HOCHSCHILD

19 August 2020

Interim Results for the six months ended 30 June 2020

Covid-19 Response

- Swift company-wide response to unprecedented circumstances
- Prioritisation of employee health above business continuity
- Implementation of more stringent set of health protocols at all mines than mandated by authorities
- Comprehensive testing programme carried out
- Full medical teams in place with additional equipment acquired
- Additional community health and educational support provided
- Inmaculada restarted production on 28 July and is currently expected to reach full capacity by end of August

Financial highlights

- Revenue of $232.0 million (H1 2019: $354.5 million)[1]
- Adjusted EBITDA of $80.6 million (H1 2019: $153.7 million)[2]
- Profit before income tax (pre-exceptional) of $13.1 million (H1 2019: $41.5 million)
- Profit before income tax (post-exceptional) of $6.5 million (H1 2019: $29.5 million)
- Basic loss per share (pre-exceptional) of $(0.01) (H1 2019: $0.04 earnings)
- Basic loss per share (post-exceptional) of $(0.02) (H1 2019: $0.03 earnings)
- Cash and cash equivalent balance of $162.1 million as at 30 June 2020 (31 December 2019: $166.4 million)
- Net debt of $58.4 million as at 30 June 2020 (31 December 2019: $33.2 million)

Exploration & Business Development highlights

- Full brownfield exploration plan scheduled to be completed by year-end
- Drilling programmes at all operations and surrounding regional targets
- Programmes scheduled at Arcata, Corina, Cochaloma, Pablo Sur and Palca targets
- Drilling at Condor (by project partner) and Crespo early-stage projects also scheduled
- Maiden resource for Snip project in northwest British Columbia announced by partner, Skeena Resources
- Further greenfield programmes set for H2 in Peru, Canada and the U.S.
- Work continuing on BioLantanidos rare earths project with feasibility study on track for completion in Q1 2021

H1 2020 ESG highlights

- Lost Time Injury Frequency Rate of 0.98 (2019: 1.05)[3]
- Accident Severity Index of 999 (2019: 54)[4]
- Water Consumption of 225lt/person/day (2019: 206lt/person/day)
- Domestic waste generation of 0.98 kg/person/day (2019: 1.04kg/person/day)
- ECO score of 5.74 out of 6 (2019: 4.82)[5]

[1]Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts plus services revenue
[2]Refer to page 13 of the Financial Review for a definition of Adjusted EBITDA
[3]Calculated as total number of accidents per million labour hours
[4]Calculated as total number of days lost per million labour hours.
[5]The ECO Score is an internally designed Key Performance Indicator measuring environmental performance in one number and encompassing numerous fronts including management of waste water, outcome of regulatory inspections and sound environmental practices relating to water consumption and the recycling of materials.

$000 unless stated	Six months to 30 June 2020	Six months to 30 June 2019	% change
Attributable silver production (koz)	4,108	8,687	(53)
Attributable gold production (koz)	79	138	(43)
Revenue	232,029	354,450	(35)
Adjusted EBITDA	80,584	153,734	(48)
(Loss)/profit from continuing operations (pre-exceptional)	(4,345)	25,085	(117)
(Loss)/profit from continuing operations (post-exceptional)	(9,006)	16,661	(154)
Basic (loss)/earnings per share (pre-exceptional) $	(0.01)	0.04	(125)
Basic (loss)/earnings per share (post-exceptional) $	(0.02)	0.03	(167)

A live conference call and audio webcast will be held at 2.30pm (London time) on Wednesday 19 August 2020 for analysts and investors.
For a live webcast of the presentation please click on the link below:

https://webcasting.brrmedia.co.uk/broadcast/5f1e81f5864c395ee4bb2991

Conference call dial in details:
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Non-IFRS Financial Performance Measures

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

About Hochschild Mining PLC:

Hochschild Mining PLC is a leading precious metals company listed on the London Stock Exchange (HOCM.L) (HOC.LN) (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:

Covid-19

The story of Hochschild's first half of 2020 is dominated by the global Covid-19 crisis and the challenges it has brought to the countries in which we operate, our communities and our employees. We believe that Hochschild's overall response to the pandemic has balanced the needs of all of our stakeholders, starting with the health and safety of our people, which remains our first priority. We took immediate and decisive action in mid-March as soon as the virus impacted the country and chose to halt our Peruvian operations and exploration programmes and responded quickly again in early July when our Inmaculada mine experienced a number of positive cases of the virus. In Argentina, we immediately complied with the nationwide mandatory quarantine and have been very careful to follow the ongoing restrictions on the movement of people in the country by executing a careful remobilisation and ramp-up at the mine.

Throughout the organisation, we have taken all the necessary actions to work through the uncertainties and challenges facing our company and host countries. This includes a wide range of safety protocols in place at all our locations that go well beyond the official requirements and we have also established a comprehensive virus testing programme, revised community relation strategies and increased the size of the Company's medical team. In addition, employees have received regular updates on safe work practices as we tailor our approach based on the evolving government guidelines.

Our Company entered the crisis with a strong balance sheet and liquidity position, providing us with resilience and the ability to implement our crisis response and protect our business. I am very proud of our Company's resourcefulness and would like to say a heartfelt thank you to all of our employees for their continued dedication and efforts over the past few months in such difficult circumstances.

Safety

We take our responsibilities to our people extremely seriously and their safety and wellbeing is our highest priority. We dedicated significant resources to our internally designed Safety Culture Transformation Plan which, since implementation in 2017, resulted in historic levels of safety performance last year. We have redoubled our focus on this critical area and have therefore relaunched the second iteration of this initiative, known internally as Safety 2.0.

It is with deep regret that despite all the progress we have achieved, we suffered a fatality at our Pallancata mine during H1 2020. A thorough investigation was carried out and the findings were reported to the Board. This tragic event has made us even more determined to continue reinforcing our controls, promoting the right behaviours and creating a culture of safety that is deeply embedded throughout the organisation.

Operations

As mentioned above, Hochschild's output in the first half was impacted by Covid-19 related stoppages at all our mines lasting from the middle of March until the restart was announced towards the end of May. Production was 126,835 gold equivalent ounces (10.9 million silver equivalent ounces) which was understandably substantially lower than the 2019 figure of 239,090 gold equivalent ounces (20.6 million silver equivalent ounces). Inmaculada delivered a solid start to the year in the first quarter but the stoppage resulted in production of only 79,604 gold equivalent ounces (H1 2019: 132,915 ounces). All-in sustaining costs were lower than budgeted at $777 per gold equivalent ounce, principally due to expenditure on the mine's tailings dam being deferred until the second half of the year. Inmaculada is back in production following the second stoppage in July and expected to be operating at full production capacity by the end of August.

Pallancata was similarly affected. Production, was 1.8 million silver equivalent ounces (H1 2019: 5.0 million ounces) with the mine's all-in sustaining cost at $14.0 per silver equivalent ounce (H1 2019: $12.1 per ounce). The increase in costs versus the prior year was due to the mining of lower grade areas and less production resulting from the stoppages.

In Argentina, San Jose experienced a shorter stoppage with production restarting on 27 April. However, the ongoing restrictions on the movement of people in the country resulted in a slow and difficult remobilisation and ramp-up process, which we expect to be complete by the end of the third quarter. Production was 4.4 million silver equivalent ounces in the first half (H1 2019: 7.4 million ounces) with costs at $15.6 per silver equivalent ounce (H1 2019: $13.9 per ounce).

Exploration

Whilst the 2020 brownfield programme has now restarted, almost three months of the schedule were deferred due to the crisis. However, we have now been able to reconfigure the programme and have an ambitious 6 month plan in place which includes a mix of surface and underground drilling in the surrounding areas of all three of our current mines. Our objectives in terms of upgrading our current resource base and discovering new potential resources remain intact and we will report on progress at the end of the final two quarters of the year. Our brownfield team also has plans to drill further afield in Peru: at the Corina zone to the north of Selene; at Palca and Cochaloma near to Pallancata; at Selene itself; and at Ares, Arcata and Crespo on the east side of Hochschild's Southern Peru Cluster.

Our greenfield programme has also been impacted but we have recently seen encouraging progress from Snip in British Columbia where our partner Skeena Resources has achieved a maiden resource for the deposit. We look forward to results from the project's second drilling campaign which has now started. Furthermore, third-party exploration work is also due to begin in the United States at the Illipah and Horsethief projects in Nevada, as well as Adamera in Washington state, both subject to the quarantine being lifted.

In Chile, work on our BioLantanidos rare earths project has progressed well notwithstanding a few minor delays resulting from the impact of the Covid-19 crisis in the country. We now have key management personnel in place and are advancing the various work streams including: updating the resource model; progressing the project's permitting; carrying out metallurgical tests and equipment piloting; and completing the plan to engage with the surrounding communities. We remain on track to deliver a feasibility study in the first quarter of 2021.

Financial results

For the reasons discussed above, total Group production was significantly lower versus H1 2019 and consequently, despite a 28% rise in the average gold price achieved and an 8% rise in the silver price, revenue was reduced to $232.0 million (H1 2019: $354.5 million). All-in sustaining costs do not include approximately $22.5 million of fixed costs at the operations incurred during the stoppages and ramp up (presented within Other Expenses) and are also affected by the deferral of sustaining and development capital expenditure to the second half. Therefore the H1 2020 figure of $11.9 per silver equivalent ounce (H1 2019: $11.0 per ounce) is lower than the original guidance. Adjusted EBITDA of $80.6 million (H1 2019: $153.7 million) mostly reflects the reduced production levels whilst pre-exceptional loss per share of $(0.01) (H1 2019: $0.04 earnings per share) also includes the impact of an increase in the income tax arising from the impact of local currency devaluation in Peru and Argentina. Post-exceptional earnings per share was lower at $(0.02) (H1 2019: $0.03 earnings per share) mainly due to the exceptional after tax cost of $4.6 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 strong position despite the significant impact of the Covid-19 crisis with cash and cash equivalents of $162.1 million at the end of June (31 December 2019: $166.4 million) and net debt of $58.4 million (31 December 2019: $33.2 million).

