

- the suspension of exploration expenditure and dividends (from 2023 onwards) until the end of the three-year period; and
- in the cases where a scenario envisages a mine or plant stoppage which results in a delay in production, production will be recovered once plant capacity becomes available, albeit after the three-year time horizon.

Inmaculada, which is the Group's biggest asset, represents over 75% of the Group's cash flows. The application of the scenarios at the Group's other operations would have a significantly reduced impact on the Group.

The following scenarios were analysed:

Scenario 1: A 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 2: A significant increase in the level of Covid-19 infections

Peru faces a significant increase in Covid-19 infections and a severe outbreak at Inmaculada results in a one-month stoppage of operations and Covid-related expenses being incurred.

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: The occurrence of a material safety accident

A severe fatal accident occurs which results in a one-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 5: 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 6: The failure of the mill or other critical plant component

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

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

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

- reducing operating and capital expenditure by more than 10% (including through delaying construction of the Posse Gold Mine subject to completion of the Company's acquisition of Amarillo Gold Corporation);
- the use of lines of credit with relationship banks noting that over \$200m of working capital credit lines were already available;
- refinancing the \$300m medium-term facility in 2024; and
- other measures such as pay-outs under insurance policies, working capital management, asset sales and commodity price hedging.

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

Conclusion

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

Non-financial information regulation

Under sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, the Strategic Report must contain a non-financial information statement. This can be found in the Supplementary Information section on page 103.

The Strategic Report, as set out from pages 2 to 77, has been reviewed and approved by the Board of Directors and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
22 February 2022



BOARD OF DIRECTORS

A	Audit Committee
N	Nomination Committee
R	Remuneration Committee
S	Sustainability Committee
O	Chair

Eduardo Hochschild Chairman



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

Previous experience

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

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

Ignacio Bustamante Chief Executive Officer



Appointed to the Board in 2010.

Key skills and competencies

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

Current external appointments

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

Previous experience

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

Dr Graham Birch Independent Non-Executive Director



Appointed to the Board in July 2011 and will retire at the 2022 AGM. 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 Spratt 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.

Jorge Born Jr. Independent Non-Executive Director



Appointed to the Board in 2006.

Key skills and competencies

- Extensive experience of managing international businesses
- Deep understanding of socio-political 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.

Jill Gardiner Independent Non-Executive Director



Appointed to the Board in August 2020.

Key skills and competencies

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

Current external appointments

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

Non-profit: ARC Foundation

Previous experience

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

* On 1 March 2022, Tracey Kerr will join the Remuneration and Sustainability Committees, Eileen Kamerick will retire from the Remuneration Committee and Michael Rawlinson will retire from the Sustainability Committee. At the conclusion of the 2022 AGM, Tracey Kerr will become the Chair of the Sustainability Committee and the Designated Non-Executive Director for workforce engagement.

Eileen Kamerick
Independent
Non-Executive Director



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 Corporate Governance and Social Responsibility Committee), Legg Mason Closed End Mutual Funds (Chair of the Audit Committee), ACV Auctions Inc (Chair of the Audit Committee).

Non-profit: Alzheimer's Association

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 the Directorship Certification of the US National Association of Corporate Directors ('NACD'). Eileen is a Board Leadership Fellow of the NACD.

Tracey Kerr
Independent
Non-Executive Director



Appointed to the Board in December 2021.

Key skills and competencies

- Extensive experience of managing sustainability in mining
- Geology, having overseen global exploration activities
- UK listed company governance

Current external appointments

Commercial: Non-Executive Director of Polymetal International plc (Chair of Safety and Sustainability Committee)

Previous experience

Tracey spent almost 10 years working for Anglo American plc, most recently as the Group Head of Sustainable Development having previously also been accountable for safety, operational risk management and sustainable development. Prior to working in sustainability, Tracey worked as a geologist where she oversaw Vale's exploration activities in the Americas and subsequently joined Anglo American as Group Head of Exploration.

Michael Rawlinson
Senior Independent
Director



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: Adriatic Metals plc (Chairman) and Non-Executive Director of Capital Drilling Limited and Afritin Mining Limited

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.

Dionisio Romero Paoletti
Non-Executive Director



Appointed to the Board in January 2018, and will retire at the 2022 AGM.

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: Chairman of Alicorp S.A.A. and Inversiones Centenario S.A.A. and Non-Executive Director of Sierra Metals Inc.

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, ASBANC and APESEG

Previous experience

Dionisio previously served as the Chief Executive Officer, and subsequently Chairman, of financial holding company, Credicorp and as a Director of its subsidiary, Banco de Crédito del Perú, Peru's largest bank.

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 23 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.

SENIOR MANAGEMENT

Eduardo Noriega

Chief Financial Officer

Experience

Eduardo Noriega was appointed Chief Financial Officer of Hochschild Mining on 10 December 2021 having joined the Company in March 2007. Eduardo previously served as Head of Group Finance with responsibility for financial planning and controls, treasury, corporate finance, tax and accounting. Prior to joining Hochschild, Eduardo worked in various finance roles for Dell Inc., Union de Cervecerías Peruana Backus & Johnston and Del Mar Fishing Company. Eduardo is a graduate in Business Administration from Universidad del Pacífico and holds an MBA from the University of Texas.

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.

Tom Elliott

Vice President, North America

Experience

Tom Elliott joined Hochschild Mining in July 2021. Before that, he was Senior Vice President – Investor Relations and Corporate Development at Kinross Gold Corporation. Prior to that, he was Executive Director in UBS Investment Bank's Mining & Metals team in London, England and Toronto, Canada. He also worked at Deutsche Bank Securities in Mining & Metals Equity Research and began his career in the mining & metals industry in Vancouver, Canada and Hamar, Norway. He holds a B.Sc (Honours) in Chemistry from Queen's University and an MBA from the University of Toronto.

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 Compañía Minera Aguilar. Oscar qualified as a geologist at the Universidad Nacional de Córdoba in 1981.

Eduardo Landin

Chief Operating Officer

Experience

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

José Augusto Palma

Vice President, Legal & Corporate Affairs

Experience

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

Eduardo Villar

Vice President, Human Resources

Experience

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

DIRECTORS' REPORT

The Directors present their report for the year ended 31 December 2021.

Information in Directors' Report

The Directors' Report comprises the Corporate Governance Report from pages 83 to 99, this Report on pages 81 to 82, and the Supplementary Information on pages 100 to 103. Other information that is relevant to the Directors' Report, and which is incorporated by reference, comprises:

- Greenhouse gas emissions data and the steps taken by the Company to increase its energy efficiency, included in the Sustainability Report from page 50; and
- Policy on financial risk management in note 38 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 million (1.95 US cents per ordinary share) in the year ended 31 December 2021 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 million (2020 total dividend: \$32.6 million).

The Company effected the demerger of its rare-earth project by way of Distribution in Specie pursuant to shareholder approval granted at an Extraordinary General Meeting held on 5 November 2021.

In August 2021, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to the 2017 final dividend, the 2018 interim and final dividends, the 2019 interim dividend, and the 2020 interim and final dividends (the 'Relevant Dividends'). In particular, the Relevant Dividends were paid to shareholders when the Company did not have adequate distributable reserves.

Significant corrective transactions (namely, a capital reduction and dividend distribution by the Company's wholly-owned subsidiary, Hochschild Mining Holdings Limited) were implemented by the Company in September 2021, shortly after discovery of the issue. Had these

internal corporate transactions been implemented prior to the payment of the 2017 final dividend, adequate distributable reserves would have been available to the Company.

As previously reported, the Board intends to put resolutions to shareholders at a General Meeting to i) complete the rectification of this past issue and ii) increase further, to the extent practicable, the level of distributable reserves available to the Company.

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 page 78 and 79. Other than Tracey Kerr, who was appointed on 10 December 2021, all of the Directors were in office for the duration of the year under review. Sanjay Sarma resigned from the Board on 10 December 2021.

With the exception of Graham Birch and Dionisio Romero, who will be retiring at the conclusion of the forthcoming AGM, each of the Directors will be retiring and seeking re-election (or, in the case of Tracey Kerr, election) by shareholders in line with the UK Corporate Governance Code.

Directors' and officers' liability insurance

The Company's Articles of Association (the 'Articles') contain a provision whereby each of the Directors may be 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/she 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 and Deeds of Indemnity on terms consistent with the Articles have been executed by the Company in favour of the Directors.

Political and charitable donations

The Company does not make political donations. During the year, the Group spent or donated a total of \$5.4 million to benefit local communities (2020: \$5.5 million).

Relationship Agreement

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

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

Further details of the Relationship Agreement with regard to the conduct of the Major Shareholder are set out in the Corporate Governance Report on page 89 and, with regard to the right to appoint Directors to the Board, are set out on page 90.

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. Amendments to the Company's Articles of Association were approved by shareholders in 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.

See note 32(c) to the consolidated financial statements on page 175 for details of the Major Shareholder's participation in the initial public offering of Aclara Resources Inc. and the purchase of additional Aclara shares following that company's demerger from the Hochschild Mining Group.

Going concern

After their thorough review of Group liquidity and covenant forecasts, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the period to 31 March 2023 which is at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Full details are included in note 2(d) to the consolidated financial statements.

AGM

The 16th AGM of the Company will be held at 9am on 26 May 2022. 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' responsibilities

The Directors confirm that to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole; the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Disclaimer

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

On behalf of the Board

Raj Bhasin
Company Secretary
22 February 2022



CORPORATE GOVERNANCE REPORT

In an eventful year for the Company, the Board exercised its oversight responsibilities diligently and, through the activities described in this report, is well-positioned to focus on our key priorities.”

Eduardo Hochschild
Chair

Dear Shareholder

I am pleased to present the Corporate Governance Report for 2021.

In this section of the Annual Report, we report on the Company's compliance with the provisions of the 2018 edition of the UK Corporate Governance Code (the 'Code') and the application of its principles.

As you will have read, 2021 was an extremely eventful year with the Board exercising its oversight responsibilities not only with respect to operational matters, but also on the execution of key strategic developments. Through the corporate governance activities described in this report, the Board is well-positioned to focus on the Company's key priorities.

Strengthening of the Board

In December we were able to announce the appointment of Tracey Kerr to the Board as an Independent Non-Executive Director. This was the result of an externally-led search which was overseen by the Nomination Committee tasked with bolstering the skills around the Board table to facilitate the delivery of the Company's strategic goals. We look forward to working with Tracey and benefiting from her expertise in safety, sustainability and geology. As you will have read in the Sustainability Report, the Company has focused on the area of promoting

diversity across the workforce which, particularly with regards to gender, has been lacking in the mining sector. We are happy that the Board is able to set the tone from the top since, with Tracey's appointment, we will have achieved our target of one-third female representation.

Board development

As referenced in last year's Annual Report, the Board committed to undertaking an externally facilitated Board evaluation. Following a selection process led by the Senior Independent Director, Independent Audit Limited was appointed to carry out the annual evaluation of the Board and the Committees. This resulted in a comprehensive report which saw the Board conclude, based on the evaluation, that it had a number of strengths in addition to agreeing there are areas for further development over the short and medium term. The Board is committed to continued development and I look forward to reporting on our progress in due course.

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

Eduardo Hochschild
Chair

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 2021. 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 100 to 102.

Statement of Compliance

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

Provision	Explanation
The Chairman has been in post beyond nine years from the date of his first appointment to the Board	As a major shareholder of the Company and given his significant experience of mining in Peru, the Directors consider Mr Hochschild's continued chairmanship to be in the best interests of the Company. As described later in this report, there are checks and balances in place to ensure ongoing objectivity and that Mr Hochschild does not exercise undue influence.
The Company's remuneration schemes and policies should include provisions that would enable the Company to recover sums or share awards (i.e. clawback)	In order to overcome the legal difficulties in enforcing clawback in Peru, the Group's policy wording relating to the events which may lead to the application of malus has been clarified so as to include references to misconduct, reputational damage, error in calculation and any material breach of an individual's employment contract.

Our governance structure**Board**

Chair
Eduardo Hochschild

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

Audit Committee¹

Chair
Eileen Kamerick

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Nomination Committee¹

Chair
Eduardo Hochschild

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Exploration Working Group

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

Remuneration Committee¹

Chair
Michael Rawlinson

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Sustainability Committee¹

Chair
Dr Graham Birch

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¹ Terms of reference are available at www.hochschildmining.com (see pages 53, 93 to 99, and 106 for further details on the Committees' activities during 2021).

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.

2021 Board meetings

15 Board meetings were held during the year, of which four were scheduled meetings. The ad-hoc meetings were convened to consider the following:

- the Company's distributable reserves (see page 81 for further details);
- various matters relating to the demerger of Aclara Resources Inc (formerly Biolantánidos);
- interim updates on operational matters;
- business development projects including the Posse gold project in Brazil and the Snip project in British Columbia;
- updates on the political situation in Peru and related developments (see pages 72 and 73 for further details).

Attendance at the scheduled Board meetings convened during 2021 is summarised in the table below;

Director	Attendance (Maximum)
Mr E Hochschild	4 (4)
Mr G Birch	4 (4)
Mr J Born	4 (4)
Mr I Bustamante	4 (4)
Ms J Gardiner	4 (4)
Ms T Kerr*	0 (0)
Ms E Kamerick	4 (4)
Mr M Rawlinson	4 (4)
Mr D Romero	4 (4)
Mr S Sarma**	4 (4)

* Ms Kerr was appointed to the Board on 10 December 2021

** Mr Sarma retired from the Board on 10 December 2021

In addition to the regular updates from across the business, the principal matters considered by the Board during 2021 are detailed below. In keeping with Board practice, meetings incorporate reports from each of the Committee Chairs on the business considered at their respective meetings. Any significant matters arising from those meetings are discussed by the full Board and feature among the matters described below.

Health & Safety	– Updates on the impact of Covid-19 on the operations. – Updates on the ongoing implementation of Safety 2.0, the second iteration of the Company's Safety Culture Transformation Plan (see page 59 for further details); – The investigation into the fatal accidents involving contractors at the San Jose mine and Aclara's Penco project (see page 59); and – The Company's own investigation into the tragic traffic accident in June 2021 involving a bus operated by a contractor.
Financial	– The stress-tested scenarios and the underlying assumptions used in the going concern and viability statements in support of the 2020 annual financial statements and 2021 half-yearly financial statements; – Considered recommendations of the Audit Committee to adopt the 2020 Annual Report and Accounts and the 2021 Half-Yearly Report; – The Group's ongoing financial position; – The 2020 final dividend; – The refinancing of, and additional borrowing under, the Group's Medium-Term Debt Facility; – The level of the Company's distributable reserves and the rectification steps to be taken in connection with certain past dividends (see page 81); – The 2021 interim dividend; and – The 2022 budget.
Strategy	– Strategic options to facilitate the Group's growth including the appointment of project CEO for the Volcan project in Chile; – Updates on progress in the development of Aclara's rare-earths project; – The demerger of Aclara and its listing on the Toronto Stock Exchange; – Business development projects, including: – Exercising the option to start earning-in a 60% interest in the Snip Project in British Columbia; and – Acquisition of the Posse gold project in Brazil; – Updates on the Group's operational innovation projects; and – The Group's strategic plan.
Business performance	– Detailed updates on the operational and financial performance; – Unbudgeted strategic initiatives; and – Presentations on progress against the annual brownfield exploration programme.
Risk	– Political developments in the Company's countries of operation. In particular, the Board considered the outcome of the Presidential elections in Peru and convened emergency meetings to consider the Company's response to the Peruvian Prime Minister's actions in Coracora (see page 72 for further details); – The Group's Risk Register detailing the significant and emerging risks faced by the Group and their corresponding mitigation plans. As reported in the Risk Management report, Climate Change and Supply Chain risks were considered following their entry on the Group Risk Register; – Renewal of the Group's Directors' and Officers' Liability Insurance; and – A review of the market fundamentals and outlook for precious metals.
Governance	– The appointment of Tracey Kerr as an Independent Non-Executive Director; – Updates from the Company Secretary on governance developments affecting the Company and Directors' responsibilities including with respect to the UK Government's consultation on reforms to audit and governance; – An update on the implementation of the 2020 Board evaluation recommendations; – The appointment of Independent Audit Limited as the external Board Reviewer, and the findings of the review; and – The annual reviews of Directors' conflicts of interest and independence of Non-Executive Directors.

Sustainability	– Reviews of the social climate in Peru, Argentina and Chile and their potential impact on the Group as well as the Company's social engagement strategy; – The adoption of a TSF Policy and updates on reviews of the Group's Tailing Storage Facilities ('TSFs'), assessments of the viability of implementing, on a voluntary basis, certain aspects of the ICMM's Global Standard on Tailings Management; and – Performance of the Group against the internally-designed environmental corporate scorecard (the ECO Score) and updates on the Company's implementation of the Environmental Cultural Transformation Plan.
Investors' views	– Regular reports on investors' views as part of the Group's comprehensive engagement schedule (see section headed Shareholder engagement in 2021 for further details); – Feedback from investors and proxy agencies on 2021 AGM business, both before and after the meeting; and – Feedback from investors following the open engagement initiated by the Remuneration Committee in light of the voting outcome on the 2020 Directors' Remuneration Report.

See Directors' Remuneration Report from page 104 for more details

* See page 88 and 89 on how wider stakeholders' interests were considered in relation to these key Board decisions

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. In addition, Update Meetings are diarised to take place monthly which provide an opportunity for both the Board and the CEO to consider matters and developments between scheduled meetings.

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.

The Company launched its reformulated corporate purpose in 2019 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 (see diagram below).

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:

- Hochschild's environmental commitments;
- Results of the 'Green Challenge' which encourages the operating units to compete on the basis of their environmental performance;
- The International Day for the Elimination of Violence against Women; and
- Initiatives relating to compliance and ethical behaviour.

In addition, the CEO also communicated on matters of particular importance to employees in Peru such as the unprecedented traffic accident involving a bus operated by one of the Company's contractors and the Company's response to the actions of the Peruvian Prime Minister in November 2021 (see page 72 for further details).

Our corporate values

Innovation

Inspiring others

Recognising talent

Demonstrating responsibility

Seeking efficiencies

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

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, Seguscore (an internally designed safety score combining lagging and leading safety indicators) See page 59 for further details

Environmental ECO Score

Ethical practices/Integrity

Whistleblowing reports (online and offline channels), internal audit reports

Innovation

Submissions of operational efficiency projects via the Innova platform

Inspiring others and promoting talent

Team and individual development plans, staff turnover/retention rates

Efficiency

Operational KPIs including AISC, Production and Brownfield Exploration results, Financial KPIs including Adjusted EBITDA, Working Capital, Cash Balance, Debt Covenant ratios

An organisational climate survey, which was scheduled to take place in 2021, was postponed until H2 2022 due to a combination of factors including the use of remote-working as a result of Covid-19. Action plans to address key areas identified in the last survey conducted in 2019 continue to be implemented, tailored by each department focusing on the following general themes:

- Recognising others' achievements;
- Improving training programmes;
- Reflecting the corporate culture in the style of management; and
- Improving the employee value proposition.

Engagement

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

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

Shareholders

Our approach

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

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

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

Shareholder engagement in 2021

The following table summarises the shareholder engagement initiatives and events during the year:

Date	Event
January (and April, July, October)	Conference calls following the Quarterly Production Report Continuation of shareholder engagement on proposed revised Remuneration Policy
February	BMO Global Metals & Mining Conference 2020 Annual Results presentation UK Roadshow (virtual)
May	BoA Merrill Lynch Global Metals, Mining and Steel Conference Post-AGM shareholder conference call (arranged due to restrictions on AGM attendance)
July	Publication of standalone Sustainability Report
August	2021 Half-Yearly Results presentation
September	UK Roadshow (virtual) Denver Gold Forum Aclara Capital Markets presentation
November	Open shareholder engagement on remuneration matters Pro-active engagement with top 20 shareholders in response to actions of Peruvian Prime Minister
December	Scotia Capital Conference

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

In addition to the above, the Non-Executive Directors are available to meet shareholders on request. During the year, the Remuneration Committee initiated an engagement process with the Company's largest shareholders in the second half of 2020 which continued through to the 2021 AGM on the proposed revised Remuneration Policy. As reported in the Directors' Remuneration Report, the revised Policy was supported by 86% of the votes cast.

2021 AGM

Due to the Covid-related restrictions in place at the time, shareholders were not permitted to attend physically the 2021 AGM. In order to facilitate direct

engagement, a shareholder call was arranged to take place immediately after the AGM with shareholders required to pre-register. The Company did not receive any pre-registration requests.

At the 2021 AGM, the resolutions seeking the re-election of Dionisio Romero Paoletti and the approval of the 2020 Directors' Remuneration Report were opposed by 33% and 39% of the votes cast respectively.

Investor feedback confirmed that the results reflected concerns with:

(a) Mr Romero's time commitment due to the number of directorships that he held; and

(b) Several aspects relating to the annual bonus including the restatement of bonus objectives in the latter part of 2020, and the quantum of the bonus paid to the CEO, both overall and in light of the fatality that occurred during the year.

For further information, please refer to the Remuneration Committee Chair's statement from page 104.

With regards to the re-election of Mr Romero, the Board (a) received reassurances from Mr Romero on his ongoing availability and commitment to the Company and (b) noted the fact that Mr Romero acts as a nominee director of the Company's largest shareholder under the Relationship Agreement.

Other stakeholders

On pages 45 to 49 of the Strategic Report, we have identified our key stakeholder groups, how the Company engages with them and an indication of the issues raised by each group during the year.

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

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

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

Employees	Social	Government / Regulators	Suppliers/Lenders	Customers
Graham Birch, as Chair of the Sustainability Committee, is our designated Director to oversee workforce engagement who receives 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 political/regulatory climate.	Reported to the Board as part of its consideration of the quarterly Risk Management updates in relation to Business Interruption & Supply Chain risks.	Material matters are reported to the Board by the Chief Financial Officer who is responsible for managing the sales and logistics department. There were no material matters raised during the year.

Impact on wider stakeholder group of key decisions in 2021

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

For details on how our Board operates and the matters we discussed and debated during the year, please see page 85 and 86. We set out below examples of how the Directors had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties on certain decisions taken during the year.

(a) Aclara demerger and listing on the Toronto Stock Exchange

In deciding to demerge Aclara from the Hochschild Mining Group, the Board considered:

- *shareholders'* expectations for the Company to maximise the value of its assets and, in turn, shareholder return. In the Board's view this was achieved through the creation of a separate entity with its own dedicated management team and access to capital. Moreover, by effecting a demerger through an in-kind distribution, shareholders would be able to benefit directly from any potential re-rating of Aclara; and
- the minimal impact on Hochschild's *employees, customers, suppliers and communities* in light of the limited number of the early-stage nature of Aclara's asset (and therefore limited

resourcing requirements from the Company's own personnel) and its location in Chile.

(b) Annual Strategy Review

As it does each year, the Board carried out a review of the Group's strategy. The discussion in 2021 focused on how the Group could best position itself vis-à-vis its stakeholders and capitalise on the key sources of growth while remaining true to the Company's purpose. Alternative operating and financial scenarios were reviewed by the Board and, in light of their critical importance, sub-strategies to ensure the achievement of the Company's social commitments were developed. By taking this approach, the Board has mandated that every strategic business decision should promote *sustainability for all stakeholders*.

(c) Exercising the option to start earning in a 60% interest in the Snip Project in British Columbia

In its decision to exercise the option to start earning into the project, the Board took into account:

- *shareholders'* concerns on the limited scope for growth from the Company's existing portfolio of operating assets and its impact on shareholder returns;
- a commitment to establish *constructive relations* with the Tahltan First Nation;
- the interests of *employees* who would benefit from the addition of a high-grade asset into the Company's pipeline;
- the neutral impact on *customers and suppliers* as the decision would result primarily in exploration activities in British Columbia, Canada, for at least three years.

(d) The acquisition of the Posse gold project in Brazil (subject to completion in Q1 2022)

In its decision to acquire the project, the Board considered:

- *Shareholders'* concerns (a) on the limited scope for growth from the Company's existing portfolio of operating assets and its impact on shareholder returns, and (b) on the lack of the Company's geographic diversification;
- the project's current owner's complementary ESG-led approach with strong *local community and government* support;
- the interests of *employees* who would benefit from the addition of a high-grade asset into the Company's portfolio; and
- the neutral impact on the *Company's customers and suppliers*.

Division of responsibilities

Board composition

Throughout the year the Board comprised the Chairman, the Chief Executive Officer and seven Non-Executive Directors, of whom six are considered, by the Board, to be of independent judgement and character. On 10 December 2021, Sanjay Sarma stepped down from the Board as an Independent Non-Executive Director and Tracey Kerr's appointment (in that same role) took effect.

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 102 of the Directors' Report).

Chairman and Chief Executive

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

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

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

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

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

Status of the Chairman

In light of his significant shareholding, the Chairman is not considered to be independent. However, 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 Directors are satisfied that 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 'Significant 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 UK 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 UK Listing Rules; and
- the Relevant Parties will not take any action that would preclude or inhibit any member of the Group from carrying on its business independently of any of them.

Certain confirmations are required to be given by the Board under the 2014 Listing Rules with regards to the Company's compliance with the independence provisions which can be found in the Directors' Report on page 81.

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. Sanjay Sarma, who served on the Board until 10 December 2021, has a background in academia in

the field of mechanical engineering and technology. Each Director brings their experience and independent perspective to enhance the Board's capacity to help develop proposals on strategy and to oversee and grow the operations within a sound framework of corporate governance.

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

Independence of Non-Executive Directors

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

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

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

Company Secretary

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

Composition, succession and evaluation

Appointments and re-election of Directors

The Board has established a Nomination Committee which recommends nominations to the Board. The report of the Nomination Committee appears on pages 98 and 99.

The Company has adopted the practice of requiring Directors to seek annual re-election by shareholders in keeping with the UK Corporate Governance Code. The biographies of the Directors can be found on pages 78 and 79 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 Significant Shareholder has (i) the right to appoint up to two Non-Executive Directors to the Board for so long as the Significant Shareholder holds an interest of 30% or more in the Company and (ii) the right to appoint one Non-Executive Director for so long as it has an interest of 15% or more in the Company, and in each case to remove any such Director(s) previously appointed.

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

The Significant 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.

Induction

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

In light of the Covid-19 related restrictions, the above induction programme was facilitated virtually in connection with the appointment of Tracey Kerr. Site visits will be arranged once international travel resumes.

Tracey Kerr selection and induction process

Selection: Search firm, London Search Associates, engaged to compile a long-list of candidates with the skills and experience sought by the Nomination Committee



The Nomination Committee compiles a short-list of candidates



Interviews: Chairman and designated members of the Nomination Committee



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



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



The Board Perspective: Meets with all Board members



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



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



Hochschild's Approach to Sustainability: Meets with the functional heads, in Peru of Health, Safety, Environmental Management, Community Relations and Permitting



Full Perspective: Attends, as a guest, meetings of the Board Committees and the Exploration Working Group

Briefings

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

Advice

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

Board effectiveness

The Board is committed to the process of continuous improvement and in 2021, the Board engaged Independent Audit Limited as an external Board Reviewer to evaluate the workings of the Board and its Committees. See the following page for a description of the process and outcome of the 2021 Board evaluation.

Implementation of 2020 Board evaluation

A number of actions were taken during the year in light of the findings of the internally-led 2020 Board evaluation process. These included:

- the holding of pre-Audit Committee meetings enabling Audit Committee members to receive updates from the CFO and the external Auditor, particularly in relation to half-yearly and annual results;

- the use of a search firm to support the Nomination Committee's efforts in identifying suitable candidates for Board appointments in light of the commitment to achieve 33% female representation on the Board by the end of 2021;
- the holding of monthly 'Update Meetings' to keep the Board apprised of developments between scheduled Board meetings;
- a mid-term review of the Company's growth strategy; and
- promoting the Company's visibility in North America resulting in the creation of the role of VP, North America.

External Board evaluation

In line with the Board's intention reported last year, an externally-facilitated Board and Committee evaluation was carried out in H2 2021. Following a tender process led by the Company Secretary and the Senior Independent Director, Independent Audit Limited was selected as the Board Reviewer. Independent Audit Limited had not previously undertaken any work for the Company. As a result of the worldwide travel restrictions, the evaluation was carried out virtually and took place as described right.

2021 External Board evaluation

July 21: Short-list of Board review firms considered by Chairman and Senior Independent Director resulting in selection of Independent Audit Limited



August 21: Scope of review agreed with Company Secretary and Senior Independent Director



Aug/Sept 21: Board Reviewer reviews past Board and Committee meeting papers and attends Board & Committee meetings



Sept 21: Interviews with Board members, Company Secretary, External Audit Partner, Head of Internal Audit and senior management



Oct 21: Report considered by Senior Independent Director & Chairman



Nov 21: Board discusses findings for implementation



Feb 22: Action plan for implementation agreed

The interviews were wide-ranging and covered a number of areas including:

- the role and effectiveness of the Board and Committees;
- the Directors' insight into the business;
- the information provided to the Directors; and
- matters such as risk, culture and people issues.

2021 Board evaluation findings

The Board has concluded that, based on the evaluation, it has a good number of strengths, such as:

- a constructive relationship between the Board and management team;
- an evident emphasis on maintaining and promoting an ethical corporate culture;
- a strong strategic focus across discussions;
- the depth of experience of the Non-Executive Directors and its value to management; and
- strong leadership of Board Committees which are supported well by management.

The principal recommendations arising from the 2021 Board evaluation process include the following:

Area of focus	Action
Risk management reporting	Reviewing risk management reporting and the findings of internal audit
Enabling deeper strategic discussions	Optimising the balance between management reporting and discussions on strategic matters, and considering key strategic themes over longer time horizons
External perspectives	Incorporating, in a more structured way, the views of external stakeholders to enhance strategic planning
Continuing the momentum on ESG matters	Considering wider use of ESG related indicators for performance monitoring, and supporting management's efforts in reporting on ESG matters
People & culture	Enhancing the Board's visibility of people issues and the embedding of the target organisational culture
Board meeting effectiveness	Reformatting Board material to enhance discussion and optimising the holding of virtual meetings

Evaluation of the Board and Committees

The findings arising from the evaluation 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.

In terms of implementation:

- a sub-Committee of the Board has been established to oversee the implementation of those recommendations of benefit to the full Board; and
- in the case of recommendations which relate directly to the terms of reference of a Board Committee, that Committee has been tasked with considering, and implementing the necessary course of action.

Evaluation of the Chairman

The evaluation of the Chairman's performance was considered by the Non-Executive Directors led by the Senior Independent Director.

AUDIT COMMITTEE REPORT

2021 was an active year for the Company which saw the Audit Committee support the Board on many fronts.”

Dear Shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2021.

We have set out in this section of the Annual Report details of how the Audit Committee has supported the Board through its primary responsibilities focused on financial reporting, internal controls and risk management.

2021 saw management focus not only on ensuring the safe continuity of operations despite the ongoing risks posed by Covid but also the execution of a number of strategic transactions including the demerger of Hochschild's rare-earths business, Aclara Resources. As described later in this report, the Audit Committee played its part in reviewing Aclara's internal audit and compliance initiatives in preparation for its separation from the Group.

