HOCHSCHILD

23 February 2022

Hochschild Mining plc

Preliminary Results

Year ended 31 December 2021

HOCHSCHILD MINING PLC RESULTS FOR YEAR ENDED 31 DECEMBER 2021

Hochschild delivers strong results and strategic progress

Significant 2021 financial performance

- Strong balance sheet and financial performance despite continuing Covid-19 impact
- Revenue of $811.4 million (2020: $621.8 million)[1]
- Adjusted EBITDA of $382.8 million (2020: $270.9 million)[2]
- Profit before income tax (pre-exceptional) of $148.7 million (2020: $85.8 million)
- Profit before income tax (post-exceptional) of $137.3 million (2020: $62.9 million)
- Basic earnings per share (pre-exceptional) of $0.14 (2020: $0.06)
- Basic earnings per share (post-exceptional) of $0.15 (2020: $0.03)
- Cash and cash equivalent balance of $386.8 million as at 31 December 2021 (2020: $231.9 million)
- Net cash of $86.3 million as at 31 December 2021 (2020: net cash of $21.6 million)
- Final proposed dividend of 2.3 cents per share ($12.0 million) bringing the full-year total cash dividend to $22.0 million (2020: $32.6 million)[3]
- Dividend in specie of $94.9 million from Aclara demerger

2021 Operational strength[4]

- All-in sustaining costs (AISC) from operations of $1,241 per gold equivalent ounce (2020: $1,098) or $14.4 per silver equivalent ounce (2020: $12.8) in line with full year cost guidance of $1,210-$1,250 per gold equivalent ounce or $14.1-14.5 per silver equivalent ounce[5]
- Full year attributable production of 362,972 gold equivalent ounces (31.2 million silver equivalent ounces) in line with attributable production guidance of 360,000-372,000 gold equivalent ounces (31.0-32.0 million silver equivalent ounces)
- Strong operational performance despite impact from Covid protocols in 2021

2021 Exploration & Business Development highlights

- Resource additions on a 100% basis:
  - 75 million silver equivalent ounces in 2021 using 72x gold silver ratio
  - 83 million silver equivalent ounces in 2021 using 86x gold silver ratio
- 2021 total reserves up 12% with reserve grade up approximately 19% versus 2020
- Announcement of definitive agreement to acquire Amarillo Gold in Brazil; completion expected in Q1 2022
- Option exercised to start earning-in 60% interest in Skeena Resources' Snip gold project
- Completion of demerger and listing of Aclara Resources Inc. on the TSX
- Volcan gold project CEO appointed; 2022 work programme being developed

2021 ESG KPIs

- Lost Time Injury Frequency Rate of 1.26 (2020: 1.38)[6]
- Accident Severity Index of 676 (2020: 474)[7]
- Safety KPIs exclude impact of June 2021 bus accident in line with parameters adopted by Hochschild in 2018 with reference to guidance from International Council on Mining and Metals
- Water consumption of 193lt/person/day (2020: 231lt/person/day)
- Domestic waste generation of 1.00 kg/person/day (2020: 1.18kg/person/day)
- ECO score of 5.29 out of 6 (2020: 5.74)[8]

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[1]Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts plus services revenue
[2]Please see the Financial Review page 16 for a definition of Adjusted EBITDA
[3]2020 figure includes the interim dividend of $20.6 million, a portion of which relates to the 2019 final dividend of $12.0 differne million which was withdrawn due to Covid-19
[4]2021 and 2020 equivalent figures calculated using the previous Company gold/silver ratio of 86x. All 2022 forecasts assume the average 2021 gold/silver ratio of 72x.
[4]All-in sustaining cost per (AISC) silver equivalent ounce: Calculated before exceptional items and includes production cost excluding depreciation, other items and workers profit sharing in cost of sales, administrative expenses (excl depreciation), brownfield exploration, operating and exploration capex and royalties and special mining tax (presented with income tax) divided by silver or gold equivalent ounces produced, plus commercial deductions and selling expenses divided by silver or gold equivalent ounces sold using a gold/silver ratio of 86:1.
[6]Calculated as total number of accidents per million labour hours
[7]Calculated as total number of days lost per million labour hours.
[8]The ECO Score is an internally designed Key Performance Indicator measuring environmental performance in one number and encompassing numerous fronts including management of waste water, outcome of regulatory inspections and sound environmental practices relating to water consumption and the recycling of materials.