Outlook

This year has seen precious metal prices continuing the strong rise which started in mid-2019 with fresh impetus coming from the significant fiscal and monetary stimulus initiated by governments and central banks in response to the Covid-19 crisis. Gold has recorded an all-time high recently and silver has reached its highest price level in seven years and we are therefore hopeful of delivering a strong rebound in profitability in the second half of the year provided our people are able to operate safely and experience less disruption. We intend to provide updated guidance when we have assessed the full impact of the suspensions.

We have a very busy second half of brownfield and greenfield activity planned with the aim of adding reserves and resources and identifying new projects for our pipeline. We continue to assess value accretive acquisitions throughout the Americas and are also carrying out development work on our suite of early-stage projects such as Azuca, Volcan and BioLantanidos.

In April, owing to the uncertainty caused by the crisis, the Board decided to withdraw the proposal to pay the 2019 final dividend. With Inmaculada currently still in a ramp-up phase and the Covid-19 crisis continuing to cause uncertainty in the countries where Hochschild operates, the Board has concluded that it would be inappropriate to pay a distribution to shareholders at this time.

OPERATING REVIEW

OPERATIONS

Note: All 2020 and 2019 (restated) silver/gold equivalent production figures assume a gold/silver ratio of 86:1.

Production

In H1 2020, Hochschild delivered attributable production of 126,835 gold equivalent ounces or 10.9 million silver equivalent ounces (on an attributable basis) with the half year impacted by effects of the Covid-19 crisis and the consequent operational stoppage at all three of the Company's mines. The Inmaculada and Pallancata mines were stopped for 11 weeks from 16 March 2020 with operations resuming on 31 May and 1 June respectively whilst the San Jose operation in Argentina stopped for six weeks and resumed on 27 April with a phased ramp-up process which reached 70% capacity during June.

Total group production

	Six months to 30 June 2020	Six months to 30 June 2019
Silver production (koz)	5,018	10,237
Gold production (koz)	93.59	162.16
Total silver equivalent (koz)	13,067	24,182
Total gold equivalent (koz)	151.94	281.19
Silver sold (koz)	4,897	10,221
Gold sold (koz)	93.58	160.25

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 2020	Six months to 30 June 2019
Silver production (koz)	4,108	8,687
Gold production (koz)	79.07	138.08
Silver equivalent (koz)	10,908	20,562
Gold equivalent (koz)	126.84	239.09

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

Costs

All-in sustaining cost from operations in H1 2020 was $1,026 per gold equivalent ounce or $11.9 per silver equivalent ounce (H1 2019: $945 per gold equivalent ounce or $11.0 per silver equivalent ounce), higher than H1 2019 mainly due to the effect of less production resulting from the stoppages impacting administrative expenses and capex in all units and also due to lower grades in Pallancata and San Jose. This was partially offset by local currency devaluation in both Peru and Argentina. These figures do not include fixed costs incurred at the operations during the stoppages as well as abnormal costs during the phases of reduced production capacity. Costs are expected to rise in the second half due to timing in the execution of sustaining and development capital expenditure much of which was deferred due to the stoppages.

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 2020	Six months to 30 June 2019	% change
Ore production (tonnes)	402,371	670,487	(40)
Average silver grade (g/t)	154	157	(2)
Average gold grade (g/t)	4.42	4.62	(4)
Silver produced (koz)	1,768	2,950	(40)
Gold produced (koz)	59.05	98.61	(40)
Silver equivalent produced (koz)	6,846	11,431	(40)
Gold equivalent produced (koz)	79.60	132.92	(40)
Silver sold (koz)	1,758	2,942	(40)
Gold sold (koz)	59.48	97.48	(39)
Unit cost ($/t)	91.1	90.8	-
Total cash cost ($/oz Au co-product)	583	480	21
All-in sustaining cost ($/oz Au Eq)	777	738	5

Production
Inmaculada's first half production was 79,604 gold equivalent ounces (H1 2019: 132,915 ounces) with the reduction due to the cessation of operations for 11 weeks starting in mid-March. Operations were halted again on 6 July 2020 due to a number of cases of Covid-19. In both cases, a reduced workforce performed care and maintenance activities. The Inmaculada team was subsequently retested for the virus and remobilised with production restarting on 28 July although full production will only be reached by the end of August due to ongoing virus-related logistical challenges.

Costs
All-in sustaining costs were at $777 per gold equivalent ounce (H1 2019: $738 per ounce) with fixed costs incurred during the stoppage and ramp-up ($5.7 million) not included in the figure and with key capex items including the tailings dam expansion deferred until the second half of the year. Costs were increased versus H1 2019 due to lower production resulting from the stoppages and lower gold grades partially offset by lower exploration expenses and local currency devaluation.

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 2020	Six months to 30 June 2019	% change
Ore production (tonnes)	188,740	472,294	(60)
Average silver grade (g/t)	257	284	(10)
Average gold grade (g/t)	0.92	1.01	(9)
Silver produced (koz)	1,392	3,812	(63)
Gold produced (koz)	4.92	13.44	(63)
Silver equivalent produced (koz)	1,815	4,969	(63)
Gold equivalent produced (koz)	21.10	57.78	(63)
Silver sold (koz)	1,271	3,768	(66)
Gold sold (koz)	4.41	13.20	(67)
Unit cost ($/t)	88.6	80.9	10
Total cash cost ($/oz Ag co-product)	9.9	8.6	15
All-in sustaining cost ($/oz Ag Eq)	14.0	12.1	16

Production
In H1 2020, Pallancata's output was 1.8 million silver equivalent ounces (H1 2019: 5.0 million ounces). In addition to the production days lost due to the stoppage, grades, as expected, dropped moderately.

Costs
All-in sustaining costs were at $14.0 per silver equivalent ounce (H1 2019: $12.1 per ounce) with fixed costs incurred during the stoppage and ramp-up not included in the figure ($4.4 million) and with some development and exploration expenditure deferred until the second half of the year. The mining of lower grade areas and less production resulting from the stoppages led to increased costs versus H1 2019, partially offset by local currency devaluation.

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 2020	Six months to 30 June 2019	% change
Ore production (tonnes)	162,394	251,753	(35)
Average silver grade (g/t)	401	446	(10)
Average gold grade (g/t)	6.36	6.89	(8)
Silver produced (koz)	1,858	3,162	(41)
Gold produced (koz)	29.62	49.14	(40)
Silver equivalent produced (koz)	4,406	7,388	(40)
Gold equivalent produced (koz)	51.23	85.91	(40)
Silver sold (koz)	1,868	3,189	(41)
Gold sold (koz)	29.69	48.89	(39)
Unit cost ($/t)	231.1	229.2	1
Total cash cost ($/oz Ag co-product)	9.3	9.3	-
All-in sustaining cost ($/oz Ag Eq)	15.6	13.9	12

Production
The San Jose operation in Argentina restarted concentrate production on 27 April, although the ongoing countrywide restrictions on the movement of people resulted in the ramp-up being phased over a significant period of time with full production expected to be reached towards the end of the third quarter. The total for the first half of the year was 4.4 million silver equivalent ounces (H1 2019: 7.4 million ounces). In addition, grades were on average lower than H1 2019 due to the logistic restrictions forcing a change in the mining method.

Costs
All-in sustaining costs were at $15.6 per silver equivalent ounce (H1 2019: $13.9 per ounce) with the operation impacted by the effect of lower ounces produced versus H1 2019 despite fixed costs incurred during the stoppage and phased ramp-up not being included in the figure ($11.8 million). In addition, the mining of lower grade areas and higher inflation in the country led to increased costs versus H1 2019, partially offset by local currency devaluation.

EXPLORATION

Inmaculada
In Q1 2020, 4,690m of potential drilling was carried out in the Bety, Lady, Pilar East, Shakira and South veins before the programme was halted in mid-March. Also, 1,204m of resource drilling was executed at the Angela and Ramal 4 veins. After the resumption of operations in the second quarter, a further 1,677m of potential drilling was carried out.

Vein	Results (resource drilling)
Bety	IMS-20-001: 1.0m @ 1.3g/t Au & 94g/t Ag
Lady	LAD-19-001: 1.3m @ 1.5g/t Au & 120g/t Ag
Lady Sur	LAD-19-002: 0.9m @ 5.7g/t Au & 17g/t Ag LAD-19-003: 1.4m @ 27.0g/t Au & 113g/t Ag
Shakira	HUA-19-001: 3.1m @ 5.1g/t Au & 252g/t Ag HUA-20-008A: 1.3m @ 2.5g/t Au & 259g/t Ag
South vein	IMM-20-002: 0.8m @ 15.0g/t Au & 1,753g/t Ag
Noe	HUA-20-008A: 1.1m @ 5.0g/t Au & 179g/t Ag

During Q3 2020, the plan is to drill 25,000m to incorporate new resources from the Juliana and Shakira veins.