The year was also notable for the socio-political developments in Peru, Argentina and Chile where the Group has its principal assets, which have had an impact on the recurring issues that the Audit Committee considers in the preparation of the annual accounts. In particular, the uncertainty caused by domestic politics and government action and their knock-on effects can affect the valuation of the Company's assets. The Committee has reviewed management's

assessment which is discussed further from page 95. Such considerations also have repercussions for our going concern statement which the Committee has reviewed through scrutiny of management's analysis and the assumptions used in the scenarios modelled to test the robustness of the Company's financial health.

In order to be fully prepared to meet new requirements, the Committee has been kept informed of developments that can impact the work that it does, such as the UK Government's consultation on proposed reforms to various aspects of audit and governance. While the outcome of the consultation has not yet been published, we will continue to monitor this and other relevant initiatives.

Finally, I am pleased that our first externally-facilitated Board/Committee evaluation recognised a number of positive aspects of the workings of the Committee alongside areas for improvement. We are committed to continuous improvement and so we will be considering recommendations in relation to risk and internal audit reporting which could further enhance how the Committee performs its role.

Eileen Kamerick
Committee Chair

2021 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
Jill Gardiner, 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 chairs the audit committees of the Legg Mason Closed End Mutual Funds and NASDAQ-listed ACV Auctions Inc. Eileen holds the Directorship Certification of the US National Association of Corporate Directors ('NACD') and is a Board Leadership Fellow of the NACD.

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. Michael currently serves on the audit committees of London-listed Capital Limited and AIM-listed AfriTin Mining Limited.

Jill Gardiner was formerly an investment banker at RBC Capital Markets with a focus on certain commodity and energy related industries. She has served on and chaired numerous audit committees and currently serves as Chair of Trevali Mining Corporation and Capital Power Corporation both of which are listed on the Toronto Stock Exchange.

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

For further details on the skills and experience of the Committee members, please refer to the biographical details on pages 78 and 79. 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 Chair 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.

Aclara Resources

As part of the preparation for the demerger of Aclara Resources from the Hochschild Mining Group, the Audit Committee considered the work undertaken by the Internal Audit function. In particular, the Audit Committee received updates on:

- the establishment of a compliance function and a related training programme covering the behaviours expected by the Code of Conduct; and
- the implementation of the recommendations arising from a risk assessment covering fraud prevention and conflicts of interest in the procurement process.

Activity during the year

The Committee considered the following principal matters during the year:

Financial reporting – The 2020 Annual Report and Accounts and the 2021 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.

During the year, the Committee members held meetings with the external Auditor without executive management to discuss matters relating to the 2020 annual audit and the 2021 Half-Yearly Report.

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 page 68 for a description of the process by which the Group's principal and emerging risks are identified and monitored, and the actions taken during the year to mitigate them.

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

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

Whistleblowing – In line with the 2018 Corporate Governance Code, the Audit Committee reviewed, on behalf of the Board, the adequacy of the Group's whistleblowing arrangements. Whistleblowing reports are circulated to a group comprising the Audit Committee Chair ('AC Chair'), the Head of Internal Audit, the Vice-President of Human Resources and the Company Secretary ('the Reporting Group'); the AC Chair has a preliminary discussion with the Head of Internal Audit on the approach to the investigation; and the findings of the investigation are then reported, in the first instance, to the AC Chair and the Reporting Group and to the next scheduled meeting of the Audit Committee. The Committee ensures that the availability of the whistleblowing arrangements is publicised across the organisation and, during the year, a video was produced which was circulated to all staff.

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

The Group's Code of Conduct describes the values and standards of behaviour expected of our employees and our business partners. In addition, the Group has adopted a specific anti-bribery and anti-corruption policy to reflect the Board's zero tolerance of these types of acts. This policy is circulated to all employees by the CEO on a periodic basis, highlighting the consequences of acting in breach of its provisions which may 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 2021 and concluded that it was appropriate to recommend the re-appointment of EY as external Auditor at the 2021 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 resources and expertise, quality and timeliness of the audit process, quality of communication and reporting to the Audit Committee.

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

Governance – The Audit Committee received updates from the Auditor and the Company Secretary on regulatory and other developments impacting the Committee's role. During the year, the Committee received detailed updates with regards to the UK Government's consultation on significant reforms to audit and governance. In light of the wide-ranging nature of the proposals, the Committee sought advice from its

advisers, including external counsel, for a full understanding of the implications for the Committee as well as on Directors' duties and liabilities generally.

Evaluation – In relation to the evaluation of the Committee's performance, this was carried out as part of the annual Board evaluation which, as reported earlier in this Corporate Governance Report, was facilitated by Independent Audit Limited. The facilitator observed a meeting of the Audit Committee and aspects of the Committee's role were discussed in the one-to-one interviews held with each Board member. Recommendations of particular relevance to the Committee's work relate to the reporting of risk and internal audit findings which will be considered further in the current year.

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

Significant issues relating to the 2021 financial statements

As recommended by the Code, the following is a summary of the significant issues considered by the Committee in relation to the 2021 financial statements and how these issues have been addressed.

(a) Aclara demerger

The accounting for the demerger of Aclara Resources in December 2021, including the estimation of the fair value of the in specie dividend (being the method employed to demerge Aclara from the Group).

The Audit Committee considered and challenged management's judgement and estimates and concluded that the accounting approach was appropriate and that the relevant disclosures have been made.

(b) Impairments

The Audit Committee considered management's analysis of potential indicators of impairment and impairment reversals across the Group's assets which concluded that:

- there were no triggers for impairment (or impairment reversals) at Inmaculada and San Jose; and
- the lower than expected production from Pallancata in 2021, primarily due to lower grades, and a new Life of Mine plan resulting in higher forecast capital expenditure were considered triggers for impairment.

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

The Audit Committee considered:

- analyst consensus price forecasts for silver and gold; and
- the underlying calculation of the impairment review.

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

In conclusion, the Audit Committee concurred with management that an impairment of \$24.9 million be made as at 31 December 2021 with respect to Pallancata and that no impairments or impairment reversals be recognised with regards to Inmaculada, San Jose and Volcan.

(c) Going concern assessment

The Directors must satisfy themselves as to the Group's ability to continue as a going concern to 31 March 2023, being a minimum of 12 months from the approval of the financial statements. The Audit Committee supported the Board in this assessment by considering whether, in adverse circumstances, the Company has adequate liquid resources to meet its obligations as they fall due. Such potential adverse circumstances included a four-week suspension across all three mines and an increase in royalties and taxes combined with significantly lower precious metal prices. In February 2022, 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 82 for its confirmation to shareholders on the appropriateness of the going concern assumption and the Risk Management section on the Directors' approach to the longer-term Viability Statement.

(d) Mine rehabilitation provision

The Audit Committee considered the judgement exercised by management in assessing the amounts required to be paid by the Company to rehabilitate the Group's assets.

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

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

The Audit Committee concluded that the provision is appropriate.

Auditor independence

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

Policy on the use of Auditor for non-audit services

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

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

2021 Audit and non-audit fees

Please refer to note 33 to the consolidated financial statements for details of the fees paid to the external Auditor.

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.

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's 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

At its February 2022 meeting, the Audit Committee reviewed the process described above and is satisfied that, for the year under review and the period from 1 January 2022 to the date of approval of the Annual Report and Accounts, internal controls are in place at the operational level within the Group.

Board's assessment

Risk management

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

Internal control

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

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

NOMINATION COMMITTEE REPORT

The Nomination Committee plays a crucial role in ensuring that the Board and senior management have the right balance of skills to achieve our strategic goals.”

Dear Shareholder

I am delighted to report that, during 2021, the Committee saw progress on a number of matters within its scope of responsibilities, primarily Board composition and balance, and succession planning for the Board and the executive team.

We reported last year that the Board was committed to meeting the target set by the Hampton-Alexander Review of one-third female Board representation by the end of 2021. It was with great pleasure, therefore, that we were able to announce the appointment of Tracey Kerr as an Independent Non-Executive Director. Our search process, which is described in more detail later in this report, was led by a need to identify a

candidate who could support our programme of ESG-related initiatives. Tracey's substantial experience in the areas of sustainability, safety and, not least, geology will be of enormous value to the Board.

In addition to reviewing the Board skills matrix earlier in the year, the Committee received regular updates on the recruitment and selection of key executive positions to place us firmly on track to meet our strategic goals.

Eduardo Hochschild
Committee Chair

2021 Meeting attendance

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

* Tracey Kerr was appointed a member of the Committee on joining the Board on 10 December 2021

** Dionisio Romero Paoletti was unable to attend the February 2021 Committee meeting due to a conflicting engagement

*** Sanjay Sarma stepped down from the Committee on his retirement from the Board on 10 December 2021

Key roles and responsibilities

- Identify and nominate candidates for Board approval;
- Make recommendations to the Board on composition and balance;
- Oversee the succession planning of Board and senior management positions; and
- Review the Directors' external interests with regards to actual, perceived or potential conflicts of interest.

Membership

The members of the Committee are listed opposite. Tracey Kerr was appointed a member of the Committee following her appointment to the Board on 10 December 2021 and Sanjay Sarma stepped down from the Committee following his retirement from the Board on that same date.

The Company Secretary acts as Secretary to the Committee.

Activity during the year

The principal matters considered by the Committee are outlined below.

Reporting

- The report of the Committee's activities for inclusion in the 2020 Annual Report;

Board/Committee composition

- The appointment of Eileen Karmick as a member of the Sustainability Committee;
- The selection and recruitment process for the appointment of an Independent Non-Executive Director and the subsequent review of conflicts of interest prior to recommending the appointment of Tracey Kerr (see 'Appointments to the Board' section below for further details);

Succession planning

- **Non-Executive succession plan**
To support the search process which resulted in the appointment of Tracey Kerr, the Committee considered a skills matrix which (a) maps the extent to which key strategic skills are represented around the Board table; and (b) identifies any skill gaps that arise on the anticipated retirements from the Board;
- **Executive succession and development plan**
The Committee received updates on the selection and recruitment process for several senior management positions of strategic importance including the role of VP, North America and the Project CEO for the Volcan project;

Endorsed the recommended appointment of Eduardo Noriega as Chief Financial Officer in place of Ramon Barua who left Hochschild Mining's employment to assume the position of Aclara's CEO following its demerger from the Group;

Subsequent to the year-end, the Committee considered the Talent Review Plan which, in addition to setting out the developmental needs for senior executives, also identifies successors to 'Critical Positions' and their personal development strategies;

Conflicts of interest

- Consideration of conflicts of interest arising prior to Michael Rawlinson's appointment to the board of AfriTin Mining Limited.

Evaluation

- The action plan to implement the findings of the 2020 Board evaluation process relating to Board composition which resulted in, among other things, Tracey Kerr's appointment (referred to above);
- In line with the Committee's prior year recommendation, an externally-facilitated Board and Committee evaluation process was undertaken by Independent Audit Limited in 2021. The performance of the Committee was evaluated as part of this process which, among other things, highlighted further consideration of the optimal composition of the Committee, a deeper review of issues arising from Executive succession planning and the succession of the Board Chair. For further details of the review, please refer to page 92.

Appointments to the Board

The Company's approach

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

The Board's annual evaluation back in 2019 and its review of the Board succession plan identified opportunities to acquire skills that would support the Company's strategic path and, at the same time, improve the gender diversity of the Board. As reported last year, this resulted in the appointment of Jill Gardiner and, in December 2021, Tracey Kerr joined the Board as an Independent Non-Executive Director.

Recruitment process

The recruitment process for Tracey was overseen by the Nomination Committee which was supported by search firm London Search Associates, which provided a long-list of potential candidates with experience of ESG matters and/or operational mining. A short-list was drawn up and a sub-committee of the Nomination Committee carried out interviews prior to recommending Tracey Kerr's appointment to the Board.

Neither the Company nor any individual Director has any connection with London Search Associates.

Diversity

Policy on Board appointments

The Board is committed to the overriding principle that every member and potential appointee must be able to demonstrate the skills and knowledge to be able to make a valued contribution to the Board. It is also acknowledged that diversity brings new perspectives which can drive superior business performance and promote innovation.

The Directors have therefore adopted a multifaceted approach to Board recruitment which:

- primarily considers a candidate's merits;
- seeks opportunities to ensure the ongoing diversity of the Board (whether of gender, culture, race, professional background, nationality or otherwise) which will also reflect the Company's specific context including that it is headquartered in Peru with operating assets located solely in South America.

Increasing workforce diversity

The Company is committed to redressing the gender imbalance in its workforce. Please refer to page 61 for further details of the diversity and inclusion initiatives and the progress made by the Company over the course of 2021.

Introduction

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

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

Share capital

Issued share capital

The Company's issued share capital comprises 513,875,563 ordinary shares of 25 pence each ('shares'). No shares were issued during the year ended 31 December 2021.

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

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

Current share repurchase authority

The Company obtained shareholder approval at the AGM held in May 2021 for the repurchase of up to 51,387,556 shares which represents 10% of the Company's issued share capital ('the 2021 Authority'). Whilst no purchases have been made by the Company pursuant to the 2021 Authority, it is intended that shareholder consent will be sought on similar terms at this year's AGM when the 2021 Authority expires.

Additional share capital information

This section provides additional information as at 31 December 2021.

(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 29 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
- 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.

Substantial shareholdings

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

As at 31 December 2021	Number of ordinary shares/voting rights	Percentage of issued share capital	Nature of holding
Eduardo Hochschild¹	196,900,306	38.32%	Indirect
Majedie Asset Management Limited²	25,384,745	4.94%	Indirect
Van Eck Associates Corporation	17,949,877	3.49%	Direct

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 Majedie Asset Management Limited in October 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) \$300 million Credit Agreement

Under the terms and conditions of the \$300 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 be the beneficial owners (as so defined) of at least 30% of the Company's shares; or (b) the Permitted Holders shall for any reason cease, individually or in the aggregate, to have the power to appoint at least the number of the members of the Board of Directors or other equivalent governing body of the Company that the Permitted Holders are permitted to elect as at 20 September 2021; 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 shall, upon a change of control of the Company, vest early unless a replacement award is made. Vesting will be pro-rated to take account of the proportion of the period from the award date to the normal vesting date falling prior to the change of control and the extent to which performance conditions (and any other conditions) applying to the award have been met.

Summary of constitutional and other provisions

Appointment of Directors

Under the terms of the Articles Directors may be appointed by the Company by

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

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

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

Approach to appointments adopted by the Board

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

2014 Listing Rules

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

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

Removal of Directors

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

Relationship Agreement

In addition, under the terms of the Relationship Agreement:

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

Amendment of Articles of Association

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

Powers of the Directors

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

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

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	Directors' Report (and the related note 32(c) to the consolidated financial statements)
(10)(b)	Contract of significance with controlling shareholder	Directors' Report (and the related note 32(c) to the consolidated financial statements)
(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

Group non-financial information statement

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

Reporting requirement	Relevant policies	Further information	KPIs
Business model		Business model (page 22)	
Principal risks		– Risk Management & Viability (page 68) – Audit Committee report (page 93)	
Environmental matters	– Code of Conduct* – Corporate Sustainability Policy* – Corporate Environmental Policy	Environment section of the Sustainability Report (page 56)	– GHG emissions – GHG intensity – ECO Score – Electricity consumption – Water consumption – Waste generation
Employees	– Code of Conduct* – Corporate Sustainability Policy* – Protocol for the Prevention of Covid-19 – Corporate Health & Safety Policy	The following sections of the Sustainability Report: Our People (page 61), Health & Safety (page 59)	– % workforce unionised – Health consultations – High Potential Events rate – Fatalities – Injury Frequency rate – Accident Severity rate
Social matters	– Corporate Sustainability Policy* – Corporate Community Relations Policy*	Community Relations section of the Sustainability Report (page 54)	– Community employment – Community investment – Services and goods provided by suppliers from communities
Human rights	– Corporate Sustainability Policy* – Corporate Human Rights Policy* – Diversity & Inclusion Policy* – Sexual Harassment Prevention Policy	Our People section of the Sustainability Report (page 61)	– Workforce by gender
Anti-corruption and Anti-bribery matters	– Code of Conduct* – Anti-corruption and Bribery Policy* – Whistleblowing Policy*	Audit Committee report (page 93)	

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

DIRECTORS' REMUNERATION REPORT

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2021 which is split into two sections: this Annual Statement and the Annual Report on Remuneration.

Our 2021 AGM

As a first item, I would like to reassure all of our shareholders that the Remuneration Committee was disappointed that the advisory vote to approve our 2020 Directors' Remuneration Report ('DRR') was approved by only 67% of shareholder votes cast on this resolution at our 2021 AGM. We regard this as a serious matter and accordingly we initiated an 'open agenda' listening exercise with our 15 largest shareholders (and not only those who voted against our 2020 DRR) and with the leading proxy advisory firms to better understand their views on remuneration at Hochschild.

We have received some positive feedback (both general and specific) and we also consider the points of constructive advice that we have been given as valuable guidance should we be faced in the future with similar points of decision to those we faced in late 2020 and early 2021.

While the Committee was, and continues to be, committed to remunerating senior executives based on a holistic assessment of performance, it is clear that a less formulaic approach than the one applied to the 2020 annual bonus may have been merited in a year heavily impacted by Covid. Such an approach could perhaps have balanced the concerns of our shareholders with the many positive aspects of our performance in 2020, including the increase in dividends supported by strong cash generation, and the many steps taken to position the Company for long-term growth with no pay cuts or redundancies. In addition, in 2020 we undertook many initiatives to support local communities in Peru, including supporting remote learning for students and giving support to local healthcare providers.

We were pleased that our new three-year forward-looking Directors' Remuneration Policy was approved by over 87% of shareholder votes cast on this resolution at our 2021 AGM and in this Directors' Remuneration Report we detail how the Company has performed against the revised policy in its first year of operation.

Pay and performance in 2021

As noted earlier in the Strategic Report section of our Annual Report, 2021 was a year of resilient performance for Hochschild. The Remuneration Committee particularly noted the following positive aspects of our performance:

- Production and AISC in line with forecasts;
- Achieving the positive outcome for shareholders of the Aclara demerger;
- A continuing rigorous focus on both health and safety and our environmental performance with meaningful improvement over the course of the year.

We also maintained our focus on wider employee pay matters:

- We are proud that in 2021 we did not make any redundancies and neither did we participate in any governmental support schemes; and
- We have 900 participants in our annual bonus plan. In a year where they have performed admirably in the most trying of circumstances and have worked to protect and enhance the value of our shareholders' assets, we are delighted that they have shared in a 2021 bonus that, we feel, demonstrates the integrity of pay at Hochschild to our colleagues.

Turning to safety, I feel that I must first acknowledge that as a Board, we were all deeply affected by the unprecedented tragic traffic accident in June 2021 involving a bus operated by one of the Company's contractors.

It is also regrettable that, during the year there were two fatal accidents within our mining operations. Every such event is followed by a thorough investigation led by a deep concern for colleague welfare. Further details of these incidents can be found in the Sustainability Report from page 50.

From a Remuneration Committee perspective, we consider such matters both at a detailed level and also at a broader reputational level, so that any concerns can be reflected in our broader overview of in-year performance in the round before any incentive pay outcomes are confirmed.

In conclusion, we have used a discretionary override to reduce to nil the safety element of the 2021 annual bonus scorecard due to the loss of life during the year at our operations. As a Board, we consider that not to acknowledge these fatal accidents in our incentive pay outcomes would be misaligned with the values which we hold and which we believe our investors would expect to see demonstrated.

The Committee exercised what it regards as normal commercial judgement in respect of Directors' remuneration throughout the year (and in all cases in line with the Company's Directors' Remuneration Policy) including in relation to:

- setting performance metrics for normal course annual bonuses and LTIPs in the year; and
- confirming the outcome of performance metrics for annual bonuses and LTIPs in the year.

There were no other exercises of judgement or discretion by the Committee save as detailed in this report.

Operation of our Remuneration Policy in 2022

As I noted earlier in this Annual Statement, our shareholders gave a high level of support to our Directors' Remuneration Policy at our 2021 AGM, and our intention is to continue to operate our Remuneration Policy in 2022 in a way that is closely aligned with how our policy was applied in 2021.

Our 2022 annual bonus will again operate using a scorecard that considers operational, financial, strategic and ESG-related metrics and that we believe promotes appropriate balance, having both the capacity to reward very good in-year performance and a range of matters that will position the Company well in the longer term. In addition, going forward, we will be operating a safety underpin to the annual bonus so that in the event of a fatality during a year, we will operate a discretionary override to reduce, to nil, the element of the bonus that relates to safety.

We will also make our second round of LTIP awards using our revised LTIP performance conditions, which encompass relative TSR, growth in measured and indicated resources and consistent operational and strategic performance.

Format of the report and matters to be approved at our 2022 AGM

At the 2022 AGM, shareholders will be asked to approve the Directors' Remuneration Report; this will be the normal annual advisory vote on the report. I hope that you find this report to be informative and that our shareholders remain supportive of our approach to executive pay at Hochschild and vote in favour of the resolution.

As in past years, I would like to assure all our shareholders that the Committee welcomes all input on remuneration matters, and if you have any comments or questions on any element of the Directors' Remuneration Report, please do not hesitate to contact me at info@hocplc.com.

We are grateful for the guidance and support which we have received from our shareholders on remuneration matters in the last year.

Michael Rawlinson

Chair of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT CONTINUED

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) Regulations 2018 (as amended), 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), Glass Lewis and the Investment Association.

2021 Directors' Remuneration Policy

The main aspects of the Directors' Remuneration Policy for Executive and Non-Executive Directors for the three-year period expiring at the Company's 2024 Annual General Meeting, and which was approved by shareholders at the 2021 Annual General Meeting, can be found in the appendix to this report.

Annual Report on Remuneration

The following section provides details of how Hochschild's approved 2021 Directors' Remuneration Policy was implemented during the financial year ending 31 December 2021, and how the Remuneration Committee intends to implement the Directors' Remuneration Policy in 2022. Any information contained in this section of the report that is subject to audit has been marked as such.

Remuneration Committee membership

The Remuneration Committee was chaired during the year under review by Michael Rawlinson, and its other members were Eileen Kamerick and Jill Gardiner. 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 Company Secretary acts as Secretary to the Committee.

The Committee's terms of reference

The duties of the Remuneration Committee are to determine and agree with the Board the broad policy for the remuneration of the Executive Directors, the other members of senior management and the Company Secretary, as well as their specific remuneration packages including pension rights and, where applicable, any compensation payments. In determining such policy, the Remuneration Committee shall take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance, and are rewarded in a fair and responsible manner for their individual contributions to the success of the Group.

The Remuneration Committee met four times during the year and attendance was as detailed below:

2021 Meeting attendance

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

The Committee undertook the following items of business:

2020 Remuneration and reporting

- Reviewed and approved incentive outcomes for 2020 (2020 annual bonus and vesting of 2018 LTIP awards);
- Considered and approved the 2020 Directors' Remuneration Report;

2021 Remuneration

- Reviewed the CEO's total remuneration, including salary for 2021 (which remained unchanged from the level set in 2016);
- Considered and approved the CEO's 2021 objectives;
- Approved the opportunity/award level and performance targets for 2021 annual bonus and LTIP awards;

Policy and keeping informed

- Settled the terms of the 2021 Directors' Remuneration Policy for approval by shareholders at the 2021 AGM;
- Engaged with major shareholders in advance of the 2021 AGM regarding the revised Directors' Remuneration Policy;
- Considered feedback from shareholders regarding both the revised 2021 Directors' Remuneration Policy and action taken in relation to 2020 incentive pay outcomes;
- Initiated a wider governance consultation with shareholders following the 2021 AGM, reflecting feedback received;
- Considered the engagement of FIT Remuneration Consultants LLP as the new Committee adviser (further details of which are provided below);
- Considered market trends in executive remuneration and key themes for 2022.

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 Ellason LLP and, from October 2021, FIT Remuneration Consultants LLP ('FIT')

Both firms reported directly to the Committee Chair in 2021, and are signatories to and abide 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 Ellason LLP or by FIT to the Company. The Committee is satisfied that the advice provided by both firms in 2021 was independent and objective.

The fees paid to Ellason LLP in respect of work carried out in 2021 (based on time and materials) totalled £19,171, excluding expenses and VAT.

FIT was appointed as the independent adviser to the Remuneration Committee following a competitive tender process. The fees paid to FIT in respect of work carried out in 2021 were £17,895, excluding expenses and VAT, and were charged on the basis of FIT's standard terms of business for advice provided.

Summary of shareholder voting

The table below shows the results of the advisory vote on the 2020 Annual Report on Remuneration and of the binding vote on the 2021 Remuneration Policy at the 2021 AGM:

	2021 Remuneration Policy		2020 Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	359,539,286	85.60%	282,820,516	67.47%
Against	60,498,907	14.40%	136,328,236	32.53%
Total votes cast (excluding withheld votes)	420,038,193		419,148,752	
Votes withheld	34,381		923,822	

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. More details regarding the engagement activities undertaken with shareholders in the year are set out in the Committee Chair's Annual Statement that introduces this report.

Subsequent to the year-end, the Committee received and considered a report summarising the base salaries, benefits and incentives received by each category of Group staff and summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group. In addition, the Committee ensures that it remains informed regarding mandatory profit sharing for Peru-based employees.

The Company undertakes varied forms of engagement with employees. In 2021, this primarily took the form of workshops to discuss the Group's cultural attributes, frequent and periodic meetings held by mine management with mine-site employees as well as regular engagement with workers' appointed representatives regarding many aspects of the business. This process provides an opportunity for feedback on Executive Directors' pay to be given and explanations to be shared, although most of the engagement process is focused on wider employee welfare; a report on any material feedback regarding remuneration is received by the Remuneration Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 2021 and the prior year:

	2021 (US\$000)	2020 (US\$000)
Base salary ¹	700	700
Taxable benefits ²	27	30
Total fixed	727	730
Single-year variable ³	989	945
Multi-year variable ⁴	0	0
Profit share ⁵	172	151
Total variable	1,161	1,096
Compensation for Time Service ('CTS') ⁶	100	98
Tax refunds ⁷	7	9
Total remuneration	1,996	1,933

All figures are rounded to the nearest \$000

Notes for 2021 values:

- 1 Figures disclosed include certain statutory payments accounted for internally within base salary ('Statutory Supplements') as follows: 2021: \$300, 2020: \$300
- 2 Taxable benefits include: company car (2021: \$20k; 2020: \$21k) and medical insurance.
- 3 Payment for performance during the year under the Annual Bonus Plan. See following sections for further details.
- 4 2021 Multi-year variable value is nil as the 2019 LTIP did not vest based on performance to 31 December 2021
- 5 All-employee profit share mandated by Peruvian law.
- 6 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 2021 CTS comprises: CTS on base salary (\$58k) and on bonus (\$41k) (difference due to rounding). 2020 CTS comprises: CTS on base salary (\$58k) and on bonus (\$39k).
- 7 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 for the year ended 31 December 2021 and the prior year received by each Non-Executive Director serving during the year:

	Base fee (US\$000)		Additional fees (US\$000)		Taxable benefits (US\$000)		Total (US\$000)	
	2021	2020	2021	2020	2021	2020	2021	2020
Eduardo Hochschild ¹	400	400	0	0	776	665	1,176	1,065
Dr Graham Birch	96	89	19	3 ²	0	0	115	92
Jorge Born Jr	96	89	0	0	0	0	96	89
Jill Gardiner ³	96	38 ³	0	0	0	0	96	38
Eileen Kamerick	96	89	19	18	0	0	115	107
Tracey Kerr ⁴	6	n/a	0	n/a	0	n/a	6	n/a
Michael Rawlinson	96	89	38	36	0	0	135	125
Dionisio Romero	96	89	0	0	0	0	96	89
Sanjay Sarma ⁵	91	89	0	0	0	0	91	89

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 use of a company car and driver
- 2 To align the position with that of the other Committees, the Board approved the payment of the additional fee to Mr Birch as Chair of the Sustainability Committee from 1 November 2020.
- 3 Jill Gardiner was appointed to the Board on 1 August 2020.
- 4 Tracey Kerr was appointed to the Board on 10 December 2021.
- 5 Sanjay Sarma stepped down from the Board on 10 December 2021.

Salary and fees for the year ended 31 December 2021

Executive Director

The Committee reviewed the CEO's salary in 2021 and determined that there would be no increase.

Executive Director	Base salary from 1 March 2020 (US\$000)	Base salary from 1 March 2019 (US\$000)	% change
Ignacio Bustamante	700	700	–

Base salary above excludes CTS. Ignacio Bustamante's salary is denominated in US dollars.

Non-Executive Directors

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The annual rates of fees payable to the Non-Executive Directors of the Company in 2020 and 2021 are set out in the table below. All Non-Executive Directors receive a base fee, and additional fees are paid for acting as Chair of one of the Board Committees and as Senior Independent Director. No change was made to these fees in 2021.

	Fee level from 1 March 2021 (US\$000)	Fee level from 1 March 2020 (US\$000)	% change
Non-Executive Chairman's fee	US\$400,000	US\$400,000	–
Non-Executive Director base fee	£70,000	£70,000	–
Additional fees			
Senior Independent Director	£14,000	£14,000	–
Chair of the Audit Committee	£14,000	£14,000	–
Chair of the Remuneration Committee	£14,000	£14,000	–
Chair of the Sustainability Committee	£14,000	£14,000	–

Incentive outcomes for the year ended 31 December 2021 (audited)

Annual bonus in respect of 2021 performance

Objectives for the 2021 bonus were set by the Committee at the beginning of the year and assessment of performance during the year was undertaken at the February 2022 Committee meeting.

Details of the bonus paid to the CEO for 2021, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below:

Objective	KPI	Target weighting	Targets			2021 Assessment	
			Threshold	Target	Maximum	2021 result	Final bonus score/ (Maximum)
Profitable production and financial results	Production (Oz Ag Eq)	18%	29m	30m	31.2m	31.2m	18% (18%)
	Adjusted EBITDA ¹	13.5%	US\$290m	US\$310m	US\$332m	US\$332.3m	13.5% (13.5%)
	AISC from operations with growth ²	13.5%	US\$15.1/oz	US\$14.7/oz	US\$14.3/oz	US\$14.0/oz	13.5% (13.5%)
	Strategic advancement	10%	Remco Assessment			Full Vesting	10% (10%)
	Penco Rare Earths project	5%	Remco Assessment			Full Vesting	5% (5%)
Brownfield exploration	Inferred resources (subject to permits available) (Oz Ag Eq)	10%	40m	60m	80m	83.2m	10% (10%)
Safety and environmental awareness	Accident frequency rate (LTIFR)	13%	3.00	2.50	2.00	1.30	Nil ³ (13%)
	Accident Severity Index	8.5%	540	450	300	676	Nil (8.5%)
	ECO Score ⁴	8.5%	4.55 – 4.74	4.75 – 4.99	>= 5.00	5.29	8.5% (8.5%)
Bonus payable (as a percentage of maximum opportunity)							78.5%

Notes:

1 Adjusted EBITDA is used for the annual bonus and is determined based on EBITDA adjusted primarily to neutralise price effects and other unbudgeted expenditure including additional personnel costs in Argentina (\$8.3million) and costs related to Business Development (\$2.2million)

2 All-in sustaining cost is adjusted to ensure comparability with the objective set at the beginning of the year and therefore disregards unbudgeted expenditure including Statutory Workers' Profit Sharing (\$0.1/oz), exploration costs (\$0.2/oz) and additional infill drilling (\$0.2/oz)

3 The Remuneration Committee exercised its discretion to reduce, to nil, all safety elements of the annual bonus. See Safety section below for further details.