2022 outlook

- Production target:
  - 335,000-345,000 gold equivalent ounces (28.8-29.7 million silver equivalent ounces) using 86x gold silver ratio
  - 360,000-375,000 gold equivalent ounces (26.0-27.0 million silver equivalent ounces) using 72x gold silver ratio
- All-in sustaining costs target:
  - $1,440-$1,480 per gold equivalent ounce ($16.8-17.2 per silver equivalent ounce) using 86x gold silver ratio
  - $1,330-$1,370 per gold equivalent ounce ($18.5-19.0 per silver equivalent ounce) using 72x gold silver ratio
- Total sustaining and development capital expenditure expected to be approximately $150-160 million
- Brownfield exploration budget expected to be approximately $34 million
- Amarillo/Posse gold project capital expenditure in Brazil planned for $120 million
- Greenfield budget of approximately $11 million; Snip investment expected to be approximately $9 million

$000 unless stated	**Year ended 31 Dec 2021**	Year ended 31 Dec 2020	% change
Attributable silver production (koz)	**12,174**	9,808	24
Attributable gold production (koz)	**221**	175	26
Revenue	**811,387**	621,827	30
Adjusted EBITDA	**382,837**	270,918	41
Profit from continuing operations (pre-exceptional)	**67,450**	36,192	86
Profit from continuing operations (post-exceptional)	**71,106**	20,426	248
Basic earnings per share (pre-exceptional) $	**0.14**	0.06	133
Basic earnings per share (post-exceptional) $	**0.15**	0.03	400

A presentation will be held for analysts and investors at 9.30am (UK time) on Wednesday 23 February 2022 at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE

The presentation and a link to the live audio webcast of the presentation can be found at the Hochschild website:
www.hochschildmining.com
or:
https://webcasting.brrmedia.co.uk/broadcast/61ee86fe73640b735eff25bb

To join the event via conference call, please see dial in details below:
UK Toll-Free Number: 0800 279 6877
International Dial in: +44 (0)330 336 9601
US/Canada Toll-Free Number: 800-289-0720
Pin: 3326250#

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Public Relations

Non-IFRS Financial Performance Measures

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

About Hochschild Mining plc:

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

CHAIRMAN'S STATEMENT

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 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 authorize 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 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 cashflow 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 cashflow. 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

CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

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 program 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 was 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.[9] At Pallancata, the team completed a revised mine plan that incorporates the existing resource base and therefore have 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 has 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 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 27.0.0 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

[9] *Equivalent resource figures calculated using the gold/silver ratio of 72x.*

OPERATING REVIEW

OPERATIONS

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.

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**

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.

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**

Inmaculada

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

Inmaculada summary	Year ended 31 Dec 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

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.

Pallancata

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

Pallancata summary	Year ended 31 Dec 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

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.

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

San Jose summary	Year ended 31 Dec 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

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.

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 at the Pallancata vein, the Falla NW, Pablo, Pablo Piso and Marco veins 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 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 *Including : 1.5m @ 1.2g/t Au & 336g/t Ag*
Demian	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 the 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 11,455 m of potential drilling around the Saavedra area in several veins 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

Vein	Results (potential/resource 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's 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 licenses from state authorities in Goias during 2021 and 2022, including the licenses 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 $NPV_{5\%}$ at US$1,600/oz Au	US$150m – US$160m
After-Tax IRR at US$1,600/oz Au	18% – 20%
After-Tax $NPV_{5\%}$ 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[10]	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 200 m 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 20 January 2002, 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 reestablishing 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.

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[1] *Based on limited drilling at depth*

FINANCIAL REVIEW

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

Revenue

Gross revenue[11]

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

[11] *Includes revenue from services*

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 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 in 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 in San Jose from expenditure related to the accessing and mining of incremental resources.

Unit cost per tonne by operation (including royalties)[12]*:*

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.