Pallancata
At Pallancata, 5,145m of potential drilling was executed before the programme was also halted in the first quarter. This included just over 3,000m of long hole drilling from underground towards the Anomalia NE, Royropata, Veta 1, Mercedes, Luisa and Erika veins and 1,880m of drilling tracing the continuity of the Pallancata Vein. In the second quarter, 2,734m of potential drilling was executed targeting the Erika and Luciano veins and again the continuation of the Pallancata vein.

4,213m of infill drilling was also carried out in the Huararani and Marco areas in the first quarter with results likely to lead to a redefinition of the geology of these structures.

Vein	Results (resource drilling)
Paola	DLLU-A206: 0.9m @ 1.3g/t Au & 479g/t Ag
Karina	DLLU-A206: 1.1m @ 6.8g/t Au & 539g/t Ag
Gracia N	DLPE-A171: 0.7m @ 0.7g/t Au & 88g/t Ag
Pallancata c	DLPL-A932: 4.6m @ 3.0g/t Au & 790g/t Ag
Puka	DLHU-A49: 1.9m @ 1.1g/t Au & 351g/t Ag

In Q3 2020, the plan is to carry out 6,300m of resource drilling in the Pallancata vein extension and 2,500m of potential drilling towards the Marco vein and the Pablo West zone.

San Jose
At San Jose, 2,889m of potential drilling was executed in before the stoppage in the first quarter in the Micaela Oeste, Emily, Karina and Carlos structures. When exploration restarted in the second quarter, 6,020m of potential drilling was carried out towards the Ayelen, Erika, Mara, Sigmoide Julia, Emilia, Salvador and Micaela Oeste targets. Additionally, during Q2 2020 the Titan geophysics survey was completed.

Vein	Results (potential)
Micaela Oeste	SJD-2070: 0.9m @ 9.6g/t Au & 207g/t Ag SJD-2074: 0.3m @ 0.4g/t Au & 32g/t Ag
Emily	SJD-2081: 0.6m @ 0.8g/t Au & 34g/t Ag SJD-2085: 0.6m @ 1.6g/t Au & 100g/t Ag SJD-2090: 0.5m @ 0.1g/t Au & 35g/t Ag
Elisa	SJD-2085: 0.9m @ 9.6g/t Au & 207g/t Ag
Karina	SJD-2058: 0.5m @ 0.5g/t Au & 118g/t Ag

Carlos	SJD-2084: 1.9m @ 3.5g/t Au & 1,024g/t Ag
Odin	SJD-2103: 2.8m @ 17.1g/t Au & 591g/t Ag SJD-2109: 0.9m @ 6.9g/t Au & 126g/t Ag
Julia	SJD-2108: 1.0m @ 7.0g/t Au & 812g/t Ag SJD-2110: 1.2m @ 5.8g/t Au & 197g/t Ag
Erika	SJD-2114: 0.8m @ 1.5g/t Au & 332g/t Ag
New vein 1	SJD-2110: 0.9m @ 8.0g/t Au & 398g/t Ag
New vein 2	SJD-2118: 0.8m @ 1.2g/t Au & 226g/t Ag

During Q3 2020, subject to a successful potential drilling programme, 5,000m will be drilled in the Erika vein to add resources.

BIOLANTANIDOS

At the 100% owned Biolantanidos rare earths deposit in Chile, despite minor delays due to Covid-19, progress on the feasibility study has been maintained with key advances made in geology, processing and equipment testing. The project's environmental permitting process has continued to move forward and in addition, further brownfield targets have been identified which are expected to increase the project's resources. Finally, the rare earths dedicated team continues to grow as some key employees have already been added to the Biolantanidos organisation, including Rodrigo Ceballos, the new General Manager.

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 2020, there was considerable disruption to the programme from the Covid-19 crisis but exploration work was possible towards the end of the half at: the Cooke Mountain gold project owned by Adamera Minerals Corp in Washington State, United States; the Horsethief project owned by Allianza Minerals Ltd in Nevada; and the Illipah project owned by EMX Royalty Corp also in Nevada.

Snip

At Snip in the Golden Triangle of British Columbia, Hochschild's partner, Skeena Resources Limited, recently achieved a maiden resource at their 100%-owned Snip Gold Project in northwest British Columbia, Canada.

The underground constrained Indicated resources include 244,000 ounces of gold hosted within 539,000 tonnes at an average gold grade of 14.0 g/t Au. Resources within the Inferred category include 402,000 ounces of gold hosted within 942,000 tonnes at an average gold grade of 13.3 g/t Au (Table 1). In the determination of reasonable prospects for economic extraction, long hole stoping is contemplated. Sensitivities to the gold cut-off are presented in Table 2.

Table 1: Snip Indicated and Inferred underground resources reported undiluted at a 2.5 g/t Au cut-off grade within stope optimised mining shapes.

	Domain	Tonnes (000)	Contained Grade Au (g/t)	Contained Metal Au (000 oz)
Indicated Mineral Resources				
	Main – V	165	12.8	68
	Main – S	337	15.0	163
	Twin West	37	10.4	12
Total Indicated		**539**	**14.0**	**244**
Inferred Mineral Resources				
	Main – V	287	13.1	121
	Main – S	599	13.4	258
	Twin West	56	12.4	23
Total Inferred		**942**	**13.3**	**402**

Table 2: Snip Indicated and Inferred Resource sensitivities to block cut-off grade

	Cut-Off Grade Au (g/t)	Tonnes (000)	Grade (g/t)	Ounces (000)
Indicated Category				
	>2	557	13.7	245
	>2.5 (reported)	539	14.0	244
	>3	518	14.5	242
	>3.5	495	15.0	239
Inferred Category				
	>2	977	12.9	404
	>2.5 (reported)	942	13.3	402
	>3	911	13.6	399
Total Inferred	>3.5	880	14.0	**396**

A technical report will be filed on Skeena's company website within 45 days of the 21 July 2020 press release. Skeena intends to commence drilling at Snip shortly to follow-up on the first campaign from 2019 with the aim of expanding the resource.

In September 2018, Skeena granted Hochschild an option to earn a 60% undivided interest in Snip by spending twice the amount Skeena had spent since it originally optioned Snip from Barrick. Under the Heads of Agreement agreed between Skeena and Hochschild, Hochschild had three years from the closing (by 16 October 2021) to provide notice to Skeena that it wished to exercise its option. Once exercised, Hochschild will have three years to:

- incur expenditures on Snip that are no less than twice the amount of such expenditures incurred by Skeena from 23 March 2016 up until the time of exercise of the Option by Hochschild. As of 30 June 2020, Skeena had incurred C$18.9 million of expenditures at Snip;
- incur no less than C$7.5 million in exploration or development expenditures on Snip in each 12-month period of the Option Period; and
- provide 60% of the financial assurance required by governmental authorities for the Snip mining properties

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 revenue[6]

Gross revenue from continuing operations decreased by 35% to $238.7 million in H1 2020 (H1 2019: $366.5 million) due to the effects of the production stoppages in the second quarter resulting from the Covid-19 crisis. This was partially offset by a strong rise in the average realised gold price.

Gold

Gross revenue from gold in H1 2020 decreased to $159.2 million (H1 2019: $213.0 million) due to the fall in gold sales of 42% arising from the production stoppages. This was partially offset by a 28% increase in the average realised gold price.

Silver

Gross revenue fell in H1 2020 to $79.5 million (H1 2019: $153.5 million) due to a fall in silver sales of 52% arising from the production stoppages. This was partially offset by an 8% 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 2020 and H1 2019:

Average realised prices	Six months to 30 June 2020	Six months to 30 June 2019
Silver ounces sold (koz)	**4,897**	10,221
Avg. realised silver price ($/oz)	**16.2**	15.0
Gold ounces sold (koz)	**93.58**	160.25
Avg. realised gold price ($/oz)	**1,701**	1,329

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 2020, the Group recorded commercial discounts of $6.7 million (H1 2019: $12.1 million) with the decrease explained by the significant reduction in production. The ratio of commercial discounts to gross revenue in H1 2020 was 2.9% (H1 2019: 3.3%).

Net revenue

Net revenue was $232.0 million (H1 2019: $354.5 million), comprising net gold revenue of $156.5 million (H1 2019: $209.5 million) and net silver revenue of $75.5 million (H1 2019: $144.9 million). In H1 2020, gold accounted for 67% and silver for 33% of the Company's consolidated net revenue (H1 2019: gold 59% and silver 41%).

Reconciliation of gross revenue by mine to Group net revenue

$000	Six months to 30 June 2020	Six months to 30 June 2019	% change
Silver revenue			
Arcata	**-**	4,970	-
Inmaculada	**29,736**	43,359	(31)
Pallancata	**18,998**	57,114	(67)
San Jose	**30,777**	48,087	(36)
Commercial discounts	**(4,009)**	(8,618)	(53)
Net silver revenue	**75,502**	144,912	(48)
Gold revenue			
Arcata	**-**	889	-
Inmaculada	**97,505**	127,315	(23)
Pallancata	**8,167**	18,275	(55)
San Jose	**53,517**	66,483	(20)
Commercial discounts	**(2,713)**	(3,524)	(23)
Net gold revenue	**156,476**	209,438	(25)
Other revenue	**51**	100	(49)
Net revenue	**232,029**	354,450	(35)

[6] Includes revenue from services

Costs

Total cost of sales was $146.9 million in H1 2020 (H1 2019: $252.8 million). The direct production cost excluding depreciation was lower at $89.8 million (H1 2019: $158.4 million) mainly due the stoppages. Also, this does not include $22.5 million of fixed costs at the operations incurred during the stoppages (presented within Other Expenses). Depreciation in production cost decreased to $49.4 million (H1 2019: $90.4 million) due to lower extracted volumes across all operations mainly due to the stoppages and also does not include $1.5 million of depreciation incurred during the stoppages (also presented within Other Expenses). Change in inventories was $7.7 million in H1 2020 (H1 2019: $2.9 million) due to a reduction in products in process.

