

Hochschild Mining PLC

Interim Results

Six months ended 30 June 2021

HOCHSCHILD MINING PLC INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

Strong rebound in profitability in H1 2021

- Revenue of \$394.8 million (H1 2020: \$232.0 million)¹
- Adjusted EBITDA of \$198.5 million (H1 2020: \$80.6 million)²
- Profit before income tax (pre-exceptional) of \$97.8 million (H1 2020: \$13.1 million)
- Profit before income tax (post-exceptional) of \$83.8 million (H1 2020: \$6.5 million)
- Basic earnings per share (pre-exceptional) of \$0.08 (H1 2020: \$0.01 loss)
- Basic earnings per share (post-exceptional) of \$0.07 (H1 2020: \$0.02 loss)
- Cash and cash equivalent balance of \$256.9 million as at 30 June 2021 (31 December 2020: \$231.9 million)
- Net cash of \$51.1 million as at 30 June 2021 (31 December 2020: net cash of \$21.6 million)

H1 2021 Operational and Exploration³

- All-in sustaining costs (AISC) from operations of \$1,136 per gold equivalent ounce (H1 2020: \$1,026) or \$13.2 per silver equivalent ounce (H1 2020: \$11.9)⁴
- H1 2021 attributable production of 175,119 gold equivalent ounces or 15.1 million silver equivalent ounces (H1 2020: 126,835 gold equivalent ounces or 10.9 million silver equivalent ounces)
- Brownfield programme adding significant high-grade Inferred resources in H1:
 - 409,000 gold equivalent ounces added from Angela North vein at Inmaculada at a gold equivalent grade of 10.6 grams per tonne.
 - 7 million silver equivalent ounces added year-to-date at San Jose at a silver equivalent grade of 944 grams per tonne
- Drilling campaigns executed at Pallancata, Corina, Cochaloma, Arcata and Crespo
- Further high grade drill results achieved at Skeena Resources' Snip project in British Columbia

2021 outlook

- On track to deliver overall 2021 production target of 360,000-372,000 gold equivalent ounces or 31.0-32.0 million silver equivalent ounces
- 2021 all-in sustaining costs on track to meet \$1,210 and \$1,250 per gold equivalent ounce guidance (\$14.1 and \$14.5 per silver equivalent ounce)
- Hochschild to host rare earths capital markets presentation on 8 September 2021

ESG highlights

- 2020 Sustainability Report recently published
- Lost Time Injury Frequency Rate of 1.31 (FY 2020: 1.38)⁵
- Accident Severity Index of 684 (FY 2020: 474)⁶
- 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 215lt/person/day (FY 2020: 231lt/person/day)
- Domestic waste generation of 1.01 kg/person/day (FY 2020: 1.18kg/person/day)
- ECO score of 5.36 out of 6 (FY 2020: 5.74)⁷

¹Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts plus services revenue

²Please see the Financial Review page 16 for a definition of Adjusted EBITDA

³All equivalent figures calculated using the Company's 2020 average gold/silver ratio of 86:1.

⁴All-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.

⁵Calculated as total number of accidents per million labour hours.

⁶Calculated as total number of days lost per million labour hours.

⁷The ECO Score is an internally designed Key Performance Indicator measuring environmental performance in one number and encompassing numerous fronts including management of waste water, outcome of regulatory inspections and sound environmental practices relating to water consumption and the recycling of materials.

\$'000 unless stated	Six months to 30 June 2021	Six months to 30 June 2020	% change
Attributable silver production (koz)	5,922	4,108	44
Attributable gold production (koz)	106	79	34
Revenue	394,750	232,029	70
Adjusted EBITDA	198,504	80,584	146
Profit/(loss) from continuing operations (pre-exceptional)	38,065	(4,345)	976
Profit/(loss) from continuing operations (post-exceptional)	28,594	(9,006)	417
Basic earnings/(loss) per share (pre-exceptional) \$	0.08	(0.01)	900
Basic earnings/(loss) per share (post-exceptional) \$	0.07	(0.02)	450

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

<https://webcasting.brrmedia.co.uk/broadcast/6109364e2379e74e98fa91f1>

Conference call dial in details:

UK: +44 (0)330 027 1846

UK Toll Free: 0800 031 4838

US/Canada Toll Free: 800-367-2403

Pin: 1461060

Enquiries:

Hochschild Mining PLC

Charles Gordon

Head of Investor Relations

+44 (0)20 3709 3264

Hudson Sandler

Charlie Jack

Public Relations

+44 (0)207 796 4133

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 (HOC.M.L) (HOC.LN) (OTCMKTS: \$HCHDF) 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.

IGNACIO BUSTAMANTE, CHIEF EXECUTIVE OFFICER SAID:

The first half of 2021 has delivered a number of operational and ESG challenges and I believe the admirable response of our Company and our people has ensured we are making good progress on all of our 2021 priorities despite the unprecedented tragic traffic accident in June, the continuation of the Covid-19 pandemic in addition to local political change. I am deeply appreciative of the determination and resilience of our people. They have helped ensure our business remains strongly positioned to continue strategic growth and reinforce our corporate values, which are centred on the wellbeing of our employees, the environment and the communities in which we operate.

Safety

In mid-June 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 affected by this very sad and unprecedented incident and the management team has been doing everything possible to investigate its circumstances and provide a wide range of support measures to everyone affected. We have of course been fully supporting the local authorities and the contractor with their respective accident investigations.

It is also with deep regret that, despite all the progress we have achieved over the last few years with our Safety Transformation programmes, we have to report an accident at our San Jose mine towards the end of first quarter that claimed the life of one of our contractors during the preparation of scheduled electrical maintenance work. A detailed investigation was carried out following the incident and the findings were reported to the Board. An action plan comprising internal communications and changes to operating procedures was subsequently implemented across all operations. As can be seen in our recently published Sustainability Report, our Company adopts a rigorous framework of safety protocols which cover all aspects of our business. The safety of everyone who works at Hochschild is our highest priority.

Operations

Hochschild's output in the first half was in line with our expectations and this was achieved despite the necessity to continue with our Covid-19 protocols at all our mines. Attributable production was 175,119 gold equivalent ounces (15.1 million silver equivalent ounces), which was understandably substantially higher than the pandemic-impacted 2020 figure of 126,835 gold equivalent ounces (10.9 million silver equivalent ounces) and was at an All-in sustaining cost ("AISC") of \$1,136 per gold equivalent ounce (13.2 per silver equivalent ounce). Inmaculada delivered a solid half with production of 111,696 gold equivalent ounces (H1 2020: 79,604 ounces) with AISC lower than expected at \$940 per gold equivalent ounce, principally due to delayed capital expenditure and lower production costs.

Pallancata's production in the first half reflected the current focus of the operation on mine development and brownfield exploration in order to extend the mine life. Output was 2.6 million silver equivalent ounces (H1 2020: 1.8 million ounces) with the mine's all-in sustaining cost at \$17.3 per silver equivalent ounce (H1 2020: \$14.0 per ounce). In Argentina, San Jose operated throughout the half 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 5.5 million silver equivalent ounces in the first half (H1 2020: 4.4 million ounces) with costs at \$15.2 per silver equivalent ounce (H1 2020: \$15.6 per ounce) with the decrease mostly due to lower production costs.

Exploration

Once again the brownfield programme continued in the surrounding areas of all three of our mines and I am delighted to report that we have delivered a strong first half of drilling results which we believe will increase both the quantity and quality of resources at both Inmaculada and San Jose. At Inmaculada, drilling in the Angela North vein has already yielded an additional 409,000 gold equivalent ounces at higher grades than current reserve grade whilst at San Jose we have added a further 7 million silver equivalent ounces close to current operations. At Pallancata, our brownfield team is completing a study into optimising the long-term mine plan that incorporates the existing resource base with the aim of delivering an extension to the life of the operation.

Our greenfield programme has also recently seen encouraging progress at the Snip project in British Columbia where our partner Skeena Resources has continued to deliver high grade drill results in the first half of the year. We are aiming to make a decision on whether to exercise our option on the project before its expiry during October. Furthermore, third-party exploration work has also been ongoing at prospects in the United States, Mexico and Peru with several more identified for the second half of the year.

In Chile, our Biolantánidos rare earths project has made further progress in the first half with the focus on delivering a first module that proves the business case by producing a profitable product. The work has involved engineering focused on resource estimation for the first 500 hectares (out of a package of 220,000 hectares), developing the corresponding mine plan and improving metallurgical recoveries. Subsequent developmental stages are expected to include optimisation of the metallurgical process, more production modules and vertical integration opportunities. For the first module, results from a Preliminary Economic Assessment are expected in the third quarter whilst the environmental permitting process has also progressed into its final stages. We look forward to presenting in detail on this exciting business early in September 2021.

Financial results

Total Group production was significantly higher versus the Covid-19 impacted H1 2020 and consequently, when combined with a 4% rise in the average gold price achieved and a weighty 62% rise in the silver price, revenue was increased by 70% to \$394.8 million (H1 2020: \$232.0 million). All-in sustaining costs were \$13.2 per silver equivalent ounce (H1 2020: \$11.9 per ounce) with the

rise reflecting the significant deferrals of capital expenditure resulting from operational stoppages in the first half of 2020. Adjusted EBITDA of \$198.5 million (H1 2020: \$80.6 million) mostly reflects the increased production levels whilst pre-exceptional earnings per share of \$0.08 (H1 2020: \$0.01 loss per share) includes the impact of an increase in the income tax calculation arising from the impact of the change of tax rate in Argentina to 35% and local currency devaluation on our tax bases. Post-exceptional earnings per share was also substantially higher at \$0.07 (H1 2020: \$0.02 loss per share) mainly due once again to the exceptional after tax cost of \$14.0 million of Covid-19 response initiatives which are deemed to be exceptional as they are incremental to the Group's regular business, are material impacts and are not expected to be recurring.

Financial position

Our balance sheet remains in a very strong position despite the significant impact over the last year of the Covid-19 crisis, with cash and cash equivalents of \$256.9 million at the end of June (31 December 2020: \$231.9 million) and net cash of \$51.1 million (31 December 2020: net cash \$21.6 million).

Outlook

This year has seen somewhat calmer precious metals markets after the strong rises of 2019 and 2020 although silver did experience a spike at the start of 2021 to reach just over \$30 due to some short-lived US retail purchases in early February. There has been an increase in political risk in Peru and Chile and the Group continues to monitor new legislative and regulatory initiatives which could result in increased taxes/royalties, other costs and potential permitting delays that could potentially impact our exploration and operational activities.

The second half will feature more planned brownfield and greenfield work with the aim of adding reserves and resources and identifying new projects for our pipeline. In addition to the option on the Snip project, with the support of Tom Elliott, who recently joined us as Vice President North America, we will primarily focus on greenfield exploration projects in North America and continue to assess value accretive acquisitions throughout the Americas. We can also look forward to introducing the market to our Biolantanidos rare earths project next month.

We remain confident that Hochschild's ongoing solid operational performance, robust cashflow and a strong balance sheet leave us in an advantageous position to successfully execute on a busy period of exploration and business development activity.

OPERATING REVIEW

OPERATIONS

Note: All 2021 and 2020 silver/gold equivalent production figures assume a gold/silver ratio of 86:1.

Production

In H1 2021, Hochschild delivered attributable production of 175,119 gold equivalent ounces or 15.1 million silver equivalent ounces (on an attributable basis) with the substantial increase versus the same period of 2020 resulting from the impact in H1 2020 of the Covid-19 crisis and the consequent operational stoppage at all three of the Company's mines. The Company remains on track to meet its 2021 production target of between 360,000 and 372,000 gold equivalent ounces or between 31.0 and 32.0 million silver equivalent ounces.