4 Refer to www.hochschildmining.com for further details on the methodology of calculating the Group's ECO Score (the internally designed measurement of the Company's environmental performance)

General approach

The determination of the bonus payout is at the discretion of the Committee, taking into account performance during the year against the above scorecard. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The bonus scores for each objective are summed which translates into a percentage which is applied to the maximum bonus opportunity.

Adjustments were made in line with the Company's usual practice to maintain the quality of earnings by primarily disregarding the impact of factors outside of management's control such as the price of silver and gold (as compared to budgeted prices).

Assessing performance against 2021 bonus objectives

In arriving at the above bonus scorecard, the Committee paid particular attention to the following aspects of the Company's performance:

– Safety

As part of the Committee's engagement with investors, both before and subsequent to the 2021 AGM, it became clear that attitudes towards corporate safety performance in general had evolved. The Committee has always been mindful that remuneration decisions should reflect Hochschild's corporate values and therefore, in relation to safety, has sought to incentivise operational safety performance as well as the ongoing efforts of embedding a safety-first culture.

The Committee has reflected on the views of investors and decided that in light of the loss of life during 2021 as a result of the two accidents at the Group's operations, the Committee exercised its discretion to reduce, to nil, the safety component of the annual bonus. The Committee and, indeed, the full Board, considered the detailed findings of the investigations carried out following each of these incidents and although no corporate failings were identified, the use of the Committee's discretionary override was felt to be wholly appropriate. Please refer to the Sustainability Report on pages 59 and 60 for further information on the steps taken by the Company to mitigate the recurrence of similar accidents.

– Strategic advancement

In evaluating performance against this objective, the Committee considered a range of actions taken to position the Company for long-term and sustainable growth to benefit our shareholders, comprising:

- the exercise of the option to start earning-in a 60% interest in the Snip project following the successful drilling campaign by Hochschild's partner and owner of the project, Skeena Resources. In addition, the Committee's assessment reflects the promising preliminary maiden resource demonstrating its value-enhancing potential;
- the demerger of Aclara Resources Inc (formerly known as Biolantánidos, the owner of the Penco Rare Earths project) which was completed in December 2021 and which realised value of approximately US\$40million for the Company's shareholders. The Committee took note of (a) the successful listing of the company on the Toronto Stock Exchange within the pricing range approved by the Hochschild Board and (b) the fact that the targeted amount of equity capital was raised. In the limited time since completion of the IPO in mid-December 2021, Aclara's share price performance has been largely influenced by the number of Hochschild Mining shareholders required to sell their position as well as the general market weakness for junior companies with pre-production assets. Overall, however, the Committee believes the transaction to have strong potential to be value accretive for Hochschild shareholders given the strength and quality of the institutions who invested at or subsequent to the IPO;
- the thorough process leading to the identification of an opportunity to enhance resources within appropriate cost and risk parameters resulting in the acquisition of Amarillo Gold Corporation which, subject to completion in Q1 2022, would result in the addition of the low-cost Posse gold project to the Group's asset portfolio with its relatively near-term production and strong exploration potential; and
- commissioning a technical review of the resources at the Group's Volcan project and appointing a project CEO who will lead a review of strategic options for the project.

– Penco Rare Earths project

The Committee considered the notable developments achieved during 2021 with respect to the project itself, including:

- the completion of the Preliminary Economic Assessment ('PEA') with enhanced resource quality and a more robust process design. It was noted that the PEA ascribed a valuation to the project of US\$178million which compared to the c.US\$80million invested by Hochschild; and
- successful amendments to the Environmental Impact Assessment which significantly improved the project's environmental credentials.

– ECO Score

The overall ECO Score for the year is 5.29 against a stretch target of 5.0. This internally designed award-winning measure of environmental management demonstrates the following (as more fully detailed in our Sustainability Report):

- our lowest water consumption since 2015;
- the lowest amount of waste generation since 2015 (1kg/person/day);
- the highest level of compliance with the behaviours expected from our environmental culture plan (using an internal scoring system).

The Committee also took into account the experience of the Group's stakeholders during the year, noting:

- the performance of the Company's share price which, in 2021, was primarily impacted by political events in Peru and in particular:
 - the political uncertainty caused by the contested Presidential elections; and
 - the actions of the Peruvian Prime Minister in November 2021 resulting in the declaration of a number of measures including the closure of two of the Company's mines which was subsequently clarified.

By contrast, the Committee noted the strong level of cash generation demonstrated by the interim dividend and the in-specie dividend of shares in Aclara Resources;

- that there have been no compulsory job losses and every employee and contractor received full pay throughout the year without any material delays;
- the Group has not made use of any government-sponsored schemes or grants in any of the countries in which it operates;
- the Company's ongoing programme of initiatives to assist the communities and other local stakeholders who, notably in 2021, expressed their support for the Company in response to the actions of the Prime Minister referred to above; and
- the continued strong performance in environmental management and the unprecedented number of reporting initiatives undertaken in 2021 reinforcing our commitment to transparency. For further details see the Sustainability Report on page 56.

In conclusion the Committee agreed that the CEO be awarded a bonus of 78.5% of the maximum opportunity, which equates to c.141% of salary.

2019 LTIP vesting

On 20 February 2019, Ignacio Bustamante was granted an award under the LTIP with a face value of US\$1,400,000. Vesting was dependant on three-year relative TSR performance against both a tailored peer group (70% of the total award) and the constituents of the FTSE 350 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 FTSE 350 Mining Index ³	30%	Median TSR +10% p.a.: full vesting Median TSR: 25% vesting Straight-line vesting between these points

Notes:

1 TSR is calculated in common currency.

2 The 2019 LTIP peer group, at the time of the granting of the award, comprised: Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold, Centamin Egypt, Cia dos Minas Buenaventura, Coeur Mining, Eldorado Gold, Endeavour Silver, First Majestic Silver, Fortuna Silver Mines, Fresnillo, Gold Fields, Hecla Mining, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Petropavlovsk, Polymetal, Silver Standard Resources, and Volcan Compania Minera.

3 As at the start of the performance period.

The Remuneration Committee considered corporate activity affecting the 2019 LTIP peer group and the constituents of the FTSE 350 Mining Index and concluded that the Company's TSR over the performance period between 1 January 2019 and 31 December 2021 ranked 17th percentile vs. the tailored peer group and underperformed the median of the constituents of the FTSE 350 Mining and Precious Metals Index by 76% per annum. Accordingly, the award will lapse in full.

DIRECTORS' REMUNERATION REPORT CONTINUED

Scheme interests awarded in 2021 (audited)

On 27 May 2021, 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 2021 to 31 December 2023, with 50% of the award based on TSR performance against a tailored peer group and 50% based on internal KPIs as summarised in the table below.

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. Due to legal difficulties arising from its enforcement in Peru, the Remuneration Committee is unable to operate clawback and hence the Group's malus policy was clarified as referred to above. After payment of tax, all of the vested cash award will be required to be invested in Hochschild shares which will be 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	27 May 2021	1 January 2021 to 31 December 2023	\$1,400,000	\$350,000

Performance measure	Weighting	Performance targets
TSR		
Relative TSR ¹ performance vs. tailored peer group ²	50%	Upper quintile (80th percentile): full vesting Upper tercile (67th percentile): 75% vesting Median (50th percentile): 25% vesting Straight-line vesting between these points
Internal KPIs		
Measured & Indicated Resources ('M&IR') per share ³ – absolute % growth over three-year performance period 2021-2023	25%	49.06% growth in M&IR per share – full vesting 47.26% growth in M&IR per share – 75% vesting 35.44% growth in M&IR per share – 25% vesting Straight-line vesting between these points
Consistency Performance Condition	25%	Average bonus scorecard outcome 2021-2023 with threshold vesting of 25% requiring an average achievement of 60% scorecard attainment with straight-line vesting up to full vesting requiring an average of 100% scorecard attainment. There is an overriding underpin whereby if the annual scorecard achievement is less than 60% in any one year, then the vesting of this LTIP component will be nil.

Notes:

- TSR is calculated on the basis of common currency.
- The 2021 LTIP peer group, at the date of grant, comprised: Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold Corp, Centamin, Cia des Minas Buenaventura, Coeur Mining, Endeavour Silver Corp, Eldorado Gold Corp, First Majestic Silver Corp, Fortuna Silver Mines, Fresnillo, Gold Fields, Hecla Mining, IAMGOLD, Kinross Gold, Kirkland Lake, Newmont Mining, OceanaGold Corp, Pan American Silver, Petropavlovsk, Polymetal and SSR Mining.
- M&IR per share means the Company's Measured and Indicated Resources excluding Volcan as at 31 December 2020 (338.6 Ag Eq Moz) subject to such adjustments as the Committee considers appropriate in its absolute discretion divided by the Company's issued share capital. % growth figures are based on the addition of 100 Ag Eq Moz (full vesting), 160 Ag Eq Moz (75% vesting), and 120 Ag Eq Moz (25% vesting).

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 2022

A summary of how the 2021 Remuneration Policy will be applied for the year ended 31 December 2022 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 2022 financial year will be 180% of salary. The bonus payment will be subject to performance against broadly the same measures as those used in 2021. However, we intend to rebalance our Corporate Social Responsibility scorecard weightings and introduce a measure which recognises the importance to our business' sustainability of our social contribution initiatives within the local communities where we operate. That these activities are important was strongly demonstrated by the support shown by those communities when the Peruvian Government questioned our licence to operate in 2021. Further disclosure of measures and targets, where not commercially sensitive, will be provided in next year's Annual Report on Remuneration. In line with the Remuneration Policy, payout for 'threshold' and 'target' performance will be 30% and 50% of the maximum opportunity, respectively.

As in 2021, 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 and, in line with the approach taken with respect to the 2021 bonus, a discretionary override will be applied such that the occurrence of any fatality during the year at the Group's operations will result in the reduction, to nil, of the safety-related objectives.

Any bonus earned above 150% of salary will be paid in shares and deferred for two years.

LTIP

The Committee will make awards in 2022 at levels up to 200% of base salary. Vesting will be based on the same performance conditions as those set for the 2021 LTIP awards.

Vested LTIP awards will be invested (on a post-tax basis) in the Company's shares which are required to be held for a further two years.

The performance conditions are:

- Relative TSR performance vs. tailored peer group (50% weighting: same median to upper quintile range as for 2021 awards)
- Measured & Indicated Resources ('M&IR') per share (25% weighting: growth over three-year performance period 2022-2024, reflecting the same absolute growth targets as for 2021 awards)
- Consistency Performance Condition (25% weighting: measured as for 2021 LTIP awards)

Malus provisions will apply to LTIP awards granted in 2022 in line with the Remuneration Policy.

Non-Executive fees

From 1 March 2022, Non-Executive Directors will, in addition to their base fee, be paid an additional fee of £5,000 per year for every main Board Committee that they serve on with the exception of the Nomination Committee. There will be no change to the supplementary fee payable to the Chairs of the Audit, Nomination and Remuneration Committees.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual percentage change in Directors' remuneration

The table below shows the percentage change in Board Directors' remuneration in 2020 and 2021 compared with the percentage change in remuneration for all other employees.

		% change		
		Base salary ¹ /fees	Taxable benefits ²	Single-year variable ³
Executive Directors	Ignacio Bustamante	0%	-10%	5.7%
Non-Executive Directors	Eduardo Hochschild	0%	17%	n/a
	Dr Graham Birch	0%	n/a	n/a
	Jorge Born Jr	0%	n/a	n/a
	Jill Gardiner	0%	n/a	n/a
	Eileen Kamerick	0%	n/a	n/a
	Michael Rawlinson	0%	n/a	n/a
	Dionisio Romero	0%	n/a	n/a
	Sanjay Sarma ⁵	0%	n/a	n/a
Average all employees ⁴		6.2%	n/a	0.8%

		% change		
		Base salary ¹ /fees	Taxable benefits ²	Single-year variable ³
Executive Directors	Ignacio Bustamante	0%	4.5%	-5.3%
Non-Executive Directors	Eduardo Hochschild	0%	2%	n/a
	Dr Graham Birch	0%	n/a	n/a
	Jorge Born Jr	0%	n/a	n/a
	Jill Gardiner	n/a	n/a	n/a
	Eileen Kamerick	0%	n/a	n/a
	Michael Rawlinson	0%	n/a	n/a
	Dionisio Romero	0%	n/a	n/a
	Sanjay Sarma ⁵	0%	n/a	n/a
Average all employees ⁴		5.8%	n/a	3.8%

Notes:

- 1 Base salary only (i.e. excluding Statutory Supplements – see footnote 1 to table on single figure of total remuneration for Executive Directors on page 108).
- 2 Taxable benefits comprise (a) for Ignacio Bustamante, a company car and medical insurance and (b) for Eduardo Hochschild, the use of a car and driver, personal security and medical insurance. See footnote 2 to table on single figure of total remuneration for Executive Directors on page 108).
- 3 Single-year variable comprises (a) bonus (calculated with reference to base salary only, i.e. before CTS and tax rebates) and (b) estimate of statutory profit-share due to the unavailability of final data as at the date of this report.
- 4 'All employees' comprise full-time salaried employees in Peru.
- 5 Sanjay Sarma resigned from the Board on 10 December 2021.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends) from the financial year ended 31 December 2020 to the financial year ended 31 December 2021.

Distribution to shareholders (US\$000) ¹			Employee remuneration (US\$000)		
2021	2020	% change	2021	2020	% change
22,000 ²	32,600 ²	-32.5% ³	161,170	141,700	13.7%

Notes:

- 1 Comprises all cash dividends paid in respect of each year (including the proposed 2021 final dividend).
- 2 2020 figure includes the interim dividend of US\$20.6 million, a portion of which relates to the 2019 final dividend of US\$12 million which was withdrawn due to the uncertainty caused by the Covid-19 pandemic.
- 3 See footnote 2 above.

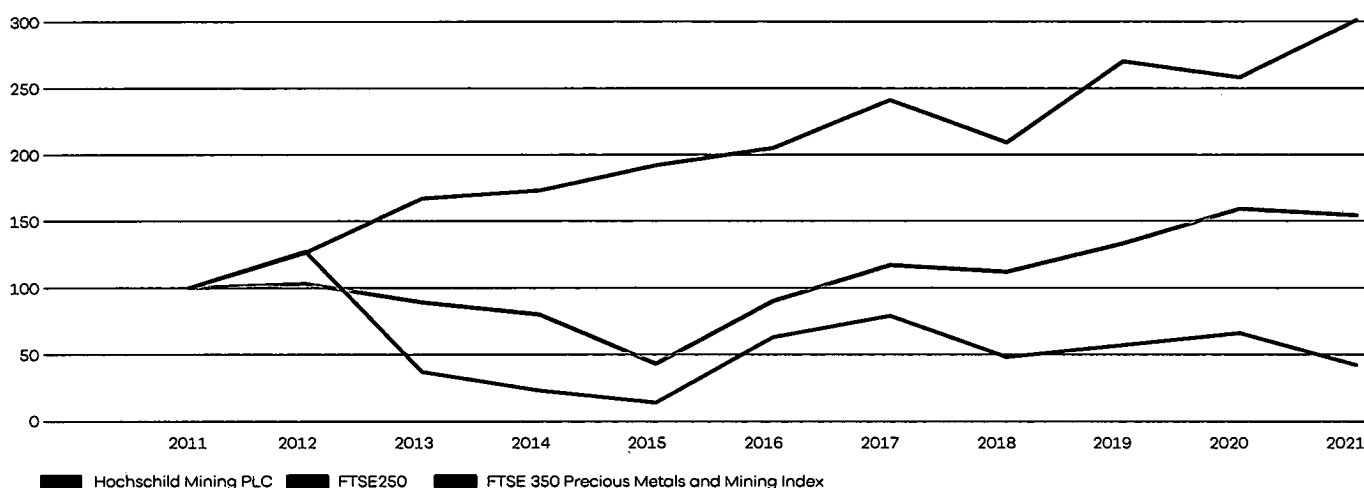
The Directors are recommending the payment of a final dividend of US\$12 million for the year ended 31 December 2021.

Pay for performance

The following graph shows the TSR for the Company compared to the FTSE 350 Precious Metals and Mining Index and FTSE 250 Index, assuming £100 was invested on 31 December 2011. The Board considers that the FTSE 350 Precious Metals and Mining Index is an appropriate published index as it reflects the sector that Hochschild operates in, and the FTSE 250 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 2021



CEO	Ignacio Bustamante									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CEO single figure of remuneration (\$000)	1,852	999	924	1,328	3,474	4,519	4,174	3,665	1,933	1,996
Annual bonus outcome (% of maximum)	90%	81%	67%	67%	83%	83%	90%	95%	90%	78.5%
LTI vesting outcome (% of maximum)	98% (LTIP)	0%	0%	0%	0% (ELTIP) 90% (LTIP)	86% (ELTIP) 100% (LTIP)	43% (ELTIP) 100% (LTIP)	34% (ELTIP) 0% (LTIP)	0% (LTIP)	0% (LTIP)

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' interests (audited)

The interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2021 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 'Shareholding Requirement'). The CEO is required to invest the entire amount of a vested LTIP for two years (on a net basis) regardless of his achievement of the shareholding guideline. The Shareholding Requirement will apply for the first year post termination with respect to vested LTIP awards granted from 2021 which will reduce thereafter by 50% with respect to the second year.

	Shares held		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?
	Owned outright or vested at 31 Dec 2020 (or date of appointment if later)	Owned outright or vested at 31 Dec 2021 (or date of retirement if earlier)						
Ignacio Bustamante	1,791,570	1,214,115	0	0	0	250%	305% ¹	Yes
Eduardo Hochschild	196,900,306	196,900,306						
Dr Graham Birch	33,750	33,750						
Jorge Born Jr	0	0						
Jill Gardiner	0	0						
Eileen Kamerick	0	0						
Tracey Kerr	0	0						
Michael Rawlinson	0	0						
Dionisio Romero	0	55,169						
Sanjay Sarma	15,000	15,000						

Notes:

¹ Using the Company's closing share price and GBP/USD exchange rate as at 31 December 2021 (being the last trading day of the year) of £1.301 and £1:\$1.35 respectively

² As at 10 December 2021, being the date of Tracey Kerr's appointment

³ As at 10 December 2021, being the date on which Sanjay Sarma stepped down from the Board

There have been no changes to Directors' shareholdings since 31 December 2021.

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

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

Ignacio Bustamante	Date of grant	Share price at grant	Exercise price at grant	Number of shares awarded	Face value at grant ¹	Performance period	Vesting date
2020 LTIP	19.02.20	n/a	n/a	n/a	\$1.4m	01.01.20 – 31.12.22	19.02.23
2021 LTIP	27.05.21	n/a	n/a	n/a	\$1.4m	01.01.21 – 31.12.23	27.05.24

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 2021, 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

22 February 2022



Appendix – Directors' Remuneration Policy (unaudited)

This Appendix sets out the main aspects of the Directors' Remuneration Policy as approved by the Company's shareholders at the 2021 Annual General Meeting ('AGM') on 27 May 2021. This section is provided for information and does not form part of the Directors' Remuneration Report which will be voted on by shareholders at the Company's 2022 AGM. The full 2021 Directors' Remuneration Policy can be found in the 2020 Annual Report and Accounts available on the Company's website at www.hochschildmining.com

The Policy applies to Directors' remuneration at the Company for a period of up to three years from the 2021 AGM, unless amended by the Company's shareholders at a general meeting.

Introduction to the Policy

The principal objectives of the Remuneration Policy are to:

- attract, retain, and motivate the Group's executives and senior management;
- provide management incentives that align with and support the Group's business strategy; and
- align management incentives with the creation of shareholder value.

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

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

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

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

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

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

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

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

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

DIRECTORS' REMUNERATION REPORT CONTINUED

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**

Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which targets have been achieved, taking into account individual performance.

Bonus payments of up to 150% of salary are delivered in cash; any bonus earned above 150% of salary is deferred in Hochschild shares, under the Deferred Bonus Plan, for two years.

Deferred bonus is subject to malus, i.e. forfeiture or reduction, in circumstances such as material misstatement, reputational damage, gross misconduct and material breach of an individual's employment contract.

If deferral is applied, the Committee retains the discretion to allow dividends (or equivalent) to accrue over the deferral period in respect of the awards that vest.

Opportunity

The maximum annual bonus opportunity is 180% of salary.

For 'threshold' and 'target' levels of performance, the bonus earned is up to 30% and 50% of maximum, respectively.

Performance metrics

Performance is determined by the Committee by reference to Group financial measures as well as the achievement of personal/strategic objectives. The personal/strategic objectives are typically weighted no higher than 30% of maximum.

The Committee retains discretion to vary year-on-year the weightings for individual measures, to ensure alignment with the business priorities for the year. Performance targets are generally calibrated with reference to the Company's budget for the year. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective.

The Committee uses its judgement to determine the overall scorecard outcome based on the achievement of the targets and the Committee's broad assessment of Company and individual performance. A review of the quality of earnings is conducted by the Committee to determine whether any adjustments should be made to the reported profit for the purpose of bonus outcomes. This ensures that bonus outcomes are not impacted by unbudgeted non-recurring or one-off items, or circumstances outside of management's control such as material changes in commodity prices that could distort the overall quality of earnings.

Malus provisions apply, i.e. the Committee has the discretion to reduce bonus payments on the occurrence of an adverse event that is attributable (directly or indirectly) to an act or failure to act by the executive. Such events include those related to health and safety, the environment or community relations. Other trigger events include misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract.

Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration, unless they are considered to be commercially sensitive.

Element: **Long-Term Incentive Plan ('LTIP')**Objective and link to strategy: **To directly incentivise sustained shareholder value creation through operational performance and to support the recruitment of senior positions and longer-term retention****Operation**

Awards are made annually, in the form of cash, with vesting subject to the attainment of specific performance conditions and continued employment.

Awards have a performance and vesting period of at least three years. Vested awards are invested in Company shares and normally required to be held for a further two years. Dividends, if any, will accrue to shares during the holding period.

Opportunity

Maximum annual award level is 200% of salary (267% of salary in exceptional circumstances relating to the recruitment of an Executive Director). Threshold performance will result in vesting of 25% of an award.

Performance metrics

Vesting of LTIP awards is based on performance measures linked to the Group's strategic priorities and may vary cycle-to-cycle.

Malus provisions apply, i.e. the Committee can reduce or prevent vesting if it determines either that (i) the overall underlying business performance of the Company is not satisfactory or (ii) an act or failure to act, which is attributable (directly or indirectly) to an award-holder has resulted in, among other things, an adverse event related to health and safety, the environment or community relations; or (iii) on the occurrence of certain trigger events including misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract.

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

Shareholding requirements

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

Notes to the Policy Table

Payments from existing awards

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

Performance measurement selection and approach to target-setting

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

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

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

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

Remuneration Policy for other employees

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

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

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

All Peruvian employees participate in the statutory profit share scheme whereby an amount equal to 0% of the relevant Peruvian company's taxable income for the year is distributable to its employees. The amount receivable by each employee is determined with reference to their annual base salary and bonus, if any, and the number of days worked in the calendar year.

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

Approach to remuneration on recruitment or promotion

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

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

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

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

Service contracts

Executive Director	Date of service contract
Ignacio Bustamante	1 April 2007

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Compañía 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 proscribed 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 2025
Dr Graham Birch	20 June 2011	1 July 2023
Jorge Born Jr.	16 October 2006	16 October 2024
Jill Gardiner	17 July 2020	1 August 2023
Eileen Kamerick	9 September 2016	1 November 2022
Tracey Kerr	4 December 2021	10 December 2024
Michael Rawlinson	18 December 2015	1 January 2025
Dionisio Romero Paoletti	18 December 2017	1 January 2024

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

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

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

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

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

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

Leaver and change-of-control provisions

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

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards ('IFRS'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Parent Company financial position and financial performance;

- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Parent Company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the Parent Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOCHSCHILD MINING PLC

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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hochschild Mining PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2021	Statement of financial position as at 31 December 2021
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 14 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 39 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 UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included the following:

- Obtaining an understanding management's process and controls related to the assessment of going concern.
- Obtaining the Group's going concern assessment which includes the cash flow forecast and its liquidity position covering the period to 31 March 2023, being a period of at least twelve months from the approval of the financial statements.
- Assessing the adequacy of the going concern assessment period until 31 March 2023, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate.
- Reviewing and challenging the assumptions applied in the forecast, with our main focus, given the number of possible outcomes that exist, on the extreme downside scenario constructed by management as well as its reverse stress testing, as follows:
 - Reviewing how the business model responds to reduced prices, and the extent of enhanced Covid-related restrictions impacting operations, such as additional restrictions on the movement of people across all operations or government-imposed suspension of the operations.
 - Modelling reverse stress tests based on management's most severe scenario. This was performed to identify i) a combination of prices that would result in a closing cash position at the end of March 2023 that would be the minimum liquidity sufficient to maintain the business; and ii) the point at which the Group would breach its financial covenants during the going concern period. We assessed whether the probability of the resulting combination of prices and period of stoppage was remote based on historic price changes and stoppages experienced to date.
 - Reviewing the reasonableness of all key assumptions in management's forecasts based on third party sources and other evidence obtained through our audit. This includes the length of time Covid-related restrictions remain in place and the subsequent recovery period; the forecast gold and silver price used; the incremental costs to be incurred to manage the various health and safety Covid protocols; the level of costs estimated during the stoppages and ramp-up period; and the mitigating factors that exist that can be utilised to ensure the liquidity of the Group.
 - Undertaking an assessment of management's track record of accuracy in forecasting to determine the reliability of current forecasts by comparing actuals results with budgets and understanding any deviations.

- Obtaining bank confirmations covering 99.9% of the Group's cash and cash equivalents as at 31 December 2021.
- Verifying the terms, maturity, interest rates, and any restrictions or covenants of the borrowings held by the Group at the date of approving of the financial statements against the original contracts.
- Confirming the appropriateness of the method used in management's model, checked the clerical accuracy of management's modelling, and recalculating management's forecasts of its compliance with borrowing covenants throughout the assessment period under management's scenarios.
- With regards to the Parent Company financial statements, reviewing the letter of support received from Compañía Minera Ares ('CMA') and assessing the ability of CMA to provide financial support to the Parent Company during the going concern period, through our test of CMA's future cashflows included within the Group's going concern model.
- Reviewing the appropriateness of management's going concern disclosures in describing the risks associated with its ability to continue as a going concern during the assessment period to 31 March 2023.

Through our procedures we have observed that the combination of gold and silver prices used in management's extreme downside scenario and those resulting from our reverse stress test are below the minimum analyst consensus price forecast for the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for the going concern period to 31 March 2023, which is at least twelve months from when the financial statements are authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Parent Company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of three components, and audit procedures on specific balances for a further three components and for the remaining 13 components we performed other audit procedures. – The components where we performed full or specific audit procedures accounted for 99% of Adjusted EBITDA, 100% of Revenue and 98% of Total Assets.
Key audit matters	– Recoverability of the carrying value of the Group's mining assets – Revenue recognition – Mine rehabilitation provisions
Materiality	– Overall Group materiality of US\$7.6m which represents 2% of Adjusted EBITDA.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent Internal Audit results, when assessing the level of work to be performed at each component.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 19 reporting components of the Group, we selected six components covering entities within the UK, Peru Argentina and Chile, 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% (2020: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2020: 100%) of the Group's Revenue and 98% (2020: 98%) of the Group's Total Assets. For the current year, the three full scope components contributed 99% (2020: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2020: 100%) of the Group's Revenue and 76% (2020: 87%) of the Group's Total Assets. The three specific scope components contributed 22% (2020: 11%) 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.

The remaining 13 components together represent less than 1% of the Group's Adjusted EBITDA (on an absolute basis) (2020: 2%). For these components, we performed other procedures, including analytical reviews, testing of cash balances, testing of consolidation journals and enquiry of management about unusual transactions in those components, to respond to any potential risks of material misstatement to the Group financial statements.

The charts on the next page illustrate the coverage obtained from the work performed by our audit teams.

Changes from the prior year

Our audit scope is consistent with that adopted in the prior year.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the Group audit team (which comprises team members from both the UK and Peru), or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these by component audit teams, and directly by the Group audit team on the remaining one. For the three specific scope components, the work was performed by the Group audit team. We determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team has 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 is focused. The UK members of the Group audit team and the Senior Statutory Auditor would normally visit the Peru operating location twice every year, and the Argentina operating location at least once every two years. However, due to travel restrictions imposed by governments in response to the Covid pandemic, it was not possible to complete the planned visits to Peru and Argentina during the current or previous years' audit cycles.

The UK members of the Group audit team therefore continued their approach, established in the previous year in response to the onset of the Covid pandemic, of virtually interacting with and monitoring component EY teams. In lieu of planned visits, we maintained regular dialogue with our component teams and the Group's local management. We held additional phone and video meetings to discuss any issues arising from the audit work and to ensure that we were fully aware of the progress and results of the component teams' audit procedures. We also utilised EY's global audit platform to facilitate timely and secure delivery by management of requested evidence and to enable our review of key component workpapers.