$000	Six months to 30 June 2020	Six months to 30 June 2019	% change
Direct production cost excluding depreciation	89,815	158,444	(43)
Depreciation in production cost	49,402	90,371	(45)
Other items and workers profit sharing	-	1,135	-
Change in inventories	7,728	2,881	168
Cost of sales	146,945	252,831	(42)

Unit cost per tonne

The Company reported unit cost per tonne at its operations of $123.0 per tonne in H1 2020, a 7% increase versus H1 2019 ($114.7 per tonne) mainly due to the expected lower tonnage rate at Pallancata.

Unit cost per tonne by operation (including royalties)[7]:

Operating unit ($/tonne)	Six months to 30 June 2020	Six months to 30 June 2019	% change
Peru[8]	90.6	86.6	5
Inmaculada	91.1	90.8	-
Pallancata	88.6	80.9	10
Arcata	-	184.5	-
Argentina			
San Jose	231.1	229.2	1
Total	123.0	114.7	7

Cash costs

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

Cash cost reconciliation[9]:

$000 unless otherwise indicated	Six months to 30 June 2019	Six months to 30 June 2018	% change
Group cash cost	111,821	185,735	(40)
(+) Cost of sales	146,945	252,831	(42)
(-) Depreciation and amortisation in cost of sales	(48,831)	(91,322)	(47)
(+) Selling expenses	5,987	10,480	(43)
(+) Commercial deductions[10]	7,720	13,746	(44)
Gold	*2,787*	*3,636*	*(23)*
Silver	*4,933*	*10,110*	*(51)*
Revenue	232,029	354,450	(35)
Gold	156,476	209,438	(25)
Silver	75,502	144,912	(48)
Others	51	100	(49)
Ounces sold			
Gold	93.6	160.2	(42)
Silver	4,897	10,221	(52)
Group cash cost ($/oz)			
Co product Au	806	685	18
Co product Ag	7.4	7.4	-
By product Au	335	192	74
By product Ag	(9.7)	(2.7)	259

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.

[7]*Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively*
[8]*Unit cost per tonne for Peru does not include the Arcata mine but Arcata is included in the Total Group unit cost figure.*
[9]*Cash costs are calculated to include cost of sales, commercial discounts, and selling expenses less depreciation included in cost of sales*
[10]*Includes commercial discounts from the sales of concentrate and the sale of dore*

All-in sustaining cost reconciliation

All-in sustaining cash costs per silver equivalent ounce

Six months to 30 June 2020

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	33,867	16,971	39,083	89,921	-	89,921
(+) Other items and workers profit sharing in cost of sales	-	-	-	-	-	-
(+) Operating and exploration capex for units[11]	22,463	3,546	11,998	38,007	121	38,128
(+) Brownfield exploration expenses	958	1,528	4,694	7,179	1,912	9,092
(+) Administrative expenses (excl depreciation)[12]	2,189	430	2,808	5,428	13,167	18,595
(+) Royalties and special mining tax[13]	1,245	245		1,490	713	2,204
Sub-total	**60,722**	**22,720**	**58,583**	**142,025**	**15,914**	**157,939**
Au ounces produced	59,046	4,920	29,621	93,587	-	93.587
Ag ounces produced (000s)	1,768	1,392	1,858	5,018	-	5,018
Ounces produced (Ag Eq 000s oz)	6,846	1,815	4,406	13,067	-	13,067
Sub-total ($/oz Ag Eq)	**8.9**	**12.5**	**13.3**	**10.9**	-	**12.1**
(+) Commercial deductions	880	2,144	4,696	7,720	-	7,720
(+) Selling expenses	235	324	5,428	5,987	-	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)	**777**	**1,205**	**1,340**	**1,026**	-	**1,131**

Six months to 30 June 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San José	Main operations	Arcata	Corporate & others	Total
(+) Production cost excluding depreciation	58,598	36,603	56,430	151,631	6,813	-	158,444
(+) Other items and workers profit sharing in cost of sales	278	290	567	1,135	-	-	1,135
(+) Operating and exploration capex for units	31,025	14,456	21,527	67,008	48	1,258	68,314
(+) Brownfield exploration expenses	3,110	1,483	5,404	9,997	795	2,180	12,972
(+) Administrative expenses (excl depreciation)	1,651	675	3,247	5,573	49	16,353	21,975
(+) Royalties and special mining tax[14]	1,714	701	-	2,414	51	1,132	3,597
Sub-total	**96,376**	**54,208**	**87,175**	**237,758**	**7,756**	**20,923**	**266,437**
Au ounces produced	98,608	13,444	49,137	161,188	966	-	162,155
Ag ounces produced (000s)	2,950	3,812	3,162	9,925	311	-	10,237
Ounces produced (Ag Eq 000s oz)	11,431	4,969	7,388	23,788	394	-	24,182
Sub-total ($/oz Ag Eq)	**8.4**	**10.9**	**11.8**	**10.0**	**19.7**	-	**11.0**
(+) Commercial deductions	1,358	5,596	6,016	12,970	776	-	13,746
(+) Selling expenses	315	474	9,545	10,334	146	-	10,480
Sub-total	**1,673**	**6,070**	**15,561**	**22,304**	**922**	-	**24,226**
Au ounces sold	97,484	13,200	48,891	159,575	674	-	160,248
Ag ounces sold (000s)	2,942	3,768	3,189	9,899	322	-	10,221
Ounces sold (Ag Eq 000s oz)	11,325	4,903	7,394	23,622	380	-	24,002
Sub-total ($/oz Ag Eq)	**0.1**	**1.2**	**2.1**	**1.0**	**2.4**	-	**1.0**
All-in sustaining costs ($/oz Ag Eq)	**8.6**	**12.1**	**13.9**	**11.0**	**22.1**	-	**12.0**
All-in sustaining costs ($/oz Au Eq)[15]	**738**	**1,045**	**1,196**	**945**	**1,900**	-	**1,034**

Administrative expenses

Administrative expenses were reduced by 12% to $20.2 million (H1 2019: $23.0 million) primarily due to lower personnel costs and postponed expenses due to the Covid-19 crisis.

Exploration expenses

In H1 2020, exploration expenses decreased to $12.7 million (H1 2019: $18.6 million) mainly due to slower execution of the budgeted greenfield and brownfield programme as a result of the Covid-19 lockdown.

Selling expenses

Selling expenses reduced to $6.0 million (H1 2019: $10.5 million) principally due to the fact that in Argentina, which levies export taxes, the San Jose operation was stopped for a significant period of time.

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[11]*Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments*
[12]*Administrative expenses does not include expenses from the Biolantanidos project ($595,000)*
[13]*Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*
[14]*Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*
[15]*Calculated using a gold silver ratio of 86:1*

Other income/expenses

Other income was lower at $1.1 million (H1 2019: $4.5 million) mainly due to a reduction in income from logistics services at the Matarani warehouse.

Other expenses before exceptional items were $27.9 million (H1 2019: $8.8 million) due to fixed costs of $24.0 million at the operations incurred during the stoppages being presented within Other Expenses. In accordance with IAS2 and Hochschild accounting policies, production fixed costs during the stoppage are not directly related to units of production or inventories

Fixed costs at the operations during stoppages and reduced capacity

$000	
Personnel costs	16,038
Third party services	4,765
Supplies	551
Depreciation and amortisation	1,542
Others	1,116
Total	**24,012**

The increase has been partially offset by the reduction of care and maintenance expenses at Arcata and Ares. In H1 2019, there were more requirements at Arcata due to it being recently placed on temporary care and maintenance. In Ares in H1 2019, similar activity has been reduced in H1 2020.

Adjusted EBITDA

Adjusted EBITDA decreased by 48% to $80.6 million (H1 2019: $153.7 million) primarily due to the fall in revenue due to the operational stoppages necessitated by the Covid-19 crisis and in spite of increased precious metal prices.

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

$000 unless otherwise indicated	Six months to 30 June 2020	Six months to 30 June 2019	% change
Profit from continuing operations before exceptional items, net finance cost, foreign exchange (loss)/gain and income tax	**18,065**	44,693	(60)
Depreciation and amortisation in cost of sales	**48,831**	91,322	(47)
Depreciation and amortisation in administrative and other expenses	**2,663**	1,167	128
Exploration expenses	**12,743**	18,552	(31)
Personnel and other exploration related fixed expenses	**(2,926)**	(3,087)	(5)
Other non-cash income, net [16]	**1,208**	1,087	11
Adjusted EBITDA	**80,584**	153,734	(48)
Adjusted EBITDA margin	***35%***	*43%*	

Finance income

Finance income was $2.1 million (H1 2019: $1.4 million) with the main reason for increase in H1 2020 being increased interest on deposits.

Finance costs

Finance costs increased from $3.5 million in H1 2019 to $5.1 million in H1 2020, principally due to the rise in interest payments resulting from the $50.0 million net increase in debt completed in December 2019 and short term debt taken in Argentina.

Foreign exchange losses

The Group recognised a foreign exchange loss of $1.9 million (H1 2018: $1.1 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 2020.