Total group production

	Six months to 30 June 2021	Six months to 30 June 2020
Silver production (koz)	7,021	5,018
Gold production (koz)	125.07	93.59
Total silver equivalent (koz)	17,778	13,067
Total gold equivalent (koz)	206.72	151.94
Silver sold (koz)	7,005	4,897
Gold sold (koz)	124.32	93.58

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

Attributable group production

	Six months to 30 June 2021	Six months to 30 June 2020
Silver production (koz)	5,922	4,108
Gold production (koz)	106.26	79.07
Silver equivalent (koz)	15,060	10,908
Gold equivalent (koz)	175.12	126.84

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

Costs

All-in sustaining cost from operations in H1 2021 was \$1,136 per gold equivalent ounce or \$13.2 per silver equivalent ounce (H1 2020: \$1,026 per gold equivalent ounce or \$11.9 per silver equivalent ounce), higher than H1 2020 mainly due to as a result of returning to a full production rate versus the 2020 H1 Covid stoppages. This is reflected in lower average grades and higher costs and capex. As budgeted, these costs are expected to rise in the second half due to timing in the execution of sustaining and development capital expenditure and additional capital expenditure allocated to Pallancata and Inmaculada to develop resources for increasing life-of-mine.

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	Six months to 30 June 2021	Six months to 30 June 2020	% change
Ore production (tonnes)	672,137	402,371	67
Average silver grade (g/t)	160	154	4
Average gold grade (g/t)	3.92	4.42	(11)
Silver produced (koz)	2,777	1,768	57
Gold produced (koz)	79.40	59.05	34
Silver equivalent produced (koz)	9,606	6,846	40
Gold equivalent produced (koz)	111.70	79.60	40
Silver sold (koz)	2,769	1,758	58
Gold sold (koz)	79.49	59.48	34
Unit cost (\$/t)	93.6	91.1	3
Total cash cost (\$/oz Au co-product)	547	583	(6)
All-in sustaining cost (\$/oz Au Eq)	940	777	21

Production

Inmaculada's first half production was 111,696 gold equivalent ounces (H1 2020: 79,604 ounces), driven by a significant increase in treated tonnage versus the same period of 2020 when the operation was severely impacted by stoppages caused by the global pandemic. This was despite lower grades in line with the mine plan.

Costs

All-in sustaining costs were \$940 per gold equivalent ounce (H1 2020: \$777 per ounce). Costs were increased versus H1 2020 when a considerable portion of capital expenditure was deferred including the tailings dam expansion due to the stoppages and also due to lower scheduled grades. Costs are expected to rise in H2 2021 in line with expectations as the infill drilling campaign at Angela North East and further expenditure on the ore sorting pilot plant are included.

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 22km to the Selene plant for processing.

Pallancata summary	Six months to 30 June 2021	Six months to 30 June 2020	% change
Ore production (tonnes)	289,002	188,740	53
Average silver grade (g/t)	237	257	(8)
Average gold grade (g/t)	0.86	0.92	(7)
Silver produced (koz)	2,000	1,392	44
Gold produced (koz)	7.28	4.92	48
Silver equivalent produced (koz)	2,626	1,815	45
Gold equivalent produced (koz)	30.54	21.10	45
Silver sold (koz)	2,000	1,271	57
Gold sold (koz)	7.29	4.41	65
Unit cost (\$/t)	106.0	88.6	20
Total cash cost (\$/oz Ag co-product)	15.6	9.9	58
All-in sustaining cost (\$/oz Ag Eq)	17.3	14.0	23

Production

In H1 2021, Pallancata's output was 2.6 million silver equivalent ounces (H1 2020: 1.8 million ounces), with the focus of the team currently on mine development and brownfield exploration in expectation of an extension to the mine life.

Costs

All-in sustaining costs were at \$17.3 per silver equivalent ounce (H1 2020: \$14.0 per ounce). Costs were increased versus H1 2020 mainly due to the use more conventional mining methods in 2021 and lower grades. The figure is expected to substantially increase in the second half as new capital expenditure is budgeted for development work to access newly economic resources which are expected to further extend the mine life.

San Jose

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

San Jose summary	Six months to 30 June 2021	Six months to 30 June 2020	% change
Ore production (tonnes)	246,194	162,394	52
Average silver grade (g/t)	321	401	(20)
Average gold grade (g/t)	5.45	6.36	(14)
Silver produced (koz)	2,244	1,858	21
Gold produced (koz)	38.40	29.62	30
Silver equivalent produced (koz)	5,546	4,406	26
Gold equivalent produced (koz)	64.48	51.23	26
Silver sold (koz)	2,236	1,868	20
Gold sold (koz)	37.54	29.69	26
Unit cost (\$/t)	208.6	231.1	(10)
Total cash cost (\$/oz Ag co-product)	12.6	9.3	35
All-in sustaining cost (\$/oz Ag Eq)	15.2	15.6	(2)

Production

The total for the first half of the year at San Jose was 5.5 million silver equivalent ounces (H1 2020: 4.4 million ounces). Grades were lower with ongoing Covid-related restrictions on labour availability in the country limiting the Company's ability to access certain planned mining zones. In addition, low grade mineral from developments was used to fill up plant capacity.

Costs

All-in sustaining costs were at \$15.2 per silver equivalent ounce (H1 2020: \$15.6 per ounce) which is below expectations due to lower production costs, deferred capital expenditure and local currency devaluation. Costs will rise in the second half in line planned mine development and the purchase of new mining equipment.

EXPLORATION

Inmaculada

In H1 2021, the exploration team carried out 2,819m of potential drilling and 25,386m of resource drilling mostly testing the Angela North structure. Selected results are below:

Vein	Results (potential/resource drilling)
Angela North	IMS-21-056: 5.9m @ 2.5g/t Au & 99g/t Ag IMS-21-062: 9.7m @ 91.7g/t Au & 3,013g/t Ag IMS-21-063: 2.1m @ 6.5g/t Au & 217g/t Ag IMS-21-065: 7.0m @ 3.7g/t Au & 198g/t Ag IMS-21-066: 2.4m @ 4.3g/t Au & 386g/t Ag IMS-21-067: 1.0m @ 2.4g/t Au & 234g/t Ag IMS-21-070: 1.5m @ 2.1g/t Au & 156g/t Ag IMS-21-071: 1.4m @ 3.6g/t Au & 123g/t Ag IMS-21-072: 2.0m @ 1.8g/t Au & 109g/t Ag IMS-21-075: 3.1m @ 5.5g/t Au & 341g/t Ag IMS-21-077: 2.7m @ 1.4g/t Au & 103g/t Ag IMS-21-078: 9.1m @ 14.1g/t Au & 1,639g/t Ag IMS-21-087: 5.6m @ 12.6g/t Au & 494g/t Ag IMS-21-069: 1.2m @ 7.1g/t Au & 533g/t Ag IMS-21-078: 9.7m @ 14.1g/t Au & 424g/t Ag IMS-21-085: 3.5m @ 5.2g/t Au & 149g/t Ag IMS-21-088: 3.7m @ 5.9g/t Au & 304g/t Ag IMS-21-089: 2.1m @ 1.9g/t Au & 109g/t Ag IMS-21-100: 1.4m @ 3.2g/t Au & 171g/t Ag
Ramal Angela North 1	IMS-21-056: 1.6m @ 2.0g/t Au & 151g/t Ag
Ramal Angela North 2	IMS-21-056: 0.8m @ 5.4g/t Au & 572g/t Ag
Ramal Piso Angela	IMS-21-100: 1.7m @ 2.9g/t Au & 196g/t Ag
Juliana connection	IMS-21-079: 2.0m @ 12.8g/t Au & 527g/t Ag IMS-21-088: 1.4m @ 6.8g/t Au & 292g/t Ag
Split 1	IMS-21-089: 2.7m @ 1.8g/t Au & 181g/t Ag
Split 2	IMS-21-096: 2.4m @ 8.0g/t Au & 387g/t Ag

Year-to-date, 409,000 gold equivalent ounces have been added to the Inmaculada Inferred resource base at a gold equivalent grade of 10.6 grams per tonne.

During Q3, the plan is to carry out 2,500m of potential drilling and 3,000m of resource drilling in the Juliana North

Pallancata

At Pallancata, 3,543m of potential drilling was carried out testing the continuity of the Pallancata vein, the Falla NW, Pablo, Pablo Piso and Marco veins vein structures. Quartz veins were intercepted but so far without economic value. At Cochaloma, 800m of potential drilling in the Esperanza and Cochaloma veins were executed, also intercepting a quartz structure but again without economic value.

In Corina, 5,245m were drilled in the Calvario, Clara, Anomalia NE, Corina and Luciano veins. Selected results are below:

Vein	Results (resource drilling)
Corina	DHCOR-21-026: 1.6m @ 6.0g/t Au & 39g/t Ag DHCOR-21-028: 1.6m @ 3.1g/t Au & 22g/t Ag DHCOR-21-036: 5.5m @ 1.3g/t Au & 3g/t Ag

During Q3, there will be further drilling on the Pallancata, Pablo, Paola and Pepita veins close to the mine and additional drilling at Cochaloma and Corina.

San Jose

In H1 2021, the team carried out 1,679m of potential drilling targeting the Escondida and the Betania veins as well as the North Telken area close to Cerro Negro. 5,202m of resource drilling was also executed targeting Escondida, Isabel and Ramal Isabel structures.

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: 3.1m @ 5.5g/t Au & 6g/t Ag

Year-to-date, 7.2 million silver equivalent ounces have been added to the San Jose Inferred resource base at a silver equivalent grade of 944 grams per tonne.

During Q3, 3,000m of potential drilling will be carried out on the Betania structure in addition to a target generated by Titan to the south of San Jose.

BIOLANTANIDOS

In Chile, the Biolantánidos rare earths project made further good progress in the first half with the focus on delivering a first module that proves the business case by producing a profitable product. The work in the first stage includes engineering focused on resource estimation for the first 500 hectares (out of a package of 220,000 hectares), developing the corresponding mine plan and improving metallurgical recoveries. Subsequent developmental stages are expected to include optimisation of the metallurgical process, more production modules and vertical integration opportunities. For the first module, results from a Preliminary Economic Assessment are expected in the third quarter whilst the environmental permitting process has also continued into its final stages. The Company will be hosting a detailed presentation on the business early in September 2021.

GREENFIELD AND BUSINESS DEVELOPMENT

Hochschild's strategy with regards to its greenfield exploration programme is to maintain and drill a balanced portfolio of early-stage to advanced opportunities using a combination of earn-in joint ventures, private placements with junior exploration companies and the staking of properties. In H1 2021, exploration work continued 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.

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 and the Corvinon and Pampamali projects in Peru.

Given the increased political risk in Peru and Chile, Hochschild will focus its greenfield exploration strategy primarily in North America to diversify geographic risk with the greenfield team in discussion with a number of partners on a further seven projects in the United States.

Snip

In April 2021, at Snip in the Golden Triangle of British Columbia, Hochschild's partner, Skeena Resources Limited, reported diamond drill core results from the 2020-2021 campaign of exploration drilling. The exploratory programme was focused upon resource expansion and delineating additional mineralisation in previously unexplored areas of the near mine environment. The surface-based programme was comprised of ten drill holes totalling 5,366 metres. Highlights were⁸:

- 45.40 g/t Au over 0.50 m (S20-047)
- 45.76 g/t Au over 5.60 m (S20-049)
- 29.52 g/t Au over 4.03 m (S20-049)
- 37.78 g/t Au over 2.86 m (S20-049)

Skeena disclosed further drill results in May and after the period end in July from its 2021 Phase 3 infill and exploration drilling programme. The aim is to upgrade areas of existing Inferred resources from Skeena's 2020 Mineral Resource Estimate, to the Measured and Indicated categories. Highlights were⁸:

- 155.76 g/t Au over 3.22 m (S21-076)
- 140.50 g/t Au over 0.50 m (S21-078)
- 8.40 g/t Au over 3.00 m (S21-080)

⁸True widths range from 60-100% of reported core lengths. Length weighted Au composites are constrained by geological considerations. Grade-capping of individual assays has not been applied to the Au assays informing the length-weighted Au composites. Samples below detection limit were nulled to a value of zero.