The Group audit team thus interacted regularly with the component teams where appropriate during the various stages of the audit, was responsible for the scope and direction of the audit process, including through attendance at 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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Hochschild Mining PLC. The Group has determined that the most significant future impacts from climate change on their strategy and operations will be from potential governmental and societal responses to climate change risks, changes in weather patterns and consequential restricted access to capital as a result of failing to respond to these risks. These are explained on pages 64 to 67 in the Task Force for Climate related Financial Disclosures (TCFD) and on page 74 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in Note 2 to the Consolidated Financial Statements and the TCFD, the governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements UK adopted International Accounting Standards.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed on page 74 have been appropriately reflected in disclosures in Note 2 to the Consolidated Financial Statements. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

The Group is updating their risk assessment, strategy and action plan in response to climate change, and have shared their ambition to become carbon net zero. However, until this response is established they are unable to determine the full future economic impact on their business model, and operational plans and therefore the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of the carrying value of the Group's mining assets <i>Refer to the Audit Committee Report (page 95); Accounting policies (page 139); and Notes 16,17 and 18 of the Consolidated Financial Statements (page 160)</i> At 31 December 2021 the carrying values of the Group's mining assets were: – Property, plant and equipment: US\$738.1m (2020: US\$787.7m); – Evaluation and exploration assets: US\$123.3m (2020: US\$192.1m); and – Intangible assets: US\$18.1m (2020: US\$21.6m) 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 testing of CGUs for impairment reversal at the end of each reporting period 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 consolidated financial statements, indicators of impairment were identified in 2021 with respect to the Pallancata CGU, and therefore management performed an impairment test on that CGU. As a consequence of the above indicator, management estimated the recoverable amount of the asset and recognised an impairment charge of \$24.9m in respect of the Pallancata CGU. There is a risk that the carrying values of the Group's mining assets may not be recoverable or could require a reversal of impairments previously recognised. The risk relating to recoverability of the carrying value of mining assets has remained stable in comparison to the prior year.	Our approach focused on the following procedures: – We obtained an understanding of management's process and key controls over impairment of mining assets in supporting the prevention, detection and correction of material errors in the financial statements. – We also obtained an understanding of management's process to obtain and extend the mining operating permits, including those related to mine closure plans, and assessed the reasonableness of any judgments that could impact the determination of the life of mine of the Group's assets. – We obtained management's assessment of whether any indicators of impairment or reversal of impairment were present at 31 December 2021, following the requirements of IFRS. – We challenged the validity and completeness of the indicators identified by management in its assessment with reference to our existing knowledge of the business and evidence obtained elsewhere in our audit, including searching for contra-evidence, with a focus on the following key assumptions: • We compared and assessed the changes to the spot and analysts' forecasts of future gold and silver prices as at 31 December 2021 and 31 December 2020. • We obtained relevant support of management's position on market interest rates and other macro-economic factors. • We reviewed the economic performance of the CGUs during the year, discussed with management and reviewed the approved mine plans and/or budgets, taking into account the 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 by sale. – We obtained the recoverable value model from management for the Pallancata CGU as this required a full impairment assessment and performed the following procedures: • We assessed the appropriateness of the methodology applied in preparing the model as well as the arithmetical accuracy of management's model. • We challenged the appropriateness of key assumptions as compared with third party/independent sources or other evidence (including searching for contra-evidence), and performed sensitivity analyses on significant inputs. • We undertook an assessment of management's track record of accuracy in forecasting to determine the reliability of current forecasts, whilst considering the impact of the Covid pandemic and climate change on the cashflow projections. We agreed the main inputs to the approved mine plans or budgets, and compared them with historical actual figures, where appropriate. • We involved our valuation specialists to assist us in challenging and assessing the appropriateness of the discount rate used in the calculation as well as other key assumptions such as future gold and silver prices. • With respect to the recoverable value model for the Volcan CGU, we agreed the main inputs used to information from third party/independent sources and involved our valuation specialists to assist us in assessing the appropriateness of the methodology applied to determine the carrying value of the CGU as well as the reasonableness of the risk premium used therein. – We compared the calculated recoverable value of the Pallancata and Volcan CGUs to the associated carrying value, assessing whether any impairment charges, or reversal of previously recognised impairment charges, were necessary. – We have reviewed, by reference to the FRC's guidance, the appropriateness, sufficiency, and clarity of the impairment-related disclosures provided in the financial statements, including the sensitivity disclosures and the significant judgement, disclosed by the Group, that permits will be secured such that operations can continue without interruption. The above audit procedures over this risk area, covering 100% of the amount at risk, were performed by the Group audit team.	As a result of the audit procedures performed, we have concluded that management's impairment indicator analysis and impairment assessment for the Group's CGUs has been carried out appropriately and in accordance with the requirements of IFRS. We further concluded that the significant assumptions used in the recoverable value models prepared by management were appropriate, and where applicable, fell within the range of acceptable outcomes that we had calculated. Based on the procedures performed, we consider the impairment of \$24.9m recognised in respect of the Pallancata CGU to be appropriate and we are satisfied that the carrying value of the Volcan CGU does not require impairment nor reversal of impairment as at 31 December 2021. We concluded that the related disclosures in the Group financial statements, including the significant judgement that permits will be obtained as required, are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Revenue recognition <i>Refer to Accounting policies (page 146); and Note 5 to the Consolidated Financial Statements (page 154)</i> For the year ended 31 December 2021 the Group recognised revenue from operations of US\$811.4m (2020: US\$621.8m). 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 around the balance sheet date is the key area of risk. The risk relating to revenue recognition 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 around the revenue recognition process to assess the design effectiveness in supporting the prevention, detection and correction of misstatements in the reported revenue figures. – We used data analytics tools to understand variations in revenue and receivables, covering the entire Group's revenue and trade receivables balances. – We read the terms and conditions of material sales contracts and ensured they had 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, bills of lading, market prices, agreements and bank statements), recalculating the amounts invoiced and recorded as revenue and performing cut-off testing to ensure revenue is 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 that 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 obtained an understanding of 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 (additional cut-off procedure) by agreeing the movements of production and sales transactions to the respective reports. – We assessed whether there were any performance obligations related to CIF shipping services that would need to be deferred, as required by IFRS 15. – We read and assessed the financial statements' disclosures to ensure these were appropriate. The above audit procedures were performed in two components under full scope audit, covering 100% of this risk amount, under the supervision and direction of the Group audit team.	As a result of the procedures performed, we concluded that the Group has appropriately accounted for revenue transactions in accordance with IFRS.
Mine rehabilitation provisions <i>Refer to the Audit Committee Report (page 96); Accounting policies (pages 139 and 145); and Note 28 to the Consolidated Financial Statements (page 170)</i> At 31 December 2021 management has recorded a mine rehabilitation provision of US\$134.0m (2020: US\$126.4m). 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 judgment 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, as certain mines are approaching the end of their life, and additional provisions have been recognised to reflect management's latest estimates, supported by internal and external specialists.	Our approach consisted of the following procedures: – We obtained an understanding of management's process and controls to calculate the future rehabilitation costs. – We also obtained an understanding of management's process to obtain and extend the mining operating permits, including those related to mine closure plans, and assessed the reasonableness of any judgments that could impact the determination of the life of mine of them Group's assets. – We obtained a detailed understanding of the mine rehabilitation reports issued by the external specialists engaged by the Group and held discussions directly with the specialists to understand their work and assessed the sufficiency of the Group's rehabilitation provisions. – We obtained and reviewed all mine closure plans approved by the Government and understood any reconciliations to the amounts provided in the financial statements. – We assessed the competence, objectiveness and independence of the external and internal specialists used by management. – We obtained an understanding of the main changes or lack of changes in estimates and new rehabilitation costs and challenged the rationale behind these. For this purpose we held discussions with management and the external specialists, as well as performing a comparison with prior year figures and inquiring about significant variances. – 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 the results of management inquiries. – With the assistance of component teams, 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. The above audit procedures over this risk area, covering 100% of the amount at risk, were performed by the Group audit team with support of the component teams.	Based on the procedures performed, we consider the judgments and assumptions made by management, supported by internal and external specialists, to be reasonable. Our evaluation of the rationale for material changes in the mine rehabilitation provision was satisfactory as these reflected new conditions as at 31 December 2021. 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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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

As part of our audit, we also address the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. The above is not a complete list of all risks identified by our audit.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US\$7.6m (2020: US\$5.4m), which is 2% (2020: 2%) of the Group's Adjusted EBITDA. We believe that Adjusted EBITDA is an earnings-based measure that is significant to users of the financial statements. This is considered to be a critical measure for users of the financial statements, given the focus on this metric by the Group's shareholders, investors and external lenders. In addition, the Adjusted EBITDA measure is used to assess the Group's compliance with key restrictive covenants on the Group's borrowings.

We determined materiality for the Parent Company to be US\$11.2m (2020: US\$18.1m), which is 1% (2020: 1%) of Equity. The Parent Company materiality is higher than the Group materiality as it is based on Equity, which we consider to be an appropriate basis for materiality for a holding company, as the users of the financial statements focus on a capital-based measure.

Starting basis	– Profit from continuing operations before exceptional items, net of foreign exchange loss and income tax (US\$179.4m)
Adjustments	– Add: Depreciation and amortisation in cost of sales and in administrative expenses (US\$147.7m) – Add: Exploration expenses other than personnel and other exploration related fixed expenses (US\$39.8m) – Add: Other non-cash expenses (US\$15.9m)
Materiality	– US\$382.8m Adjusted EBITDA – Materiality of US\$7.6m (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 judgment was that performance materiality was 75% (2020: 75%) of our planning materiality, namely US\$5.7m (2020: US\$4.1m). 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\$2.7m to US\$5.7m (2020: US\$1.8m to US\$4.1m).

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\$380k (2020: \$US270k), 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 124, including the Strategic Report and Governance sections (including the Directors' Report, Corporate Governance Report, Supplementary Information, Directors' Remuneration Report and Statement of Directors' Responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 141 and 142;
- Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on page 76;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 82;
- Directors' statement on fair, balanced and understandable set out on page 82;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 97;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out from page 96; and;
- The section describing the work of the audit committee set out from page 93.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 124, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant and directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (UK adopted international accounting standards), the Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority) and the relevant tax compliance regulations in the jurisdictions in which the Group operates (principally UK, Peru and Argentina). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to health and safety, employee matters, bribery and corruption practices, environmental and certain aspects of company legislation recognising the regulated nature of the Group's mining activities and its legal form.
- We understood how Hochschild Mining PLC is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies, and noted there was no contradictory evidence.

- During the year, it was identified that certain dividend distributions paid by the Company in previous years were not in accordance with The Companies Act 2006, due to the Company's lack of sufficient distributable reserves at the relevant times. We reviewed the steps that the Company, along with its legal advisors, has taken and plans to take to remediate the issue. In addition, we ensured that related disclosures in the financial statements were appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where risk was considered as higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could have a material impact on the financial statements. Our procedures involve: incorporated data analytics across our audit approach, journal entry testing with a focus on manual consolidation journals and journals meeting our defined risk criteria based on our understanding of the business; enquiries of the legal counsel, Group management, internal audit and all full and specific scope management; review of Board and Audit Committee reporting; and focused testing as referred to in the key audit matters section above.
- We ensured our global team has appropriate industry experience through working for many years on relevant audits, including experience of mining. Our audit planning included considering external market factors, for example geopolitical risk, the potential impact of climate change, commodity price risk and major trends in the industry.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company on 16 October 2006 to audit the financial statements for the year ending 31 December 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 December 2016 and subsequent financial periods.
The period of total uninterrupted engagement including previous renewals and reappointments is 16 years, covering the years ending 31 December 2006 to 31 December 2021.
- 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

23 February 2022

Ernst & Young LLP

FINANCIAL STATEMENTS

Consolidated income statement

For the year ended 31 December 2021

		Year ended 31 December 2021			Year ended 31 December 2020		
		Before exceptional items US\$000	Exceptional items (note 11) US\$000	Total US\$000	Before exceptional items US\$000	Exceptional items (note 11) US\$000	Total US\$000
	Notes						
Continuing operations							
Revenue	5	811,387	–	811,387	621,827	–	621,827
Cost of sales	6	(487,772)	(22,511)	(510,283)	(397,793)	(27,613)	(425,406)
Gross profit		323,615	(22,511)	301,104	224,034	(27,613)	196,421
Administrative expenses	7	(51,905)	–	(51,905)	(43,282)	–	(43,282)
Exploration expenses	8	(39,848)	–	(39,848)	(32,795)	–	(32,795)
Selling expenses	9	(15,431)	–	(15,431)	(12,754)	–	(12,754)
Other income	12	8,435	37,461	45,896	3,617	–	3,617
Other expenses	12	(44,565)	(1,503)	(46,068)	(28,905)	(3,613)	(32,518)
Impairment and write-off of non-current assets, net		(863)	(24,846)	(25,709)	(2,078)	8,303	6,225
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		179,438	(11,399)	168,039	107,837	(22,923)	84,914
Share of loss of an associate	19	(169)	–	(169)	–	–	–
Finance income	13	3,946	–	3,946	4,197	–	4,197
Finance costs	13	(32,061)	–	(32,061)	(23,560)	–	(23,560)
Foreign exchange loss, net		(2,424)	–	(2,424)	(2,631)	–	(2,631)
Profit/(loss) from continuing operations before income tax		148,730	(11,399)	137,331	85,843	(22,923)	62,920
Income tax (expense)/benefit	14	(81,280)	15,055	(66,225)	(49,651)	7,157	(42,494)
Profit/(loss) for the year from continuing operations		67,450	3,656	71,106	36,192	(15,766)	20,426
Attributable to:							
Equity shareholders of the Parent		69,567	7,367	76,934	31,962	(16,800)	15,162
Non-controlling interests		(2,117)	(3,711)	(5,828)	4,230	1,034	5,264
		67,450	3,656	71,106	36,192	(15,766)	20,426
Basic earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	0.14	0.01	0.15	0.06	(0.03)	0.03
Diluted earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	0.13	0.01	0.14	0.06	(0.03)	0.03

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 US\$000	2020 US\$000
Profit for the year		71,106	20,426
Other comprehensive income that might be reclassified to profit or loss in subsequent periods, net of tax:			
Net gain/(loss) on cash flow hedges	38(a), 38(g)	25,028	(5,913)
Deferred tax (charge)/benefit on cash flow hedges	30	(7,383)	1,744
Exchange differences on translating foreign operations		(21,282)	159
Cumulative exchange differences gain transferred to the income statement on disposal of foreign operations	4	9,995	–
Share of other comprehensive loss of an associate	19	(9)	–
		6,349	(4,010)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Net gain on equity instruments at fair value through other comprehensive income ('OCI')	20	261	1,765
		261	1,765
Other comprehensive income/(loss) for the year, net of tax		6,610	(2,245)
Total comprehensive income for the year		77,716	18,181
Total comprehensive income attributable to:			
Equity shareholders of the Parent		83,544	12,917
Non-controlling interests		(5,828)	5,264
		77,716	18,181

FINANCIAL STATEMENTS CONTINUED

Consolidated statement of financial position

As at 31 December 2021

	Notes	As at 31 December 2021 US\$000	As at 31 December 2020 US\$000
ASSETS			
Non-current assets			
Property, plant and equipment	16	738,119	787,663
Evaluation and exploration assets	17	123,304	192,121
Intangible assets	18	18,094	21,564
Investment in an associate	19	43,559	–
Financial assets at fair value through OCI	20	661	402
Financial assets at fair value through profit and loss	21	3,155	5,407
Trade and other receivables	22	2,470	5,395
Derivative financial assets	38(a)	5,042	–
Deferred income tax assets	30	484	1,009
		934,888	1,013,561
Current assets			
Inventories	23	49,184	42,362
Trade and other receivables	22	69,749	78,196
Derivative financial assets	38(a)	14,073	–
Income tax receivable		32	59
Cash and cash equivalents	24	386,789	231,883
		519,827	352,500
Total assets		1,454,715	1,366,061
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital	29	226,506	226,506
Share premium	29	438,041	438,041
Other reserves		(217,657)	(225,664)
Retained earnings		248,664	287,652
		695,554	726,535
Non-controlling interests		63,890	79,550
Total equity		759,444	806,085
Non-current liabilities			
Trade and other payables	25	2,815	205
Derivative financial liabilities	38(f)	–	4,503
Borrowings	27	300,000	199,554
Provisions	28	116,835	109,033
Deferred income tax liabilities	30	87,228	73,316
		506,878	386,611
Current liabilities			
Trade and other payables	25	133,482	114,415
Derivative financial liabilities	38(f)	–	1,500
Borrowings	27	499	10,778
Provisions	28	32,058	25,504
Deferred income		–	400
Income tax payable		22,354	20,768
		188,393	173,365
Total liabilities		695,271	559,976
Total equity and liabilities		1,454,715	1,366,061

These financial statements were approved by the Board of Directors on 22 February 2022 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
22 February 2022



Consolidated statement of cash flows

For the year ended 31 December 2021

		Year ended 31 December	
	Notes	2021 US\$000	2020 US\$000
Cash flows from operating activities			
Cash generated from operations	34	319,588	208,999
Interest received		1,938	2,292
Interest paid	27	(5,720)	(6,312)
Payment of mine closure costs	28	(9,083)	(3,987)
Income tax, special mining tax and mining royalty paid ¹		(22,021)	(5,618)
Net cash generated from operating activities		284,702	195,374
Cash flows from investing activities			
Purchase of property, plant and equipment		(130,965)	(94,046)
Purchase of evaluation and exploration assets	17	(21,398)	(13,287)
Purchase of financial assets at fair value through OCI	20	(7)	-
Purchase of investment in associate	19	(19,995)	-
Purchase of financial assets at fair value through profit and loss	21	(3,308)	-
Purchase of Argentinian bonds	13	(33,469)	(27,256)
Proceeds from sale of Argentinian bonds	13	18,133	14,486
Proceeds from sale of financial assets at fair value through OCI	20	9	7,522
Proceeds from sale of financial assets at fair value through profit and loss	21	4,726	-
Proceeds from sale of property, plant and equipment		3,393	352
Cash and cash equivalent of demerged entity	4	(553)	-
Net cash used in investing activities		(183,434)	(112,229)
Cash flows from financing activities			
Proceeds from borrowings	27	105,954	48,520
Repayment of borrowings	27	(14,793)	(37,717)
Payment of lease liabilities	26	(2,182)	(2,021)
Purchase of treasury shares	29(b)	-	(292)
Dividends paid to non-controlling interests	31	(9,832)	(345)
Dividends paid	31	(22,022)	(20,556)
Cash flows generated from/(used in) financing activities		57,125	(12,411)
Net increase in cash and cash equivalents during the year		158,393	70,734
Exchange difference		(3,487)	(5,208)
Cash and cash equivalents at beginning of year		231,883	166,357
Cash and cash equivalents at end of year	24	386,789	231,883

1 Taxes paid have been offset with value added tax (VAT) credits of US\$3,478,000 (2020: US\$3,390,000).

FINANCIAL STATEMENTS CONTINUED

Consolidated statement of changes in equity

For the year ended 31 December 2021

Notes	Other reserves												Capital and reserves attributable to shareholders of the Parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
	Equity share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Fair value re-serve of financial assets at fair value through OCI US\$'000	Share of other comprehensive loss of an associate US\$'000	Dividends expired US\$'000	Cumulative translation adjustment US\$'000	Unrealised gain/(loss) on hedges US\$'000	Merger reserve US\$'000	Share-based payment reserve US\$'000	Total other reserves US\$'000	Retained earnings US\$'000			
Balance at 1 January 2020	226,506	438,041	-	18	-	99	(14,035)	-	(210,046)	2,164	(221,800)	290,263	733,010	74,631	807,641
Other comprehensive income/(expense)	-	-	-	1,765	-	-	159	(4,169)	-	-	(2,245)	-	(2,245)	-	(2,245)
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	15,162	15,162	5,264	20,426
Total comprehensive income/(expense) for the year	-	-	-	1,765	-	-	159	(4,169)	-	-	(2,245)	15,162	12,917	5,264	18,181
Sale of financial assets at fair value through OCI	20	-	-	(1,988)	-	-	-	-	-	-	(1,988)	1,988	-	-	-
Exercise of share options	29(b)	-	-	292	-	-	-	-	-	(1,087)	(1,087)	795	-	-	-
Dividends	31	-	-	-	-	-	-	-	-	-	-	(20,556)	(20,556)	-	(20,556)
Dividends to non-controlling interests	31	-	-	-	-	-	-	-	-	-	-	-	-	(345)	(345)
Purchase of treasury shares	29(b)	-	-	(292)	-	-	-	-	-	-	-	-	(292)	-	(292)
Share-based payments	29(c)	-	-	-	-	-	-	-	-	1,456	1,456	-	1,456	-	1,456
Balance at 31 December 2020	226,506	438,041	-	(205)	-	99	(13,876)	(4,169)	(210,046)	2,533	(225,664)	287,652	726,535	79,550	806,085
Other comprehensive income/(expense)	-	-	-	261	(9)	-	(11,287)	17,645	-	-	6,610	-	6,610	-	6,610
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	76,934	76,934	(5,828)	71,106
Total comprehensive income/(expense) for the year	-	-	-	261	(9)	-	(11,287)	17,645	-	-	6,610	76,934	83,544	(5,828)	77,716
Sale of financial assets at fair value through OCI	20	-	-	18	-	-	-	-	-	-	18	(18)	-	-	-
Dividends	31	-	-	-	-	-	-	-	-	-	-	(22,022)	(22,022)	-	(22,022)
In specie dividends	-	-	-	-	-	-	-	-	-	-	-	(94,945)	(94,945)	-	(94,945)
Dividends to non-controlling interests	31	-	-	-	-	-	-	-	-	-	-	-	-	(9,832)	(9,832)
Share-based payments	29(c)	-	-	-	-	-	-	-	-	2,442	2,442	-	2,442	-	2,442
Forfeiture of share options	29(c)	-	-	-	-	-	-	-	-	(1,063)	(1,063)	1,063	-	-	-
Balance at 31 December 2021	226,506	438,041	-	74	(9)	99	(25,163)	13,476	(210,046)	3,912	217,657	248,664	695,554	63,890	759,444

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 38.32% and is held through Pelham Investment Corporation ('Pelham'), 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 José) located in Argentina. The Group also has a portfolio of projects located across Peru, Argentina, Mexico, United States, Canada and Chile at various stages of development.

These consolidated financial statements were approved for issue by the Board of Directors on 22 February 2022.

The Group's subsidiaries are as follows:

Company	Principal activity	Country of incorporation	Equity interest at 31 December	
			2021 %	2020 %
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 10}	Production of gold and silver	Argentina	51	51
Minera Hochschild Chile S.C.M. ³	Exploration	Chile	100	100
Andina Minerals Chile SpA (formerly Andina Minerals Chile Ltd.) ³	Exploration	Chile	100	100
REE UNO SpA ⁴	Exploration	Chile	0	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
Hochschild Mining Canada Corp ⁹	Exploration	Canada	100	0
1334940 BC ⁹	Holding company	Canada	100	0

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. Apoquindo 4775 of 1002, Comuna Las Condes, Santiago de Chile, Chile.

4 Registered address: Cerro el Plomo 5630, floor 9, Las Condes, Santiago de Chile, Chile. The Company ceased to be controlled by the Group on 8 December 2021 (refer note 4).

5 Registered address: La Colonia 180, Santiago de Surco, Lima, Peru.

6 Registered address: 17 Cavendish Square, London, W1G 0PH, United Kingdom.

7 Registered address: Calle Aguila Real No 122, Colonia Carolco, Monterrey, Nuevo Leon, CP 64996, Mexico.

8 Registered address: 1025 Ridgeview Dr. 300, Reno, Nevada 89519, USA.

9 Registered address: Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8.

10 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 2021 and 2020 is as follows:

1 Corporate information continued

	As at 31 December	
	2021 US\$000	2020 US\$000
Non-current assets	157,629	166,663
Current assets	89,923	94,924
Non-current liabilities	(68,667)	(61,711)
Current liabilities	(51,354)	(40,389)
Equity	(127,531)	(159,487)
Cash and cash equivalents	25,942	37,899
Revenue	258,972	206,098
Depreciation and amortisation	(52,069)	(31,790)
Interest income	1,558	607
Interest expense	(3,196)	(3,291)
Income tax	(13,550)	(6,483)
Profit for the year and total comprehensive income	(11,891)	10,743
Net cash generated from operating activities	62,614	28,272
Net cash used in investing activities	(43,667)	(17,734)
Net cash (used in)/generated from financing activities	(30,900)	9,926

(Loss)/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 of the Group have been prepared in accordance with UK adopted International Accounting Standards.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2021 and 2020 are set out below. The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained below. These accounting policies have been consistently applied, except for the effects of the adoption of new and amended accounting standards.

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

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective for the Group from 1 January 2021. Other amendments and interpretations apply for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2022 or later periods but which the Group has not previously adopted. These have not been listed as they are not expected to impact the Group.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements.

Significant areas of estimation uncertainty and critical judgements made by management in preparing the consolidated financial statements include:

Significant estimates:

– *Useful lives of assets for depreciation and amortisation purposes – note 2(f)*

Estimates are required to be made by management as to the useful lives of assets. For depreciation calculated under the unit-of-production method, estimated recoverable reserves and resources are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources. Changes are accounted for prospectively.

– *Ore reserves and resources – note 2(h)*

There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being updated.

– Recoverable values of mining assets – notes 2(k), 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. To determine the fair value less costs of disposal of exploration assets the Group uses the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources per ounce of resources.

There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Significant estimates used include future gold and silver prices, future capital requirements, reserves and resources volumes, production costs and the application of discount rates which reflect the macro-economic risk in Peru and Argentina, as applicable. Judgement is also required in determining the risk factor that will be applied by market participants to take into account the water restrictions imposed by the Chilean government over the Volcan cash generating unit. Changes in these assumptions will affect the recoverable amount of the property, plant and equipment, evaluation and exploration assets, and intangibles.

– Mine closure costs – notes 2(o) and 28(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. 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. In July 2021, the mine closure law for the province of Santa Cruz in Argentina was published, which indicates a period of 180 business days to present the Mine Closure Plan; the Group is waiting for the regulation which will be issued in 2022 to assess the potential impact on the closure activities and hence in the financial statements.

– Valuation of financial instruments – note 38

The valuation of certain Group assets and liabilities reflects the changes to certain assumptions used in the determination of their value, such as future gold and silver prices.

– Non-market performance conditions on LTIP 2021 – note 29(c)

There are two parts to the performance conditions attached to LTIP awards: 50% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, 50% is subject to internal KPIs split equally between: (i) three-year growth of the Company's Measured and Indicated Resources ('MIR') per share (calculated on an enterprise value basis), and (ii) average outcome of the annual bonus scorecard in respect of 2021, 2022 and 2023, calculated as the simple mean of the three scorecard outcomes.

Critical judgements:

– Income tax – notes 2(t), 2(u), 14, 30 and 36(a)

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted. The Group analyses the possibility of generating profit in all the companies and determines the recognition of deferred tax. No deferred tax asset is recognised in the holding and exploration entities as they are not expected to generate any profit to settle the temporary difference (refer to note 30).

Judgement is also required when determining the recognition of tax liabilities as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached by the tax authorities. Tax liabilities are also recorded for uncertain exposures which can have an impact on both deferred and current tax. Tax benefits are not recognised unless it is probable that the benefit will be obtained and tax liabilities are recognised if it is probable that a liability will arise (refer to note 36(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.

– Life of mine ('LOM')

There are several aspects which are determined by the life of mine, such as ore reserves and resources, recoverable values of mining assets, mine rehabilitation provision and depreciation. The life of mine for an operation is specified in the relevant Environmental Impact Assessment ('EIA') which is amended from time to time as more resources at the mine are identified. EIAs are permits which are granted in the ordinary course of business to the mining industry. While the processing of such permits may be subject to delays, the Group has never had an EIA denied. A crucial element of Peru's legal framework is the principle of predictability which, in essence, means that if the legal requirements for any given permit have been satisfied, the State cannot lawfully deny the granting of the permit. The commitment to this principle has been reaffirmed in recent interactions with governmental authorities as demonstrated by the recent approval of the third amendment of the Mine Closure Plan for Inmaculada on 23 December 2021, despite the announcements made by the Peruvian Head of Cabinet in the Coracora district in Ayacucho in November 2021 (further details of which are provided on page 72). Taking this into consideration, as well as the Group's operational experience, the Group believes that permits will be secured such that operations can continue without interruption. In the unlikely scenario that this does not occur, there could be material changes to those items in the financial statements that are determined by the life of mine.

– Determination of functional currencies – note 2(e)

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates. In Argentina, the exchange control restrictions limit the ability of companies to hold US\$ dollars but do not restrict carrying out transactions in US dollars.

2 Significant accounting policies continued

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

– Pandemic expenses

The Group analyses the effect of pandemics in its operations and accounting treatment, because they generate stoppages, low capacity production and incremental costs. In the case of Covid-19, the fixed 'normal' production costs during stoppages are recognised as expenses and are not considered as costs of the inventories produced. In the income statement these fixed costs are classified as pre-exceptional.

To determine whether the incremental Covid-related costs should be recognised as exceptional expenses, consideration has been made as to whether they meet the criteria as set out in the Group's accounting policy (note 2(z)), in particular regarding the expected infrequency of the events that have given rise to them.

The pandemic can be considered a single protracted globally pervasive event with a financial impact over a number of reporting periods. Management's initial expectation was that these costs would cease to be incurred at the end of 2020 or early 2021, and whilst the majority of the costs have reduced over time as a result of the efficiencies made to the health protocols and logistics required to operate throughout the pandemic, some residual costs continue to be incurred to date. In order to provide the users of the financial statements with a better understanding of the financial performance of the Group in the year, and to facilitate comparison with the prior period, we have considered it appropriate to continue to disclose separately as exceptional these incremental Covid-related costs up to December 2021.

Following the outbreak of the Omicron variant, the virus appears to have shifted into an endemic phase. Consequently, these costs will no longer be presented as exceptional items from 2022 and will form part of the underlying profits.

– Climate change

• General

The Group is in the process of completing a climate change risk assessment and strategy and developing an action plan to continually reduce operational energy, GHG emissions and water consumption, with the ultimate aim of reaching net zero GHG emissions. As a result, the Group is currently unable to determine the full future economic impact of this strategy on its business model and operational plans and therefore the potential impacts are not fully incorporated in these financial statements.

In addition, societal expectations are driving government action that may impose further requirements and cost on companies in the future. Therefore risks associated with climate change could, over time, impose changes that may potentially impact (among other things) capital expenditure, mine closure provisions and production costs. However, currently the financial statements cannot capture such possible future outcomes as these are not yet known. With regards to the calculation of those items in the financial statements that rely on life-of-mine calculations (such as impairments, deferred tax and depreciation), it should be highlighted that as an underground mining company, Hochschild Mining's operating assets have much lower lives than conventional open-pit mining companies. As such, by virtue of the longer-term time horizon of the physical risks of climate change, the financial impact on such items will be less pronounced than may otherwise be expected.

The adoption of the Group's climate change strategy and the implementation of climate-change regulations in the countries where the Group operates may impact the Group's significant judgements and key estimates and could result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

• Physical risks

As previously stated, the Group is progressing work to assess the potential impact of the physical risks of climate change. Given the ongoing nature of the Group's physical risk assessment process, reflecting adaptation risk in the Group's operating plans, and associated asset valuations, is currently limited. As the Group progresses its adaptation strategy, the identification of additional risks or the detailed development of the Group's response may result in material changes to financial results and the carrying values of assets and liabilities in future reporting periods.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position, performance and cash flows as at 31 December 2021 and 31 December 2020 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.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 interest previously 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 criteria are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

(d) Going concern

The Group's business activities, its future development and the factors likely to affect its performance and position are set out in the Strategic Report from page 2 to page 77. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review on pages 36 to 44 and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement on page 76. In addition, note 38 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.

Covid-19

The reduced impact of Covid-19 meant that Hochschild Mining was able to benefit from a year of uninterrupted operations. The Company continues to take a cautious approach and prioritises employee welfare by facilitating social distancing at the operations, implementing testing, and taking other relevant measures. The Company's Covid-19 Crisis Plan, which provides for numerous mitigating measures to be adopted in response to an outbreak of infections, can be implemented as required. At the time of writing, the number of new Covid-19 cases in Peru and Argentina is falling from a recent peak due to the Omicron variant and the Directors are confident that adequate mitigation steps can be taken to prevent significant disruption to the business. The Directors' assessment is naturally dependent on the continued progress in Peru and Argentina with regards to their respective government vaccination rollout programmes and the effectiveness of these vaccines against new variants of the virus.

Further information on the action taken by the Company in 2020 can be found on pages 64 to 71 of the Risk Management report and pages 6 and 7 of the 2020 Annual Report.

Socio-political developments

As described in the Risk Management report, in the run up to the Peruvian Presidential elections in the first half of 2021 and following the inauguration of the left-wing Castillo administration in late July 2021, issues associated with mining have been the subject of increased public debate. Particular aspects relate to mining companies' social licence to operate and the taxation of mining companies' revenues.

– Government/legislative action

In considering the possible impact on the business by government action, the Directors note that, as reported in the Risk Management report, the Peruvian Government intends to submit a legislative bill to Congress to increase taxes on the mining sector in Q1 2022 although no specific details have been announced.