Income tax

The Company's Group's pre-exceptional income tax charge was $17.4 million (H1 2019: $16.4 million). The slight increase in the charge is explained by the non-cash impact of local currency devaluation in Peru and Argentina in H1 2020 of 7% and 18% respectively, which reduced the tax bases impacting deferred income tax by $9.8 million. The currency devaluation impact on Income tax was partially offset by the decrease in profitability in the period due to Covid-19 related production stoppages.

The effective tax rate (pre-exceptional) for the period was 133.2% (H1 2019: 39.5%), compared to the weighted average statutory income tax rate of 30.7% (H1 2019: 30.5%). The high effective tax rate in H1 2020 versus the average statutory rate is mainly explained by the impact of local currency devaluation increasing the rate by 74.6%, the impact from Royalties and the Special Mining Tax which increased the effective rate by 16.8%, and the impact from lower profit in the period which amplifies the effect of minor non-deductible expenses.

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

Exceptional items

Exceptional items in H1 2020 totalled a $4.7 million loss after tax (H1 2019: $8.4 million loss after tax). Exceptional items mainly included $6.6 million of Covid-19 response initiatives partially offset by the associated tax effect. These initiatives include: incremental personnel expenses which are mainly one-off bonuses paid to those workers required to oversee critical processes during period of suspension; donations; accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units; and additional transportation costs to facilitate social distancing. These items are presented as exceptional as they are incremental to the Group's regular business, resulting from initiatives to respond to the impact from Covid-19. They are material impacts and are not expected to be recurring. In H1 2019, there was the payment of termination benefits due to the restructuring process generated by the temporary suspension of operations at the Arcata mine unit ($11.9 million), partially offset by its corresponding tax effect.

Covid-19 response initiatives

$000	Peru	Argentina	Total
Personnel	1,203	-	**1,203**
Donations	1,173	123	**1,296**
Third party services	2,765	503	**3,268**
Others	801	48	**849**
Total	5,942	674	6,616

Cash flow and balance sheet review

Cash flow

$000	Six months to 30 June 2020	Six months to 30 June 2019	Change
Net cash generated from operating activities	**16,122**	100,500	(84,378)
Net cash used in investing activities	**(37,099)**	(70,281)	33,182
Cash flows generated from/(used in) financing activities	**18,454**	(13,796)	32,250
Foreign exchange adjustment	**(1,743)**	(684)	(1,059)
Net (decrease)/increase in cash and cash equivalents during the period	**(4,266)**	15,739	(20,005)

Net cash generated from operating activities decreased from $100.5 million in H1 2019 to $16.1 million in H1 2020 mainly due to lower Adjusted EBITDA of $80.6 million (H1 2019: $153.7 million).

Net cash used in investing activities decreased to $37.1 million in H1 2020 from $70.3 million in H1 2019 mainly due to lower operational capex and in particular mine development due to the Covid-19 crisis and resulting stoppages.

Cash generated from/(used in) financing activities increased to an inflow of $18.5 million in H1 2020 from an outflow of $13.8 million in H1 2019. In H1 2020, $19.9 million of short-term loans were raised in Argentina to finance working capital during the stoppage. Also, H1 2019 included $12.2 million in dividends to shareholders and Hochschild's minority shareholder at San Jose.

Working capital

$000	As at 30 June 2020	As at 31 December 2019
Trade and other receivables	**67,377**	73,618
Inventories	**51,793**	62,600
Derivative financial liabilities	**(1,582)**	-
Income tax receivable/(payable), net	**1,446**	(11,005)
Trade and other payables	**(77,915)**	(120,537)
Provisions	**(8,867)**	(16,249)
Working capital	**32,252**	(11,573)

The Group's working capital position in H1 2020 increased by $43.8 million from $(11.6) million to $32.3 million aligned with production stoppages due to Covid-19. The key drivers of the increase were lower trade payables of $42.6 million, lower income tax receivable/(payable) of $12.5 million and lower provisions of $7.4 million. These were partially offset by lower inventories of $10.8 million, lower trade and other receivables of $6.2 million and higher derivative financial liability of $1.6 million resulting from the interest rate swap entered to fix the interest rate of the $200 million medium-term loan.

Net debt

$000 unless otherwise indicated	As at 30 June 2020	As at 31 December 2019
Cash and cash equivalents	**162,091**	166,357
Non-current borrowings	**199,473**	(199,308)
Current borrowings[17]	**(20,474)**	(234)
Net debt	**(57,856)**	(33,185)

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

The Group's reported net debt position was $57.9 million as at 30 June 2020 (31 December 2019: $33.2 million). The increase in net debt is mainly a result of the net increase in current borrowings in Argentina and reduced net cash generation in the period.

Capital expenditure[18]

$000	Six months to 30 June 2020	Six months to 30 June 2019
Arcata	-	48
Pallancata	3,546	14,456
San Jose	12,685	22,553
Inmaculada	22,463	31,025
Operations	38,694	68,082
Biolantanidos	1,798	-
Other	2,298	2,749
Total	42,790	70,831

H1 2020 capital expenditure of $42.8 million (H1 2019: $70.8 million) mainly comprised of operational capex of $38.7 million (H1 2019: $68.1 million) with the decrease versus H1 2019 resulting from deferred capex at all operations due to the Covid-19 crisis.

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.

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

RISKS

The principal risks and uncertainties facing the Company in respect of the year ended 31 December 2019 are set out in detail in the Risk Management & Viability section of the 2019 Annual Report and in Note 36 to the 2019 Consolidated Financial Statements.

The key risks disclosed in the 2019 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 and community relations.

These risks continue to apply to the Company in respect of the remaining six months of the financial year.

Covid-19

H1 2020
In response to the Covid-19 pandemic, the Group's Risk Committee compiled a tailored risk matrix which was considered by the Board and identified each critical aspect of the business impacted by the outbreak and which formed the basis of management's mitigation and control plans. A Covid-19 Crisis Committee was established tasked with the day-to-day monitoring of the implementation of these plans.

The table below summarises the framework of the Covid-19 Risk Matrix

Category of Key Covid-19 Risk	Brief Description
1. Employee Health and Wellbeing	Implementing protocols to safeguard employee wellbeing
2. Talent and Workforce	Addressing employee's concerns and impact on morale resulting from operational disruption
3. Government and Social Responsibility	Impact of governmental regulations and repercussions on community relations
4. Legal	Risk of litigation from suppliers and contractors and delays in securing permits for operations/exploration activities
4. Financial Management and Reporting	Impact on the Group's finances and financial reporting systems
6. Technology and Information Security	Increased reliance on IT support to facilitate remote working and increased exposure to cyber attacks/loss of confidential data
7. Supply Chain and Global Trade	Suspension of port operations and other forms of disruption to critical supplies
8. Sales and Customers	Inability to fulfill sales due to disruption to port operations or logistics.
9. Risk Management	Remote working could result in weakened internal controls and possible fraud

Summarised below is how these risks were managed during H1 2020:

- Workers transported to hometowns for medical examination
- Remote working facilitated in Peru, Argentina and London before the imposition of formal lockdowns
- One-off bonuses paid to those workers required to oversee critical processes during period of suspension
- Health protocols implemented across all operations, co-ordinated by the Covid-19 Crisis Committee. These included:
    - High-risk employees identified for re-allocation of duties on remote working basis
    - Testing of all workers for active Covid-19 cases prior to travelling to mine units. Those tested remain in quarantine pending test results. Testing also carried out on the presentation of symptoms and immediate transportation to nearest medical facilities
    - Adaptation of physical sites and changes to operational procedures to facilitate social distancing and to treat suspected cases
    - Reinforced presence of Health teams
- Installation of increased IT infrastructure with enhanced security
- Comprehensive communications campaign to ensure all employees were kept informed of developments and to reinforce social distancing measures and good hygiene practices
- Community Relations strategy refocused on health and education. Initiatives included delivery of over 2,500 hygiene and food packs to employees and local communities
- Close co-operation with central/provincial governmental authorities which, in both Peru and Argentina, have declared mining as essential for their respective economies.
- Ongoing dialogue with suppliers and customers
- Implementation of a Cash Optimisation Plan including the cancellation/postponement of certain operational, administrative and exploration expenditure and the withdrawal of the proposed 2019 final dividend.
- Ongoing monitoring of counterparty risk with constant communication with customers and evaluating credit ratings of providers of finance.

H2 2020

As the timing of full resumption of the Group's operations remains uncertain due to the ongoing presence of the virus in the countries in which we operate, "Resumption of Operations due to Covid-19" is a new principal risk which has emerged that has been recognised in our Risk Register. The Group has adopted more stringent health protocols in Peru than those mandated by law and, together with the actions described above, has adopted the following measures to mitigate the impact of further disruption to the business.

- Temporary suspension of Inmaculada
- The engagement of a specialist contractor to undertake a deep-clean of Inmaculada
- Change to working shift patterns
- Development of technology-based systems to (a) report, in real time, suspected cases and to provide daily updates on treatment (b) ensure that working shift changes are undertaken in a Covid-secure manner e.g. by planning hotel room allocations, lab test results and transportation planning
- The use of a rapid Covid test in conjunction with molecular tests (designed to detect active cases of Covid) for all workers prior to transportation to the mine site; and
- Establishment of Health brigades to ensure compliance with the Group's Covid protocols.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in note 22 to the condensed set of 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 foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 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 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 IAS 34 "Interim Financial Reporting" as adopted by the European Union 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
18 August 2020

INDEPENDENT REVIEW REPORT TO HOCHSCHILD MINING PLC

Introduction

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 2020 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 24. 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.