- 61.30 g/t Au over 0.50 m (S21-083)
- 30.72 g/t Au over 3.82 m (S21-099)
- 48.44 g/t Au over 4.50 m (UG21-126)
- 33.63 g/t Au over 4.00 m (UG21-169)
- 25.64 g/t Au over 4.00 m (UG21-172)
- 58.47 g/t Au over 3.81 m (UG21-175)
- 46.94 g/t Au over 4.75 m (UG21-176)
- 110.22 g/t Au over 4.41 m (UG21-177)

Further detail can be found on the Skeena Resources website within press releases issued on 27 April, 20 May and 7 July:
<https://skeenaresources.com/>

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 periods.

Revenue

Gross revenue⁹

Gross revenue from continuing operations increased by 69% to \$404.4 million in H1 2021 (H1 2020: \$238.7 million) due to the rebound in silver and gold production in the first half versus the same period of 2020 which was impacted by the production stoppages 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. As of June 2021, 1.82 million silver ounces were priced at \$27.10 per ounce, boosting the realised price.

Gold

Gross revenue from gold in H1 2021 increased to \$220.3 million (H1 2020: \$159.2 million) due to the rise in gold sales of 33% resulting from the rebound of production versus the Covid-19 impacted H1 2020. This was added to by a 4% increase in the average realised gold price.

Silver

Gross revenue rose in H1 2021 to \$184.1 million (H1 2020: \$79.5 million) due to an increase in silver sales of 43% versus the Covid-19 impacted H1 2020. This was significantly augmented by a 62% increase in the average realised silver price.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for H1 2021 and H1 2020:

Average realised prices	Six months to 30 June 2021	Six months to 30 June 2020
Silver ounces sold (koz)	7,005	4,897
Avg. realised silver price (\$/oz)	26.3	16.2
Gold ounces sold (koz)	124.32	93.58
Avg. realised gold price (\$/oz)	1,772	1,701

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 H1 2021, the Group recorded commercial discounts of \$9.8 million (H1 2020: \$6.7 million) with the increase explained by the significant increase in production. The ratio of commercial discounts to gross revenue in H1 2021 was 2.4% (H1 2020: 2.9%).

Net revenue

Net revenue was \$394.8 million (H1 2020: \$232.0 million), comprising net gold revenue of \$217.3 million (H1 2020: \$156.5 million) and net silver revenue of \$177.3 million (H1 2020: \$75.5 million). In H1 2021, gold accounted for 55% and silver for 45% of the Company's consolidated net revenue (H1 2020: gold 67% and silver 33%).

Reconciliation of gross revenue by mine to Group net revenue

\$000	Six months to 30 June 2021	Six months to 30 June 2020	% change
Silver revenue			
Inmaculada	72,586	29,736	144
Pallancata	53,175	18,998	180
San Jose	58,386	30,777	90
Commercial discounts	(6,890)	(4,009)	72
Net silver revenue	177,257	75,502	135
Gold revenue			
Inmaculada	142,512	97,505	46
Pallancata	12,562	8,167	54
San Jose	65,190	53,517	22
Commercial discounts	(2,959)	(2,713)	9
Net gold revenue	217,305	156,476	39
Other revenue	188	51	269
Net revenue	394,750	232,029	70

⁹Includes revenue from services

Costs

Total cost of sales before exceptional items was \$223.2 million in H1 2021 (H1 2020: \$171.0 million). The direct production cost excluding depreciation was higher at \$139.9 million (H1 2020: \$89.8 million) mainly due the stoppages affecting H1 2020. Abnormal costs during the phases of reduced production capacity were \$6.2 million (H1 2020: \$24.0 million) and are shown separately below. Depreciation in production cost increased to \$73.8 million (H1 2020: \$49.4 million) due to higher extracted volumes across all operations, again mainly due to the stoppages affecting H1 2020.

\$'000	Six months to 30 June 2021	Six months to 30 June 2020	% change
Direct production cost excluding depreciation	139,939	89,815	56
Depreciation in production cost	73,815	49,402	49
Other items and workers profit sharing	2,944	-	-
Fixed costs during operational stoppages and reduced capacity	6,196	24,012	(74)
Change in inventories	261	7,728	(97)
Cost of sales	223,155	170,957	31

Fixed costs during operational stoppages and reduced capacity

\$'000	Six months to 30 June 2021	Six months to 30 June 2020	% change
Personnel	5,293	16,038	(67)
Third party services	826	4,765	(83)
Supplies	-	551	-
Depreciation and amortisation	-	1,542	-
Others	77	1,116	(93)
Cost of sales	6,196	24,012	(74)

Unit cost per tonne

The Company reported unit cost per tonne at its operations of \$119.5 per tonne in H1 2021, a 3% decrease versus H1 2020 (\$123.0 per tonne). This resulted from lower costs in Inmaculada resulting from using more mechanised mining methods, lower costs in San Jose from treating low cost stockpiles and higher devaluation in Peru. These impacts were partially offset by expected higher costs at Pallancata due to lower tonnage rates.

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

Operating unit (\$/tonne)	Six months to 30 June 2021	Six months to 30 June 2020	% change
Peru	97.4	90.6	8
Inmaculada	93.6	91.1	3
Pallancata	106.0	88.6	20
Argentina			
San Jose	208.6	231.1	(10)
Total	119.5	123.0	(3)

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 reconciliation¹¹

Six months to 30 June 2021

\$'000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	65,645	38,643	60,446	164,734
(+) Cost of sales ¹²	102,416	44,318	70,225	216,959
(-) Depreciation and amortisation in cost of sales	(38,591)	(9,912)	(22,376)	(70,879)
(+) Selling expenses	328	272	6,534	7,134
(+) Commercial deductions ¹³	1,492	3,965	6,063	11,520
Gold	997	523	2,535	4,055
Silver	495	3,442	3,528	7,465
Revenue	215,098	61,772	117,692	394,750
Gold	142,512	12,039	62,754	217,305
Silver	72,586	49,733	54,938	177,257
Others	-	-	-	188
Ounces sold				
Gold	79.5	7.3	37.5	124.3
Silver	2,769	2,000	2,236	7,005
Group cash cost (\$/oz)				

¹⁰Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively

¹¹Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales

¹²Does not include fixed costs during operational stoppages and reduced capacity of \$6.2 million

¹³Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of ore

Co product Au	547	1,034	859	730
Co product Ag	8.0	15.6	12.6	10.6
By product Au	(94)	(1,994)	53	(161)
By product Ag	(28.1)	13.0	(2.2)	(8.1)

Six months to 30 June 2020

\$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	45,252	18,305	48,370	111,821
(+) Cost of sales ¹⁴	66,766	26,698	53,587	146,945
(-) Depreciation and amortisation in cost of sales	(22,629)	(10,861)	(15,341)	(48,831)
(+) Selling expenses	235	324	5,428	5,987
(+) Commercial deductions ¹⁵	880	2,144	4,696	7,720
Gold	69	430	2,288	2,787
Silver	811	1,714	2,408	4,933
Revenue	127,241	25,021	79,716	232,029
Gold	97,505	7,737	51,234	156,476
Silver	29,736	17,284	28,482	75,502
Others	-	-	-	51
Ounces sold				
Gold	59.5	4.4	29.7	93.6
Silver	1,758	1,271	1,868	4,897
Group cash cost (\$/oz)				
Co product Au	583	1,283	1,047	806
Co product Ag	6.0	9.9	9.3	7.4
By product Au	247	(157)	589	335
By product Ag	(29.8)	8.0	(2.8)	(9.7)

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 reconciliation¹⁶

All-in sustaining cash costs per silver equivalent ounce

Six months to 30 June 2021

\$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	62,571	30,338	47,030	139,939	-	139,939
(+) Other items and workers profit sharing in cost of sales	1,585	1,359	-	2,944	-	2,944
(+) Operating and exploration capex for units ¹⁷	32,834	5,970	17,149	55,953	498	56,451
(+) Brownfield exploration expenses	726	1,957	4,701	7,384	1,638	9,023
(+) Administrative expenses (excl. depreciation) ¹⁸	2,726	783	2,786	6,294	16,803	23,098
(+) Royalties and special mining tax ¹⁹	2,725	783		3,507	3,518	7,026
Sub-total	103,167	41,189	71,667	216,023	22,457	238,480
Au ounces produced	79,402	7,277	38,396	125,075		125,075
Ag ounces produced (000s)	2,777	2,000	2,244	7,021		7,021
Ounces produced (Ag Eq 000s oz)	9,606	2,626	5,546	17,778		17,778
Sub-total (\$/oz Ag Eq)	10.7	15.7	12.9	12.1		13.4
(+) Commercial deductions	1,492	3,965	6,063	11,520		11,520
(+) Selling expenses	328	272	6,534	7,134		7,134
Sub-total	1,820	4,237	12,597	18,654	-	18,654
Au ounces sold	79,491	7,286	37,540	124,317		124,317
Ag ounces sold (000s)	2,769	2,000	2,236	7,005		7,005
Ounces sold (Ag Eq 000s oz)	9,605	2,626	5,464	17,696		17,696
Sub-total (\$/oz Ag Eq)	0.2	1.6	2.3	1.1		1.1
All-in sustaining costs (\$/oz Ag Eq)	10.9	17.3	15.2	13.2	1.3	14.5
All-in sustaining costs (\$/oz Au Eq)	940	1,488	1,310	1,136	109	1,244

¹⁴Does not include Fixed costs during operational stoppages and reduced capacity of \$24.0 million

¹⁵Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of ore

¹⁶Calculated using a gold/silver ratio of 86:1

¹⁷Operating capex from San Jose does not include capitalised depreciation and amortisation resulting from mine equipment utilised for mine developments

¹⁸Administrative expenses does not include expenses from the Biolantánidos project (\$19,000)

¹⁹Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line

Six months to 30 June 2020

\$000 unless otherwise indicated	Inmaculada	Pallancata	San José	Main operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	33,867	16,971	39,083	89,921		89,921
(+) Other items and workers profit sharing in cost of sales	-	-	-	-		-
(+) Operating and exploration capex for units	22,463	3,546	11,998	38,007	121	38,128
(+) Brownfield exploration expenses	958	1,528	4,694	7,179	1,912	9,092
(+) Administrative expenses (excl. depreciation)	2,189	430	2,808	5,428	13,167	18,595
(+) Royalties and special mining tax ²⁰	1,245	245		1,490	713	2,204
Sub-total	60,722	22,720	58,583	142,025	15,914	157,939
Au ounces produced	59,046	4,920	29,621	93,587		93,587
Ag ounces produced (000s)	1,768	1,392	1,858	5,018		5,018
Ounces produced (Ag Eq 000s oz)	6,846	1,815	4,406	13,067		13,067
Sub-total (\$/oz Ag Eq)	8.9	12.5	13.3	10.9		12.1
(+) Commercial deductions	880	2,144	4,696	7,720.00		7,720
(+) Selling expenses	235	324	5,428	5,987.00		5,987
Sub-total	1,115	2,468	10,124	13,707	-	13,707
Au ounces sold	59,480	4,410	29,691	93,581		93,581
Ag ounces sold (000s)	1,758	1,271	1,868	4,897		4,897
Ounces sold (Ag Eq 000s oz)	6,873	1,651	4,421	12,945		12,945
Sub-total (\$/oz Ag Eq)	0.2	1.5	2.3	1.1		1.1
All-in sustaining costs (\$/oz Ag Eq)	9.0	14.0	15.6	11.9		13.1
All-in sustaining costs (\$/oz Au Eq)²¹	777	1,205	1,340	1,026		1,131

Administrative expenses

Administrative expenses were up by 19% to \$24.0 million (H1 2020: \$20.2 million) but in line with the Company's expectations. The increase is primarily due to higher legal workers profit sharing provisions in Peru.