– Social licence

As a result of the election of the Castillo administration, rural communities have become more active in their demands to mine operators for economic and other forms of support. The Company is committed to active engagement with local communities and details of initiatives pursued during the year can be found in the Sustainability Report on page 54. The Company's approach was recently acknowledged by various stakeholders who conveyed formal expressions of support for the Company in response to events in the Coracora district in Ayacucho in November 2021 (see page 72 for further details).

2 Significant accounting policies continued

Directors' assessment

The Directors have reviewed Group liquidity, including cash resources and borrowings (refer to note 27 on details of the US\$300 million medium-term loan) and related covenant forecasts to assess whether the Group is able to continue in operation for the period to 31 March 2023 (the 'Going Concern Period') which is at least 12 months from the date of these financial statements. In line with their usual practice, the Directors also considered the impact of a number of potential downside scenarios on the Group's future cash flows and liquidity position as well as debt covenant compliance. The scenarios were further reviewed under varying precious metal price assumptions.

Within these scenarios, consideration was given to the potential impact of Covid and the possible actions of government and other third parties.

More specifically, the scenarios reviewed by the Directors included a base case (the 'Base Scenario'), reflecting (among other things) budgeted production for 2022, life-of-mine plans for Inmaculada, Pallancata and San Jose, a budget for Covid-related costs, the planned acquisition of Amarillo Gold Corporation in Q1 2022 and average precious metal prices of \$1,745/oz for gold and \$23.3/oz for silver, being the average analysts' consensus for the next 15 months (the 'Assumed Prices'). The Directors also considered 'Severe' and 'Remote' scenarios which took into account a combination of circumstances which is considered by the Directors to be unlikely. The former takes into account a four-week suspension of all operations and an increase in royalties and taxes. The latter analyses the cumulative impact of the Severe scenario and precious metal prices which are 20% lower than the Assumed Prices. Those prices would be significantly below current spot prices. In each scenario, it has been assumed that all employees remain on full pay and that mitigating actions, while available, would not be necessary to maintain a comfortable level of liquidity.

Under all three scenarios, the cash balance remained more than adequate for the Group's forecast expenditure with sufficient headroom maintained to comply with debt covenants. The results of a reverse stress test were also considered.

Conclusion

After their review, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence during the Going Concern Period. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(e) Currency translation

The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For the holding companies and operating entities this currency is US dollars and for the other entities it is the local currency of the country in which they operate. 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 prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rate prevailing 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. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost comprises its purchase price and directly attributable costs of acquisition or construction required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. Economical and physical conditions of assets have not changed substantially over this period.

The cost less residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production basis for mine buildings and installations and plant and equipment used in the mining production process, or charged directly to the income statement over the estimated useful life of the individual asset on a straight-line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within other income/expenses, in the income statement.

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5 to 10
Vehicles	5

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to be ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed where incurred. For borrowings associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. The Group capitalises the borrowing costs related to qualifying assets with a value of US\$1,000,000 or more, considering that the substantial period of time to be ready is six or more months.

Mining properties and development costs

Purchased mining properties are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Costs associated with developments of mining properties are capitalised.

Mine development costs are, upon commencement of commercial production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable resource development. In addition, the revenue generated from the sale of the inventory produced during the pre-operating stage is recognised as a deduction of the costs capitalised for this project.

Construction in progress and capital advances

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Once the asset moves into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures is recognised in the income statement as incurred.

(g) Evaluation and exploration assets

Evaluation and exploration expenses are capitalised when the future economic benefit of the project can reasonably be regarded as assured. Exploration and evaluation costs related to projects in the development phase are capitalised as assets from the date that the Board authorises management to conduct a feasibility study.

Expenditure is transferred to mine development costs once the work completed to date supports the future development of the property and such development receives appropriate approval.

Costs incurred in converting inferred resources to indicated and measured resources (of which reserves are a component) are capitalised as incurred. Costs incurred in identifying inferred resources are expensed as incurred.

(h) Determination of ore reserves and resources

The Group estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with the 2012 Joint Ore Reserves Committee (JORC) code.

It is the Group's policy to have the report audited annually by a Competent Person. Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis.

(i) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 Significant accounting policies continued

(j) Intangible assets

Right to use energy of transmission line

Transmission line costs represent the investment made by the Group to construct the transmission line on behalf of the government to be granted the right to use it. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Water permits

Water permits are recorded at cost and allow the Group to withdraw a specified amount of water from the ground for reasonable, beneficial uses. This is an asset with an indefinite useful life.

Legal rights

Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Other intangible assets

Other intangible assets are primarily computer software which are capitalised at cost and are amortised on a straight-line basis over their useful life of three years.

(k) 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, and reserves and resources volumes (reflected in the production volume). Changes in these assumptions will affect the recoverable amount of the property, plant and equipment and evaluation and exploration assets.

If the carrying amount of an asset or its cash-generating unit (CGU) exceeds the recoverable amount, an impairment provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use (VIU) and fair value less costs of disposal (FVLCD) to sell. FVLCD is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm's length basis. VIU is based on estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The recoverable values of the CGUs are determined using a FVLCD methodology. FVLCD was determined using a combination of level 2 and level 3 inputs. The FVLCD of the producing and developing stage mine assets is determined using a discounted cash flow model (note 16) and for the exploration projects is based on the value-in-situ methodology (notes 17 and 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.

(l) 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.

(m) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according to IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement. The revaluation of provisionally priced contracts stated in 2(q) is recorded as trade receivables.

(n) 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.

(o) 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, if reductions to the estimated costs exceed 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 in 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.

(p) Share-based payments**Cash-settled transactions**

The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting dates are recognised as personnel expenses. The fair value of the awards is taken to be the market value of the shares at the date of award adjusted by a factor for anticipated relative Total Shareholder Return (TSR) performance. Fair values are subsequently remeasured at each reporting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expenses (note 10).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2 Significant accounting policies continued

(a) Revenue recognition

The Group is involved in the production and sale of gold and silver from dore and concentrate containing both gold and silver. Dore bars are either sold directly to customers or are sent to a third party for further refining into gold and silver before they are sold. Concentrate is sold directly to customers.

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes any applicable sales taxes.

The revenue is subject to adjustment based on inspection of the product by the customer. Revenue is initially recognised on a provisional basis using the Group's best estimate of contained gold and silver. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, certain sales are 'provisionally priced' where the selling price is subject to final adjustment at the end of a period, normally ranging from 15 to 120 days after the start of the delivery process to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue is initially recognised when the conditions set out above have been met, using market prices at that date. The price exposure is considered to be an adjustment and hence separated from the sales contract at each reporting date. The provisionally priced metal is revalued based on the forward selling price for the quotation period stipulated in the contract until the quotation 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 32) 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.

(r) Contingencies

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation where payment is not probable or the amount cannot be measured reliably. Contingent liabilities are not recognised in the financial statements and are disclosed in notes to the financial statements unless their occurrence is remote.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

(s) 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.

(t) 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 and associates, 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.

(u) 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 36(a) for specific tax contingencies.

(v) 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 in 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.

(w) 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, the Group's financial assets are classified in the following categories:

- Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

- Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets designated at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2 Significant accounting policies continued

The Group has listed and non-listed equity investments under this category.

– Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has listed equity investments and embedded derivatives under this category. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

– Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

– Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

In 2020, the Group used interest rate swaps to hedge certain of its cash flows from loans against interest rate risk. The interest rate swap was settled in September 2021. In addition, in 2021 the Group signed silver forward agreements. The silver forward is being used to hedge the exposure to changes in the cash flows of the silver commodity prices. Consequently, the Group has opted to apply hedge accounting under the requirements of IFRS 9 Financial Instruments.

Initial recognition and subsequent measurement

These derivative financial instruments were initially recognised at fair value on the date on which the derivative contract was entered into and were subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Group uses cash flow hedges for hedging the exposure to variability in silver prices.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss.

(x) 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.

(y) 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.

(z) Exceptional items

Exceptional items are those significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years. Exceptional items mainly include:

- impairments or write-offs of assets, property, plant and equipment and evaluation and exploration assets;
- incremental cost due to pandemics which are not expected to be recurring;
- gains or losses arising on the disposal of subsidiaries, investments or property, plant and equipment;
- any gain or loss resulting from restructuring within the Group;
- the impact of infrequent labour action related to work stoppages in mine units;
- the penalties generated by the early termination of agreements with providers or lenders of the Group;
- the reversal of an accumulation of prior year's tax expenses that resulted from an agreement with the government; and
- the related tax impact of the above items.

(aa) 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 best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in notes 26 and 37(e).

For assets and liabilities that are recognised in the financial statements on a recurring basis at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers where applicable, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 Segment reporting

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

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

- Operating unit – San Jose, which generates revenue from the sale of gold and silver (dore and concentrate).
- Operating unit – Pallancata, which generates revenue from the sale of gold and silver (concentrate).
- Operating unit – Inmaculada, which generates revenue from the sale of gold and silver (dore).
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the aim of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes costs charged to the profit and loss and capitalised as assets.
- Other – includes the profit or loss generated by Empresa de Transmisión Aymaraes S.A.C.

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

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

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

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

(a) Reportable segment information

	Inmaculada US\$000	San Jose US\$000	Pallancata US\$000	Exploration US\$000	Other ¹ US\$000	Adjustment and eliminations US\$000	Total US\$000
Year ended 31 December 2021							
Revenue from external customers	452,849	260,879	103,809	–	464	–	818,001
Inter-segment revenue	–	–	–	–	9,225	(9,225)	–
Total revenue from customers	452,849	260,879	103,809	–	9,689	(9,225)	818,001
Provisional pricing adjustment	(14)	(1,907)	(4,693)	–	–	–	(6,614)
Total revenue	452,835	258,972	99,116	–	9,689	(9,225)	811,387
Segment profit/(loss)	226,727	52,614	343	(40,520)	7,345	(684)	245,825
Others ²	–	–	–	–	–	–	(108,494)
Profit from continuing operations before income tax	–	–	–	–	–	–	137,331
Other segment information							
Depreciation ³	(75,524)	(51,217)	(22,618)	(396)	(5,795)	–	(155,550)
Amortisation	(108)	(852)	–	(107)	(51)	–	(1,118)
Impairment and write-off of assets, net	(326)	(354)	(24,940)	–	(89)	–	(25,709)
Assets							
Capital expenditure	76,512	43,666	14,250	15,896	3,537	–	153,861
Current assets	20,182	43,473	9,072	–	4,230	–	76,957
Other non-current assets	515,943	157,749	3,241	155,702	46,882	–	879,517
Total segment assets	536,125	201,222	12,313	155,702	51,112	–	956,474
Not reportable assets ⁴	–	–	–	–	498,241	–	498,241
Total assets	536,125	201,222	12,313	155,702	549,353	–	1,454,715

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.

2 Comprised of administrative expenses of US\$51,905,000, other income of US\$45,896,000, other expenses of US\$46,068,000, write-off of assets (net) of US\$863,000, impairment of non-current assets of US\$24,846,000, share of losses of an associate of US\$169,000, finance income of US\$3,946,000, finance expense of US\$32,061,000, and foreign exchange loss of US\$2,424,000.

3 Includes depreciation capitalised in the Crespo project (US\$430,000), San Jose unit (US\$2,341,000), products in process (US\$509,000) and recognised against the mine rehabilitation provision (US\$1978,000).

4 Not reportable assets are comprised of financial assets at fair value through OCI of US\$661,000, financial assets at fair value through profit and loss of US\$315,000, other receivables of US\$44,446,000, income tax receivable of US\$32,000, deferred income tax asset of US\$484,000, investment in associates of US\$43,559,000, derivative financial assets of US\$19,115,000 and cash and cash equivalents of US\$386,789,000.

	Inmaculada US\$000	San Jose US\$000	Pallancata US\$000	Exploration US\$000	Other ¹ US\$000	Adjustment and eliminations US\$000	Total US\$000
Year ended 31 December 2020							
Revenue from external customers	314,742	199,803	96,134	–	149	–	610,828
Inter-segment revenue	–	–	–	–	6,918	(6,918)	–
Total revenue from customers	314,742	199,803	96,134	–	7,067	(6,918)	610,828
Provisional pricing adjustment	164	6,295	4,540	–	–	–	10,999
Total revenue	314,906	206,098	100,674	–	7,067	(6,918)	621,827
Segment profit/(loss)	129,103	47,290	3,989	(33,436)	5,699	(1,773)	150,872
Others ²	–	–	–	–	–	–	(87,952)
Profit from continuing operations before income tax	–	–	–	–	–	–	62,920
Other segment information							
Depreciation ³	(54,522)	(31,238)	(28,969)	(406)	(3,734)	–	(118,869)
Amortisation	(82)	(552)	–	(442)	(39)	–	(1,115)
Impairment and write-off of assets, net	(535)	7,750	(221)	(720)	(49)	–	6,225
Assets							
Capital expenditure	62,128	23,030	7,399	12,772	2,595	–	107,924
Current assets	14,613	43,735	24,692	–	4,675	–	87,715
Other non-current assets	516,505	166,887	33,784	232,135	52,037	–	1,001,348
Total segment assets	531,118	210,622	58,476	232,135	56,712	–	1,089,063
Not reportable assets ⁴	–	–	–	–	276,998	–	276,998
Total assets	531,118	210,622	58,476	232,135	333,710	–	1,366,061

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.

2 Comprised of administrative expenses of US\$43,282,000, other income of US\$3,617,000, other expenses of US\$32,518,000, write-off of assets (net) of US\$2,078,000, reversal of impairment of non-current assets of US\$8,303,000, finance income of US\$4,197,000, finance expense of US\$23,560,000, and foreign exchange loss of US\$2,631,000.

3 Includes depreciation capitalised in the Crespo project (US\$768,000), San Jose unit (US\$1,349,000) and products in process (US\$168,000).

4 Not reportable assets are comprised of financial assets at fair value through OCI of US\$402,000, financial assets at fair value through profit and loss of US\$5,407,000, other receivables of US\$38,238,000, income tax receivable of US\$59,000, deferred income tax asset of US\$1,009,000, and cash and cash equivalents of US\$231,883,000.

3 Segment reporting continued

(b) Geographical information

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

	Year ended 31 December	
	2021 US\$000	2020 US\$000
External customer		
Switzerland	360,838	236,455
Canada	213,350	138,795
Korea	135,162	150,094
Germany	47,014	60,299
Japan	26,151	13,264
Chile	13,184	10,872
United Kingdom	7,982	–
Bulgaria	4,703	9,311
USA	–	2,994
Peru	3,003	(257)
Total	811,387	621,827
Inter-segment		
Peru	9,225	6,918
Total	820,612	628,745

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 2021			Year ended 31 December 2020		
	US\$000	% Revenue	Segment	US\$000	% Revenue	Segment
Argor Heraus	208,037	26%	Inmaculada and San Jose	176,543	28%	Inmaculada and San Jose
LS Nikko	135,162	17%	Pallancata and San Jose	150,094	24%	Pallancata and San Jose
Asahi Refining Canada	198,254	24%	Inmaculada	121,048	19%	Inmaculada
MKS Switzerland S.A.	152,801	19%	Inmaculada	59,912	10%	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	
	2021 US\$000	2020 US\$000
Peru	665,839	699,121
Argentina	157,750	166,887
Chile	55,922	135,340
Canada	6	–
Total non-current segment assets	879,517	1,001,348
Financial assets at fair value through OCI	661	402
Financial assets at fair value through profit and loss	3,155	5,407
Investment in associates	43,559	–
Trade and other receivables	2,470	5,395
Deferred income tax assets	484	1,009
Derivative financial instruments	5,042	–
Total non-current assets	934,888	1,013,561

4 Demerger of Aclara Resources Inc. ('Aclara')

Hochschild Mining Holdings Ltd ('HM Holdings'), a wholly owned subsidiary of the Group, had interests over a Chilean company named REE UNO SpA. This entity holds the project Aclara (formerly named Biolantánidos), which is located in the south of Chile, and is currently focused on the development of the Penco module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits.

The Group wanted to separate the Aclara project from its other businesses dedicated to the extraction and production of gold and silver. For this purpose, a new company named Aclara Resources Inc. located in Canada (hereinafter, 'Aclara') was incorporated by the Group. The investment held in REE UNO SpA was then transferred to Aclara.

A distribution of 70,606,502 Aclara shares, representing 80% of the Aclara shares, was made to the holders of ordinary shares of the Group by way of a dividend in specie (the 'Demerger Dividend'). The approval of the Group's shareholders in respect of the Demerger Dividend was granted at the Extraordinary General Meeting held on 5 November 2021. The Demerger Dividend was effected on 10 December 2021, shortly before the Aclara Initial Public Offering ('IPO') was completed later that day.

Once the Aclara IPO was completed, Aclara became an independent company listed on the Toronto Stock Exchange.

The ratio of Demerged Aclara shares to the number of ordinary shares in the Group was 70,606,502 to 513,875,563. Therefore, the shareholders who were entitled to receive the Demerger Dividend received 0.1374 Aclara shares for each ordinary share in the Group. The value of the Demerger Dividend is C\$120,031,053 (equivalent to US\$94,945,000) in aggregate based on the offering price of C\$1.70 per Aclara share (the Offering Price).

HM Holdings retained 20% of the Aclara shares. The investment was recorded at initial recognition at fair value, based on the Offering Price.

The fair value of the Demerger Dividend at the date of the demerger and retained investment is therefore a level 1 fair value measurement.

Immediately following the Demerger Dividend and pursuant to the subscription agreement with Aclara dated 2 December 2021, HM Holdings purchased 14,870,397 Aclara shares at the Offering Price for aggregate gross proceeds to Aclara of C\$25,279,675 (equivalent to US\$19,996,000).

The consolidated effect in the financial statements of the Group is an exceptional gain of US\$37,461,000 presented within other income.

Details of the net gain on demerger of Aclara are shown below:

	US\$000
Property, plant and equipment	507
Evaluation and exploration assets	70,311
Other non-current assets	2,668
Current assets	1,210
Current liabilities	(3,465)
Aclara net assets and liabilities demerged¹	71,231
Net cash and cash equivalents demerged	(553)
Net cash outflow from demerger of Aclara	(553)
In specie dividends relating to Aclara demerger	94,945
Retained financial investments in associate (note 19)	23,742
Net assets demerged	(71,231)
Reclassification of foreign currency translation reserve	(9,995)
Gain on demerger of Aclara	37,461

¹ Considered in the exploration segment of the Group.

On completion of the demerger, the Group retained a 20% interest in Aclara through the Aclara Resources Inc. investment company. An investment in associates of US\$23,742,000 was recognised on the Group's consolidated balance sheet in respect of this interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 Revenue

	Year ended 31 December 2021					Year ended 31 December 2020				
	Revenue from customers					Revenue from customers				
	Goods sold US\$000	Shipping services US\$000	Total US\$000	Provisional pricing US\$000	Total US\$000	Goods sold US\$000	Shipping services US\$000	Total US\$000	Provisional pricing US\$000	Total US\$000
Gold (from dore bars)	353,258	914	354,172	40	354,212	255,142	577	255,719	144	255,863
Silver (from dore bars)	207,022	804	207,826	(52)	207,774	101,195	383	101,578	62	101,640
Gold (from concentrates)	100,233	2,462	102,695	912	103,607	109,816	2,447	112,263	1,956	114,219
Silver (from concentrates)	150,140	2,704	152,844	(7,514)	145,330	138,669	2,450	141,119	8,837	149,956
Services	464	–	464	–	464	149	–	149	–	149
Total	811,117	6,884	818,001	(6,614)	811,387	604,971	5,857	610,828	10,999	621,827

6 Cost of sales before exceptional items

Included in cost of sales are:

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Depreciation and amortisation in cost of sales ¹	145,482	114,662
Personnel expenses (note 10) ²	101,682	65,077
Mining royalty (note 37)	7,171	5,208
Change in products in process and finished goods	320	17,323
Fixed costs at the operations during stoppages, reduced capacity and excess absenteeism ³	8,680	46,480

1 The depreciation and amortisation in production cost is US\$148,842,000 (2020: US\$113,146,000).

2 Includes workers' profit sharing of US\$6,512,000 (2020: US\$2,632,000) and excludes personnel expenses of US\$7607,000 (2020: US\$32,117,000) included within unallocated fixed cost at the operations (see below).

3 Corresponds to the unallocated fixed cost accumulated as a result of excess absenteeism (2020: during the stoppage and operation of the mine units under reduced operating capacity) due to the Covid-19 pandemic. These costs mainly include personnel expenses of US\$7607,000 (2020: US\$32,117,000), third-party services of US\$995,000 (2020: US\$8,948,000), supplies of US\$nil (2020: US\$1,698,000), depreciation and amortisation of US\$nil (2020: US\$1,818,000) and other costs of US\$78,000 (2020: US\$1,899,000).

7 Administrative expenses

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Personnel expenses (note 10)	29,832	27,016
Professional fees	8,710	4,978
Donations	587	373
Lease rentals	1,301	1,353
Third-party services	302	241
Communications	473	427
Indirect taxes	2,057	2,029
Depreciation and amortisation	1,823	1,723
Depreciation of rights of use	226	284
Technology and systems	1,207	1,063
Security	956	891
Other ¹	4,431	2,904
Total	51,905	43,282

1 Predominantly relates to advertising costs of US\$372,000 (2020: US\$292,000), insurance fees of US\$837,000 (2020: US\$464,000), repair and maintenance of US\$326,000 (2020: US\$314,000), supplies costs of US\$102,000 (2020: US\$42,000), tax penalties of US\$1,476,000 (2020: US\$55,000), travel expenses of US\$105,000 (2020: US\$188,000) and personnel transportation of US\$108,000 (2020: US\$115,000).

8 Exploration expenses

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Mine site exploration¹		
Arcata	2,189	990
Ares	628	940
Inmaculada	3,276	2,526
Pallancata	5,993	4,652
San Jose	9,653	9,720
	21,739	18,828
Prospects²		
Peru	2,677	1,731
USA	3,731	1,902
Chile	(53)	(211)
Canada	51	–
	6,406	3,422
Generative³		
Peru	3,263	2,331
USA	11	12
Mexico	861	974
Chile	177	437
	4,312	3,754
Personnel (note 10)	6,368	5,905
Others	731	581
Depreciation right-of-use assets	292	305
Total	39,848	32,795

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 mineralization 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 prospect areas that have the geological conditions necessary to contain mineral deposits. Related activities include regional and field reconnaissance, satellite images, compilation of public information and identification of exploration targets.

The Group determines the cash flows which relate to the exploration activities of the companies engaged only in exploration. Exploration activities incurred by Group operating companies are not included since it is not practicable to separate the liabilities related to the exploration activities of these companies from their operating liabilities. Cash outflows on exploration activities were US\$12,163,000 in 2021 (2020: US\$6,176,000).

9 Selling expenses

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Personnel expenses (note 10)	304	303
Warehouse services	1,392	1,281
Taxes ¹	11,765	9,202
Other	1,970	1,968
Total	15,431	12,754

1 Corresponds to the export duties in Argentina.

10 Personnel expenses

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Salaries and wages	109,769	104,331
Workers' profit sharing (note 28)	11,018	4,986
Other legal contributions	23,792	22,158
Statutory holiday payments	7,237	6,214
Long-Term Incentive Plan	1,783	1,764
Termination benefits	6,470	1,495
Other	1,101	752
Total¹	161,170	141,700

1 Includes exceptional personnel expenses amounting to US\$2,745,000 (2020: US\$4,595,000) (refer to note 11(1)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10 Personnel expenses continued

Personnel expenses are distributed as follows:

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Cost of sales ¹	111,613	101,404
Administrative expenses	29,832	27,016
Exploration expenses	6,368	5,905
Selling expenses	304	303
Other expenses ²	11,579	4,255
Capitalised as property, plant and equipment	1,474	2,817
Total	161,170	141,700

1 Exceptional personnel expenses included in cost of sales amount to US\$2,324,000 (2020: US\$4,210,000).

2 Exceptional personnel expenses included in other expenses amount to US\$421,000 (2020: US\$385,000).

The average numbers of employees for 2021 and 2020 were as follows:

	Year ended 31 December	
	2021	2020
Peru	2,057	1,897
Argentina	1,478	1,432
Chile	42	13
United Kingdom	10	10
Total	3,587	3,352

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 2021 US\$000	Year ended 31 December 2020 US\$000
Cost of sales		
Incremental costs due to Covid-19 pandemic ¹	(22,511)	(27,613)
Total	(22,511)	(27,613)
Other income		
Demerger of Aclara (note 4)	37,461	–
Total	37,461	–
Other expenses		
Incremental costs due to Covid-19 pandemic ¹	(1,503)	(3,613)
Total	(1,503)	(3,613)
(Impairment)/impairment reversal of non-financial assets, net		
Impairment of non-financial assets ²	(24,846)	–
Reversal of impairment of non-financial assets ³	–	8,303
Total	(24,846)	8,303
Income tax benefit ⁴	15,055	7,157
Total	15,055	7,157

The exceptional items for the years ended 31 December 2021 and 2020 correspond to:

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

	Year ended 31 December			
	2021		2020	
	Cost of sales US\$000	Other expenses US\$000	Cost of sales US\$000	Other expenses US\$000
Third-party services	16,032	873	18,823	665
Personnel expenses (note 10)	2,324	421	4,210	385
Donations	-	-	124	1,365
Consumption of medical supplies	1,327	120	1,062	248
Cleaning and food services	2,728	24	1,493	59
Depreciation and amortisation	37	29	534	-
Others	63	36	1,367	891
Total	22,511	1,503	27,613	3,613

These costs have been incurred in respect of the implementation of the necessary protocols including incremental third-party services mainly related to accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units, medical tests and additional transportation costs to facilitate social distancing, personnel expenses mainly reflecting one-off bonuses paid to those workers required to oversee critical processes during period of suspension (occurred only in 2020), donations which includes the value of equipment donated to assist the national effort in Peru to control the pandemic as well as the donations to hardship funds administered by educational institutions, UTEC and TECSUP (refer to note 32)).

The pandemic can be considered a single protracted globally pervasive event with a financial impact over a number of reporting periods. Management's initial expectation was that these costs would cease to be incurred at the end of 2020 or early 2021, and whilst the majority of the costs have reduced over time as a result of the efficiencies made to the health protocols and logistics required to operate throughout the pandemic, some residual costs continue to be incurred to date.

In order to provide the users of the financial statements with a better understanding of the financial performance of the Group in the year, and to facilitate comparison with the prior period, we have considered it appropriate to continue to disclose separately as exceptional these incremental Covid-related costs up to December 2021. Following the outbreak of the Omicron variant, the virus appears to have shifted into an endemic phase. Consequently, these costs will no longer be presented as exceptional items from 2022 and will form part of the underlying profits.

- 2 Corresponds to the impairment related to the Pallancata mine unit in Peru (refer to notes 16 and 17).

- 3 Reversal of impairment related to the San Jose mine unit (refer to notes 16, 17 and 10).

- 4 The current tax credit generated by the incremental costs arising from the Covid 19 pandemic of US\$7,725,000 (2020: US\$9,241,000) and the deferred tax credit generated by the impairment of the Pallancata mine unit of US\$7,330,000 (2020: deferred tax charge generated by the reversal of the impairment related to the San Jose mine unit of US\$2,084,000).

12 Other income and other expenses before exceptional items

	Year ended 31 December 2021	Year ended 31 December 2020
	Before exceptional items US\$000	Before exceptional items US\$000
Other income		
Gain on sale of property, plant and equipment (note 16)	3,342	231
Logistic services	7	336
Income on recovery of expenses	418	-
Recovery of provision of obsolescence of supplies (note 23)	2,338	1,921
Other ¹	2,330	1,129
Total	8,435	3,617
Other expenses		
Increase in provision for mine closure (note 28(1))	(22,095)	(16,056)
Provision of obsolescence of supplies (note 23)	(559)	-
Care and maintenance expenses of Ares mine unit	(2,903)	(2,578)
Write off of value added tax	(188)	(101)
Corporate social responsibility contribution in Argentina ²	(3,911)	(2,689)
Care and maintenance expenses of Arcata mine unit	(2,772)	(2,966)
Provision for impairment of receivables ³	-	(996)
Voluntary retirement plan in Argentina ⁴	(8,263)	-
Other ⁵	(3,874)	(3,519)
Total	(44,565)	(28,905)

- 1 Mainly corresponds to the gain recognised for the Mosquito project of US\$400,000 (2020: US\$400,000).

- 2 Relates to a contribution in Argentina to the Santa Cruz province calculated as a proportion of sales.

- 3 Mainly due to write-off of a claim receivable of US\$996,000.

- 4 Related to payments made and the provision recognised under voluntary retirement plan in Minera Santa Cruz.

- 5 Mainly corresponds to the expenses due to concessions of US\$179,000 (2020: US\$295,000), depreciation expense for right-of-use assets of US\$135,000 (2020: US\$151,000), the loss on recovery of expenses of US\$nil (2020: US\$158,000) and loss on sale of supplies of US\$2,027,000 (2020: US\$1,312,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 Finance income and finance costs

	Year ended 31 December 2021 US\$000	Year ended 31 December 2020 US\$000
Finance income		
Interest on deposits and liquidity funds	1,816	2,106
Interest on loans to related parties	11	–
Interest income	1,826	2,106
Unwind of discount on mine rehabilitation (note 28)	2,038	387
Gain on discount of other receivables ¹	–	335
Gain from changes in the fair value of financial instruments ²	–	1,057
Other	82	312
Total	3,946	4,197
Finance costs		
Interest on secured bank loans (note 27)	(5,951)	(7,086)
Other interest	(1,332)	(684)
Interest expense	(7,283)	(7,770)
Fair value loss on interest rate swap reclassified from equity	(5,521)	(1,497)
Loss on discount of other receivables ¹	(632)	–
Loss from changes in the fair value of financial instruments ³	(16,170)	(12,770)
Other	(2,455)	(1,523)
Total	(32,061)	(23,560)

1 Mainly related to the effect of the discount of tax credits in Argentina and Peru.

2 Related to the fair value adjustment of the Americas Gold and Silver Corporation (AGSC) shares.

3 Represents the fair value change of US\$834,000 on the AGSC and C3 Metals Inc shares (note 21) (2020: US\$nil) and the foreign exchange transaction costs of US\$15,336,000 (2020: US\$12,770,000) to acquire US\$18,133,000 dollars through the sale of bonds in Argentina (2020: US\$14,486,000).

14 Income tax expense

	Year ended 31 December 2021			Year ended 31 December 2020		
	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	53,965	(7,725)	46,240	31,551	(9,241)	22,310
Withholding tax	689	–	689	402	–	402
	54,654	(7,725)	46,929	31,953	(9,241)	22,712
Deferred taxation						
Origination and reversal of temporary differences from continuing operations (note 30)	26,885	(7,330)	19,555	8,962	2,084	11,046
Effect of change in income tax rates ¹	(12,501)	–	(12,501)	1,529	–	1,529
	14,384	(7,330)	7,054	10,491	2,084	12,575
Corporate income tax	69,038	(15,055)	53,983	42,444	(7,157)	35,287
Current mining royalties						
Mining royalty charge (note 37)	6,326	–	6,326	4,088	–	4,088
Special mining tax charge (note 37)	5,916	–	5,916	3,119	–	3,119
Total current mining royalties	12,242	–	12,242	7,207	–	7,207
Total taxation charge/(credit) in the income statement	81,280	(15,055)	66,225	49,651	(7,157)	42,494

1 On 16 June 2021, the Argentinian government published the Law 27630 that establishes taxable net income brackets: up to 5 million pesos is 0%, more than 5 million up to 50 million pesos is 30%, and more than 50 million pesos is 35%, with effect from 1 January 2021. The UK Government increased the rate of Corporation Tax to 25% on profits over £250,000 from April 2023. There is no impact on the deferred tax calculation of the Group arising from the change in the Corporation Tax in the UK.