Cash cost reconciliation[13]
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[14]	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[15]	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

[12] *Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively*
[13] *Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales*
[14] *Does not include Fixed costs during operational stoppages and reduced capacity of $8.7 million*
[15] *Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore*

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	7.9	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

$000 unless otherwise indicated	**Inmaculada**	**Pallancata**	**San Jose**	**Total**
Group cash cost	**102,135**	**62,181**	**107,119**	**271,435**
(+) Cost of sales[16]	154,950	83,272	113,091	**351,313**
(-) Depreciation and amortisation in cost of sales	(55,338)	(28,608)	(30,716)	**(114,662)**
(+) Selling expenses	417	632	11,705	**12,754**
(+) Commercial deductions[17]	2,106	6,885	13,039	**22,030**
Gold	*117*	*1,102*	*5,715*	***6,934***
Silver	*1,989*	*5,783*	*7,324*	***15,096***
Revenue	**314,906**	**100,674**	**206,098**	**621,678**
Gold	230,255	23,052	116,775	**370,082**
Silver	84,651	77,622	89,323	**251,596**
Ounces sold				
Gold	129.7	12.8	65.3	**207.8**
Silver	4,020	3,654	4,172	**11,846**
Group cash cost ($/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.

All-in sustaining cost reconciliation [18]

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2021

$000 unless otherwise indicated	**Inmaculada**	**Pallancata**	**San Jose**	**Main operations**	**Corporate & others**	**Total**
(+) Direct production cost excluding depreciation	134,110	66,859	122,449	323,418	-	323,418
(+) Other items and workers profit sharing in cost of sales	3,489	3,023	-	6,512	-	6,512
(+) Operating and exploration capex for units[19]	76,512	14,526	41,325	132,363	1,735	134,098
(+) Brownfield exploration expenses	3,276	5,993	9,653	18,923	3,658	22,581
(+) Administrative expenses (excl depreciation)[20]	4,909	1,074	6,104	12,087	38,782	50,870
(+) Royalties and special mining tax[21]	5,190	1,136	-	6,326	5,916	12,242
Sub-total	**227,486**	**92,612**	**179,532**	**499,629**	**50,092**	**549,721**
Au ounces produced	165,730	13,045	83,615	262,390	-	262,390
Ag ounces produced (000s)	6,236	3,261	5,250	14,746		14,746
Ounces produced (Ag Eq 000s oz)	20,488	4,382	12,440	37,311	-	37,311
Sub-total ($/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

[16] *Does not include Fixed costs during operational stoppages and reduced capacity of $46.5 million*
[17] *Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore*
[18] *Calculated using a gold/silver ratio of 86:1 in line with 2020.*
[19] *Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments*
[20] *Administrative expenses does not include expenses from Aclara Resources Inc ($236,000)*
[21] *Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*

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

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	86,874	51,534	79,804	218,212	-	218,212
(+) Other items and workers profit sharing in cost of sales	1,383	1,249	-	2,632	-	2,632
(+) Operating and exploration capex for units[22]	62,128	7,506	21,681	91,315	447	91,762
(+) Brownfield exploration expenses	2,526	4,652	9,720	16,898	3,745	20,643
(+) Administrative expenses (excl depreciation)	3,768	1,205	5,590	10,563	30,533	41,096
(+) Royalties and special mining tax[23]	3,098	990	-	4,088	3,119	7,206
Sub-total	**159,777**	**67,136**	**116,795**	**343,707**	**37,592**	**381,299**
Au ounces produced	129,173	12,925	64,987	207,085	-	207,085
Ag ounces produced (000s)	4,034	3,679	4,108	11,821	-	11,821
Ounces produced (Ag Eq 000s oz)	15,143	4,790	9,697	29,631	-	29,631
Sub-total ($/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**

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.

[22] *Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments*
[23] *Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*

$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 [24]	22,958	18,134	27
Adjusted EBITDA	382,811	270,918	41
Adjusted EBITDA margin	*47%*	*44%*	

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 cancelation 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 initiatives[25]

$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	**1,680**
Total	12,361	11,653	24,014

[24] *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*

[25] *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.*

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.

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 generated/(used in) from 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 [26]	(499)	(10,778)
Net cash	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 cashflow 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.

Capital expenditure [27]

$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

[26] *Includes pre-shipment loans and short term interest payables*
[27] *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*

2021 capital expenditure of $153.9 million (2020: $107.9 million) mainly comprised of 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.