Exploration expenses

In H1 2021, exploration expenses increased to \$17.4 million (H1 2020: \$12.7 million) mainly due to the H1 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 resources to the Inferred or Measured and Indicated categories. In H1 2021, the Company capitalised \$4.0 million relating to brownfield exploration (H1 2020: nil), bringing the total investment in exploration for H1 2021 to \$21.4 million (H1 2020: \$12.7 million).

Selling expenses

Selling expenses increased to \$7.1 million (H1 2020: \$6.0 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 H1 2020.

Other income/expenses

Other income was higher at \$1.9 million (H1 2020: \$1.1 million) mainly due to the resumption of normal business activity in H1 2021 versus the impacted H1 2020 and also the sale of non-critical assets.

Other expenses before exceptional items were \$13.8 million (H1 2020: \$3.9 million) with the increase mainly due to: a voluntary redundancy programme in Argentina of \$7.5 million; higher responsibility taxes in Argentina of \$1.8 million (H1 2020: \$0.9 million) and an increase in mine closure provisions (\$1.5 million). In addition, there were lower assets write-offs of \$0.3 million in H1 2021 (H1 2020: \$1.2 million).

Adjusted EBITDA

Adjusted EBITDA increased by 146% to \$198.5 million (H1 2020: \$80.6 million) due to the increase in revenue due to the rebound in production following H1 2020 operational stoppages resulting from the Covid-19 crisis. In addition, there were significant increases in precious metal prices. These effects were partially offset by higher production costs.

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.

²⁰Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line

²¹Calculated using a gold silver ratio of 86:1

\$000 unless otherwise indicated	Six months to 30 June 2021	Six months to 30 June 2020	% change
Profit from continuing operations before exceptional items, net finance cost, foreign exchange (loss)/gain and income tax	110,771	18,065	513
Depreciation and amortisation in cost of sales	70,879	48,831	45
Depreciation and amortisation in administrative and other expenses	990	2,663	(63)
Exploration expenses	17,436	12,743	37
Personnel and other exploration related fixed expenses	(3,409)	(2,926)	17
Other non-cash income, net ²²	1,837	1,208	52
Adjusted EBITDA	198,504	80,584	146
Adjusted EBITDA margin	50%	35%	43

Finance income

Finance income was \$2.1 million (H1 2020: \$2.1 million) in line with the total for H1 2020 with lower interest on cash deposits (due to lower interest rates) being offset by the positive impact from the discount of mine closure provisions.

Finance costs

Finance costs increased from \$5.1 million in H1 2020 to \$13.3 million in H1 2021, principally due to: foreign exchange transaction costs to acquire \$8.8 million dollars in Argentina, which resulted in a loss of \$6.3 million (H1 2020: \$0.6 million); a loss on the unwinding of VAT credits in Argentina of \$1.0 million (H1 2020: nil); a loss on the sale of Americas Gold & Silver Corporation shares versus December 2020 of \$0.7 million; and higher interest expenses resulting from pre-shipment loans in Argentina of \$1.1 million (H1 2020: \$0.6 million).

Foreign exchange losses

The Group recognised a foreign exchange loss of \$1.8 million (H1 2020: \$1.9 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 H1 2021.

Income tax

The Company's Group's pre-exceptional income tax charge was \$59.7 million (H1 2020: \$17.4 million). The significant rise in the charge is explained by the rebound in profitability versus the Covid-impacted H1 2020. In addition, there was an increase in the tax rate in Argentina to 35% impacting deferred income tax of \$11.5 million as well as a non-cash impact of local currency devaluation in Peru and Argentina in H1 2021 of \$6.6 million and \$1.4 million respectively (H1 2020: \$9.8 total impact).

The effective tax rate (pre-exceptional) for the period was 61.1% (H1 2020: 133.2%), compared to the weighted average statutory income tax rate of 31.7% (2020: 30.7%). The high effective tax rate in H1 2021 versus the average statutory rate is mainly explained by: the impact of the change in tax rate in Argentina increasing the rate by 11.8%; the effect of local currency devaluation increasing the rate by 8.1%; the impact from Royalties and the Special Mining Tax increasing the rate by 7.2%; and the impact of non-deductible expenses related to buying US dollars in Argentina increasing the rate by 2.5%.

Exceptional items

Exceptional items in H1 2021 totalled a \$9.5 million loss after tax (H1 2020: \$4.7 million loss after tax). Exceptional items mainly included \$14.0 million of Covid-19 response initiatives distributed between cost of sales and other expenses (H1 2020: \$6.6 million) partially offset by the associated tax effect. These 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. They are material impacts and are not expected to be recurring to the Group's operations.

Covid-19 response initiatives²³

\$000	Six months to 30 June 2021	Six months to 30 June 2020	% change
Personnel	2,112	1,202	76
Donations	-	1,251	(100)
Third party services including cleaning and food services	10,913	3,202	241
Others	931	961	(3)
Total	13,956	6,616	111

The tax effect of these exceptional items was a \$4.5 million tax gain (2020: \$2.0 million tax gain). The total effective tax rate was 65.9% (2020: 239.3%).

²²Adjusted EBITDA has been presented before the effect of significant non-cash (income)/expenses related to changes in mine closure provisions and the write-off of property, plant and equipment

²³Covid-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 of \$13.1 million. Other expenses includes corporate expenses and expenses from non-operating units of \$0.9 million.

Cash flow and balance sheet review

Cash flow

\$000	Six months to 30 June 2021	Six months to 30 June 2020	Change
Net cash generated from operating activities	119,811	16,739	103,072
Net cash used in investing activities	(67,021)	(37,716)	(29,305)
Cash flows generated (used in)/from financing activities	(25,268)	18,454	(43,722)
Foreign exchange adjustment	(2,476)	(1,743)	(733)
Net increase/(decrease) in cash and cash equivalents during the period	25,046	(4,266)	29,312

Net cash generated from operating activities increased from \$16.7 million in H1 2020 to \$119.8 million in H1 2021 mainly due to higher Adjusted EBITDA of \$198.5 million (H1 2020: \$80.6 million).

Net cash used in investing activities increased to \$67.0 million in H1 2021 from \$37.7 million in H1 2020 mainly due to higher operational capex and mine development versus H1 2020 when there were deferrals resulting from the stoppages. In addition, there were higher exchange transaction costs to acquire dollars in Argentina.

Cash generated (used in)/from financing activities changed to an outflow of \$25.3 million in H1 2021 from an inflow of \$18.5 million in H1 2020. In H1 2020, \$19.9 million of short-term loans were raised in Argentina to finance working capital during the stoppages whereas in H1 2021 short-term debt was partially repaid. Also, H1 2021 included the payment of \$19.6 million (H1 2020: \$0.3 million) in dividends to shareholders and to Hochschild's minority shareholder at San Jose.

Working capital

\$000	As at 30 June 2021	As at 31 December 2020
Trade and other receivables	90,357	78,196
Inventories	41,741	42,362
Derivative financial assets/(liabilities)	2,600	(1,500)
Income tax receivable/(payable), net	(19,497)	(20,709)
Trade and other payables	(112,072)	(114,415)
Provisions	(22,763)	(25,504)
Working capital	(19,634)	(41,570)

The Group's working capital position in H1 2021 increased by \$21.9 million from \$(41.6) million to \$(19.6) million. The key drivers of the increase were: higher trade and other receivables of \$12.2 million in line with higher prices and higher volume sold; higher derivative financial assets of \$4.1 million mainly comprised of the position on the Company's silver hedges; and lower trade and other payables of \$2.3 million.

Net cash/(debt)

\$000 unless otherwise indicated	As at 30 June 2021	As at 31 December 2020
Cash and cash equivalents	256,929	231,883
Non-current borrowings	(166,268)	(199,554)
Current borrowings ²⁴	(39,543)	(10,778)
Net cash/(debt)	51,118	21,551

The Group's reported net cash position was \$51.1 million as at 30 June 2021 (31 December 2020: \$21.6 million). The Group benefited from strong cashflow resulting from the higher production and higher precious metal prices.

Capital expenditure²⁵

\$000	Six months to 30 June 2021	Six months to 30 June 2020
Inmaculada	32,834	22,463
Pallancata	5,970	3,546
San Jose	18,127	12,685
Operations	56,931	38,694
Biolantánidos	6,366	1,798
Other	3,616	2,298
Total	66,913	42,790

H1 2021 capital expenditure of \$66.9 million (H1 2020: \$42.8 million) mainly comprised of operational capex of \$56.9 million (H1 2020: \$38.7 million) with the increase versus H1 2020 resulting from deferred capex at all operations in H1 2020 due to the Covid-19 crisis.

²⁴Includes pre-shipment loans and short term interest payables

²⁵Includes 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

Dividends

Following a detailed review, the Company has identified an issue concerning the Company's compliance with the Companies Act 2006 in relation to the payment of certain historic dividends (the "Relevant Historic Dividends"). In particular, the Company did not have sufficient distributable reserves at the appropriate point.

Notwithstanding the above, the Board notes the Company's robust net cash position.

The Company has identified certain steps that are anticipated will create sufficient distributable reserves in the Company and is working with its advisers towards that objective. We will update shareholders on this in due course. Subject to creating sufficient distributable reserves, the directors anticipate announcing an interim dividend by the end of the month.

Furthermore, the Company expects it will require a resolution to be passed at a General Meeting to be held in due course to relieve the shareholders of any obligation to repay the Relevant Historic Dividends and to release the Directors from any related liability.

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.

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.

RISKS

The principal risks and uncertainties facing the Company in respect of the year ended 31 December 2020 are set out in detail in the Risk Management section of the 2020 Annual Report and in Note 37 to the 2020 Consolidated Financial Statements.

The key risks disclosed in the 2020 Annual Report (available at www.hochschildmining.com) are categorised as:

- Financial risks comprising commodity price risk and commercial counterparty risk;
- Operational risks including the risks associated with operational performance, business interruption, information security and cybersecurity, exploration & reserve and resource replacement and personnel risks;
- Macro-economic risks which include political, legal and regulatory risks; and
- Sustainability risks including risks associated with health and safety, environmental matters (including permitting) and community relations.

These risks continue to apply to the Company in respect of the remaining six months of the financial year. Below we provide further detail on two aspects of the above risks of particular relevance with regards to H1 2021 and their impact on the remainder of the year.

1. Covid-19

H1 2021

During the first half of the year, the Company continued to prioritise employee welfare through the ongoing implementation of its Covid protocols overseen by the Covid-19 Crisis Committee. Such measures encompass regular testing, the adaptation of the Group's operations to facilitate social distancing and the swift provision of medical services for suspected cases. Further details on how the Group has managed Covid-related risks can be found in the 2020 Annual Report.

Outlook

The Group has benefited from uninterrupted operations during the first half of the year and, as a reflection of the ongoing rollout of the vaccination programmes in Peru and Argentina, has cautiously commenced the process of putting in place plans to gradually revert to its standard operating protocols starting in 2022. Management will continue to closely monitor infection levels in the countries of operation and are able to adapt to signs of increased case rates should they arise.

2. Political Risk

H1 2021

As referenced in the 2020 Annual Report, the first-round Presidential elections in Peru were held in April 2021 with campaigning by the run-off candidates taking place in the lead up to the second round of voting in early June 2021. Mining has always been and continues to be a politicised issue and, as a result, risks associated with social conflict were heightened during this period.

Outlook

With a new far-left government in place, the Group may be vulnerable to new legislative and regulatory initiatives which could result in increased taxes/royalties and other costs. In addition, governmental processes such as permitting will likely become more onerous and may become subject to social investment requirements, resulting in delays and thereby potentially impacting the Group's exploration and operational activities. Moreover, the government's announcement that it will seek to draft a new constitution will further polarise the country, increase country and social risks, and impact economic recovery. The Group continues to review developments closely and looks to participate in open dialogue with the authorities both individually and through the National Mining Association.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 21 to the interim condensed consolidated financial statements

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the duration of the Going Concern Period until 30 September 2022. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed set of financial statements. For further detail refer to the detailed discussion of the assumptions outlined in the Going concern disclosures in Note 2 "Significant Accounting Policies" of the interim condensed consolidated financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements have been prepared in accordance with UK adopted International Accounting Standard 34 "Interim Financial Reporting" and that the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

A list of current Directors and their functions is maintained on the Company's website.