The weighted average statutory income tax rate was 27.7% for 2021 and 30.8% for 2020. 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, partially offset by the increase in the Argentinian tax rate.

There were tax charges in relation to the cash flow hedge gains (2020: losses) recognised in equity during the year ended 31 December 2021 of US\$7,383,000 (2020: US\$1,744,000 credit).

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	
	2021	2020
	US\$000	US\$000
Profit from continuing operations before income tax	137,331	62,920
At average statutory income tax rate of 27.7% (2020: 30.8%)	37,996	19,368
Expenses not deductible for tax purposes	5,482	5,251
Change in statutory income tax rate	12,501	(1,529)
Non-taxable income resulted from Aclara demerger	(7,118)	–
Deferred tax recognised on special investment regime ¹	(3,561)	(2,870)
Movement in unrecognised deferred tax ²	2,922	4,571
Special mining tax and mining royalty deductible for corporate income tax	(3,611)	(2,126)
Other	2,176	461
Corporate income tax at average effective income tax rate of 34.1% (2020: 36.8%) before foreign exchange effect and withholding tax	46,787	23,126
Special mining tax and mining royalty ³	12,242	7,207
Corporate income tax and mining royalties at average effective income tax rate of 43.0% (2020: 48.2%)	59,029	30,333
Foreign exchange rate effect ⁴	6,507	11,759
Corporate income tax and mining royalties at average effective income tax rate of 47.7% (2020: 66.9%) before withholding tax	65,536	42,092
Withholding tax	689	402
Total taxation charge in the income statement at average effective tax rate of 48.2% (2020: 67.5%) from continuing operations	66,225	42,494

1 Argentina benefits from a special investment regime that allows for a super (double) deduction in calculating its taxable profits for all costs relating to prospecting, exploration and metallurgical analysis, pilot plants and other expenses incurred in the preparation of feasibility studies for mining projects.

2 Includes the income tax charge on mine closure provision of -US\$1,325,000 (2020: US\$1,087,000), the tax charge related to the Inmaculada mine unit depreciation of US\$1,090,000 (2020: US\$902,000), and the effect of not recognised tax losses of US\$3,157,000 (2020: US\$1,982,000).

3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 37).

4 The foreign exchange effect is composed of US\$934,000 profit (2020: US\$1,584,000 loss) from Argentina and a loss of US\$7,441,000 (2020: US\$10,175,000 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 2021 is the devaluation of the Peruvian soles (2020: Peruvian soles).

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 2021 and 2020, EPS has been calculated as follows:

	As at 31 December	
	2021	2020
Basic earnings/(loss) per share from continuing operations		
Before exceptional items (US\$)	0.14	0.06
Exceptional items (US\$)	0.01	(0.03)
Total for the year and from continuing operations (US\$)	0.15	0.03
Diluted earnings/(loss) per share from continuing operations		
Before exceptional items (US\$)	0.13	0.06
Exceptional items (US\$)	0.01	(0.03)
Total for the year and from continuing operations (US\$)	0.14	0.03

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Basic and diluted earnings per share continued

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

	As at 31 December	
	2021	2020
Profit attributable to equity holders of the Parent – continuing operations (US\$000)	76,934	15,162
Exceptional items after tax – attributable to equity holders of the Parent (US\$000)	(7,367)	16,800
Profit from continuing operations before exceptional items attributable to equity holders of the Parent (US\$000)	69,567	31,962
Profit from continuing operations before exceptional items attributable to equity holders of the Parent for the purpose of diluted earnings per share (US\$000)	69,567	31,962

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

	As at 31 December	
	2021	2020
Basic weighted average number of ordinary shares in issue (thousands)	513,876	513,876
Effect of dilutive potential ordinary shares related to contingently issuable shares (thousands)	5,689	600
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	519,565	514,476

16 Property, plant and equipment

	Mining properties and development costs ¹ US\$000	Land and buildings US\$000	Plant and equipment ^{1 and 2} US\$000	Vehicles ⁵ US\$000	Mine closure asset US\$000	Construction in progress and capital advances ⁴ US\$000	Total US\$000
Year ended 31 December 2021							
Cost							
At 1 January 2021	1,514,704	530,784	612,620	10,654	107,740	33,320	2,809,822
Additions	89,551	735	16,373	6,095	–	19,709	132,463
Change in discount rate (note 28(1))	–	–	–	–	(2,344)	–	(2,344)
Change in mine closure estimate (note 28(1))	–	–	–	–	986	–	986
Disposals	–	–	(1,430)	(5,654)	–	–	(7,084)
Write-offs	–	–	(7,529)	(419)	–	–	(7,948)
Demerger Aclara (note 4)	–	(201)	(432)	–	–	–	(633)
Foreign exchange effect	–	(21)	(158)	–	–	–	(179)
Transfers and other movements ³	1,064	24,235	15,632	1,321	–	(41,188)	1,064
At 31 December 2021	1,605,319	555,632	635,076	11,997	106,382	11,841	2,926,147
Accumulated depreciation and impairment							
At 1 January 2021	1,188,404	352,088	396,155	8,754	75,919	839	2,022,159
Depreciation for the year	95,308	24,188	29,080	2,593	4,381	–	155,550
Disposals	–	–	(1,392)	(5,515)	–	–	(6,907)
Write-offs	–	–	(6,676)	(409)	–	–	(7,085)
Demerger Aclara (note 4)	–	–	(126)	–	–	–	(126)
Foreign exchange effect	–	–	(126)	–	–	–	(126)
Impairment	16,643	1,506	4,575	1,201	601	–	24,526
Transfers and other movements ³	37	(70)	(423)	89	–	404	37
At 31 December 2021	1,300,392	377,712	421,067	6,713	80,901	1,243	2,188,028
Net book amount at 31 December 2021	304,927	177,820	214,009	5,284	25,481	10,598	738,119

1 Within mining properties and development costs and plant and equipment there are US\$28,947,000 and US\$6,742,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project and considering that the depreciation method is units of production.

2 Within plant and equipment, costs of US\$391,152,000 are subject to depreciation on a unit of production basis in line with accounting policy on note 2(f) for which the accumulated depreciation is US\$248,187,000 and depreciation charge for the year is US\$15,377,000.

3 Transfers and other movements include US\$1,027,000 that was transferred from evaluation and exploration assets (note 17).

4 There were borrowing costs capitalised in property, plant and equipment amounting to US\$37,000.

5 Vehicles include US\$3,258,000 of right-of-use assets (note 26).

	Mining properties and development costs ¹ US\$000	Land and buildings US\$000	Plant and equipment ^{1 and 2} US\$000	Vehicles ⁵ US\$000	Mine closure asset US\$000	Construction in progress and capital advances ⁴ US\$000	Total US\$000
Year ended 31 December 2020							
Cost							
At 1 January 2020	1,449,374	529,081	610,955	11,748	99,696	15,196	2,716,050
Additions	62,442	118	6,431	–	–	25,646	94,637
Initial recognition	–	–	–	–	235	–	235
Change in discount rate (note 27(1))	–	–	–	–	5,385	–	5,385
Change in mine closure estimate (note 27(1))	–	–	–	–	2,424	–	2,424
Disposals	–	(132)	(1,870)	(31)	–	–	(2,033)
Write-offs	–	–	(8,613)	(1,127)	–	–	(9,740)
Transfers and other movements ³	2,888	1,717	5,717	64	–	(7,522)	2,864
At 31 December 2020	1,514,704	530,784	612,620	10,654	107,740	33,320	2,809,822
Accumulated depreciation and impairment							
At 1 January 2020	1,119,462	334,065	384,155	7,310	74,834	947	1,920,773
Depreciation for the year	72,067	19,030	22,700	2,618	2,454	–	118,869
Disposals	–	(17)	(1,867)	(28)	–	–	(1,912)
Write-offs	–	–	(6,539)	(1,123)	–	–	(7,662)
Reversal of impairment	(3,831)	(1,101)	(1,589)	–	(1,369)	–	(7,890)
Transfers and other movements ⁴	706	111	(705)	(23)	–	(108)	(19)
At 31 December 2020	1,188,404	352,088	396,155	8,754	75,919	839	2,022,159
Net book amount at 31 December 2020	326,300	178,696	216,465	1,900	31,821	32,481	787,663

1 Within mining properties and development costs and plant and equipment there are US\$20,400,000 and US\$6,710,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project.

2 Within plant and equipment, costs of US\$381,456,000 are subject to depreciation on a unit of production basis in line with accounting policy on note 2(f) for which the accumulated depreciation is US\$230,709,000 and depreciation charge for the year is US\$10,289,000.

3 Transfers and other movements include US\$2,828,000 that was transferred from evaluation and exploration assets (note 17).

4 There were borrowing costs capitalised in property, plant and equipment amounting to US\$32,000.

5 Vehicles include US\$410,00 of right-of-use assets (note 26).

2021

As at 31 December 2021, management determined that there was a trigger of impairment in the Pallancata mine unit due to lower grade production and the need for an increase in capital expenditure to access new low grade areas and extend the life of mine by one year to 2023.

The impairment test performed over the Pallancata CGU resulted in an impairment charge recognised as at 31 December 2021 amounting to US\$24,846,000 (US\$24,526,000 in property, plant and equipment, and US\$320,000 in evaluation and exploration assets).

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

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

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

Real prices US\$ per oz.	2022	2023
Gold	1,764	1,669
Silver	23.5	22.3

	Pallancata
Discount rate (post-tax)	3.3%

The period of two years was used to prepare the cash flow projections of the Pallancata mine unit which is in line with its life of mine.

	Pallancata
Current carrying value of CGU, net of deferred tax	3,241

16 Property, plant and equipment continued

Sensitivity analysis

As the Pallancata CGU was impaired at 31 December 2021, a negative change in any of the key assumptions would not have an impact on the impairment charge recognised. Given the short time left in the life of this mine, management also believes that no reasonably possible change in any of the key assumptions would decrease the impairment charge recognised, other than a positive change in the gold and silver prices.

An increase of 10% in the gold and silver prices would decrease the impairment charge recorded by US\$5,600,000.

2020

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

The impairment test performed over the San Jose CGU resulted in a reversal of impairment recognised as at 31 December 2020 amounting to US\$8,303,000 (US\$7,890,000 in property, plant and equipment, US\$100,000 in evaluation and exploration assets and US\$313,000 in intangibles). The reversal of impairment was mainly driven by an increase in the analysis consensus prices of silver and gold which was partially offset by the impact of the increase in the discount rate.

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

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.

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.

Real prices US\$ per oz.	2021	2022	2023	2024	Long-term
Gold	1,937	1,823	1,684	1,452	1,400
Silver	26.4	21.8	21.0	19.2	17.8
				San Jose	Pallancata
Discount rate (post-tax)				5.9%	4.1%

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

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

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

Sensitivity analysis

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

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

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

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

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

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

17 Evaluation and exploration assets

	Azuca US\$000	Crespo US\$000	Aclara (formerly Biolantánidos) US\$000	Volcan US\$000	Others US\$000	Total US\$000
Cost						
Balance at 1 January 2020	82,713	27,242	60,507	95,452	21,153	287,067
Additions	551	1,684	8,297	1,068	1,687	13,287
Transfers to property, plant and equipment (note 16)	–	–	–	–	(2,857)	(2,857)
Balance at 31 December 2020	83,264	28,926	68,804	96,520	19,983	297,497
Additions	580	2,421	11,349	953	6,095	21,398
Demerger (note 4)	–	–	(70,311)	–	–	(70,311)
Disposals	–	–	(122)	–	–	(122)
Foreign exchange effect	–	–	(9,720)	(16,222)	–	(25,942)
Transfers to property, plant and equipment (note 16)	–	–	–	–	(1,064)	(1,064)
Balance at 31 December 2021	83,844	31,347	–	81,251	25,014	221,456
Accumulated impairment						
Balance at 1 January 2020	45,876	9,878	–	44,381	5,370	105,505
Impairment reversal	–	–	–	–	(100)	(100)
Transfers to property, plant and equipment (note 16)	–	–	–	–	(29)	(29)
Balance at 31 December 2020	45,876	9,878	–	44,381	5,241	105,376
Impairment	–	–	–	–	320	320
Foreign exchange effect	–	–	–	(7,507)	–	(7,507)
Transfers to property, plant and equipment (note 16)	–	–	–	–	(37)	(37)
Balance at 31 December 2021	45,876	9,878	–	36,874	5,524	98,152
Net book value as at 31 December 2020	37,388	19,048	68,804	52,139	14,742	192,121
Net book value as at 31 December 2021	37,968	21,469	–	44,377	20,517	123,304

At 31 December 2021, the Group has recorded an impairment with respect to evaluation and exploration assets of the Pallancata mine unit of US\$320,000 (2020: reversal of impairment with respect to evaluation and exploration assets of the San Jose mine unit of US\$100,000). The calculation of the recoverable values is detailed in note 16.

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

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 2020	22,157	26,583	1,899	8,580	59,219
Transfer	-	-	7	-	7
Balance at 31 December 2020	22,157	26,583	1,906	8,580	59,226
Foreign exchange effect	-	(4,499)	-	-	(4,499)
Disposals	-	-	(17)	-	(17)
Balance at 31 December 2021	22,157	22,084	1,889	8,580	54,710
Accumulated amortisation and impairment					
Balance at 1 January 2020	16,486	12,686	1,873	5,815	36,860
Amortisation for the year ⁴	535	-	17	563	1,115
Reversal of impairment	(313)	-	-	-	(313)
Balance at 31 December 2020	16,708	12,686	1,890	6,378	37,662
Amortisation for the year ⁴	843	-	8	267	1,118
Disposals	-	-	(17)	-	(17)
Foreign exchange effect	-	(2,147)	-	-	(2,147)
Balance at 31 December 2021	17,551	10,539	1,881	6,645	36,616
Net book value as at 31 December 2020	5,449	13,897	16	2,202	21,564
Net book value as at 31 December 2021	4,606	11,545	8	1,935	18,094

- The transmission line is amortised using the units of production method. At 31 December 2021 the remaining amortisation period is approximately seven years (2020: seven years) in line with the life of the mine. At 31 December 2020, the Group recorded a reversal of impairment with respect to the transmission line of the San Jose mine unit of US\$313,000 (the calculation of the recoverable values is detailed in note 16).
- 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\$715 per gold equivalent ounce of resources at 31 December 2021 (2020: US\$740). The risk adjusted enterprise value figure has been determined using a combination of level 2 (enterprise values and gold prices) and level 3 inputs (unprocessed mineral resources and risk factor) which result in a fair value measurement categorised in its entirety as level 3 in the fair value hierarchy, to estimate the amount that would be paid by a willing third party in an arm's length transaction, taking into account the water restrictions imposed by the Chilean government.
- 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 2021 the remaining amortisation period is from 1.5 to 11.5 years (2020: 2.5 to 12.5 years).
- 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 2021 and 2020. The estimated recoverable amount is not materially different from its carrying value.

Key assumptions

	2021	2020
Risk adjusted value per in-situ (gold equivalent ounce) US\$	7.15	7.40
US\$000	2021	2020
Current carrying value Volcan CGU	55,922	66,036

The estimated recoverable amount is not materially different from 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)	2021	2020
Value per in-situ ounce (20% decrease)	(13,661)	(14,100)
Value per in-situ ounce (20% increase)	13,661	14,100
Risk factor (increase by 5%)	(5,254)	(5,400)
Risk factor (decrease by 5%)	5,254	5,400

19 Investment in an associate

Following the demerger of Aclara (refer to note 4), the Group retained a 20.0% interest in Aclara Resources Inc., a listed company involved in the exploration of rare-earth metals in Chile. The company was incorporated under the laws of British Columbia, Canada, where the principal executive offices are located. The operations are conducted through one wholly-owned subsidiary named REE UNO SpA, located in Chile.

According to IFRS 10, when a parent loses control of a subsidiary, it must recognise any investment retained in the former subsidiary at its fair value at the date when control is lost. Any gain or loss on the transaction will be recorded in profit and loss. This fair value will be accounted for the cost on initial recognition of an investment in an associate. The fair value recognised was US\$23,742,000 (refer to note 4).

The Group's interest in Aclara is accounted for using the equity method in the consolidated financial statements.

In addition, the Group purchased 14,870,397 shares for a total consideration of US\$19,995,000 to maintain the 20% interest after the IPO of Aclara.

At 31 December 2021, the Group holds 32,526,101 shares in Aclara, representing 20% interest in the Company. From 10 December 2021 Aclara is listed on the Toronto Stock Exchange and the fair value of the shares amounted to US\$37,080,000 as at 31 December 2021.

The following table summarises the financial information of the Group's investment in Aclara Resources Inc:

	31 December 2021 US\$000
Current assets	91,320
Non-current assets	68,126
Current liabilities	(3,185)
Equity	156,261
Group's share in equity (20%)	31,252
Fair value adjustment allocated to the evaluation and exploration assets on initial recognition	12,307
Group's carrying amount of the investment (20%)	43,559
Summarised consolidated statement of profit and loss	
Revenue	–
Administrative expenses	(324)
Exploration expenses	(510)
Finance cost	(17)
Foreign exchange loss	(479)
Loss from continuing operations for the year	(1,330)
Loss from continuing operations from incorporation to 31 December 2021	(847)
Group's share of loss for the period	(169)
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods, net of tax	
Exchange differences on translating foreign operations	(4,526)
Total comprehensive loss for the year	(4,526)
Total comprehensive loss from incorporation to 31 December 2021	(46)
Group's share of comprehensive loss for the period	(9)

At the moment of the acquisition of the associate the loss for the period was US\$483,000 and the comprehensive loss for the period was US\$4,480,000.

The carrying amount of the investment recognised the changes in the Group's share of net assets of the associate since the acquisition date. The balance as at 31 December 2021 is US\$43,559,000.

No dividends were received from the associate during 2021.

The associate had no contingent liabilities or capital commitments as at 31 December 2021.

20 Financial assets at fair value through OCI

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Beginning balance	402	6,159
Acquisitions ¹	7	–
Fair value change recorded in OCI	261	1,765
Disposals ²	(9)	(7,522)
Ending balance	661	402

1 Corresponds to the purchase of 47625 shares of Austral Gold (US\$7,000).

2 Corresponds to the sale of 51,857 shares of Revelo Resources Corp. with a fair value at the date of sale of US\$9,000 generating a loss on disposal of US\$18,000 that was recycled to retained earnings (2020: As the investments were not considered to be strategic, the Group sold 452,200 shares of ASC, 7,399,331 shares of Skeena Resources Limited and 7,000,026 shares of Goldspot Discoveries Inc. with a fair value at the date of sale of US\$1,257,000, US\$5,337,000 and US\$928,000, generating a gain on disposal of US\$653,000, US\$1,091,000 and US\$239,000 respectively).

The Group made the election at initial recognition to measure the below equity investments at fair value through OCI as they are not held for trading. The fair value at 31 December 2021 and 31 December 2020 is as follows:

	As at 31 December	
	2021 US\$000	2020 US\$000
Listed equity investments:		
Power Group Projects Corp (formerly Cobalt Power Group)	12	27
Revelo Resources Corp.	–	8
Austral Gold	3	–
Skeena Resources Limited	312	325
Empire Petroleum Corp.	334	42
Total listed equity investments	661	402
Total non-listed equity investments	–	–
Total	661	402

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 for the companies and they are categorised as level 3.

21 Financial assets at fair value through profit and loss

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Beginning balance	5,407	–
Acquisitions ¹	3,308	4,301
Fair value change recorded in profit and loss	(834)	1,106
Disposals ²	(4,726)	–
Ending balance	3,155	5,407

1 Corresponds to 25,001,540 shares of C3 Metals Inc. received in payment for the sale of the Jasperoide property in Peru (2020: corresponds to 1,687,401 shares of AGSC received as a payment for the balance receivable for the sale of the San Felipe project recognised as an asset held for sale as at 31 December 2019).

2 During 2021 the Group sold 1,687,401 shares of AGSC, classified as financial assets at fair value through profit and loss, with a fair value at the date of the sale of US\$4,726,000, generating a loss on disposal of US\$681,000 which was recognised within finance costs.

The below equity investments are classified at fair value through profit and loss as they are held for trading. The fair value at 31 December 2021 and 31 December 2020 is as follows:

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Listed equity investments:		
Americas Gold and Silver Corporation	–	5,407
C3 Metals Inc.	3,155	–
	3,155	5,407

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

22 Trade and other receivables

	As at 31 December			
	2021		2020	
	Non-current US\$000	Current US\$000	Non-current US\$000	Current US\$000
Trade receivables	–	27,773	–	45,353
Advances to suppliers	–	5,119	–	4,045
Duties recoverable from exports of Minera Santa Cruz ¹	184	–	846	–
Receivables from related parties (note 32(a))	–	224	–	388
Loans to employees	531	257	603	101
Interest receivable	–	95	–	126
Receivable from Kaupthing, Singer and Friedlander Bank	–	200	–	201
Other ²	1,540	9,013	1,519	10,298
Provision for impairment ³	–	(2,421)	–	(7,111)
Assets classified as receivables	2,255	40,260	2,968	53,401
Prepaid expenses	174	6,047	212	4,606
Value Added Tax (VAT) ⁴	41	23,442	2,215	20,189
Total	2,470	69,749	5,395	78,196

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 (2020: 18 and 24 months) at a rate of 17.55% (2020: 14.03%) for dollar denominated amounts and 40.17% (2020: 40.34%) for Argentinian pesos. The loss on the unwinding of the discount is recognised within finance expense (2020: finance income).
- 2 Mainly corresponds to account receivables from contractors for the sale of supplies of US\$2164,000 (2020: US\$1642,000), receivables from government agencies of US\$nil (2020: US\$4,476,000), loan to third parties of US\$790,000 (2020: US\$512,000), claim receivable of US\$1,165,000 (2020: US\$1,269,000), receivable from the sale of VAT in San José of US\$nil (2020: US\$1,222,000) and other tax claims of US\$2,150,000 (2020: US\$45,000).
- 3 Includes the provision for impairment of trade receivable from customers in Peru of US\$1,277,000 (2020: US\$1,403,000), the impairment of deposits in Kaupthing, Singer and Friedlander of US\$197,000 (2020: US\$201,000), the impairment of the account receivables from government agencies of US\$nil (2020: US\$4,476,000), the impairment of account receivable from third parties of US\$692,000 (2020: US\$656,000) and other receivables of US\$343,000 (2020: US\$375,000).
- 4 Primarily relates to US\$17,053,000 (2020: US\$9,747,000) 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\$5,570,000 (2020: US\$9,154,000), REE UNO SpA of US\$nil (2020: US\$2,166,000) and Empresa de Transmisión Aymaraes S.A.C. of US\$nil (2020: US\$590,000). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

	Individually impaired US\$000
At 1 January 2020	6,766
Provided for during the year (note 12)	996
Foreign exchange effect	(651)
At 31 December 2020	7,111
Write-off	(4,476)
Foreign exchange effect	(214)
At 31 December 2021	2,421

As at 31 December 2021 and 2020, none of the financial assets classified as receivables (net of impairment) were past due.

23 Inventories

	As at 31 December	
	2021 US\$000	2020 US\$000
Finished goods valued at cost	220	–
Products in process valued at cost	3,547	4,087
Products in process accrual	7,534	4,413
Supplies and spare parts	41,021	38,778
	52,322	47,278
Provision for obsolescence of supplies	(3,138)	(4,916)
Total	49,184	42,362

Finished goods include ounces of gold and silver, dore and concentrate. Products in process include stockpile (2020: stockpile).

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 2021 and 2020 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.

23 Inventories continued

As part of the Group's short-term financing policies, it acquires pre-shipment loans which are guaranteed by the sales contracts. The Group has contracts as at 31 December 2021 of US\$nil (2020: US\$10,628,000) (refer to note 27).

The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US\$109,191,000 (2020: US\$76,739,000).

Movements in the provision for obsolescence comprise an increase in the provision of US\$559,000 (2020: US\$nil) and the reversal of US\$2,338,000 related to supplies and spare parts, that had been provided for (2020: US\$1,921,000).

24 Cash and cash equivalents

	As at 31 December	
	2021 US\$000	2020 US\$000
Cash at bank	1,065	1,198
Current demand deposit accounts ¹	86,058	79,834
Time deposits ²	299,666	150,851
Cash and cash equivalents considered for the statement of cash flows	386,789	231,883

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 Relates to bank accounts which are freely available and bear interest.

2 These deposits have an average maturity of 18 days (2020: average of 45 days).

25 Trade and other payables

	As at 31 December			
	2021		2020	
	Non-current US\$000	Current US\$000	Non-current US\$000	Current US\$000
Trade payables ¹	–	78,695	–	72,066
Salaries and wages payable ²	–	30,850	–	26,580
Dividends payable	–	31	–	34
Taxes and contributions	1	9,607	3	5,075
Guarantee deposits	–	5,773	–	5,962
Mining royalties (note 37)	–	1,505	–	315
Accounts payable to related parties (note 32(a))	–	284	–	266
Lease liabilities (note 26)	2,814	1,597	–	617
Other	–	5,140	202	3,500
Total	2,815	133,482	205	114,415

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 2021, there were Board members' remuneration payable of US\$170,000 (2020: US\$151,000) and no Long-Term Incentive Plan payable (2020: US\$nil).

26 Leases

The Group has lease contracts for vehicles used in its operations and administrative offices. Leases of motor vehicles generally have lease terms of three years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	As at 31 December	
	2021 US\$000	2020 US\$000
Depreciation expense for right-of-use assets	(1,969)	(2,123)
Interest expense on lease liabilities	(42)	(62)
Expense relating to short-term leases (included in cost of sales, administrative, exploration and other expenses)	(2,751)	(2,335)
Expense relating to leases of low-value assets (included in cost of sales, administrative, exploration and other expenses)	(1,031)	(1,062)
Variable lease payments (included in cost of sales)	(5,643)	(4,614)
Total amount recognised in profit or loss	(11,436)	(10,196)

The Group had total cash outflows for leases of US\$11,606,000 in 2021 (2020: US\$10,032,000). There were additions to right-of-use assets and lease liabilities during the year of US\$6,046,000 (2020: US\$nil). The future cash outflows relating to leases that have not yet commenced are US\$4,587,000 (2020: US\$2,473,000).

27 Borrowings

	As at 31 December					
	2021			2020		
	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 23)		-	-	28% to 35%	-	10,628
Bank loans	2.17%	300,000	499	1.5%	199,554	150
Total		300,000	499		199,554	10,778

(a) Secured bank loans:

Medium-term bank loans:

In December 2019, a five-year credit agreement was signed between Minera Ares and Scotiabank Peru S.A.A., The Bank of Nova Scotia and BBVA Securities Inc, with Hochschild Mining PLC as guarantor. The US\$200,000,000 medium-term loan was payable in equal quarterly instalments from the second anniversary of the loan with an interest rate of Libor three months plus 1.15% payable quarterly until maturity on 13 December 2024. In September 2021, the Group negotiated with the same counterpart a US\$200,000,000 loan to replace the original loan, plus an additional US\$100,000,000 optional loan. US\$200,000,000 was withdrawn on 21 September 2021, and the optional US\$100,000,000 loan was withdrawn on 1 December 2021. The maturity was extended until September 2026, and the interest rate increased to three-month USD Libor plus a spread of 1.65%. A structuring fee of US\$900,000 was paid to the lender and an additional US\$193,000 was incurred as transaction costs. In addition, a commitment fee of US\$120,000 was paid for the period that the optional US\$100,000,000 loan remained undrawn. This was considered a substantial modification to the terms of the loan, and consequently, it was treated as an extinguishment of the loan which resulted in the derecognition of the existing liability and recognition of a new liability. The associated costs and fees incurred have been recognised as part of the loss on the extinguishment.

The carrying value including accrued interests payable as at 31 December 2021 is US\$300,499,000. The maturity of non-current borrowings is as follows:

	As at 31 December	
	2021 US\$000	2020 US\$000
Between 1 and 2 years	25,000	66,666
Between 2 and 5 years	275,000	132,888
Over 5 years	-	-
Total	300,000	199,554

The carrying amount of the pre-shipment loans approximates their fair value. The carrying amount and fair value of the mid-term loan are as follows:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2021 US\$000	2020 US\$000	2021 US\$000	2020 US\$000
Secured bank loans	300,499	199,704	296,122	199,110
Total	300,499	199,704	296,122	199,110

The movement in borrowings during the year is as follows:

	As at 1 January 2021 US\$000	Additions US\$000	Repayments US\$000	Reclassifications US\$000	As at 31 December 2021 US\$000
Current					
Bank loans	10,101	5,954	(14,793)	(1,262)	-
Accrued interest	677	5,951	(5,720)	(409)	499
	10,778	11,905	(20,513)	(1,671)	499
Non-current					
Bank loans	199,554	100,000	-	446	300,000
	199,554	100,000	-	446	300,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28 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 2020	106,671	818	6,063	2,019	115,571
Additions	235	308	4,986	41	5,570
Accretion (note 13)	(387)	–	–	–	(387)
Change in discount rate	7,129	–	–	–	7,129
Change in estimates	16,736	–	–	–	16,736
Foreign exchange effect	–	–	(11)	(435)	(446)
Payments	(3,987)	–	(5,649)	–	(9,636)
At 31 December 2020	126,397	1,126	5,389	1,625	134,537
Less: current portion	(19,390)	–	(5,389)	(725)	(25,504)
Non-current portion	107,007	1,126	–	900	109,033
At 1 January 2021	126,397	1,126	5,389	1,625	134,537
Additions	–	(659)	11,018	2,164	12,523
Accretion (note 13)	(2,038)	–	–	–	(2,038)
Change in discount rate	(1,627)	–	–	–	(1,627)
Change in estimates	22,364	–	–	–	22,364
Foreign exchange effect	–	–	(525)	(290)	(815)
Utilisation	(1,978)	–	–	–	(1,978)
Payments	(9,083)	–	(4,990)	–	(14,073)
At 31 December 2021	134,035	467	10,892	3,499	148,893
Less: current portion	(19,670)	–	(10,892)	(1,496)	(32,058)
Non-current portion	114,365	467	–	2,003	116,835

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of closure of each of the mines. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure adjusted for the impact of inflation as at 31 December 2021 and 2020 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 -2.09% (2020: -1.58%). Expected cash flows will be over a period from one to 17 years (2020: over a period from one to 17 years).

Based on the internal and external reviews of mine rehabilitation estimates, the provision for mine closure increased by US\$22,364,000 mainly due to an increase in the Selene mine unit of US\$14,032,000 and Sipan mine unit of US\$3,103,000 (2020: increase by US\$16,736,000 mainly due to an increase in the Ares mine unit of US\$14,070,000 and San Jose mine unit of US\$1,944,000).