Forward looking Statements

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

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

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

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

		Year ended 31 December 2021			Year ended 31 December 2020		
	Notes	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
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		25,028	(5,913)
Deferred tax (charge)/benefit on cash flow hedges		(7,383)	1,744
Exchange differences on translating foreign operations		(21,282)	159
Cumulative exchange difference loss transferred to the income statement on disposal of foreign operations	4	9,995	–
Share of other comprehensive loss of an associate		(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

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		5,042	–
Deferred income tax assets	28	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		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		226,506	226,506
Share premium		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		–	4,503
Borrowings	26	300,000	199,554
Provisions	27	116,835	109,033
Deferred income tax liabilities	28	87,228	73,316
		506,878	386,611
Current liabilities			
Trade and other payables	25	133,482	114,415
Derivative financial liabilities		–	1,500
Borrowings	26	499	10,778
Provisions	27	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

	Notes	Year ended 31 December 2021 US$000	2020 US$000
Cash flows from operating activities			
Cash generated from operations		**319,588**	208,999
Interest received		**1,938**	2,292
Interest paid	26	**(5,720)**	(6,312)
Payment of mine closure costs	27	**(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 though profit and loss	21	**4,726**	–
Proceeds from sale of property, plant and equipment		**3,393**	352
Cash and cash equivalent of demerged entity		**(553)**	–
Net cash used in investing activities		**(183,434)**	(112,229)
Cash flows from financing activities			
Proceeds from borrowings	26	**105,954**	48,520
Repayment of borrowings	26	**(14,793)**	(37,717)
Payment of lease liabilities		**(2,182)**	(2,021)
Purchase of treasury shares		**–**	(292)
Dividends paid to non-controlling interests		**(9,832)**	(345)
Dividends paid	29	**(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).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 31 December 2021

					Other reserves											
	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Fair value reserve of financial assets at fair value through OCI US$000	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	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity 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		–	–	292	–	–	–	–	–	–	(1,087)	(1,087)	795	–	–	–
Dividends		–	–	–	–	–	–	–	–	–	–	–	(20,556)	(20,556)	–	(20,556)
Dividends to non – controlling interests		–	–	–	–	–	–	–	–	–	–	–	–	–	(345)	(345)
Purchase of treasury shares		–	–	(292)	–	–	–	–	–	–	–	–	–	(292)	–	(292)
Share-based payments		–	–	–	–	–	–	–	–	–	1,456	1,456	–	1,456	–	1,456
Balance at 31 December 2020		226,506	438,041	–	(205)	–	99	(13,876)	(4,169)	(210,046)	2,533	(225,664)	287,652	726,535	79,550	806,085
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		–	–	–	–	–	–	–	–	–	–	–	(22,022)	(22,022)	–	(22,022)
In specie dividends		–	–	–	–	–	–	–	–	–	–	–	(94,945)	(94,945)	–	(94,945)
Dividends to non – controlling interests		–	–	–	–		–	–	–	–	–	–	–	–	(9,832)	(9,832)
Share-based payments		–	–	–	–	–	–	–	–	–	2,442	2,442	–	2,442	–	2,442
Forfeiture of share options		–	–	–	–	–	–	–	–	–	(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

1 Notes to the condensed consolidated financial statements

For the year ended 31 December 2021

The financial information for the year ended 31 December 2021 and 2020 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2021 and 2020 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2021 which have been approved by the directors on 22 February 2022 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements 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 are consistent with those adopted and disclosed in the Group's financial statements for the year ended 31 December 2020. 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. There have been a number of amendments to accounting standards and new interpretations, however these have not any impact on the accounting policies, methods of computation or presentation applied by the Group. Further details on new UK adopted International Accounting Standards will be disclosed in the 2021 Annual Report and Accounts.

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

Going concern

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

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 are 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's 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, which continued in 2021, can be found on pages 64 to 71 (Risk Management report) and pages 6 to 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 license 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 increases taxes on the mining sector in Q1 2022 although no specific details have been announced.
- Social License

  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. 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.

Directors' Assessment

The Directors have reviewed Group liquidity, including cash resources and borrowings (refer to note 26 on details of the US$300m 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.

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), and San Jose unit (US$2,341,000), products in process (US$509,000) and recognised against the mine rehabilitation provision (US$1,978,000).

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$3,155,000, 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 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.

(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 subsidary of the Group had interests over a Chilean company named REE UNO SpA. This entity holds the project Aclara (formerly named Biolantanidos), 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 their 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 demerged [1]	**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 an 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.

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 31)	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$7,607,000 (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$7,607,000 (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 exploration[1]		
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
Prospects[2]		
Peru	**2,677**	1,731
USA	**3,731**	1,902
Chile	**(53)**	(211)
Canada	**51**	–
	6,406	3,422
Generative[3]		
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 mineralisation potential that is economically viable for exploration. Exploration expenses are generally incurred in the following areas: mapping, sampling, geophysics, identification of local targets and reconnaissance drilling.