For and on behalf of the Board

Ignacio Bustamante
Chief Executive Officer
17 August 2021

INDEPENDENT REVIEW REPORT TO HOCHSCHILD MINING PLC

Conclusion

We have been engaged by Hochschild Mining PLC (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the interim condensed consolidated income statement, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of cash flows, the interim condensed consolidated statement of changes in equity and the related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group will be prepared in accordance with UK adopted International Financial Reporting Standards ('IFRSs'). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, based on procedures that are less extensive than audit procedures, is described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
18 August 2021

Interim condensed consolidated income statement

		Six months ended 30 June 2021 (Unaudited)			Six months ended 30 June 2020 (Unaudited)		
		Before exceptional items US\$000	Exceptional items (Note 9) US\$000	Total US\$000	Before exceptional items US\$000	Exceptional items (Note 9) US\$000	Total US\$000
Continuing operations							
Revenue	4	394,750	—	394,750	232,029	—	232,029
Cost of sales (30 June 2020 restated – note 2(a))	5	(223,155)	(13,091)	(236,246)	(170,957)	(4,727)	(175,684)
Gross profit (30 June 2020 restated – note 2(a))		171,595	(13,091)	158,504	61,072	(4,727)	56,345
Administrative expenses		(24,042)	—	(24,042)	(20,236)	—	(20,236)
Exploration expenses	6	(17,436)	—	(17,436)	(12,743)	—	(12,743)
Selling expenses	7	(7,134)	—	(7,134)	(5,987)	—	(5,987)
Other income	8	1,857	—	1,857	1,096	—	1,096
Other expenses (30 June 2020 restated – note 2(a))	8	(13,770)	(865)	(14,635)	(3,929)	(1,889)	(5,818)
Write-off of non-financial assets		(299)	—	(299)	(1,208)	—	(1,208)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		110,771	(13,956)	96,815	18,065	(6,616)	11,449
Finance income	10	2,061	—	2,061	2,074	—	2,074
Finance costs	10	(13,252)	—	(13,252)	(5,144)	—	(5,144)
Foreign exchange loss		(1,777)	—	(1,777)	(1,915)	—	(1,915)
Profit/(loss) from continuing operations before income tax		97,803	(13,956)	83,847	13,080	(6,616)	6,464
Income tax (expense)/benefit	11	(59,738)	4,485	(55,253)	(17,425)	1,955	(15,470)
Profit/(loss) for the period from continuing operations		38,065	(9,471)	28,594	(4,345)	(4,661)	(9,006)
Attributable to:							
Equity shareholders of the parent		42,063	(7,338)	34,725	(3,763)	(4,190)	(7,953)
Non-controlling interests		(3,998)	(2,133)	(6,131)	(582)	(471)	(1,053)
		38,065	(9,471)	28,594	(4,345)	(4,661)	(9,006)
Basic earnings/(loss) per ordinary share from continuing operations for the period (expressed in U.S. dollars per share)		0.08	(0.01)	0.07	(0.01)	(0.01)	(0.02)
Diluted earnings/(loss) per ordinary share from continuing operations for the period (expressed in U.S. dollars per share)		0.08	(0.01)	0.07	(0.01)	(0.01)	(0.02)

Interim condensed consolidated statement of comprehensive income

	Notes	Six months ended 30 June	
		2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Profit/(loss) for the period		28,594	(9,006)
Other comprehensive income that might be reclassified to profit or loss in subsequent periods; net of tax:			
Net gain/(loss) on cash flow hedges	14	7,151	(7,047)
Deferred tax (charge)/benefit on cash flow hedges		(2,109)	2,079
Exchange differences on translating foreign operations		(1,660)	(163)
		3,382	(5,131)
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")		154	1,479
		154	1,479
Other comprehensive income/(loss) for the period, net of tax		3,536	(3,652)
Total comprehensive income/(loss) for the period		32,130	(12,658)
Total comprehensive income/(loss) attributable to:			
Equity shareholders of the parent		38,261	(11,605)
Non-controlling interests		(6,131)	(1,053)
		32,130	(12,658)

Interim condensed consolidated statement of financial position

		As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	12	766,354	787,663
Evaluation and exploration assets	13	203,407	192,121
Intangible assets		20,503	21,564
Financial assets at fair value through OCI	14	554	402
Financial assets at fair value through profit and loss	14	—	5,407
Trade and other receivables		5,547	5,395
Derivative financial assets	14	1,482	—
Deferred income tax assets	15	618	1,009
		998,465	1,013,561
Current assets			
Inventories		41,741	42,362
Trade and other receivables		90,357	78,196
Derivative financial assets	14	3,664	—
Income tax receivable		49	59
Cash and cash equivalents	16	256,929	231,883
		392,740	352,500
Total assets		1,391,205	1,366,061
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital	19	226,506	226,506
Share premium	19	438,041	438,041
Other reserves		(222,464)	(225,664)
Retained earnings		311,420	287,652
		753,503	726,535
Non-controlling interests		65,858	79,550
Total equity		819,361	806,085
Non-current liabilities			
Trade and other payables		50	205
Derivative financial liabilities	14	2,934	4,503
Borrowings	17	166,268	199,554
Provisions	18	110,244	109,033
Deferred income tax liabilities	15	97,160	73,316
		376,656	386,611
Current liabilities			
Trade and other payables		112,072	114,415
Derivative financial liabilities	14	1,064	1,500
Borrowings	17	39,543	10,778
Provisions	18	22,763	25,504
Deferred income		200	400
Income tax payable		19,546	20,768
		195,188	173,365
Total liabilities		571,844	559,976
Total equity and liabilities		1,391,205	1,366,061

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June	
		2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Cash flows from operating activities			
Cash generated from operations*	22	140,205	24,803
Interest received		1,121	804
Interest paid	17	(2,354)	(2,794)
Payment of mine closure costs		(2,638)	(1,367)
Income tax paid		(16,523)	(4,707)
Net cash generated from operating activities*		119,811	16,739
Cash flows from investing activities			
Purchase of property, plant and equipment		(52,956)	(41,404)
Purchase of evaluation and exploration assets		(12,452)	(2,803)
Purchase of Argentinian bonds*		(15,161)	(1,713)
Purchase of financial assets at fair value to OCI	14	(7)	–
Proceeds from sale of Argentinian bonds*		8,815	1,096
Proceeds from sale of financial assets at fair value through OCI	14	9	7,070
Proceeds from sale of financial assets at fair value through profit and loss	14	4,726	–
Proceeds from sale of property, plant and equipment	12	5	38
Net cash used in investing activities		(67,021)	(37,716)
Cash flows from financing activities			
Proceeds from borrowings	17	1,804	27,910
Repayment of borrowings	17	(6,309)	(8,000)
Purchase of treasury shares	19	–	(292)
Payment of lease liabilities		(1,200)	(879)
Dividends paid to shareholders	20	(12,002)	–
Dividends paid to non-controlling interests	20	(7,561)	(285)
Cash flows (used in)/ from financing activities		(25,268)	18,454
Net increase/(decrease) in cash and cash equivalents during the period		27,522	(2,523)
Impact of foreign exchange		(2,476)	(1,743)
Cash and cash equivalents at beginning of period		231,883	166,357
Cash and cash equivalents at end of period	16	256,929	162,091

*Comparative information has been restated to present the foreign exchange transactions carried in Argentina on a gross basis within investing activities

Interim condensed consolidated statement of changes in equity

	Notes	Other reserves										Capital and reserves attributable to shareholders of the Parent US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
		Equity share capital US\$'000	Share premium US\$'000	Treasury shares US\$'000	Dividends expired US\$'000	Unrealised gain/(loss) on hedges US\$'000	Fair value reserve of financial assets at fair value through OCI US\$'000	Cumulative translation adjustment US\$'000	Merger reserve US\$'000	Share-based payment reserve US\$'000	Total other reserves US\$'000			
Balance at 1 January 2021		226,506	438,041	—	99	(4,169)	(205)	(13,876)	(210,046)	2,533	(225,664)	287,652	726,535	806,085
Other comprehensive income/(loss)		—	—	—	—	5,042	154	(1,660)	—	—	3,536	—	3,536	3,536
Profit for the period		—	—	—	—	—	—	—	—	—	—	34,725	34,725	28,594
Total comprehensive income/(loss) for the period		—	—	—	—	5,042	154	(1,660)	—	—	3,536	34,725	38,261	32,130
Sale of financial assets at fair value through OCI		—	—	—	—	—	18	—	—	—	18	(18)	—	—
Dividends	20	—	—	—	—	—	—	—	—	—	—	(12,002)	(12,002)	(12,002)
Dividends paid to non-controlling interest	20	—	—	—	—	—	—	—	—	—	—	—	(7,561)	(7,561)
Treasury shares		—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based payments		—	—	—	—	—	—	—	—	709	709	—	709	709
Forfeiture of share options		—	—	—	—	—	—	—	—	(1,063)	(1,063)	1,063	—	—
Balance at 30 June 2021 (unaudited)		226,506	438,041	—	99	873	(33)	(15,536)	(210,046)	2,179	(222,464)	311,420	753,503	819,361
Balance at 1 January 2020		226,506	438,041	—	99	—	18	(14,035)	(210,046)	2,164	(221,800)	290,263	733,010	807,641
Other comprehensive (loss)/income		—	—	—	—	(4,968)	1,479	(163)	—	—	(3,652)	—	(3,652)	(3,652)
Loss for the period		—	—	—	—	—	—	—	—	—	—	(7,953)	(7,953)	(9,006)
Total comprehensive (loss)/income for the period		—	—	—	—	(4,968)	1,479	(163)	—	—	(3,652)	(7,953)	(11,605)	(12,658)
Sale of financial assets at fair value through OCI		—	—	—	—	—	(1,841)	—	—	—	(1,841)	1,841	—	—
Dividends paid to non-controlling interest	20	—	—	—	—	—	—	—	—	—	—	—	(285)	(285)
Treasury shares	19	—	—	(292)	—	—	—	—	—	—	—	—	(292)	(292)
Share-based payments		—	—	—	—	—	—	—	—	713	713	—	713	713
Exercise of share options	19	—	—	292	—	—	—	—	—	(1,087)	(1,087)	795	—	—
Balance at 30 June 2020 (unaudited)		226,506	438,041	—	99	(4,968)	(344)	(14,198)	(210,046)	1,790	(227,667)	284,946	721,826	795,119

Notes to the interim condensed consolidated financial statements

1 Corporate Information

Hochschild Mining PLC (hereinafter the "Company" and together with its subsidiaries, the "Group") is a public limited company incorporated on 11 April 2006 under the Companies Act 1985 as a limited company and registered in England and Wales with registered number 05777693. The Company's registered office is located at 17 Cavendish Square, London W1G 0PH, United Kingdom. Its ordinary shares are traded on the London Stock Exchange.

The Group's principal business is the mining, processing and sale of gold and silver. The Group has two operating mines (Pallancata and Inmaculada) located in Southern Peru, and one operating mine (San Jose) located in Argentina. The Group also has a portfolio of projects located across Peru, Argentina and Chile at various stages of development.

These interim condensed consolidated financial statements were approved for issue on behalf of the Board of Directors on 17 August 2021.

2 Significant Accounting Policies

(a) Basis of preparation

These interim condensed consolidated financial statements set out the Group's financial position as at 30 June 2021 and 31 December 2020 and its financial performance and cash flows for the six months ended 30 June 2021 and 30 June 2020.