A net charge of US\$22,095,000 related to changes in estimates (US\$21,378,000) and discount rates (US\$717,000) for mines already closed was recognised directly in the income statement (2020: net charge of US\$16,056,000 related to changes in estimates (US\$14,312,000) and discount rates (US\$1,744,000) for mines already closed was recognised directly in the income statement).

Utilisation for the year corresponds to depreciation of certain assets which are used as part of mine rehabilitation. This has been recognised against the mine rehabilitation provision.

The increase in the accretion from 2020 (US\$387,000) to 2021 (US\$2,038,000) is explained because the Group is closer to the budget execution periods and the discount rates used for 2021 were more negatives than those of 2021, hence the increase.

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	13,404
Discount rate (increase by 0.5%) (decrease of provision)	(7,426)

An element of mine closure planning can be water management which relates to the treatment of contact water. The cost of this water processing could continue for a number of years after closure activities have been completed and is therefore, potentially, exposed to long-term climate change. Mine planning for Hochschild's operating assets takes into account mine-closure activities. In the case of the now-closed Sipan mine, due to the specific characteristics of the closed mine components, contact water treatment is ongoing. According to our most recent approved Mine Closure Plan (July 2021), Sipan will be the subject of ongoing treatment until 2025 or until baseline water quality conditions have been met. As at the date of approval of these financial statements, the impact of climate change on Sipan's mine closure planning is not expected to be material.

2 Corresponds to the provision related to awards granted under the Long-Term Incentive Plan ('LTIP') to designated personnel of the Group. Includes the following benefits: (i) 2020 awards, granted in February 2020, payable in February 2023, as 50% in cash (refer to note 29(c)), (ii) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash. Only employees who remain in the Group's employment on the vesting date will be entitled to vested awards, subject to exceptions approved by the Remuneration Committee of the Board. There are two parts to the performance conditions attached to LTIP awards: 70% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, and 30% is subject to the Company's TSR ranking relative to the constituents of the FTSE 350 mining index. The liability for the LTIP paid in cash is measured, initially and at the end of each reporting period until settled, at the fair value of the awards, by applying the Monte Carlo pricing model, taking into account the terms and conditions on which the awards were granted and the extent to which the employees have rendered services to date. The net decrease to the provision of US\$659,000 (2020: US\$308,000 net increase) has been recorded as administrative expenses -US\$630,000 (2020: US\$295,000) and exploration expenses -US\$29,000 (2020: US\$13,000).

The following tables list the inputs to the Monte Carlo model used for the LTIPs as at 31 December 2021 and 2020, respectively:

For the period ended	LTIP 2019	LTIP 2020	
	31 December 2020 US\$000	31 December 2021 US\$000	31 December 2020 US\$000
Dividend yield (%)	1.43	2.37	1.43
Expected volatility (%)	3.39	3.70	3.39
Risk-free interest rate (%)	-0.12	0.02	-0.13
Expected life (years)	1	1	2
Weighted average share price (pence £)	161.37	179.61	179.61

The expected volatility reflects the assumption that the historical volatility over a period is similar to the life of the awards and is indicative of future trends, which may not necessarily be the actual outcome. The outcome of the LTIP 2019 as at 31 December 2021 was US\$nil.

29 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2021 and 2020 is as follows:

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

At 31 December 2021 and 2020, all issued shares with a par value of 25 pence each were fully paid (2021: weighted average of US\$0.441 per share, 2020: 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 2020	513,875,563	226,506	438,041
Shares issued as at 31 December 2020	513,875,563	226,506	438,041
Shares issued as at 31 December 2021	513,875,563	226,506	438,041

Rights attached to ordinary shares

At general meetings of the Company, on a show of hands and on a poll, every member who is present in person or subject to the below, by proxy, has one vote for every share of which they are the holder/proxy. However, in the case of a vote on a show of hands where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

(b) Treasury shares

Treasury shares represent the cost of Hochschild Mining PLC shares purchased in the market and held by the trustee of the Hochschild Mining Employee Share Trust to satisfy the award of conditional shares under the Group's Enhanced Long-Term Incentive Plan granted to the CEO (note 2(o)).

The movements in treasury shares are as follows:

- On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US\$292,000).
- On 30 March 2020, 182,941 treasury shares with a value of US\$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long-Term Incentive Plan.

At 31 December 2021 the balance of treasury shares is nil (31 December 2020: nil).

(c) Other reserves

Fair value reserve of financial assets at fair value through OCI

In accordance with IFRS 9, the Group made the decision to classify its investments in listed and unlisted companies as financial assets at fair value through OCI. The increase/decrease in the fair value, net of the related deferred tax liability, is taken directly to this account where it will remain until disposal, when the cumulative unrealised gains and losses are recycled through retained earnings.

Cumulative translation adjustment

The cumulative translation adjustment account is used to record exchange differences arising from the translation of the financial statements of subsidiaries with a functional currency different to the reporting currency of the Group.

Merger reserve

The merger reserve represents the difference between the value of the net assets of the Cayman Holding Companies (Ardley, Garrison, Larchmont and Hochschild Mining (Peru)) acquired under the Share Exchange Agreement and the nominal value of the shares issued in consideration of such acquisition.

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. The Group uses cash flow hedges for hedging the exposure to variability in silver prices.

29 Equity continued

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, as a part of their remuneration.

(i) Enhanced Long-Term Incentive Plan ('ELTIP')

In March 2014, the CEO was granted awards under the ELTIP (1,076,122 shares). Awards were made over conditional shares with a value, on the date of grant, equivalent to six times salary and which vest in tranches over an extended performance period of four, five and six years. Further details on the design of the ELTIP award and numbers of awards granted are included in the Directors' Remuneration Report.

The fair value of the option was determined using the Monte Carlo model. The carrying amount of the share-based payment reserve relating to the ELTIP at 31 December 2021 is US\$nil (2020: US\$nil) with the amount recognised in the consolidated income statement of US\$nil (2020: US\$40,000).

As at 31 December 2019, 538,061 ordinary shares were pending to vest. The vesting percentage of the 50% of the award (538,061 shares) resulted in 34% and on 30 March 2020 the CEO received 182,941 treasury shares, and US\$794,000 was transferred from the share-based payment reserve to retained earnings.

As at 31 December 2021 nil ordinary shares are pending to vest (31 December 2020: nil ordinary shares).

The movement in other reserves is as follows:

	US\$000
Balance at 1 January 2020	1,047
Expense recognised in the period	40
Vesting at 20 March 2020, treasury shares received by the CEO on 30 March 2020 with a value of US\$1.60 per share totalling US\$292,000 (refer to (b) below)	(1,087)
Balance at 31 December 2020 and 2021	–

The movement of the shares according to the date of vesting is as follows:

	Number of shares
Balance of shares pending to vest at 1 January 2020	538,061
Shares lapsed on 20 March 2020 (50% of the award)	(355,120)
Shares vested on 20 March 2020	(182,941)
Balance of shares pending to vest at 31 December 2020 and 2021	–

(ii) Long-Term Incentive Plan ('LTIP')

On 25 May 2018 the Group approved the grant of 2018 LTIP awards, on 11 February 2019 the Group approved the grant of 2019 LTIP awards, on 19 February 2020 the Group approved the grant of 2020 LTIP awards and on 26 May 2021 the Group approved the grant of 2021 LTIP awards. The 2018, 2019 and 2020 awards give a right to receive a cash payment equivalent to the 50% of the prize (cash-settled transaction) (refer to note 28(2)), and the other 50% will be used to acquire shares of the Company (equity-settled transaction).

The vesting of the 2021 LTIP awards is subject to the following performance conditions: 50% on Hochschild's three-year total shareholder return ('TSR') and 50% on internal Key Performance Indicators (KPIs) measured during the same period. The performance period will be from 1 January 2021 to 31 December 2023. The award will vest in May 2024.

The whole of any vested LTIP award will be deferred in Company shares for two years. The award will lapse if the beneficiary ceases to be an employee of the Group other than as a good leaver or on death.

Further details on the design of the LTIP award are included in the Directors' Remuneration Report.

The fair value of the option based on the TSR was determined using the Monte Carlo model. The following tables list the inputs to the Monte Carlo model used for the 2018 LTIP, 2019 LTIP, 2020 LTIP and 2021 LTIP:

	LTIP 2021	LTIP 2020	LTIP 2019	LTIP 2018
Dividend yield (%)	2.37	0.87	1.46	1.18
Expected volatility (%)	3.71	3.19	2.90	5.2
Risk-free interest rate (%)	0.23	0.51	0.42	0.55
Expected life (years)	2	2.5	2.4	2.6
Weighted average share price (pence £)	177.00	179.61	161.37	235.08

The 50% subject to internal KPIs is split equally between:

- three-year growth of the Company's Measured and Indicated Resources (MIR) per share (excluding Volcan), The three-year MIR growth was projected using a normal distribution based on historical data, and factoring in the additional growth expected from acquisitions, and
- average outcome of the annual bonus scorecard in respect of 2021, 2022 and 2023, calculated as the simple mean of the three scorecard outcomes.
Probabilities assigned to each possible outcome, based on historical data and management judgement.

The remaining contract life is nil years (2020: 0.4 years), 0.1 years (2020: 1.1 years), 1.1 years (2020: 2.1 years), and 2.4 years for the 2018 LTIP, 2019 LTIP, 2020 LTIP and 2021 LTIP respectively.

The movement in other reserves is as follows:

	LTIP 2021 US\$000	LTIP 2020 US\$000	LTIP 2019 US\$000	LTIP 2018 US\$000
Balance at 1 January 2020	-	-	551	566
Expense recognised in the period	-	438	624	354
Balance at 31 December 2020	-	438	1,175	920
Expense recognised in the period	1,167	509	623	143
Forfeiture of share options	-	-	-	(1,063)
Balance at 31 December 2021	1,167	947	1,798	-

No shares vested during the period (2020: nil).

30 Deferred income tax

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

	As at 31 December	
	2021 US\$000	2020 US\$000
Beginning of the year	(72,307)	(61,476)
Income statement credit (note 14)	(7,054)	(12,575)
Equity charge	(7,383)	1,744
End of the year	(86,744)	(72,307)

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 2020	36,770	81,768	353	4,283	123,174
Income statement charge/(credit)	2,751	3,184	343	(636)	5,642
At 31 December 2020	39,521	84,952	696	3,647	128,816
Income statement charge/(credit)	6,108	(67)	(752)	(495)	4,794
At 31 December 2021	45,629	84,885	(56)	3,152	133,610
	Differences in cost of PP&E US\$000	Provision for mine closure US\$000	Mine development US\$000	Others ¹ US\$000	Total US\$000
Deferred income tax assets					
At 1 January 2020	31,044	21,380	584	8,690	61,698
Income statement (charge)/credit	(10,914)	4,004	(110)	87	(6,933)
Equity credit	-	-	-	1,744	1,744
At 31 December 2020	20,130	25,384	474	10,521	56,509
Income statement (charge)/credit	(7,333)	5,082	(109)	100	(2,260)
Equity charge	-	-	-	(7,383)	(7,383)
At 31 December 2021	12,797	30,466	365	3,238	46,866

¹ Credit/(charge) in the year mainly related to silver forward of US\$7,383,000 (2020: interest rate swap of US\$1,744,000), statutory holiday provision of US\$1,112,000 (2020: US\$857,000) and Long-Term Incentive Plan of US\$731,000 (2020: US\$771,000).

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

	As at 31 December	
	2021 US\$000	2020 US\$000
Deferred income tax assets	484	1,009
Deferred income tax liabilities	(87,228)	(73,316)
Total	(86,744)	(72,307)

Unrecognised tax losses expire in the following years:

	As at 31 December	
	2021 US\$000	2020 US\$000
Expire after four years	167,273	171,527
	167,273	171,527

30 Deferred income tax continued

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

	As at 31 December	
	2021 US\$000	2020 US\$000
Provision for mine closure ¹	7,887	9,212

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 2021 and 2020, 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.

31 Dividends

	2021 US\$000	2020 US\$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: 2.335 US cents per share (2019: nil US cents per share)	12,002	–
Interim dividend for 2021: 1.95 US cents per share (2020: 4.000 US cents per share)	10,020	20,556
Total dividends paid in cash	22,022	20,556
Dividends in specie paid with Aclara shares (note 4)	94,945	–
Total dividends paid on ordinary shares	116,967	20,556
Proposed dividends on ordinary shares:		
Final dividend for 2021: 2.335 US cents per share (2020: 2.335 US cents per share)	12,000	12,002
Dividends declared to non-controlling interests: 0.058 US\$ per share (2020: 0.002 US\$ per share)	9,832	345
Total dividends declared to non-controlling interests	9,832	345

Dividends paid in 2021 to non-controlling interests amounted to US\$9,832,000 (2020: US\$345,069).

In August 2021, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to the 2017 final dividend, the 2018 interim and final dividends, the 2019 interim dividend, and the 2020 interim and final dividends (the 'Relevant Dividends'). In particular, the Relevant Dividends were paid to shareholders when the Company did not have adequate distributable reserves.

Significant corrective transactions (namely, a capital reduction and dividend distribution by the Company's wholly-owned subsidiary, Hochschild Mining Holdings Limited) were implemented by the Company in September 2021, shortly after discovery of the issue. Had these internal corporate transactions been implemented prior to the payment of the 2017 final dividend, adequate distributable reserves would have been available to the Company.

As previously reported, the Board intends to put resolutions to shareholders at a General Meeting to i) complete the rectification of this past issue and ii) increase further, to the extent practicable, the level of Distributable Reserves available to the Company.

Dividends per share

The interim dividend paid in September 2021 was US\$10,020,000 (1.954 US cents per share). A dividend in specie amounting to US\$94,945,000 was paid in December 2021 (refer to note 4). A proposed dividend in respect of the year ending 31 December 2021 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 26 May 2022 and is not recognised as a liability as at 31 December 2021.

32 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 2021 and 2020. 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	
	2021 US\$000	2020 US\$000	2021 US\$000	2020 US\$000
Current related party balances				
Cementos Pacasmayo SAA ¹	217	387	152	146
Tecsup ²	1	1	115	120
Universidad UTEC ²	–	–	5	–
REE UNO SpA ³	6	–	–	–
Aclara Resources Inc ³	–	–	12	–
Total	224	388	284	266

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo SAA, an entity controlled by Eduardo Hochschild. The account payable relates to the payment of rentals.

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

3 Associated companies of the Aclara Group (refer to notes 4 and 19).

As at 31 December 2021 and 2020, all accounts are, or were, non-interest bearing.

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

Principal transactions between affiliates are as follows:

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Expenses		
Expense recognised for the rental paid to Cementos Pacasmayo SAA	(403)	(469)
Expense donations to Tecsup	-	(505)
Expense donations to Universidad UTEC	-	(875)
Expense technical services from Tecsup	(292)	(190)

Transactions between the Group and these companies are at an arm's length basis:

(b) Compensation of key management personnel of the Group

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Compensation of key management personnel (including Directors)		
Short-term employee benefits	7,509	7,330
Long-term Incentive Plans	776	808
Total compensation paid to key management personnel	8,285	8,138

This amount includes the remuneration paid to the Directors of the Parent Company of the Group of US\$3,967,000 (2020: US\$3,821,000).

(c) Related party transaction

Participation of Pelham Investment Corporation in the IPO of Aclara

As announced by the Company on 3 December 2021, Pelham Investment Corporation ('Pelham'), a company controlled by the Chairman, Eduardo Hochschild, entered into a subscription agreement with Aclara on 2 December 2021 pursuant to which Pelham agreed to purchase, on a prospectus exempt basis in Canada, 22,791,000 Aclara shares at a price of C\$1.70 per share (the 'Offering Price'). In addition, Pelham subscribed for 9,855,660 Aclara shares at the Offering Price as part of the IPO. These share acquisitions, which are in addition to the Aclara shares acquired by Pelham as part of the demerger dividend, constitute a smaller related party transaction for the purposes of the UK Listing Rules. Accordingly, as also announced, the Company obtained a written confirmation from a sponsor that the terms of the smaller related party transaction were fair and reasonable as far as the shareholders of the Company are concerned.

33 Auditor's remuneration

The auditor's remuneration for services provided to the Group during the years ended 31 December 2021 and 2020 is as follows:

	Amounts paid to Ernst & Young in the year ended 31 December	
	2021 US\$000	2020 US\$000
Audit fees pursuant to legislation ¹	1,206	855
Audit-related assurance services	130	90
Other assurance services ²	176	12
Other non-audit services ³	-	37
Total	1,512	994

¹ The total audit fee in respect of local statutory audits of subsidiaries is US\$417,000 (2020: US\$323,000).

² Includes US\$164,000 for assurance services (including comfort letters) in relation to the spin-off of Aclara and US\$12,000 for assurance services over the Group's environmental ECO Score. (2020: US\$ 12,000 for assurance services over the Group's environmental ECO Score).

³ Related to corporate finance transaction services for a transaction that did not proceed.

In 2021 and 2020, all fees are included in administrative expenses.

34 Notes to the statement of cash flows

	As at 31 December	
	2021	2020
	US\$000	US\$000
Reconciliation of loss for the year to net cash generated from operating activities		
Profit for the year	71,106	20,426
Adjustments to reconcile Group loss to net cash inflows from operating activities		
Depreciation (note 3(a))	150,292	116,920
Amortisation of intangibles (note 18)	1,118	1,115
Write-off of assets (note 16)	863	2,078
Provision of doubtful receivable (note 12)	–	996
Impairment /(reversal of impairment) of assets (note 11)	24,846	(8,303)
Gain on demerger of Aclara (note 4)	(37,461)	–
Loss on sale of financial assets at fair value through profit and loss (note 21)	834	–
Share of post-tax losses of associates	169	–
Gain on sale of property, plant and equipment	(3,342)	(231)
Provision for obsolescence of supplies (note 12)	(1,779)	(1,921)
Increase of provision for mine closure (note 12)	22,095	16,056
Finance income (note 13)	(3,946)	(4,197)
Finance costs (note 13)	32,061	23,560
Income tax expense (note 14)	66,225	42,494
Other	7,742	4,012
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	(13,734)	(18,905)
Income tax receivable	(3,501)	2,189
Other financial assets and liabilities	15,336	90
Inventories	(4,534)	21,991
Trade and other payables	(9,542)	(8,611)
Provisions	4,740	(760)
Cash generated from operations	319,588	208,999

35 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	
	2021	2020
	US\$000	US\$000
Commitment for the subsequent 12 months	12,583	3,837
More than one year	66,218	35,552

(b) Capital commitments

	For the year ended 31 December	
	2021	2020
	US\$000	US\$000
Peru	24,946	1,800
Argentina	13,812	2,111
	38,758	3,911

36 Contingencies

As at 31 December 2021 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 2021, the Group had exposures totalling US\$20,622,000 (2020: US\$26,706,000).

When the tax authority challenges the deductibility of certain expenses the Group reassesses the case internally and externally, with the support of a third-party professional, to determine the probability of success and, depending on the result, makes the decision whether or not to continue with the claim. Notwithstanding this risk, the Directors believe that management's interpretation of the relevant legislation and assessment of taxation is appropriate and that it is probable that the Group's tax and customs positions will be sustained in the event of a challenge by the tax authorities. Consequently, the Directors consider that no tax liability is required to be recognised in respect of these claims or risks.

(b) Guarantees

The Group is required to provide guarantees in Peru in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities (see note 28(1)).

37 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:

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

As at 31 December 2021, the amounts payable under the new mining royalty and the SMT amounted to US\$1,341,000 (2020: US\$1,544,000) and US\$882,000 (2020: US\$1,492,000) respectively. The new mining royalty and SMT are reported as 'Income tax payable' in the statement of financial position. The amount recorded in the income statement was US\$6,326,000 (2020: US\$4,088,000) of new mining royalty and US\$5,916,000 (2020: US\$3,119,000) 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 ore and concentrate is 3% of the pit-head value. As at 31 December 2021, the amount payable as mining royalties amounted to US\$1,505,000 (2020: US\$315,000). The amount recorded in the income statement as cost of sales was US\$7,171,000 (2020: US\$5,208,000).

38 Financial risk management

The Group is exposed to a variety of risks and uncertainties which may have a financial impact on the Group and which also impact the achievement of social, economic and environmental objectives. These risks include strategic, commercial, operational and financial risks and are further categorised into risk areas to facilitate consolidated risk reporting across the Group.

The Group has made significant developments in the management of the Group's risk environment which seeks to identify and, where appropriate, implement the controls to mitigate the impact of the Group's significant risks. This effort is supported by a Risk Committee with the participation of the CEO, the Vice Presidents, and the head of the internal audit function. The Risk Committee is responsible for implementing the Group's policy on risk management and internal control in support of the Company's business objectives, and monitoring the effectiveness of risk management within the organisation.

(a) Commodity price risk

Silver and gold prices have a material impact on the Group's results of operations. Prices are significantly affected by changes in global economic conditions and related industry cycles. Generally, producers of silver and gold are unable to influence prices directly; therefore, the Group's profitability is ensured through the control of its cost base and the efficiency of its operations.

The Group's policy is generally to remain hedge-free. However, management continuously monitors silver and gold prices and reserves the right to take the necessary action, where appropriate and within Board approved parameters, to mitigate the impact of this risk. During 2020 the Group had no hedging instruments.

At 31 December 2020 the Group was not exposed to commodity price risk on commodity forward contracts.

Derivative financial assets – Silver forward

On 8 February 2021, the Group signed agreements with JP Morgan to hedge the sale of 4,000,000 ounces of silver at US\$27.10 per ounce for 2021 and a further 4,000,000 ounces of silver at US\$26.86 per ounce for 2022.

On 10 November 2021, the Group signed agreements with JP Morgan to hedge the sale of 3,300,000 ounces of silver at US\$25.0 per ounce for 2023.

The silver forwards are being used to hedge exposure to changes in cash flows from silver commodity prices. There is an economic relationship between the hedged item and the hedging instruments due to a common underlying. In accordance with IFRS 9, the derivative instruments are categorised as cash flow hedges at the inception of the hedging relationship and, on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge effectiveness requirements. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the silver forwards is identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the silver forwards against the changes in fair value of the hedged item attributable to the hedged risk. That said, it is observed that the effectiveness tests comply with the requirements of IFRS 9 and that the hedging strategy is highly effective.

The fair values of the silver forwards were calculated using a discounted cash flow model applying a combination of level 1 (USD quoted market commodity prices) and level 2 inputs. The models used to value the commodity forward contracts are standard models, that calculate the present value of the fixed legs (the fixed silver leg) and compare them with the present value of the expected cash flows of the floating legs (the London Metal Exchange 'LME' silver fixing). In the case of the commodity forward contracts, the models use the LME AG forward curve and the US LIBOR swap curve for discounting.

This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy. The fair values of the silver forwards as at 31 December 2021 are as follows:

	US\$000
Current assets	5,042
Non-current assets	14,073
	19,115

The effect recorded is as follows:

	US\$000
Income statement – revenue	7,982
Equity – unrealised gain on hedges	19,115

The sensitivity to a reasonable movement in the commodity prices, with all other variables held constant, determined as a +/-10% change in prices has a US\$2,182,000/ US\$36,046,000 effect on OCI.

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
2021	Gold +/-10%	+/-95
	Silver +/-10%	+/-757
2020	Gold +/-10%	+/-210
	Silver +/-10%	+/-890

(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
2021			
Pounds sterling	+/-10%	-/+248	-
Argentinian pesos	+/-10%	-/+3,084	-
Mexican pesos	+/-10%	+/-1,879	-
Peruvian nuevos soles	+/-10%	-/+3,663	-
Canadian dollars	+/-10%	-/+270	+/-32
Chilean pesos	+/-10%	-/+82	-
2020			
Pounds sterling	+/-10%	+/-11	-
Argentinian pesos	+/-10%	+/-867	-
Mexican pesos	+/-10%	+/-2,026	-
Peruvian nuevos soles	+/-10%	-/+4,059	-
Canadian dollars	+/-10%	+/-424	+/-37
Chilean pesos	+/-10%	-/+144	-

(c) Credit risk

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due (without taking into account the fair value of any guarantee or pledged assets). The Group is primarily exposed to credit risk as a result of commercial activities and non compliance, by counterparties, in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date.

Counterparty credit exposure based on commercial activities, including trade and other receivables, embedded derivatives, hedge instruments and cash balances in banks as at 31 December 2021 and 31 December 2020:

	As at 31 December 2021 US\$000	% collected as at 21 February 2022	As at 31 December 2020 US\$000	% collected as at 16 February 2021
Summary commercial partners				
Trade receivables	27,773	74%	45,353	56%

Other receivables include advances to suppliers and receivables from contractors for the sale of supplies. There is no credit risk on these amounts as the Group can withhold the balances that it owes the suppliers or contractors for their services.

	As at 31 December 2021 US\$000	As at 31 December 2020 US\$000
Cash and cash equivalents – Credit rating¹		
A+	60,000	20,000
A	-	14,479
A-	142,740	79,559
BBB+	171,328	100,421
BBB	-	14,528
NA	12,721	2,896
Total	386,789	231,883

¹ Represents the long-term credit rating as at 3 January 2022 (2020: 4 February 2021).

As at 31 December 2021, the credit rating of the counterparty of the silver forward hedges is A-.

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.

38 Financial risk management continued

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).
- Increasing the utilisation of UK bank accounts.

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 22, 24 and 38(e).

The Group's risk assessment procedures includes 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 2021 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\$165,000 (2020: +/-US\$101,000) recognised in equity. The sensitivity to reasonable movements in the share price of financial assets at fair value through profit and loss of +/- 25% with all other variables held constant is +/-US\$789,000 (2020: +/-US\$1,352,000) recognised in the consolidated statement of profit and loss.

(e) Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2021 and 2020, the Group held the following financial instruments measured at fair value:

	31 December 2021 US\$000	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000
Assets measured at fair value				
Equity shares (notes 20 and 21)	3,816	3,816	–	–
Trade receivables (note 22)	27,773	–	–	27,773
Derivative financial assets	19,115	–	19,115	–

	31 December 2020 US\$000	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000
Assets measured at fair value				
Equity shares (notes 20 and 21)	5,809	5,809	–	–
Trade receivables (note 22)	45,353	–	–	45,353
Liabilities measured at fair value				
Derivative financial liabilities	(6,003)	–	(6,003)	–

During the period ending 31 December 2021 and 2020, there were no transfers between these levels.

The reconciliation of the financial instruments categorised as level 3 is as follows:

	Trade receivables/ price adjustments US\$000
Balance at 1 January 2020	37,799
Net change in trade receivables from goods sold	6,289
Changes in fair value of price adjustments (note 5)	10,999
Realised price adjustments during the year	(9,734)
Balance at 31 December 2020	45,353
Net change in trade receivables from goods sold	(12,969)
Changes in fair value of price adjustments (note 5)	(6,614)
Realised price adjustments during the year	2,003
Balance at 31 December 2021	27,773

The impact of the hedging instrument and hedge item on the statement of financial position is as follows:

	Silver ounces	Average price US\$/ounce	Line item in the statement of financial position	Carrying amount of hedging instrument US\$000	Change in fair value of hedging in- strument used for measuring ineffectiveness for the period US\$000	Change in fair value of hedged item used for measuring ineffectiveness for the period US\$000
Silver forward contracts	7.5 million	26.03	Derivative financial asset	19,115	13,476	13,476

The hedging gain recognised in OCI before tax on silver forward hedges is equal to the change in fair value of the hedged item attributable to the hedged risk used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Interest rate swap US\$000	Silver forward US\$000	Total US\$000
Balance at 1 January 2021	(4,169)	–	(4,169)
Reclassification adjustments for items included in the income statement on realisation:			
Transfer to silver sales (revenue)	–	(7,982)	(7,982)
Transfer to finance costs	5,521	–	5,521
Revaluation arising on the year	392	27,097	27,489
Movement in deferred tax	(1,744)	(5,639)	(7,383)
Balance at 31 December 2021	–	13,476	13,476

(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 2021					
Trade and other payables	118,110	1,637	1,177	–	120,924
Borrowings	5,644	30,597	285,387	–	321,628
Total	123,754	32,234	286,564	–	442,552
At 31 December 2020					
Trade and other payables	103,419	211	–	–	103,630
Borrowings	14,316	69,124	135,424	–	218,864
Derivative financial liabilities ¹	1,500	1,557	2,946	–	6,003
Total	119,235	70,892	138,370	–	328,497

¹ The interest rate swap settles the difference between the fixed and floating interest rate on a net basis on a quarterly basis.

38 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 2021					
	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	299,666	-	-	-	299,666
Floating rate					
Liabilities	(499)	(25,000)	(275,000)	-	300,499

As at 31 December 2020					
	Within 1 year US\$000	Between 1 and 2 years US\$000	Between 2 and 5 years US\$000	Over 5 years US\$000	Total US\$000
Fixed rate					
Assets	150,851	-	-	-	150,851
Liabilities	(10,628)	-	-	-	(10,628)
Floating rate					
Liabilities	(150)	(66,666)	(132,888)	-	(199,704)

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The sensitivity to a reasonable movement in the interest rate, with all other variables held constant, of the financial instruments with a floating rate, determined as a +/-20bps change in interest rates, has a +/-US\$600,000 effect on profit before tax (2020: +/-US\$400,000). The Group is exposed to fluctuations in market interest rates.

This assumes that the amount remains unchanged from that in place at 31 December 2021 and 2020 and that the change in interest rates is effective from the beginning of the year. In reality, the floating rate will fluctuate over the year and interest rates will change accordingly.

Derivative financial liabilities – Interest rate swap

On 14 February 2020, the Group and JP Morgan Chase Bank, N.A. entered into an interest rate swap with a notional amount equal to the principal of the medium-term loan whereby the Group paid a fixed rate of 2.534% and received interest at a variable rate equal to Libor+1.15% on the notional amount from 17 March 2020 to 17 December 2024. The interest rate swap was used to hedge the exposure to changes in the cash flows of the Group's variable rate medium-term loan. In accordance with IFRS 9, this derivative instrument was categorised as a cash flow hedge at the inception of the hedging relationship, and on an ongoing basis, the Group assessed whether a hedging relationship meets the hedge effectiveness requirements. At a minimum, an entity shall perform the ongoing assessment at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

The Group has established a ratio of 1:1 for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedging instrument and the hedged item have values that move in the opposite direction due to the same risk and, therefore, there is an economic relationship between the hedged item and the instrument coverage as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity and payment dates). That said, it is observed that the effectiveness tests comply with the requirements of IFRS 9 and we conclude that the hedging strategy is highly effective. There is no ineffectiveness recognised in profit or loss.

The fair value of the interest rate swap was calculated using a discounted cash flow model applying a combination of level 1 (USD swap curve and USD zero yield curve) and level 2 inputs. This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy.

The fair value of the interest rate swap as at 31 December 2020 was as follows:

	US\$000
Current derivative financial liabilities	1,500
Non-current derivative financial liabilities	4,503
	6,003

The effect recorded is as follows:

	US\$000
Income statement – Finance costs	90
Equity – Cash flow hedge reserve	5,913

The Group repaid the interest rate swap on 21 September 2021, paying US\$3,774,000.

The effect recorded is as follows:

	US\$000
Income statement – Finance costs	5,521

(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 27 and 29).

In 2021 the Group received proceeds from borrowings of US\$105,954,000 (2020: US\$48,520,000) whilst US\$14,793,000 (2020: US\$37,717,000) 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.