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.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, 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.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. 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 Ireland) 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.

Conclusion

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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
18 August 2020

Interim condensed consolidated income statement

	Notes	Six-months ended 30 June 2020 (Unaudited)			Six-months ended 30 June 2019 (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	232,029	—	232,029	354,450	—	354,450
Cost of sales	5	(146,945)	—	(146,945)	(252,831)	—	(252,831)
Gross profit		85,084	—	85,084	101,619	—	101,619
Administrative expenses		(20,236)	—	(20,236)	(23,021)	—	(23,021)
Exploration expenses	6	(12,743)	—	(12,743)	(18,552)	—	(18,552)
Selling expenses	7	(5,987)	—	(5,987)	(10,480)	—	(10,480)
Other income	8	1,096	—	1,096	4,471	—	4,471
Other expenses	8	(27,941)	(6,616)	(34,557)	(8,827)	(11,949)	(20,776)
Write-off of non-financial assets		(1,208)	—	(1,208)	(517)	—	(517)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		18,065	(6,616)	11,449	44,693	(11,949)	32,744
Finance income	10	2,074	—	2,074	1,424	—	1,424
Finance costs	10	(5,144)	—	(5,144)	(3,504)	—	(3,504)
Foreign exchange loss		(1,915)	—	(1,915)	(1,146)	—	(1,146)
Profit/(loss) from continuing operations before income tax		13,080	(6,616)	6,464	41,467	(11,949)	29,518
Income tax (expense)/benefit	11	(17,425)	1,955	(15,470)	(16,382)	3,525	(12,857)
(Loss)/profit for the period from continuing operations		(4,345)	(4,661)	(9,006)	25,085	(8,424)	16,661
Attributable to:							
Equity shareholders of the parent		(3,763)	(4,190)	(7,953)	22,319	(8,424)	13,895
Non-controlling interests		(582)	(471)	(1,053)	2,766	—	2,766
		(4,345)	(4,661)	(9,006)	25,085	(8,424)	16,661
Basic (loss)/earnings per ordinary share from continuing operations for the period (expressed in U.S. dollars per share)		(0.01)	(0.01)	(0.02)	0.04	(0.01)	0.03
Diluted (loss)/earnings per ordinary share from continuing operations for the period (expressed in U.S. dollars per share)		(0.01)	(0.01)	(0.02)	0.04	(0.01)	0.03

Interim condensed consolidated statement of comprehensive income

	Six-months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
(Loss)/profit for the period	(9,006)	16,661
Other comprehensive income that might be reclassified to profit or loss in subsequent periods; net of tax:		
Net loss on cash flow hedges	(7,047)	—
Deferred tax benefit on cash flow hedges	2,079	—
Exchange differences on translating foreign operations	(163)	(17)
Sub total	(5,131)	(17)
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")	1,479	1,484
Sub total	1,479	1,484
Other comprehensive (loss)/profit for the period, net of tax	(3,652)	1,467
Total comprehensive (loss)/income for the period	(12,658)	18,128
Total comprehensive (loss)/income attributable to:		
Equity shareholders of the parent	(11,605)	15,362
Non-controlling interests	(1,053)	2,766
	(12,658)	18,128

Interim condensed consolidated statement of financial position

	Notes	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	12	787,089	795,277
Evaluation and exploration assets	13	184,365	181,562
Intangible assets		21,786	22,359
Financial assets at fair value through OCI	14	568	6,159
Trade and other receivables		6,394	5,188
Deferred income tax assets	15	1,173	1,627
		1,001,375	1,012,172
Current assets			
Inventories		51,793	62,600
Trade and other receivables		67,377	73,618
Income tax receivable		3,580	206
Cash and cash equivalents	16	162,091	166,357
Assets held for sale		38,295	38,295
		323,136	341,076
Total assets		1,324,511	1,353,248
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital	20	226,506	226,506
Share premium	20	438,041	438,041
Other reserves		(227,667)	(221,800)
Retained earnings		284,946	290,263
		721,826	733,010
Non-controlling interests		73,293	74,631
Total equity		795,119	807,641
Non-current liabilities			
Trade and other payables		355	526
Derivative financial liabilities	14	5,544	–
Borrowings	17	199,473	199,308
Provisions	18	103,751	99,322
Deferred income		71	172
Deferred income tax liabilities	15	74,281	63,103
		383,475	362,431
Current liabilities			
Trade and other payables		77,915	120,537
Derivative financial liabilities	14	1,582	–
Borrowings	17	20,474	234
Provisions	18	8,867	16,249
Deferred income		400	400
Income tax payable		2,134	11,211
Liabilities directly associated with asset held for sale		34,545	34,545
		145,917	183,176
Total liabilities		529,392	545,607
Total equity and liabilities		1,324,511	1,353,248

Interim condensed consolidated statement of cash flows

	Notes	Six-months ended 30 June 2020 (Unaudited) US$000	2019 (Unaudited) US$000
Cash flows from operating activities			
Cash generated from operations	23	**24,186**	105,310
Interest received		**804**	785
Interest paid	17	**(2,794)**	(1,598)
Payment of mine closure costs		**(1,367)**	(1,386)
Income tax (paid)/received		**(4,707)**	(2,611)
Net cash generated from operating activities		**16,122**	100,500
Cash flows from investing activities			
Purchase of property, plant and equipment		**(41,404)**	(67,231)
Purchase of evaluation and exploration assets		**(2,803)**	(3,854)
Purchase of intangibles	13	**–**	(2)
Purchase of financial assets at fair value to OCI	14	**–**	(500)
Proceeds from deferred income	19	**–**	750
Proceeds from sale of financial assets at fair value to OCI	14	**7,070**	424
Proceeds from sale of property, plant and equipment	12	**38**	132
Net cash used in investing activities		**(37,099)**	(70,281)
Cash flows from financing activities			
Proceeds from borrowings	17	**27,910**	63,500
Repayment of borrowings	17	**(8,000)**	(63,500)
Purchase of treasury shares	20	**(292)**	(309)
Payment of lease liabilities		**(879)**	(1,275)
Dividends paid to shareholders	21	**–**	(10,002)
Dividends paid to non-controlling interests	21	**(285)**	(2,210)
Cash flows generated from/(used in) financing activities		**18,454**	(13,796)
Net increase/(decrease) in cash and cash equivalents during the period		**(2,523)**	16,423
Impact of foreign exchange		**(1,743)**	(684)
Cash and cash equivalents at beginning of period		**166,357**	79,704
Cash and cash equivalents at end of period	16	**162,091**	95,443

Interim condensed consolidated statement of changes in equity

	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Other reserves: Dividends expired US$000	Other reserves: Unrealised gain/(loss) on hedges US$000	Other reserves: Fair value reserve of financial assets at fair value through OCI US$000	Other reserves: Cumulative translation adjustment US$000	Other reserves: Merger reserve US$000	Other reserves: Share-based payment reserve US$000	Other reserves: Total other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2020		226,506	438,041	—	99	—	18	(14,035)	(210,046)	2,.164	(221,800)	290,263	733,010	74,631	807,641
Other comprehensive (expense)/income		—	—	—	—	(4,968)	1,479	(163)	—	—	(3,652)	—	(3,652)	—	(3,652)
Loss for the period		—	—	—	—	—	—	—	—	—	—	(7,953)	(7,953)	(1.053)	(9,006)
Total comprehensive (loss)/income for the period		—	—	—	—	(4,968)	1,479	(163)	—	—	(3,652)	(7,953)	(11,605)	(1,053)	(12,658)
Sale of financial assets at fair value through OCI	14	—	—	—	—	—	(1,841)	—	—	—	(1,841)	1,841	—	—	—
Dividends to non-controlling interests	21	—	—	—	—	—	—	—	—	—	—	—	—	(285)	(285)
Treasury shares		—	—	(292)	—	—	—	—	—	—	—	—	(292)	—	(292)
Share-based payments		—	—	—	—	—	—	—	—	713	713	—	713	—	713
Exercise of share options	20	—	—	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	73,293	795,119
Balance at 1 January 2019		225,409	438,041		62	—	(4,324)	(13,708)	(210,046)	4,860	(223,156)	278,995	719,289	71,003	790,292
Other comprehensive income/(expense)		—	—	—	—	—	1,484	(17)	—	—	1,467	—	1,467	—	1,467
Profit/(loss) for the period		—	—	—	—	—	—	—	—	—	—	13,895	13,895	2,766	16,661
Total comprehensive (loss)/income for the period		—	—	—	—	—	1,484	(17)	—	—	1,467	13,895	15,362	2,766	18,128
Sale of financial assets at fair value through OCI	14	—	—	—	—	—	1,656	—	—	—	1,656	(1,656)	—	—	—
Dividends	21	—	—	—	—	—	—	—	—	—	—	(10,002)	(10,002)	—	(10,002)
Treasury shares		—	—	(309)	—	—	—	—	—	—	—	—	(309)	—	(309)
Share-based payments		—	—	—	—	—	—	—	—	946	946	—	946	—	946
Exercise of share options	20	—	—	309	—	—	—	—	—	(515)	(515)	206	—	—	—
Balance at 30 June 2019 (unaudited)		225,409	438,041	—	62	—	(1,184)	(13,725)	(210,046)	5,291	(219,602)	281,438	725,286	73,769	799,055

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. During the first quarter of 2019 the Arcata mine unit, located in Peru, ceased operations. The Group also has a portfolio of projects located across Peru, Argentina and Chile and the United States of America at various stages of development.