They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and UK adopted International Accounting Standard 34, "Interim Financial Reporting". Accordingly, the interim condensed consolidated financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the Group's 2020 annual consolidated financial statements as published in the 2020 Annual Report. The annual financial statements of the Group will be prepared in accordance with UK adopted IFRS.

The interim condensed consolidated financial statements do not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2020. A copy of the statutory accounts for that year, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union (EU) has been delivered to the Registrar of Companies. The auditor's report under section 495 of the Companies Act 2006 in relation to those accounts was unmodified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The impact of the seasonality or cyclicity of operations is not regarded as significant on the interim condensed consolidated financial statements.

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

The prior period income statement reflects a reclassification of certain balances between cost of sales and other expenses to better reflect the effects of the Covid-19 pandemic on certain costs incurred by the Group:

- Fixed costs at operations during stoppages and reduced capacity: corresponds to the unallocated fixed costs accumulated during the stoppages and operation of the mine units below planned operating capacity due to the Covid-19 pandemic which have been reclassified from other expenses to cost of sales (note 5).
- Incremental costs due to Covid-19 pandemic: incremental production costs incurred in the operating mine units to manage the Covid-19 pandemic which have been reclassified from other expenses to cost of sales, and presented as exceptional (note 9).

We have assessed the new presentation and concluded that the reclassification of these Covid-related costs from other expenses to cost of sales better reflects the nature of the expense and therefore provides more reliable and relevant information.

As a result, the affected financial statement line items for the prior period have been restated to present information on a consistent basis as follows:

Period ended 30 June 2020	As reported			Reclassification			As restated		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
US\$000									
Cost of sales	(146,945)	—	(146,945)	(24,012)	(4,727)	(28,739)	(170,957)	(4,727)	(175,684)
Gross profit	85,084	—	85,084	(24,012)	(4,727)	(28,739)	61,072	(4,727)	56,345
Other expenses	(27,941)	(6,616)	(34,557)	24,012	4,727	28,739	(3,929)	(1,889)	(5,818)

The impact on the current period is to increase the cost of sales and decrease other expenses by \$19,287,000 respectively (of which \$6,196,000 is pre-exceptional and \$13,091,000 is exceptional).

There was no impact on the statement of financial position or statement of cash flows from the reclassification in the current or prior periods.

(b) Critical accounting estimates and judgements

The impact of Covid-19 on the Group has been considered in the preparation of the interim financial statements including our evaluation of critical accounting estimates and judgements.

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the financial statements.

The significant accounting judgments, estimates and assumptions remain consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2020. The most significant are:

Critical judgements:

- Assessment of impairment indicators for the Group's GCUs – note 12
- Pandemic expenses – note 9

The Group analyses the effect of pandemics on its operations and accounting treatment, because they generate stoppages, low capacity production, excess absenteeism and incremental cost. In the case of Covid-19, the fixed 'normal' production costs during the stoppage are recognised as expenses and are not considered cost of the inventories produced. In the income statement these fixed costs are classified as pre-exceptional.

To determine whether the incremental Covid-related costs should be recognised as exceptional expenses, consideration has been given as to whether they meet the criteria as set out in the Groups' accounting policy (note 2y) in the 2020 Annual Report, in particular regarding the expected infrequency of the events that have given rise to them.

Significant estimates:

- Mine closure estimates – note 18
- Valuation of financial instruments – note 14

As at 30 June 2021, the valuation of certain of the Group's assets and liabilities reflect the changes to certain assumptions used in the determination of their value, such as future gold and silver prices, discount rates, exchange rates, and interest rates (note 14). These assumptions are subject to greater variability than normal under the current Covid-19 environment.

(c) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective from 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

(d) Going concern

The Directors have reviewed Group liquidity and covenant forecasts to assess whether the Group is able to continue in operation for the period to 30 September 2022 (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 potential downside scenarios, consideration was given to the on-going impact of the Covid-19 pandemic, the results of the recent Peruvian election and the potential actions of suppliers, customers and other third parties.

Specifically with regard to Covid-19, the Directors consider the risk of Covid-related suspensions across all operations to be low based on trends experienced in the first half of 2021. While this assessment takes into account the effectiveness of the Group's health protocols, it is also 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 relative to new variants of the virus.

In considering the possible impact on the business following the final results of the Presidential elections in Peru, the Directors note that, as at the date of the signing of the financial statements, no new policies specifically relevant to the mining sector have been announced. However, the Directors recognize the possibility of future changes including potential increases in the level of tax and royalties payable.

For purposes of the review, the Base Scenario assumed budgeted production for the year, the most recently approved Life of Mine plan, certain Covid 19-related costs throughout the remaining months of 2021 and average metal prices of \$1,805/oz for gold and \$25.2/oz for silver (the "Assumed Prices"). The Directors also considered "Severe" and "Remote" scenarios, which were considered to be unlikely by the Directors. The former takes into account, a four-week suspension of all operations during H2 2021 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 and futures 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 scenarios and metal price assumptions and sensitivities, 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.

After their thorough review, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence during the Going Concern Period. Accordingly, they continue to adopt the going concern basis in preparing the condensed set of financial statements.

3 Segment reporting

The following tables present revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 June 2021 and 2020 and asset information as at 30 June 2021 and 31 December 2020 respectively:

Six months ended 30 June 2021 (Unaudited)	Pallancata US\$000	San Jose US\$000	Inmaculada US\$000	Exploration US\$000	Other US\$000	Adjustments and eliminations US\$000	Total US\$000
Revenue from external customers	62,286	117,497	215,114	—	188	—	395,085
Inter segment revenue	—	—	—	—	4,498	(4,498)	—
Total revenue from customers	62,286	117,497	215,114	—	4,686	(4,498)	395,085
Provisional pricing adjustments	(514)	195	(16)	—	—	—	(335)
Total revenue	61,772	117,692	215,098	—	4,686	(4,498)	394,750
Segment profit/(loss)	14,216	28,233	106,344	(17,578)	3,582	(863)	133,934
Others ¹	—	—	—	—	—	—	(50,087)
Profit from continuing operations before income tax	—	—	—	—	—	—	83,847

As at 30 June 2021 (Unaudited)

Assets	Pallancata US\$000	San Jose US\$000	Inmaculada US\$000	Exploration US\$000	Other US\$000	Adjustments and eliminations US\$000	Total US\$000
Capital expenditure	5,810	18,127	32,834	8,836	1,306	—	66,913
Current assets	30,497	42,052	16,122	—	4,952	—	93,623
Other non-current assets	27,708	161,971	510,833	238,988	50,764	—	990,264
Total segment assets	58,205	204,023	526,955	238,988	55,716	—	1,083,887
Not reportable assets ²	—	—	—	—	307,318	—	307,318
Total assets	58,205	204,023	526,955	238,988	363,034	—	1,391,205

1 Comprised of administrative expenses of US\$24,042,000, other income of US\$1,857,000, other expenses of US\$14,635,000, write off of non-financial assets of US\$299,000, finance income of US\$2,061,000, finance costs of US\$13,252,000 and foreign exchange loss of US\$1,777,000.

2 Not reportable assets are comprised of financial assets at fair value through OCI of US\$554,000, other receivables of US\$44,023,000, derivative financial assets of US\$5,145,000, income tax receivable of US\$49,000, deferred income tax assets of US\$618,000, and cash and cash equivalents of US\$256,929,000.

Six months ended 30 June 2020 (Unaudited)	Pallancata US\$000	San Jose US\$000	Inmaculada US\$000	Exploration US\$000	Other US\$000	Adjustments and eliminations US\$000	Total US\$000
Revenue from external customers	25,258	78,928	127,161	—	51	—	231,398
Inter segment revenue	—	—	—	—	2,877	(2,877)	—
Total revenue from customers	25,258	78,928	127,161	—	2,928	(2,877)	231,398
Provisional pricing adjustments	(237)	788	80	—	—	—	631
Total revenue	25,021	79,716	127,241	—	2,928	(2,877)	232,029
Segment profit/(loss)	(9,194)	8,107	49,248	(13,103)	2,075	482	37,615
Others ¹	—	—	—	—	—	—	(31,151)
Profit from continuing operations before income tax	—	—	—	—	—	—	6,464

As at 31 December 2020

Assets	Pallancata US\$000	San Jose US\$000	Inmaculada US\$000	Exploration US\$000	Other US\$000	Adjustments and eliminations US\$000	Total US\$000
Capital expenditure	7,399	23,030	62,128	12,772	2,595	—	107,924
Current assets	24,692	43,735	14,613	—	4,675	—	87,715
Other non-current assets	33,784	166,887	516,505	232,135	52,037	—	1,001,348
Total segment assets	58,476	210,622	531,118	232,135	56,712	—	1,089,063
Not reportable assets ²	—	—	—	—	276,998	—	276,998
Total assets	58,476	210,622	531,118	232,135	333,710	—	1,366,061

1 Comprised of administrative expenses of US\$20,236,000, other income of US\$1,096,000, other expenses of US\$5,818,000, write off of non-financial assets of US\$1,208,000, finance income of US\$2,074,000, finance costs of US\$5,144,000 and foreign exchange loss of US\$1,915,000.

2 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.

4 Revenue

	Period ended 30 June 2021 (unaudited)					Period ended 30 June 2020 (unaudited)				
	Revenue from customers					Revenue from customers				
	Goods/ services sold US\$'000	Shipping services US\$'000	Total US\$'000	Provisional pricing US\$'000	Total US\$'000	Goods/ services sold US\$'000	Shipping services US\$'000	Total US\$'000	Provisional pricing US\$'000	Total US\$'000
Gold (from dore bars)	167,912	403	168,315	5	168,320	112,781	358	113,139	156	113,295
Silver (from dore bars)	94,986	355	95,341	18	95,359	38,794	210	39,004	(15)	38,989
Gold (from concentrate)	47,878	966	48,844	141	48,985	41,206	927	42,133	1,048	43,181
Silver (from concentrate)	81,196	1,201	82,397	(499)	81,898	36,423	648	37,071	(558)	36,513
Services	188	-	188	-	188	51	-	51	-	51
Total	392,160	2,925	395,085	(335)	394,750	229,255	2,143	231,398	631	232,029

5 Cost of sales before exceptional items

Included in cost of sales are:

	Six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Depreciation and amortisation in cost of sales ¹	70,879	48,831
Personnel expenses ²	42,558	29,261
Mining royalty	3,404	2,048
Change in products in process and finished goods	261	7,728
Fixed costs at the operations during stoppages, reduced capacity and excess absenteeism ⁽³⁾	6,196	24,012

1 The depreciation and amortisation in production cost is US\$73,815,000 (2020: US\$49,402,000).

2 Includes workers' profit sharing of US\$2,944,000 (2020: US\$nil).

3 Corresponds to the unallocated fixed costs accumulated during the stoppages operation of the mine units below planned operating capacity and excess absenteeism due to the Covid-19 pandemic. These costs mainly include personnel expenses of US\$5,293,000 (2020: US\$16,038,000), third party services of US\$826,000 (2020: US\$4,765,000), supplies of US\$nil (2020: US\$551,000), depreciation and amortisation of US\$nil (2020: US\$1,542,000) and others costs of US\$77,000 (2020: US\$1,116,000).

6 Exploration expenses

	Six months ended 30 June	
	2021 (Unaudited) US\$'000	2020 (Unaudited) US\$'000
Mine site exploration¹		
Arcata	1,363	76
Ares	289	327
Inmaculada	726	958
Selene	—	6
Pallancata	1,957	1,522
San Jose	4,701	4,694
	9,036	7,583
Prospects²		
Peru	1,726	610
USA	371	74
Chile	(21)	(124)
	2,076	560
Generative³		
Peru	2,170	1,416
Mexico	734	—
Chile	(156)	96

	2,748	1,512
Personnel	3,145	2,716
Depreciation right-of-use	167	162
Others	264	210
Total	17,436	12,743

- 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.