3 Generative expenditure is early stage exploration expenditure related to the basic evaluation of the region to identify prospects areas that have the geological conditions necessary to contain mineral deposits. Related activities include regional and field reconnaissance, satellite images, compilation of public information and identification of exploration targets.

The Group determines the cash flows which relate to the exploration activities of the companies engaged only in exploration. Exploration activities incurred by Group operating companies are not included since it is not practicable to separate the liabilities related to the exploration activities of these companies from their operating liabilities. Cash outflows on exploration activities were US$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 27)	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
Total[1]	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)).

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 number 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 year 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 30)).

The pandemic can be considered a single protracted globally pervasive event with a financial impact over a number of reporting periods. Management 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 cost 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 Reversals of impairment related to the San Jose mine unit (refer to notes 16, 17 and 18).
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 27(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 a 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), loss on sale of supplies of US$2,027,000 (2020: US$1,312,000).

13 Finance income and finance costs

	Year ended 31 December 2021	Year ended 31 December 2020
	US$000	US$000
Finance income		
Interest on deposits and liquidity funds	**1,815**	2,106
Interest on loans to related parties	**11**	–
Interest income	**1,826**	2,106
Unwind of discount on mine rehabilitation (note 27)	**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 26)	**(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 28)	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 31)	6,326	–	6,326	4,088	–	4,088
Special mining tax charge (note 31)	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 5Mm pesos is 0%, more than 5Mm up to 50Mm pesos is 30%, and more than 50Mm 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 US$000	2020 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 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$1,687,000), 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 31).
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

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[1and2] 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 27(1))	–	–	–	–	(2,344)	–	**(2,344)**
Change in mine closure estimate (note 27(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**	**555,532**	**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 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.

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment[1and2] 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 28(1))	–	–	–	–	5,385	–	**5,385**
Change in mine closure estimate (note 28(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[3]	706	111	(705)	(23)	–	(108)	**(19)**
At 31 December 2020	**1,188,404**	**352,088**	**396,155**	**8,754**	**75,919**	**839**	**2,022,159**
Net book amount at 31 December 2020	**326,300**	**178,696**	**216,465**	**1,900**	**31,821**	**32,481**	**787,663**

1 Within mining properties and development costs and plant and equipment there are US$28,489,000 and US$6,718,000 related to the Crespo CGU that 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 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.

2021

As at 31 December 2021, management determined that there was a trigger of impairment in the Pallancata mine unit due to lower grades production and the need of an increase of 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 CGUs 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 its entirety as level 3 in the fair value hierarchy, to construct a discounted cash flow model to estimate the amount that would be paid by a willing third party in an arm's length transaction.

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

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 2 years were used to prepare the cash flow projections of the Pallancata mine unit which is in line with their life of mine.

31 December 2021 (US$000)	Pallancata
Current carrying value of CGU, net of deferred tax	3,241

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$5.6 million.

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 amounted to US$8,303,000 (US$7,890,000 in property, plant and equipment, US$100,000 in evaluation and exploration assets and US$313,000 in intangibles). The reversal of impairment was mainly driven by an increase in 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 6 and 2 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 Biolantanidos) 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)	–	–	**(70,433)**
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**

1 The transmission line is amortised using the units of production method. At 31 December 2021 the remaining amortisation period is approximately 7 years (2020: 7 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).

2 Corresponds to the acquisition of water permits of Andina Minerals Group ("Andina"). These permits have an indefinite life according to Chilean law. To determine the fair value less costs of disposal of the Volcan cash-generating unit, which includes the water permits held by the Group, the Group used the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources which was US$7.15 per gold equivalent ounce of resources at 31 December 2021 (2020: US$7.40). The risk adjusted enterprise value figure has been determined using a combination of level 2 (enterprise values and gold prices) and level 3 inputs

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

3 Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. At 31 December 2021 the remaining amortisation period is from 1.5 to 11.5 years (2020: 2.5 to 12.5 years).

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

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually to determine whether it is in excess of its recoverable amount. No impairments were recognised in 2021 and 2020. The estimated recoverable amount is not materially different than 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 than its carrying value.