These interim condensed consolidated financial statements were approved for issue on behalf of the Board of Directors on 18 August 2020.

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 2020 and 31 December 2019 and its financial performance and cash flows for the six months ended 30 June 2020 and 30 June 2019.

They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and IAS 34 Interim Financial Reporting in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. 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 2019 annual consolidated financial statements as published in the 2019 Annual Report.

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 2019. A copy of the statutory accounts for that year, which were prepared in accordance with IFRS as adopted by the European Union 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 cyclicality 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.

(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 which remain consistent with those disclosed in the consolidated financial statements for the year ended 31 December 2019, except for:

Critical judgements:
- Assessment of impairment indicators for the Group's GCUs – note 12
- Criteria for exceptional items - note 9

Significant estimates:
- Mine closure estimates – note 18
- Recoverable values of mining assets – note 12

As at 30 June 2020, the valuation of certain of the Group's assets and liabilities reflect the changes to certain assumptions use in the determination of their value, such as future gold and silver prices, discount rates, exchange rates, and interest rates. 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 2019, except for the adoption of new standards and interpretations effective for the Group from 1 January 2020. Other amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Derivative financial instruments and hedge accounting

In 2020, the Group used interests rate swaps to hedge certain of its cash flows from loans against interest rate risk. Consequently, the Group has opted to apply hedge accounting under the requirements of IFRS 9 Financial Instruments.

Initial recognition and subsequent measurement

These derivative financial instruments were initially recognised at fair value on the date on which the derivative contract was entered into and were subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Cash flow hedges

Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Group use cash flow hedges for hedging the exposure to variability in interest cash flows of a floating rate interest bearing assets and liabilities arising from changes in interest rates.

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss. However, if a hedged item is a recognised non-financial asset or non-financial liability, the amounts that have been recognised in other components of equity relating to the hedging instrument are reclassified as adjustments to the initial carrying amount of the non-financial asset or non-financial liability.

(d) Going concern

The Directors have reviewed liquidity and covenant forecasts for the Group, which have been revised to reflect the expected impact of Covid-19 and they have also considered potential downside scenarios and the impact of specific mitigating actions in assessing whether the Group is able to continue in operation for 12 months from the date of these financial statements.

The Directors consider the risk of another government-imposed suspension across all operations to be low. In Peru, the government has declared the mining industry as one of the key drivers for the country's economic recovery and the Group's mines are located in isolated areas, thus allowing the Company to control and monitor access to its facilities. In Argentina, the central government has declared mining as an essential activity for the economy and the local authorities of Santa Cruz (where the San Jose mine is located) are also providing support for the continuity of the mining industry which is of critical regional importance. Furthermore, the Group has mitigated the risk of a company-mandated suspension due to the various protocols that have been implemented, for example, stringent health and safety measures have been put in place at all mines which go well beyond those required by law and include (a) the systematic testing of each employee prior to travelling to the mine units and (b) the use of technology-based systems to track, in real time, suspected cases.

The Group has had two Covid-19 related stoppages so far. The second of these stoppages was implemented by the Company to deal with a localised outbreak at Inmaculada and was much shorter in duration than the first as management had accumulated, and continues to accumulate, the knowledge and experience in dealing with these circumstances.

The Directors reviewed a number of scenarios including a base case (the "Base Scenario"), reflecting actual production in H1 2020, a period of ramp-up at our operations during H2 2020, incremental Covid-related costs throughout the remaining months of 2020 and average precious metal prices of $1,725/oz for gold and $18/oz for silver (the "Assumed Prices"). Taking into account the risks associated with Covid-19, described in the Risks section of the announcement, the Directors also reviewed an unlikely, but plausible severe scenario (the "Severe Scenario") which takes into account (a) the Assumed Prices (b) an eight-week suspension of all operations during H2 2020 (c) forecast expenditure according to the Base Scenario and (d) incremental Covid-19 related costs throughout 2021.

In line with their usual practice, the Directors considered the impact on the Group's cash balance and debt covenant compliance under each scenario applying different precious metal price assumptions. The Severe Scenario was also analysed by the Directors with reduced precious metal prices of $1,400/oz for gold and $16/oz for silver (significantly below current spot and futures prices) (the "Remote Scenario") which naturally resulted in a reduced cash balance but it nevertheless remained more than adequate for the

Group's forecast expenditure with sufficient headroom maintained to comply with debt covenants. In each scenario, it has been assumed that all employees remain on full pay and that no drastic cost cutting mitigating actions would be necessary to maintain a comfortable level of liquidity.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. 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 2020 and 2019 and asset information as at 30 June 2020 and 31 December 2019 respectively:

Six months ended 30 June 2020 (Unaudited)	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] 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)	(2,137)	20,701	58,763	(13,103)	2,075	55	66,354
Others[2]							(59,890)
Profit from continuing operations before income tax							**6,464**
As at 30 June 2020 (Unaudited)							
Assets							
Capital expenditure	3,473	12,685	22,463	3,341	828	—	42,790
Current assets	15,290	48,087	15,664	38,301	5,471	—	122,813
Other non-current assets	43,964	159,793	510,248	223,958	55,277	—	993,240
Total segment assets	**59,254**	**207,880**	**525,912**	**262,259**	**60,748**	**—**	**1,116,053**
Not reportable assets[3]	—	—	—	—	208,458	—	208,458
Total assets	**59,254**	**207,880**	**525,912**	**262,259**	**269,206**	**—**	**1,324,511**

1 The Arcata mine unit was put into care and maintenance on 13 February 2019 and consequently is reported in others from 1 January 2020.
2 Comprised of administrative expenses of US$20,236,000, other income of US$1,096,000, other expenses of US$34,557,000, 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.
3 Not reportable assets are comprised of financial assets at fair value through OCI of US$568,000, other receivables of US$41,046,000, income tax receivable of US$3,580,000, deferred income tax assets of US$1,173,000, and cash and cash equivalents of US$162,091,000.

Six months ended 30 June 2019 (Unaudited)	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustments and eliminations US$000	Total US$000
Revenue from external customers	**69,629**	**106,997**	**170,460**	**—**	**5,347**	**—**	**352,433**
Inter segment revenue	—	—	—	—	3,009	(3,009)	—
Total revenue from customers	69,629	106,997	170,460	—	8,356	(3,009)	352,433
Provisional pricing adjustments	164	1,803	214	—	(164)	—	2,017
Total revenue	**69,793**	**108,800**	**170,674**	**—**	**8,192**	**(3,009)**	**354,450**
Segment profit/(loss)	5,830	19,944	65,494	(18,707)	2,391	(2,365)	72,587
Others[2]							(43,069)
Profit from continuing operations before income tax							**29,518**
As at 31 December 2019							
Assets							
Capital expenditure	25,357	43,623	66,435	62,881	6,820	—	205,116
Current assets	20,500	48,286	26,601	38,301	5,006	—	138,694
Other non-current assets	50,438	163,656	506,779	220,934	57,391	—	999,198
Total segment assets	**70,938**	**211,942**	**533,380**	**259,235**	**62,397**	**—**	**1,137,892**
Not reportable assets[3]	—	—	—	—	215,356	—	215,356
Total assets	**70,938**	**211,942**	**533,380**	**259,235**	**277,753**	**—**	**1,353,248**

1 For comparative purposes the Arcata mine unit is disclosed in others as it was put into care and maintenance on 13 February 2019 and consequently is reported in others from 1 January 2020.
2 Comprised of administrative expenses of US$23,021,000, other income of US$4,471,000, other expenses of US$20,776,000, write off of non-financial assets of US$517,000, finance income of US$1,424,000, finance costs of US$3,504,000 and foreign exchange loss of US$1,146,000.
3 Not reportable assets are comprised of financial assets at fair value through OCI of US$6,159,000, other receivables of US$41,007,000, income tax receivable of US$206,000, deferred income tax assets of US$1,627,000, and cash and cash equivalents of US$166,357,000.

4 Revenue

	Six-months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Gold (from dore bars)	113,295	154,141
Silver (from dore bars)	38,989	62,824
Gold (from concentrate)	43,181	55,297
Silver (from concentrate)	36,513	82,088
Other	51	100
Total	232,029	354,450

Included within revenue is a gain of US$631,000 (2019: gain of US$2,017,000) relating to provisional pricing adjustments arising on sales of concentrates and dore, mainly contributed by provisional pricing of US$558,000 loss (2019: loss of US$678,000) from silver concentrates and US$1,048,000 gain (2019: gain of US$2,999,000) from gold concentrates, US$15,000 loss (2019: loss of US$339,000) from silver dore and US$156,000 gain (2019: gain of US$35,000) resulting in total revenue from customers in the amount of US$231,398,000 (2019: US$352,433,000).

Included within revenue is a transaction price of US$2,143,000 (2019: US$3,444,000) related to the shipping services provided by the Group to the customers arising on sale of concentrates of US$1,575,000, gold: US$927,000, silver: US$648,000 and doré ofUS$568,000, gold: US$358,000, silver: US$210,000 (2019: concentrates of US$2,650,000, gold: US$1,244,000, silver: US$1,406,000 and doré of US$794,000, gold: US$460,000, silver: US$334,000).

5 Cost of sales before exceptional items

Included in cost of sales are:

	Six-months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Depreciation and amortisation in cost of sales[1]	48,831	91,322
Personnel expenses[2]	29,261	51,071
Mining royalty	2,048	2,797
Change in products in process and finished goods	7,728	2,881

1 The depreciation and amortisation in production cost is US$49,402,000 (2019: US$90,371,000).
2 Includes workers profit sharing of US$nil (2019: US$568,000).