7 Selling expenses

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Personnel expenses	151	151
Warehouse services	592	466
Taxes ¹	5,490	4,282
Other	901	1,088
Total	7,134	5,987

¹ Corresponds to the export duties in Argentina calculated as a fixed amount in pesos per US\$ of export.

8 Other income and expenses before exceptional items

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Other income		
Logistic services	7	336
Gain on recovery of expenses	265	—
Others	1,585	760
Total	1,857	1,096
Other expenses		
Increase in provision for mine closure	(1,538)	—
Loss on recovery of expenses	—	(165)
Depreciation right-of-use assets	(64)	(75)
Corporate social responsibility contribution in Argentina	(1,801)	(874)
Care and maintenance expenses of Ares mine unit	(1,305)	(852)
Care and maintenance expenses of Arcata mine unit	(1,093)	(1,061)
Voluntary retirement program in Argentina ¹	(4,934)	—
Others ²	(3,035)	(902)
Total	(13,770)	(3,929)

¹ Voluntary retirement program implemented at Minera Santa Cruz as a result of the need to comply with the Provincial Employment Law that requires at least 70% of the workforce to have resided in the province of Santa Cruz for three years.

² Mainly includes the remuneration for the six months period ended 30 June 2021 of the employees included in the voluntary retirement program (US\$2,581,000), since Minera Santa Cruz has to pay them until the employment relationship is terminated even though they are prevented from attending the mining unit.

9 Exceptional items

Exceptional items relate to:

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Cost of sales		
Incremental cost due to pandemic ¹	(13,091)	(4,727)
Total	(13,091)	(4,727)
Other expense		
Incremental cost due to pandemic	(865)	(1,889)
Total	(865)	(1,889)
Income tax expense		
Income tax credit ²	4,485	1,955
Total	4,485	1,955

The exceptional items for the period ended 30 June 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 cost of sales and costs incurred by mine units in care and maintenance and those related to corporate activities have been presented within other expenses:

	Six months ended 30 June			
	2021		2020	
	Cost of sales US\$000	Other expenses US\$000	Cost of sales US\$000	Other expenses US\$000
Third party services	9,145	406	2,986	62
Personnel expenses	1,770	342	1,028	174
Donations	-	-	124	1,127
Consumption of medical supplies	800	69	267	31
Cleaning and food services	1,337	25	119	35
Depreciation and amortisation	19	20	32	-
Others	20	3	171	460
Total	13,091	865	4,727	1,889

These costs were incurred in respect of the implementation of the necessary protocols including incremental third party services mainly related to accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units, medical tests and additional transportation costs to facilitate social distancing, personnel expenses mainly reflecting one-off bonuses paid to those workers required to oversee critical processes during period of suspension, donations which includes the value of equipment donated to assist the national effort in Peru to control the pandemic as well as the donations to hardship funds administered by educational institutions, UTEC and TECSUP.

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 cost would ceased 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. Notwithstanding this, management does not expect these costs to continue beyond December 2021 and therefore they are not expected to become recurring to the Group's operations

- 2 The tax effect generated by the incremental costs arising from the Covid-19 pandemic.

10 Finance income and finance cost before exceptional items

The Group recognised the following finance income and finance costs before exceptional items:

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Finance income:		
Interest on deposits and liquidity funds	954	1,152
Interest on loans	96	185
Gain on discount of other receivables ¹	—	716
Unwind of discount on mine rehabilitation	968	—
Others	43	21
Total	2,061	2,074
Finance cost:		
Interest on bank loans	(3,749)	(3,647)
Other interest	(827)	(175)
Total interest expense	(4,576)	(3,822)
Loss on discount of other receivables ¹	(1,008)	—
Loss from changes in the fair value of financial instruments ²	(6,346)	(617)
Loss on sale of financial assets at fair value through profit and loss (note 14)	(681)	—
Others	(641)	(705)
Total	(13,252)	(5,144)

1 Mainly corresponds to the gain/(loss) on discount of tax credits in Argentina.

2 Represents the foreign exchange transaction costs to acquire US\$8,815,000 dollars through the sale of bonds in Argentina (2020: US\$1,096,000).

11 Income tax expense

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Current tax		
Current income tax expense/(credit)	25,577	(444)
Withholding tax	525	—
Current mining royalty charge	3,507	1,490
Current special mining tax charge	3,518	713
Total	33,127	1,759
Deferred tax		
Origination and reversal of temporary differences	22,126	13,711
Total	22,126	13,711
Total taxation charge in the income statement	55,253	15,470

The pre-exceptional tax charge for the period was US\$59,738,000 (2020: US\$17,425,000).

The weighted average statutory income tax rate was 31.7% for 2021 and 30.7% 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 interim income tax rate calculation is based on the estimate average annual effective tax rate of the Group.

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. In 2021 the Argentinian tax rate increased to 35% generating higher deferred tax of US\$11,500,000.

The effective tax rate for corporate income tax before foreign exchange effect for the six months ended 30 June 2021 is 39.3% (2020: 54.3%), compared to the corporate income tax and mining royalties before foreign exchange effect of 56.4% (2020: 88.4%) and the total taxation charge in the income statement of 65.90% (2020: 239.3%).

The increase in the charge is mainly explained by the increase in the Argentinian tax rate and the non-cash impact of local currency devaluation in Peru and Argentina in H1 2021 of 9% and 15% respectively (2020: 7% and 18%), which reduced the tax bases impacting deferred income tax by US\$7,900,000 (2020: credit of US\$9,800,000).

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.

12 Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired and developed assets with a cost of US\$54,461,000 (30 June 2020: US\$39,987,000). The additions for the six months ended 30 June 2021 relate to:

	Mining properties and development (Unaudited) US\$000	Other property plant and equipment (Unaudited) US\$000	Total additions of property plant and equipment (Unaudited) US\$000
San Jose	11,465	6,662	18,127
Pallancata	4,847	963	5,810
Inmaculada	21,884	6,986	28,870
Others	293	1,361	1,654
Total	38,489	15,972	54,461

Assets with a net book value of US\$1,000 were disposed of by the Group during the six month period ended 30 June 2021 (2020: US\$nil) resulting in a net gain on disposal of US\$3,000 (2020: gain of US\$38,000).

For the six months ended 30 June 2021, the depreciation charge on property, plant and equipment was US\$74,445,000 (2020: US\$51,404,000).

There were borrowing costs capitalised in property, plant and equipment amounting to US\$10,000.

As at 30 June 2021, no indicators of impairment or reversal of impairment were identified in any of the Group's CGUs. Although the Group incurred incremental expenses in the six-month period to 30 June 2021 as a result of COVID 19, management has assessed that these costs are unlikely to continue beyond December 2021 (note 9). Therefore, the incremental costs incurred as a result of COVID-19 are not considered to be an indicator of impairment.

In 2020, management determined that there was a trigger of impairment reversal for the Pallancata and San Jose mine units as both of these CGUs have previously been impaired.

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

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

In 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. 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 future gold and silver prices, future capital requirements, production costs, reserves and resources volumes (reflected in the production volume), and the discount rate.

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

31 December 2020

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

31 December 2020	San Jose	Pallancata
Discount rate (post tax)	15.9%	4.1%

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

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

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

13 Evaluation and exploration assets

During the six months ended 30 June 2021, the Group capitalised evaluation and exploration costs of US\$12,452,000 (30 June 2020: US\$2,803,000). The additions correspond to the following properties:

	Unaudited US\$000
Biolantánidos	6,312
Azuca	376
Inmaculada	3,964
Crespo	1,022
Volcan	778
Total	12,452

There were no transfers from evaluation and exploration assets to property, plant and equipment during the period (2020: US\$nil).

14 Financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June 2021 and 31 December 2020, the Group held the following financial instruments measured at fair value:

	As at 30 June 2021 (Unaudited) US\$000	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000
Assets measured at fair value				
Equity shares ¹	554	554	–	–
Derivative financial assets	5,146	–	5,146	–
Trade receivables	51,882	–	–	51,882
	57,582	554	5,146	51,882
Liabilities measured at fair value				
Derivative financial liabilities	3,998	–	3,998	–
	3,998	–	3,998	–

¹ These investments are classified as financial assets at fair value through OCI. During 2021 the Group sold 1,687,401 shares of Americas Gold and Silver Corporation (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. During the six-month period ended 30 June 2020, the Group sold 452,100 shares of Americas Silver Corporation (ASC), 7,399,331 shares of Skeena Resources Limited and 3,897,500 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\$476,000 respectively, generating a gain on disposal of US\$658,000, US\$1,091,000 and US\$92,000 respectively, recognised in equity.

	As at 31 December 2020 US\$000	Level 1 US\$000	Level 2 US\$000	Level 3 US\$000
Assets measured at fair value				
Equity shares ¹	5,809	5,809	–	–

Trade receivables	45,353	–	–	45,353
Liabilities measured at fair value				
Derivative financial liabilities	(6,003)	–	(6,003)	–

1 These investments were classified as financial assets at fair value through OCI (US\$402,000) and financial assets at fair value through profit and loss (US\$ 5,407,000).

Derivative financial assets – Silver forward

On 8 February 2021, the Group signed agreements with JP Morgan to hedge the sale of 4,000,000 ounces of silver at US\$27.10 per ounce for 2021 and a further 4,000,000 ounces of silver at US\$26.86 per ounce for 2022.

The silver forward is being used to hedge the exposure to changes in the cashflows of the silver commodity prices. In accordance with IFRS 9, this derivative instrument is categorised as a cash flow hedge at the inception of the hedging relationship and, on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge effectiveness requirements. The fair value of the silver forward was calculated using a discounted cash flow model applying a combination of level 1 (USD quoted market commodity prices) and level 2 inputs.

The models used to value the commodity forward contracts are maker standard models, that calculated the present value of the fixed-legs (the fixed silver leg) and compared them with present value of the expected cash flows of the flowing legs (the London metal exchange “LME” silver fixing). In the case of the commodity forward contracts, the model uses the LME AG forward curve and the US LIBOR swap curve for discounting.

This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy. The fair value of the silver forward as at 30 June 2021 is as follows:

	US\$000
Current assets	3,664
Non-current assets	1,482
	5,146

The effect recorded is as follows:

	US\$000
Income statement – revenue	868
Equity – Unrealised gain on hedges	5,146

The sensitivity to a reasonable movement in the commodity prices, with all other variables held constant, determined as a +/-10% change in prices -US\$16,043,000/US\$16,128,000 effect on OCI.

Derivative financial liabilities – Interest rate swap

On 14 February 2020, the Group and JP Morgan Chase Bank, N.A. entered into an interest rate swap with a notional amount equal to the principal of the medium term loan whereby the Group pays fixed rate of at 2.534% and receives interest at a variable rate equal to Libor+1.15% on the notional amount from 17 March 2020 to 17 December 2024 (refer to note 17). The interest rate swap is being used to hedge the exposure to changes in the cashflows of its variable rate medium-term loan. In accordance with IFRS 9, this derivative instrument is categorised as a cash flow hedge at the inception of the hedging relationship and, on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge effectiveness requirements. At a minimum, an entity shall perform the ongoing assessment at each reporting date or upon a significant change in the circumstances affecting the hedge effectiveness requirements, whichever comes first. The assessment relates to expectations about hedge effectiveness and is therefore only forward-looking.

The fair value of the interest rate swap was calculated using a discounted cash flow model applying a combination of level 1 (USD swap curve and USD zero yield curve) and level 2 inputs. This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy.

The models used to value the interest rate swap (IRS) are maker standard models that calculated the present value of the fixed-legs (fixed-rate of the IRS) and compared them with present value of the expected cash flows of the flowing legs (LIBOR payment).

In the case of the IRS the model used the US LIBOR swap curve as an input.