39 Subsequent events

The Group entered into a definitive agreement with Amarillo Gold Corporation ('Amarillo') to acquire all of the issued and outstanding shares of Amarillo at a price of C\$0.40 per share in cash (the 'Cash Offer'). Pursuant to the Transaction, the Group will acquire a 100% interest in Amarillo's flagship Posse gold project ('Posse') located in Goiás State, Brazil. The shareholders of Amarillo will receive shares in a newly formed company, Lavras Gold Corp., which will hold a stake in the Lavras do Sul project, C\$10 million of cash, and a 2.0% net smelter revenue royalty on certain exploration properties owned by Amarillo and located outside the current Posse resource and mine plan at Amarillo's Mara Rosa property. The net acquisition cost to Hochschild, including the Cash Offer, cash provided to Lavras Gold Corp. and Amarillo's net cash is estimated to be C\$135 million (approximately US\$106 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Parent company statement of financial position

As at 31 December 2021

		As at 31 December	
	Notes	2021 US\$000	2020 US\$000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	1,138,762	2,104,219
		1,138,762	2,104,219
Current assets			
Other receivables	6	5,211	2,603
Cash and cash equivalents	7	528	748
		5,739	3,351
Total assets		1,144,501	2,107,570
EQUITY AND LIABILITIES			
Equity share capital	8	226,506	226,506
Share premium	8	458,267	458,267
Other reserves		3,912	2,533
Retained earnings		435,136	1,127,421
Total equity		1,123,821	1,814,727
Non-current liabilities			
Trade and other payables	9	1,837	872
Provisions	10	37	81
		1,874	953
Current liabilities			
Trade and other payables	9	18,806	291,890
		18,806	291,890
Total liabilities		20,680	292,843
Total equity and liabilities		1,144,501	2,107,570

The loss of the Company after tax amounted to US\$576,381,000 (2020: profit of US\$283,560,000).

The financial statements were approved by the Board of Directors on 22 February 2022 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
22 February 2022



Parent company statement of cash flows

For the year ended 31 December 2021

		Year ended 31 December	
		2021 US\$000	2020 US\$000
	Notes		
Reconciliation of loss for the year to net cash used in operating activities			
(Loss)/profit for the year		(576,381)	283,560
Adjustments to reconcile Company profit to net cash outflows from operating activities			
Impairment/(reversal of impairment) on investment in subsidiary	5	966,933	(288,306)
Share-based payments		2,442	1,456
Finance income	13	(397,380)	(296)
Finance costs		13	12
Income tax		2	-
(Decrease)/increase of cash flows from operations due to changes in assets and liabilities			
Other receivables		(2,637)	(1,496)
Trade and other payables		824	390
Provision for Long-Term Incentive Plan	10	(44)	21
Cash used in operating activities		(6,228)	(4,659)
Interest received		1	1
Net cash used in operating activities		(6,227)	(4,658)
Cash flows from investing activities			
Repayment of loans to subsidiaries		-	5,175
Dividends collected		29	-
Net cash generated from investing activities		29	5,175
Cash flows from financing activities			
Dividends paid	12	(22,022)	(20,556)
Purchase of treasury shares	8(b)	-	(292)
Repayment of loan from subsidiary		-	(5,000)
Loans from subsidiaries	11(a)	28,000	25,525
Cash flows generated from/(used in) financing activities		5,978	(323)
Net (decrease)/increase in cash and cash equivalents during the year		(220)	194
Cash and cash equivalents at beginning of year		748	554
Cash and cash equivalents at end of year	7	528	748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

Parent company statement of changes in equity

For the year ended 31 December 2021

	Notes	Equity share capital US\$000	Share premium US\$000	Treasury shares US\$000	Other reserves		Retained earnings US\$000	Total equity US\$000
					Share- based payment reserve US\$000	Total other reserves US\$000		
Balance at 1 January 2020		226,506	458,267	–	2,164	2,164	863,622	1,550,559
Other comprehensive income		–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	283,560	283,560
Total comprehensive profit for the year		–	–	–	–	–	283,560	283,560
Exercise of share options	8(b)	–	–	292	(1,087)	(1,087)	795	–
Dividends	12	–	–	–	–	–	(20,556)	(20,556)
Purchase of treasury shares	8(b)	–	–	(292)	–	–	–	(292)
Share-based payments	8(c)	–	–	–	1,456	1,456	–	1,456
Balance at 31 December 2020		226,506	458,267	–	2,533	2,533	1,127,421	1,814,727
Other comprehensive income		–	–	–	–	–	–	–
Profit for the year		–	–	–	–	–	(576,381)	(576,381)
Total comprehensive profit for the year		–	–	–	–	–	(576,381)	(576,381)
Exercise of share options	8(c)	–	–	–	(1,063)	(1,063)	1,063	–
Dividends	12	–	–	–	–	–	(22,022)	(22,022)
Dividends in specie	12	–	–	–	–	–	(94,945)	(94,945)
Share-based payments	8(c)	–	–	–	2,442	2,442	–	2,442
Balance at 31 December 2021		226,506	458,267	–	3,912	3,912	435,136	1,123,821

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

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 38.32% and it 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 UK adopted International Accounting Standards. The Company applies the same Group policies, unless there is an exception in its financial statements.

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in US dollars (US\$) and all monetary amounts are rounded to the nearest thousand (\$000) except when otherwise indicated.

(b) Going concern

The financial position of the Company is set out in the statement of financial position. The Company has received a support letter from its wholly owned subsidiary, Hochschild Mining Holdings Ltd ('HM Holdings'), indicating that it will not request a repayment of the interest-free loan of US\$12,000,000 for the period to 31 March 2023.

The ability for the Company to continue as a going concern is dependent on Compañía Minera Ares S.A.C. ('Minera Ares'), another wholly owned subsidiary of the Company, providing additional funding to the extent that the operating inflows of the Company are insufficient to meet future cash requirements. The Company has obtained a letter of support from Minera Ares indicating that the financial support will continue until 31 March 2023.

Considering the support available from the subsidiaries described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation until 31 March 2023, being a period of at least 12 months from the date of these financial statements. These considerations included the impact of the Covid pandemic on the wider Hochschild Group and the Hochschild Group Directors' assessment of going concern. Accordingly, the financial statements have been prepared on the going concern basis.

(c) Exemptions

The Company's financial statements are included in the Hochschild Mining Group consolidated financial statements for the years ended 31 December 2021 and 31 December 2020. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

(d) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the Company financial statements for the year ended 31 December 2020. 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.

Dividends distributions of non-cash assets are recognised at fair value.

(g) Judgements in applying accounting policies and key sources of estimation uncertainty

Certain amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial statements.

Significant estimates:

– *Impairment in subsidiaries – notes 2(e) and 5*

Estimates are required to be made by management in determining the recoverable value of the investments in subsidiaries. The Company tested its investment in subsidiary determining the recoverable value using a fair value less cost of disposal, that was determined with reference to the market capitalisation of the Company, to which a control premium is applied. Judgement is involved in determining the control premium rate to be paid by market participants in an arm's length transaction.

Critical judgements:

– *Income tax – note 2(n)*

The Company analyses the possibility of generation of profit and determines the recognition of deferred tax. No deferred tax asset is being recognised by the Company as it does not expect to generate any profit to settle the temporary difference.

2 Significant accounting policies continued

(h) Other receivables

Other receivables are initially recognised at fair value less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according to IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

(i) Currency translation

The functional currency of the Company is the US dollar and is determined by the currency of the primary economic environment in which its subsidiaries operate and therefore drives their ability to pay dividends.

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(m) Finance income and costs

Finance income and costs mainly comprise interest income on funds invested, interest expense on borrowings and foreign exchange gains and losses. Interest income and costs are recognised as they accrue, taking into account the effective yield on the asset and liability, respectively.

(n) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the following exemptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The Company measures financial assets at amortised cost (debt instruments) if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and financial guarantee liabilities.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(p) Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cash flows required under a debt instrument, and the net present value of the net contractual cash flows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of ECL. Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cash flows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

3 Profit and loss account

The Company made a loss attributable to equity shareholders of US\$576,381,000 (2020: profit of US\$283,560,000).

4 Property, plant and equipment

At 31 December 2021 and 2020 the Company has property, plant and equipment with cost of equipment of US\$265,000 which is fully depreciated.

There were no additions during 2020 and 2021.

5 Investments in subsidiaries

	Total US\$000
Year ended 31 December 2020	
Cost	
At 1 January 2020	2,337,482
At 31 December 2020	2,337,482
Accumulated impairment	
At 1 January 2020	521,569
Reversal of impairment	(288,306)
At 31 December 2020	233,263
Net book value at 31 December 2020	2,104,219
Year ended 31 December 2021	
Cost	
At 1 January 2021	2,337,482
Additions	95,160
Disposals	(93,684)
At 31 December 2021	2,338,958
Accumulated impairment	
At 1 January 2021	233,263
Impairment	966,933
At 31 December 2021	1,200,196
Net book value at 31 December 2021	1,138,762

HM Holdings had interests over a Chilean company named REE UNO SpA. This entity holds the project Aclara (formerly named Biolantánidos), which is located in the south of Chile, and is currently focused on the development of the Penco module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits.

The Hochschild Group wanted to separate the Aclara project from its other businesses dedicated to the extraction and production of gold and silver. For this purpose, a new company named Aclara Resources Inc. located in Canada (hereinafter, 'Aclara') was incorporated by HM Holdings. The investment held in REE UNO SpA was then transferred to Aclara.

A distribution of 70,606,502 Aclara shares, representing 80% of the Aclara shares, was made to the Company by HM Holdings on 3 December 2021 by way of a dividend in specie. The value of the dividend received was C\$120,031,053 in aggregate (equivalent to US\$93,684,000 at that date). The dividend distribution was recognised by the Company at fair value, based on the offering price of C\$1.70 per Aclara share (the Offering Price).

On 10 December 2021, a distribution of the Aclara shares held by the Company was made to the holders of ordinary shares of the Company by way of a dividend in specie (the 'Demerger Dividend'). The approval of the Group's shareholders in respect of the Demerger Dividend was granted at the Extraordinary General Meeting held on 5 November 2021. The Aclara Initial Public Offering ('IPO') was completed later that day. Once the Aclara IPO was completed, Aclara became an independent company listed on the Toronto Stock Exchange.

The ratio of Demerged Aclara shares to the number of ordinary shares in the Company was 70,606,502 to 513,875,563.

Therefore, the shareholders who were entitled to receive the Demerger Dividend received 0.1374 Aclara shares for each ordinary share in the Group. The value of the Demerger Dividend is C\$120,031,053 (equivalent to US\$94,945,000) in aggregate based on the Offering Price.

The fair value of the dividends received and paid is therefore a level 1 fair value measurement.

In 2021, the Company tested its investment in subsidiary for impairment in light of decreases in the Company's publicly listed share price. As a result of this test, the Company recognised an impairment of the investment in HM Holdings of US\$966,933,000.

In 2020, the Company tested its investment in subsidiary for impairment reversal in light of increases in the Company's publicly listed share price. As a result of this test, the Company recognised an impairment reversal of the investment in HM Holdings of US\$288,306,000.

The recoverable value of the investment in HM Holdings 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 2021 translated from pounds sterling into US dollars using the year-end exchange rate (both Level 1 inputs), to which a control premium was added based on recent market transactions (a Level 2 input), and subsequently adjusted for the assets and liabilities held directly by the Company, which results in fair value measurements categorised in their entirety as Level 3 in the fair value hierarchy. A Level 1 input refers to quoted prices in active markets, while a Level 2 input corresponds to other information that can be observed directly or indirectly.

A positive/adverse change of 10% of the market capitalisation would result in an additional decrease/increase to the impairment recognised by US\$112,810,000 (2020: additional increase/reduction to the reversal of impairment recognised by US\$181,638,000). A change in the control premium would have the following impact over the impairment recognised in 2021 and the reversal of impairment recognised in 2020 as follows:

	As at 31 December 2021 US\$000	As at 31 December 2020 US\$000
Control premium (increase by 5%)	(45,124)	72,655
Control premium (decrease by 5%)	45,124	(72,655)

The breakdown of the investments in subsidiaries is as follows:

Name	As at 31 December 2021			As at 31 December 2020		
	Country of incorporation	Equity interest %	Carrying value US\$000	Country of incorporation	Equity interest %	Carrying value US\$000
Hochschild Mining Holdings Ltd	England and Wales	100%	1,138,762	England and Wales	100%	2,104,219
Total			1,138,762			2,104,219

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 2021 the Company recorded a capital contribution of \$1,476,000 related to the financial guarantee granted over some borrowings entered into by Minera Ares, one of its indirectly held subsidiaries (note 9).

6 Other receivables

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Amounts receivable from subsidiaries (note 11)	4,640	2,371
Prepayments	567	231
Receivable from Kaupthing, Singer and Friedlander	200	201
Other receivable	1	1
	5,408	2,804
Provision for impairment ¹	(197)	(201)
Total	5,211	2,603
Less current balance	(5,211)	(2,603)

¹ Corresponds to the balance of the impairment of cash deposits with Kaupthing, Singer and Friedlander of US\$197,000 accrued in 2008 (2020: US\$201,000).

The fair values of other receivables approximate their book values.

Movements in the provision for impairment of receivables:

	Total US\$000
At 1 January 2020	197
Provided during the year	4
At 31 December 2020	201
Provided during the year	(4)
At 31 December 2021	197

As at 31 December 2021 and 2020, none of the financial assets classified as receivables (net of impairment) were past due.

7. Cash and cash equivalents

	Year ended 31 December	
	2021 US\$000	2020 US\$000
Bank current account ¹	319	411
Time deposits ²	209	337
Cash and cash equivalents considered for the cash flow statement	528	748

¹ Relates to bank accounts which are freely available and bear interest.
² These deposits have an average maturity of nil days (2020: nil days).

8. Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2021 and 2020 is as follows:

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

At 31 December 2021 and 2020, all issued shares with a par value of 25 pence each were fully paid (weighted average of US\$0.441 per share).

The changes in share capital are as follows:

	Number of shares	Share capital US\$000	Share premium US\$000
Shares issued as at 1 January 2020	513,875,563	226,506	458,267
Shares issued as at 31 December 2020	513,875,563	226,506	458,267
Shares issued as at 31 December 2021	513,875,563	226,506	458,267

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 2(i)).

The movements in the treasury shares are as follows:

- On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US\$292,000).
- On 30 March 2020, 182,941 treasury shares with a value of US\$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long Term Incentive Plan.

At 31 December 2021 the balance of treasury shares is nil (31 December 2020: nil).

(c) Other reserves

Share-based payment reserve

The 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 29(c) to the consolidated financial statements for details of the share-based payment reserve at 31 December 2021 and 2020.

(d) Retained earnings**Merger reserve**

The merger reserve represents the difference between the value of the net assets of the Cayman Holding Companies (Ardley, 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.

The merger reserve is disclosed under retained earnings.

Contained within retained earnings is a merger reserve which mainly represents the difference between the fair value of the net assets of the Cayman Holding Companies acquired under the Share Exchange Agreement dated 2 November 2006 and the nominal value of the shares issued in consideration of such acquisitions. During the period ended 31 December 2021, US\$966,933,000 was realised as a result of the impairment of the investment in subsidiary recorded in the period (note 5). As at 31 December 2021 US\$198,398,000 of the merger reserve remained within retained earnings, which balance is unrealised and not available for distribution:

	US\$000
As at 1 January 2020	877,025
Reversal of impairment of investment in subsidiary (note 5)	288,306
As at 31 December 2020	1,165,331
Impairment of investment in subsidiary (note 5)	(966,933)
As at 31 December 2021	198,398

9 Trade and other payables

	As at 31 December			
	2021		2020	
	Non-current US\$000	Current US\$000	Non-current US\$000	Current US\$000
Trade payables	-	1,922	-	286
Payables to subsidiaries (note 11 (a))	-	15,930	-	290,952
Remuneration payable	-	251	-	244
Taxes and contributions	-	177	-	113
Financial guarantees ¹	1,837	495	872	295
Others	-	31	-	-
Total	1,837	18,806	872	291,890

1 The Company provided a 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\$2,948,000 (US\$1,472,000 recognised in 2019 and an additional US\$1,476,000 recognised in 2021). 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.

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	
	2021 US\$000	2020 US\$000
Beginning balance	81	60
(Decrease)/increase in provision, net	(44)	21
At 31 December	37	81
Less: current portion	-	-
Non-current portion	37	81

Corresponds to the provision related to awards granted under the Long-Term Incentive Plan ('LTIP') to designated personnel of the Company. Includes the following benefits: (i) 2020 awards, granted in February 2020, payable in February 2023, as 50% in cash, (ii) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash 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. Refer to footnote 2 of note 28 to the consolidated financial statements for details of the LTIP awards and assumptions used for the valuation as at 31 December 2021 and 2020.

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 2021 and 31 December 2020.

	As at 31 December 2021		As at 31 December 2020	
	Accounts receivable US\$000	Accounts payable US\$000	Accounts receivable US\$000	Accounts payable US\$000
Subsidiaries				
Compañía Minera Ares S.A.C. ¹	3,413	3,906	1,416	3,545
Hochschild Mining Holdings Ltd ²	–	12,000	–	287,385
Other subsidiaries	1,227	24	955	22
Total	4,640	15,930	2,371	290,952

1 The account receivable mainly relates to the LTIP 2021, LTIP 2020, LTIP 2019 and LTIP 2018 (50% paid in shares that are going to be paid by Hochschild Mining PLC on behalf of Minera Ares). The account payable mainly relates to the services performed by Minera Ares to the Company, which during 2021 amounts to US\$361,000 (2020: US\$508,000). The Company provided certain financial guarantees on behalf of Minera Ares (note 9).

2 Relates to loans receivable by and payable to IIMI Holdings. The loan payable is repayable on demand and is free of interest. During the year the Company received cash proceeds from loans of US\$28,000,000. A dividend of US\$303,385,000 was received in September 2021 offsetting against amounts payable to HM Holdings (refer to note 13). In February 2022, the Company received a support letter from HM Holdings indicating that it will not request a repayment of the interest free loan of US\$12,000,000 for the period to 31 March 2023.

The fair values of the receivables and payables approximate their book values. Transactions between the Company and these companies are on an arm's length basis.

(b) Compensation of key management personnel of the Company

Key management personnel include the Directors who receive remuneration. The amount of this remuneration totals US\$1,149,000 (2020: US\$1,030,000).

12 Dividends paid and proposed

	2021 US\$000	2020 US\$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2020: 2.335 US cents per share (2019: nil US cents per share)	12,002	–
Interim dividend for 2021: 1.95 US cents per share (2020: 4.000 US cents per share)	10,020	20,556
Total dividends paid in cash	22,022	20,556
Dividends in specie paid with Aclara shares (note 5)	94,945	–
Total dividends paid on ordinary shares	116,967	20,556
Proposed dividends on ordinary shares:		
Final dividend for 2021: 2.335 US cents per share (2020: 2.335 US cents per share)	12,000	12,002

In August 2021, the Board became aware of an issue concerning technical compliance with the Companies Act 2006 in relation to the 2017 final dividend, the 2018 interim and final dividends, the 2019 interim dividend, and the 2020 interim and final dividends (the 'Relevant Dividends'). In particular, the Relevant Dividends were paid to shareholders when the Company did not have adequate distributable reserves.

Significant corrective transactions (namely, a capital reduction and dividend distribution by IIMI Holdings) were implemented by the Company in September 2021, shortly after discovery of the issue. Had these internal corporate transactions been implemented prior to the payment of the 2017 final dividend, adequate distributable reserves would have been available to the Company.

As previously reported, the Board intends to put resolutions to shareholders at a General Meeting to i) complete the rectification of this past issue and ii) increase further, to the extent practicable, the level of Distributable Reserves available to the Company.

Dividends per share

The interim dividend paid in September 2021 was US\$10,020,000 (1.954 US cents per share). A dividend in specie amounting to US\$94,945,000 was paid in December 2021 (refer to note 5).

A proposed dividend in respect of the year ending 31 December 2021 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 26 May 2022 and is not recognised as a liability as at 31 December 2021.

13 Finance income

	2021 US\$000	2020 US\$000
Dividends received	397,069	-
Interests on deposits	1	1
Income from guarantee	310	295
Total	397,380	296

Dividends received

During 2021 HM Holdings declared total dividends amounting to US\$397,069,000 as follows:

- On 28 September 2021, a dividend of US\$303,385,000 which was offset against amounts payable to HM Holdings for the same amount.
- On 3 December 2021, a dividend in specie with fair value of US\$93,684,000 was received, representing 70,606,502 shares in Aclara (refer to note 5).

14 Financial risk management

The Company is exposed to a variety of risks and uncertainties which may have an impact on the achievement of financial and economic objectives. These risks include strategic, operational and financial risk and are further categorised into risk areas to facilitate risk assessment.

The Company is not exposed to significant sources of commodity price, equity or interest rate risk.

(a) Foreign currency risk

Due to the operations of the Company, it has cash and cash equivalents and trade payables denominated in pounds sterling. Accordingly, the financial results of the Company may be affected by exchange rate fluctuations. The Company does not use derivative instruments to manage its foreign currency risks. The following table demonstrates the sensitivity of financial assets and liabilities, at the reporting date denominated in their respective currencies, to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

Year	Increase/ decrease in US\$/other currencies rate	Effect on profit before tax US\$000	Effect on equity US\$000
2021			
Pounds sterling	+/-10%	-/+49	-
2020			
Pounds sterling	+/-10%	+/-14	-

(b) Credit risk

The Company is primarily exposed to credit risk in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date. The Company has evaluated and introduced efforts to try to mitigate credit risk exposure.

To manage credit risk associated with cash balances deposited in banks, the Company is:

- increasing banking relationships with large, established and well-capitalised institutions in order to secure access to credit and to diversify credit risk;
- investing cash in short-term, highly liquid and low-risk instruments (term deposits);
- maintaining excess cash abroad in hard currency.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Company's counterparties whose added risk exposure is significant to the Company's total credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 6.

14 Financial risk management continued

(c) Liquidity risk

Liquidity risk arises from the Company's inability to obtain the funds it requires to comply with its commitments. Management constantly monitors the Company's level of short- and medium-term liquidity in order to ensure appropriate financing is available for its operations.

The Company is funded by HM Holdings through loans in order to meet its obligations. Liquidity is supported by the balance of cash and cash equivalents held by the Company of US\$528,000 (2020: US\$748,000) and the financial support provided by Minera Ares (see note 2(b)). The Company also serves as principal funding conduit for the Group's capital raising activities such as equity issuances.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date:

	Less than 1 year US\$000	Between 1 and 2 years US\$000	Between 2 and 5 years US\$000	Over 5 years US\$000	Total US\$000
At 31 December 2021					
Trade and other payables	18,134	-	-	-	18,134
At 31 December 2020					
Trade and other payables	291,482	-	-	-	291,482

The table below analyses the maximum amounts payable under financial guarantees provided to Minera Ares (note 9), considering that if the guarantees were to be called, the guaranteed amounts would be due immediately:

	Less than 1 year US\$000	Between 1 and 2 years US\$000	Between 2 and 5 years US\$000	Over 5 years US\$000	Total US\$000
At 31 December 2021					
Financial guarantees ¹	300,000,000	-	-	-	300,000,000
At 31 December 2020					
Financial guarantees ¹	200,000,000	-	-	-	200,000,000

¹ Not including any accumulated interest that may be payable at the call date.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Management considers as part of its capital the financial resources 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 OPERATION¹ (SEGMENT REPORT RECONCILIATION) AS AT 31 DECEMBER 2021

Group (US\$000)	Inmaculada	San Jose	Pallancata	Consolidation adjustment and others	Total/HOC
Revenue	452,835	258,972	99,116	464	811,387
Cost of sales (pre consolidation)	(225,492)	(192,163)	(98,153)	5,525	(510,283)
Consolidation adjustment	6,135	(400)	(210)	(5,525)	-
Cost of sales (post consolidation)	(219,357)	(192,563)	(98,363)	-	(510,283)
Production cost excluding depreciation	(134,110)	(122,449)	(66,859)	-	(323,418)
Depreciation in production cost	(76,828)	(49,054)	(22,960)	-	(148,842)
Workers' profit sharing	(3,489)	-	(3,023)	-	(6,512)
Other items	(5,545)	(20,332)	(5,314)	-	(31,191)
Change in inventories	615	(728)	(207)	-	(320)
Gross profit	227,343	66,809	963	5,989	301,104
Administrative expenses	-	-	-	(51,905)	(51,905)
Exploration expenses	-	-	-	(39,848)	(39,848)
Selling expenses	(616)	(14,195)	(620)	-	(15,431)
Other income/(expenses)	-	-	-	(172)	(172)
Operating profit before impairment	226,727	52,614	343	(85,936)	193,748
Impairment and write-off of non-current assets	-	-	-	(25,709)	(25,709)
Share of post-tax losses from associate	-	-	-	(169)	(169)
Finance income	-	-	-	3,946	3,946
Finance costs	-	-	-	(32,061)	(32,061)
Foreign exchange loss	-	-	-	(2,424)	(2,424)
Profit/(loss) from continuing operations before income tax	226,727	52,614	343	(142,353)	137,331
Income tax	-	-	-	(66,225)	(66,225)
Profit/(loss) for the year from continuing operations	226,727	52,614	343	(208,578)	71,106

¹ On a post-exceptional basis.

RESERVES AND RESOURCES

Ore reserves and mineral resources estimates

Hochschild Mining PLC reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition ("the JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 198 to 200 was prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

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

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

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

The estimates of ore reserves and mineral resources are shown as at 31 December 2021, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US\$1,800 per ounce and Ag Price: US\$26.0 per ounce.

Attributable metal reserves as at 31 December 2021

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS¹						
Inmaculada						
Proved	1,637,395	168	4.1	8.9	213.8	24.3
Probable	5,002,635	140	3.3	22.5	527.4	60.5
Total	6,640,030	147	3.5	31.4	741.3	84.7
Pallancata						
Proved	524,132	265	1.2	4.5	19.9	5.9
Probable	393,336	187	0.9	2.4	11.2	3.2
Total	917,468	231	1.1	6.8	31.1	9.1
San Jose						
Proved	396,524	368	5.7	4.7	72.5	9.9
Probable	365,792	314	5.7	3.7	66.8	8.5
Total	762,315	342	5.7	8.4	139.4	18.4
GRAND TOTAL						
Proved	2,558,050	219	3.7	18.0	306.3	40.1
Probable	5,761,763	154	3.3	28.6	605.5	72.2
TOTAL	8,319,813	174	3.4	46.6	911.8	112.2

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

¹ Operations were audited by P&E Consulting.

Attributable metal resources as at 31 December 2021^{1,2}

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS							
Inmaculada							
Measured	1,938,000	199	4.89	551	12.4	304.7	34.3
Indicated	5,987,000	160	3.88	440	30.8	747.6	84.6
Total	7,925,000	169	4.13	467	43.2	1,052.3	118.9
Inferred	11,989,000	102	2.57	286	39.2	988.7	110.3
Pallancata							
Measured	1,273,000	330	1.50	439	13.5	61.6	17.9
Indicated	846,000	246	1.18	331	6.7	32.2	9.0
Total	2,119,000	297	1.38	396	20.2	93.7	27.0
Inferred	1,845,000	230	0.98	300	13.6	58.3	17.8
San Jose							
Measured	790,500	481	7.67	1,034	12.2	195.0	26.3
Indicated	611,490	358	6.21	805	7.0	122.0	15.8
Total	1,401,990	427	7.04	934	19.3	317.0	42.1
Inferred	937,890	332	5.22	708	10.0	157.4	21.4
GROWTH PROJECTS							
Crespo							
Measured	5,211,000	47	0.47	81	7.9	78.6	13.6
Indicated	17,298,000	38	0.40	66	21.0	222.5	37.0
Total	22,509,000	40	0.42	70	28.8	301.0	50.5
Inferred	775,000	46	0.57	87	1.1	14.2	2.2
Azuca							
Measured	191,000	244	0.77	299	1.5	4.7	1.8
Indicated	6,859,000	187	0.77	242	41.2	168.8	53.3
Total	7,050,000	188	0.77	243	42.7	173.5	55.2
Inferred	6,946,000	170	0.89	234	37.9	199.5	52.3
Volcan							
Measured	105,918,000	–	0.738	53	–	2,513.1	180.9
Indicated	283,763,000	–	0.698	50	–	6,368.0	458.5
Total	389,681,000	–	0.709	51	–	8,881.1	639.4
Inferred	41,553,000	–	0.502	36	–	670.7	48.3
Arcata							
Measured	834,000	438	1.34	535	11.7	36.1	14.3
Indicated	1,304,000	411	1.36	508	17.2	56.9	21.3
Total	2,138,000	421	1.35	519	29.0	92.9	35.6
Inferred	3,533,000	370	1.26	461	42.1	142.6	52.4
GRAND TOTAL							
Measured	116,156,500	16	0.86	77	59.3	3,193.7	289.2
Indicated	316,668,490	12	0.76	67	123.9	7,717.9	679.6
Total	432,824,990	13	0.78	70	183.1	10,911.6	968.8
Inferred	67,578,890	66	1.03	140	143.9	2,231.4	304.6

1 Prices used for resources calculation: Au: \$1,800/oz and Ag: \$26.0/oz and Ag/Au ratio of 72x.

2 Tables represents 100 % of the Mineral Resource. Resources are inclusive of Reserves.

RESERVES AND RESOURCES CONTINUED

Change in attributable reserves and resources

Ag equivalent content (million ounces)	Category	Percentage attributable December 2021	December 2020 Att. ¹	December 2021 Att. ¹	Net difference	% change
Inmaculada	Resource	100%	195.8	229.3	33.5	17.1%
	Reserve		79.3	84.7	5.4	6.9%
Pallancata	Resource	100%	47.8	44.8	(3.0)	(6.3%)
	Reserve		7.1	9.1	2.0	27.8%
San Jose	Resource	51%	65.2	63.4	(1.8)	(2.7%)
	Reserve		14.2	18.4	4.2	29.5%
Crespo	Resource	100%	52.7	52.7	–	–
	Reserve		–	–	–	–
Azuca	Resource	100%	107.5	107.5	–	–
	Reserve		–	–	–	–
Volcan	Resource	100%	687.7	687.7	–	–
	Reserve		–	–	–	–
Arcata	Resource	100%	88.0	88.0	–	–
	Reserve		–	–	–	–
Total	Resource		1,244.7	1,273.4	28.7	2.3%
	Reserve		100.6	112.2	11.6	11.5%

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

SHAREHOLDER INFORMATION

Company website

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

Registrars

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

By email

shareholderenquiries@linkgroup.co.uk

By post

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

By telephone

(+44 (0)) 371 664 0300

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.

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 13 May 2022 in respect of the 2021 final dividend.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. This arrangement is only available in respect of dividends paid in UK pounds sterling. To take advantage of this facility in respect of the 2021 final dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 13 May 2022. Alternatively you can register your bank details via Signal Shares, a secure online site where you can manage your shareholding quickly and easily. To register for Signal Shares just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or a previous dividend confirmation voucher. Shareholders who have already completed one or both of these forms need take no further action.

Financial calendar

Dividend dates	2022
Ex-dividend date	5 May
Record date	6 May
Deadline for return of currency election forms	13 May
Payment date	7 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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