Sensitivity analysis

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

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

Approximate (impairment)/reversal of impairment resulting from the following changes (US$000)	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 for 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% interests 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 company 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.:

	Year ended 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 effect	(479)
Loss from continuing operations for the year	**(1,330)**
Loss from continuing operation 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 of 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.

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 47,625 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$658,000, 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:

	US$000	
	2021	2020
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 of 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 (note 13(3))	(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 of 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:

	US$000	
	2021	2020
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 30(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 dollars 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$2,164,000 (2020: US$1,642,000), receivables from government agencies of US$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$1,222,000l) 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.

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 26).

The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US$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 31)	–	1,505	–	315
Accounts payable to related parties (note 30(a))	–	284	–	266
Lease liabilities	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 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 on 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 $ 200,000,0000 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 3-month USD Libor plus a spread of 1.65%. A structuring fee of US$900,000 was paid to the lender and 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**

27 Provisions

	Provision for mine closure[1] US$000	Long Term Incentive Plan[2] US$000	Workers profit sharing US$000	Other US$000	Total US$000
At 1 January 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 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 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 were 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 were 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, (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) have 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:

	LTIP 2019	LTIP 2020	
For the period ended	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 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 2019 LTIP as at 31 December 2021 was $nil.

28 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

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.

29 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.

30 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 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 S.A.A.[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 S.A.A, an entity controlled by Eduardo Hochschild. The account payable relates to the payment of rentals.
2 Peruvian not-for-profit educational institutions controlled by Eduardo Hochschild.
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	
	2021 US$000	2020 US$000
Expenses		
Expense recognised for the rental paid to Cementos Pacasmayo S.A.A.	(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	
Compensation of key management personnel (including Directors)	2021 US$000	2020 US$000
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 3rd 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, 22,791,399 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.

31 Mining royalties

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

In October 2011 changes came into effect for mining companies, with the following features:
a) Introduction of a Special Mining Tax ('SMT'), levied on mining companies at the stage of exploiting mineral resources. The additional tax is calculated by applying a progressive scale of rates ranging from 2% to 8.4%, of the quarterly operating profit.

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

The SMT and modified mining royalty are accounted for as an income tax in accordance with IAS 12 "Income Taxes".
c) For companies that have mining projects benefiting from tax stability regimes, mining royalties are calculated and recorded as they were previously, applying an additional new special charge on mining that is calculated using progressive scale rates, ranging from 4% to 13.12% of quarterly operating profit.

As at 31 December 2021, the amount payable as 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 dore 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).

32 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).

Profit by operation[1]

(Segment report reconciliation) as at 31 December 2021

Group (US$000)	Pallancata	Inmaculada	San Jose	Consolidation adjustment and others	Total/HOC
Revenue	**99,116**	**452,835**	**258,972**	**464**	**811,387**
Cost of sales (pre consolidation)	(98,153)	(225,492)	(192,163)	5,525	**(510,283)**
Consolidation adjustment	(210)	6,135	(400)	(5,525)	–
Cost of sales (post consolidation)	**(98,363)**	**(219,357)**	**(192,563)**	–	**(510,283)**
Production cost excluding depreciation	(66,859)	(134,110)	(122,449)	–	**(323,418)**
Depreciation in production cost	(22,960)	(76,828)	(49,054)	–	**(148,842)**
Workers profit sharing	(3,023)	(3,489)	–	–	**(6,512)**
Other items	(5,314)	(5,545)	(20,332)	–	**(31,191)**
Change in inventories	(207)	615	(728)	–	**(320)**
Gross profit	**963**	**227,343**	**66,809**	**5,989**	**301,104**
Administrative expenses	–	–	–	(51,905)	**(51,905)**
Exploration expenses	–	–	–	(39,848)	**(39,848)**
Selling expenses	(620)	(616)	(14,195)	–	**(15,431)**
Other income/(expenses)	–	–	–	(172)	**(172)**
Operating profit before impairment	**343**	**226,727**	**52,614**	**(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	**343**	**226,727**	**52,614**	**(142,353)**	**137,331**
Income tax expenses	–	–	–	(66,225)	**(66,225)**
Profit/(loss) for the year from continuing operations	**343**	**226,727**	**52,614**	**(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 57 to 59 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

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

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

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

The estimates of ore reserves and mineral resources are shown as at 31 December 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)
OPERATIONS[1]						
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.

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

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

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

Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 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. 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. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

Financial Calendar

Dividend dates	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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