This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy. The fair value of the IRS as at 30 June 2021 is as follows:

	US\$000
Current liabilities	1,064
Non-current liabilities	2,934
	3,998

The effect recorded is as follows:

	US\$000
Income statement – finance costs	1,193
Equity – Unrealised gain on hedges	2,005

The sensitivity to a reasonable movement in the interest rate, with all other variables held constant, of the financial instruments with a floating rate, determined as a +/-20bps change in interest rates US\$674,000 / -US\$860,000 effect on OCI.

During the six months ended 30 June 2021 and the year ended 31 December 2020 there were no transfers between these levels.

The reconciliation of the financial instruments categorised as Level 3 is as follows:

	Trade receivables subject to price adjustments US\$000
Balance at 1 January 2020	37,799
Net change in trade receivables from goods sold	6,289
Changes in fair value of price adjustments	10,999
Realised price adjustments during the year	(9,734)
Balance at 31 December 2020	45,353
Net change in trade receivables from goods sold	12,840
Changes in fair value of price adjustments	(335)
Realised price adjustments during the period	(5,976)
Balance at 30 June 2021 (Unaudited)	51,882

The Group has price adjustments arising from the sale of concentrate and dore which were provisionally priced at the time the sale was recorded.

The sensitivity of the fair value to an immediate 10% favourable or adverse change in the price of gold and silver (assuming all other variables remain constant), is as follows:

Period	Increase/ decrease in price of ounces of:	Effect on profit before tax US\$000
30 June 2021	Gold +/-10%	+/-20
	Silver +/-10%	+/-52
31 December 2020	Gold +/-10%	+/-210
	Silver +/-10%	+/-890

15 Deferred income tax assets and liabilities

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

	As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000
Beginning of the period	(72,307)	(61,476)
Income statement charge	(22,126)	(12,575)
OCI (charge)/credit	(2,109)	1,744
End of the period	(96,542)	(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 main effect is explained by the increase of the Argentinian tax rate (refer to note 11).

The movement in deferred income tax assets and liabilities before offset during the period 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)	11,026	1,882	(696)	1,922	14,134
At 30 June 2021	50,547	86,834	-	5,569	142,950

	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/(charge)	-	-	-	1,744	1,744
At 31 December 2020	20,130	25,384	474	10,521	56,509
Income statement charge/(credit)	(6,454)	1,044	(55)	(2,527)	(7,992)
Equity (charge)	-	-	-	(2,109)	(2,109)
At 30 June 2021	13,676	26,428	419	5,885	46,408

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

	As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000
Deferred income tax assets	618	1,009
Deferred income tax liabilities	(97,160)	(73,316)
Net deferred income tax liabilities	(96,542)	(72,307)

16 Cash and cash equivalents

	As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000
Cash at bank	1,170	1,198
Current demand deposit accounts ¹	79,834	79,834
Time deposits ²	175,925	150,851
Cash and cash equivalents	256,929	231,883

¹ Relates to bank accounts which are readily accessible to the Group and bear interest.

² These deposits have an average maturity of 19 days (as at 31 December 2020: 45 days).

17 Borrowings

	As at 30 June 2021 (Unaudited)			As at 31 December 2020		
	Effective interest rate	Non- current US\$000	Current US\$000	Effective interest rate	Non- current US\$000	Current US\$000
Secured bank loans						
• Pre-shipment loans in Minera Santa Cruz	28% to 39%	-	6,077	28% to 35%	-	10,628
• Mid-term loans in Minera Ares	1.3%	166,268	33,466	1.5%	199,554	150
Total		166,268	39,543		199,554	10,778

The movement in borrowings during the six month period to 30 June 2021 is as follows:

	As at 1 January 2021 US\$000	Additions US\$000	Repayments US\$000	Reclassifications US\$000	As at 30 June 2021 (Unaudited) US\$000
Current					
Bank loans ¹	10,101	1,804	(6,309)	33,483	39,079
Accrued interest	677	2,509	(2,354)	(368)	464
	10,778	4,313	(8,663)	33,115	39,543
Non-current					
Bank loans ¹	199,554	47	–	(33,333)	166,268
	199,554	47	–	(33,333)	166,268

¹ Relates to pre-shipment loans for a total amount of US\$6,077,000 (31 December 2020: US\$10,628,000) which are credit lines given by banks to meet payment obligations arising from the exports of the Group. In addition, the balance at 30 June 2021 and 31 December 2020 includes a five-year credit agreement signed between Compañía Minera Ares and Scotiabank Peru S.A.A., the Bank of Nova Scotia and BBVA Securities Inc. with Hochschild Mining plc as guarantor. The US\$200,000,000 medium term loan is payable in equal quarterly instalments from 17 March 2022 with an interest rate of Libor three months plus 1.15% payable quarterly until maturity on 13 December 2024. The carrying value including accrued interests payable net of capitalised expenses related to the borrowing (30 June 2021: US\$399,000, 31 December 2020: US\$446,000) at 30 June 2021 is US\$199,734,000 (31 December 2020: US\$199,704,000). On 14 February 2020, the Group entered into an interest rate swap with JP Morgan Chase Bank, N.A. to fix the interest rate of the medium term loan at 2.534% from 17 March 2020 to 17 December 2024.

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		Fair value	
	As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000	As at 30 June 2021 (Unaudited) US\$000	As at 31 December 2020 US\$000
Bank loans	199,734	199,704	197,903	199,110
Total	199,734	199,704	197,903	199,110

18 Provisions

	As at 30 June 2021 (Unaudited)		As at 31 December 2020	
	Non-current US\$000	Current US\$000	Non-current US\$000	Current US\$000
Provision for mine closure ¹	108,545	14,739	107,007	19,390
Workers' profit sharing ²	–	6,392	–	5,389
Provision for contingencies ³	1,208	1,500	900	725
Long term incentive plan	491	132	1,126	–
Total	110,244	22,763	109,033	25,504

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 30 June 2021 and 31 December 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 pre-tax real discount rate used was -1.95% (2020: -1.58%). Movement in the provision relates to an increase due to change in estimate of US\$1,414,000 (mainly in the mine units Ares US\$619,000, San José US\$405,000 and Inmaculada US\$369,000), net of payments of US\$2,638,000, a decrease related to change in discount rate of US\$921,000 and a decrease related to unwind of discount on mine rehabilitation of US\$968,000.

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

	US\$000
Closure costs (increase by 10%) increase of provision	12,328
Discount rate (increase by 0.5%) (decrease of provision)	(41)

² Corresponds to worker's profit sharing in Compañía Minera Ares paid during 2020.

³ Mainly corresponds to the increase due to an income tax contingency in Compañía Minera Ares of US\$903,800.

19 Equity

Share capital and share premium

The movement in share capital of the Company from 31 December 2020 to 30 June 2021 is as follows:

	Number of ordinary shares	Share capital US\$000	Share premium US\$000
Shares issued as at 1 January 2021	513,875,563	226,506	438,041
Shares issued as at 30 June 2021	513,875,563	226,506	438,041

On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US\$292,000).

On 30 March 2020, 182,941 treasury shares with a value of US\$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long term Incentive Plan.

At 30 June 2021 the Group has no treasury shares (31 December 2020: nil).

20 Dividends paid and declared

Dividends declared and paid to non-controlling interests in the six months ended 30 June 2021 were US\$7,561,000 (2020: US\$285,000).

There was a final dividend declared to shareholders of the parent for 2020 of US\$12,002,000 (final dividend for 2019: US\$nil). Dividends paid to shareholders of the parent in the six months ended 30 June 2021 were US\$12,002,000 (2020: US\$nil).

Following a detailed review, the Company has identified an issue concerning the Company's compliance with the Companies Act 2006 in relation to the payment of certain historic dividends (the "Relevant Historic Dividends"). In particular, the Company did not have sufficient distributable reserves at the appropriate point.

Notwithstanding the above, the Board notes the Company's robust net cash position.

The Company has identified certain steps that are anticipated will create sufficient distributable reserves in the Company and is working with its advisers towards that objective. We will update shareholders on this in due course. Subject to creating sufficient distributable reserves, the directors anticipate announcing an interim dividend by the end of the month.

Furthermore, the Company expects it will require a resolution to be passed at a General Meeting to be held in due course to relieve the shareholders of any obligation to repay the Relevant Historic Dividends and to release the Directors from any related liability.

21 Related party transactions

There were no significant transactions with related parties during the six months period ended 30 June 2021.

During the six-month period ended 30 June 2020, the Group made a number of donations to assist the national effort in Peru to control the spread of Covid-19 including donations of US\$500,000 to each of the Universidad de Ingenieria y Tecnologia ("UTEC") and TECSUP. These donations were to hardship funds administered by each institution to support students impacted financially by the pandemic. An additional amount of US\$50,000 was donated in total to UTEC and TECSUP to fund the research and development of equipment and treatment for virus patients. Both entities are Peruvian not for profit educational institutions controlled by Eduardo Hochschild.

There were no other significant transactions with related parties during the six months period ended 30 June 2020.

22 Notes to the statement of cash flows

	Six months ended 30 June	
	2021 (Unaudited) US\$000	2020 (Unaudited) US\$000
Reconciliation of profit for the period to net cash generated from operating activities		
Profit/(loss) for the period	28,594	(9,006)
Adjustments to reconcile Group profit to net cash inflows from operating activities		
Depreciation	74,459	51,750
Amortisation of intangibles	563	573
Write-off of non-financial assets	299	1,208
Gain on sale of property, plant and equipment	(3)	(38)
Increase of provision for mine closure	1,538	–
Finance income	(2,061)	(2,074)

Finance costs	13,252	5,144
Income tax expense	55,253	15,470
Other*	3,910	3,197
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	(24,387)	(4,361)
Income tax receivable	10	–
Other financial assets and liabilities	1,200	79
Inventories	(621)	9,385
Trade and other payables	(13,384)	(40,474)
Provisions	1,583	(6,050)
Cash generated from operations*	140,205	24,803

*Comparative information has been restated to present the foreign exchange transactions carried in Argentina on a gross basis within investing activities.

Profit by operation¹

Group (US\$000)	Pallancata	San Jose	Inmaculada	Consolidation adjustment and others	Total/HOC
Revenue	61,772	117,692	215,098	188	394,750
Cost of sales (pre consolidation)	(47,284)	(82,925)	(108,426)	2,389	(236,246)
Consolidation adjustment	435	192	(3,016)	2,389	–
Cost of sales (post consolidation)	(47,719)	(83,117)	(105,410)	–	(236,246)
Production cost excluding depreciation	(30,338)	(47,030)	(62,571)	–	(139,939)
Depreciation in production cost	(13,150)	(21,969)	(38,696)	–	(73,815)
Workers profit sharing	(1,359)	–	(1,585)	–	(2,944)
Other items	(3,401)	(12,892)	(2,994)	–	(19,287)
Change in inventories	529	(1,226)	436	–	(261)
Gross profit	14,488	34,767	106,672	2,577	158,504
Administrative expenses	–	–	–	(24,042)	(24,042)
Exploration expenses	–	–	–	(17,436)	(17,436)
Selling expenses	(272)	(6,534)	(328)	–	(7,134)
Other expenses, net	–	–	–	(12,778)	(12,778)
Operating profit/(loss) before impairment	14,216	28,233	106,344	(51,679)	97,114
Write-off of non-financial assets, net	–	–	–	(299)	(299)
Finance income	–	–	–	2,061	2,061
Finance costs	–	–	–	(13,252)	(13,252)
Foreign exchange loss	–	–	–	(1,777)	(1,777)
Profit/(loss) from continuing operations before income tax	14,216	28,233	106,344	(64,946)	83,847
Income tax	–	–	–	(55,253)	(55,253)
Profit/(loss) for the period from continuing operations	14,216	28,233	106,344	(120,199)	28,594

¹ On a post-exceptional basis.

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, dividends and to report changes in personal details:

BY EMAIL

shareholderenquiries@linkgroup.co.uk

POST

Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL

BY TELEPHONE

(+44 (0)) 371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am – 5:30pm, Monday to Friday excluding public holidays in England and Wales)

17 Cavendish Square

London

W1G 0PH

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