6 Exploration expenses

	Six months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Mine site exploration[1]		
Arcata	76	795
Ares	327	241
Inmaculada	958	3,110
Selene	6	—
Pallancata	1,522	1,483
San Jose	4,694	5,404
	7,583	11,033
Prospects[2]		
Peru	610	277
USA	74	2,293
Chile	(124)	431
	560	3,001
Generative[3]		
Peru	1,416	1,249

Chile	96	—
	1,512	1,249
Personnel	2,716	2,886
Depreciation right-of-use	162	182
Others	210	201
Total	12,743	18,552

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	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Personnel expenses	151	260
Warehouse services	466	799
Taxes[1]	4,282	8,086
Other	1,088	1,335
Total	5,987	10,480

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	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Other income		
Logistic services	336	2,448
Gain on recovery of expenses	—	596
Income related to the San Felipe agreement (note 18)	—	600
Others	760	827
Total	1,096	4,471
Other expenses		
Increase in provision for mine closure	—	(570)
Provision of obsolescence of supplies	—	(55)
Loss on recovery of expenses	(165)	—
Depreciation right-of-use assets	(75)	(121)
Corporate social responsibility contribution in Argentina	(874)	(1,417)
Care and maintenance expenses of Ares mine unit	(852)	(2,346)
Care and maintenance expenses of Arcata mine unit	(1,061)	(2,920)
Effect of Covid-19 pandemic[1]	(24,012)	—
Others	(902)	(1,398)
Total	(27,941)	(8,827)

1 Corresponds to the fixed cost accumulated during the stoppage and operation of the mine units under planned capacity due to the Covid-19 pandemic. These costs mainly include personnel expenses of US$16,038,000, third party services of US$4,765,000, supplies of US$551,000 and depreciation and amortisation of US$1,542,000.

In accordance with the Group´s accounting policy for inventory, the cost of work in process and finished inventory (ore inventories) is based on the cost of production, which includes: 1) costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore; 2) depreciation of property, plant and equipment used in the extraction; and processing of ore; and 3) related production overheads (based on normal operating capacity). Costs that do not meet these criteria are therefore not part of the costs of the inventories and are not presented within cost of sales. Consequently, they have been presented as of other expenses.

9 Exceptional items

Exceptional items relate to:

	Six-months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Other expense		
Incremental cost due to pandemic[1]	(6,616)	—
Restructuring of Arcata mine unit[3]	—	(11,949)
Total	**(6,616)**	(11,949)
Income tax expense		
Income tax credit[2 and 4]	1,955	3,525
Total	**1,955**	3,525

The exceptional items for the period ended 30 June 2020 correspond to:

1 Incremental costs to manage the Covid-19 pandemic. Costs have been incurred in respect of the implementation of the necessary protocols including incremental third party services of US$3,268,000 (mainly related to accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units and for additional transportation costs to facilitate social distancing), personnel expenses of US$1,203,000 (mainly reflecting one-off bonuses paid to those workers required to oversee critical processes during period of suspension) and donations of US$1,296,000 (which includes the value of equipment donated to assist the national effort in Peru to control the pandemic as well as the donations to hardship funds administered by educational institutions, UTEC and TECSUP (refer to note 22)). For further detail on the health protocols implemented across all operations refer to the detailed discussion outlined in the Risks section of the announcement. The Group discloses these expenses as exceptional items as they are significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years. These expenses are not expected to be recurring.

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

The exceptional items for the period ended 30 June 2019 correspond to:

3 The termination benefits of 845 employees resulting from the restructuring process generated as the Arcata mine unit was placed on care and maintenance.

4 The current tax credit generated by the termination benefits arising from the restructuring process of the Arcata mine unit.

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	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Finance income:		
Interest on deposits and liquidity funds	1,152	749
Interest on loans	185	63
Gain on discount of other receivables[1]	716	525
Others	21	87
Total	2,074	1,424
Finance cost:		
Interest on bank loans	(3,647)	(2,351)
Other interest	(175)	(202)
Total interest expense	(3,822)	(2,553)
Unwind of discount rate	—	(284)
Loss from changes in the fair value of financial instruments	(617)	—
Loss on discount of deferred income[1]	(101)	—
Others	(604)	(667)
Total	(5,144)	(3,504)

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

11 Income tax expense

	Six-months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Current tax		
Current income tax expense	(444)	7,512
Current mining royalty charge	1,490	2,466
Current special mining tax charge	713	1,132
Total	1,759	11,110
Deferred tax		
Origination and reversal of temporary differences	13,711	1,747
Total	13,711	1,747
Total taxation charge in the income statement	15,470	12,857

The pre-exceptional tax charge for the period was US$17,425,000 (2019: US$16,382,000).

The weighted average statutory income tax rate was 30.7% for 2020 and 30.5% for 2019. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

The change in the weighted average statutory income tax rate is due to a change in the weighting of profit/(loss) before tax in the various jurisdictions in which the Group operates.

The effective tax rate for corporate income tax before foreign exchange effect for the six months ended 30 June 2020 is 54.3% (30 June 2019: 32.9%), compared to the corporate income tax and mining royalties before foreign exchange effect of 88.4% (30 June 2019: 45.0%) and the total taxation charge in the income statement of 239.3% (30 June 2019: 43.6%).

The increase in the charge is mainly explained by the non-cash impact of local currency devaluation in Peru and Argentina in H1 2020 of 7% and 18% respectively, which reduced the tax bases impacting deferred income tax by US$9,800,000 (30 June 2019: credit of US$440,000).

12 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired and developed assets with a cost of US$39,987,000 (30 June 2019: US$66,975,000). The additions for the six months ended 30 June 2020 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	9,205	3,480	12,685
Pallancata	3,473	—	3,473
Inmaculada	15,393	7,070	22,463
Others	423	943	1,366
Total	**28,494**	**11,493**	**39,987**

Assets with a net book value of US$nil were disposed of by the Group during the six month period ended 30 June 2020 (30 June 2019: US$130,000) resulting in a net gain on disposal of US$38,000 (30 June 2019: gain of US$2,000).

For the six months ended 30 June 2020, the depreciation charge on property, plant and equipment was US$51,404,000 (30 June 2019: US$89,661,000).

In June 2020, management determined that there was a trigger of impairment in the San Jose mine unit due to the increase of the discount rate from 13.5% to 15.7%, mainly explained by the rise in country risk premium in Argentina. (31 December 2019: trigger of impairment also determined due to the increase in the discount rate from 9.56% to 13.5%). In both periods, the impairment test resulted in no impairment, or impairment reversal being recognised as the negative effects of the increased discount rate were offset by an increase in the gold analyst consensus prices.

In June 2020, management also determined that there was a trigger of impairment related to a change in the mine plan of the Pallancata mine unit. The life of mine has been extended six months by spreading the production of the estimated reserves and resources across this longer period to allow more time for exploration activities to be completed. Additionally, economically marginal areas have been removed, reducing both future production ounces and capital expenditures. The impairment test resulted in no impairment or impairment reversal being recognised. The effect of the changes in the mine plan was offset by the increase in the gold analyst consensus prices.

In 2019, as a result of the delays in obtaining exploration permits in the Pallancata mine unit, management revised its mine plan. The revised plan considers only the reserves and resources economically exploitable based on the latest model whilst spreading the remaining reserves and resources over a longer period of time to allow more time for the permitting and exploration campaigns to be completed. Management determined that this was a trigger of impairment and an impairment test was carried out. The effect of the changes in the mine plan was partly offset by an increase in analyst consensus prices, and the resulting impairment charge recognised as at 31 December 2019 amounted to US$14,693,000 (US$14,567,000 in property, plant and equipment and US$126,000 in evaluation and exploration assets).

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

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

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

2020

US$ per oz.	2020	2021	2022	2023	2024	Long-term
Gold	1,780	1,659	1,545	1,450	1,407	1,400
Silver	17.7	17.2	16.9	16.4	16.4	17.0

	San Jose	Pallancata
Discount rate (post tax)	15.7%	5.6%

Periods of 7.5 and 2.5 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.

30 June 2020 (US$000)	San Jose	Pallancata

Current carrying value of CGU, net of deferred tax	128,515	43,649

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

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

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

	US$000	
	San Jose	Pallancata
Gold and silver prices (decrease by 10%)	(61,700)	(17,700)
Gold and silver prices (increase by 10%)[1 and 2]	16,800	12,700
Production costs (increase by 10%)	(37,100)	(9,100)
Production costs (decrease by 10%)[1]	16,800	7,200
Production volume (decrease by 10%)	(49,900)	(13,900)
Production volume (increase by 10%)[1]	16,800	9,500
Post-tax discount rate (increase by 3%)[3]	(7,400)	
Post-tax discount rate (decrease by 3%)[3]	8,300	
Capital expenditure (increase by 10%)	(10,200)	
Capital expenditure (decrease by 10%)	9,700	

1 In the case of San Jose, this represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
2 In the case of Pallancata, , this represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.
3 Management believes that a 3% change is a reasonably possible change in the post-tax discount rate in Argentina. However, changes in the perception of Argentina arising from political, social and financial disruption may give rise to significant movement in the discount rate used in the assessment of the San Jose CGU.

2019

US$ per oz.	2020	2021	2022	2023	2024	Long-term
Gold	1,506	1,492	1,469	1,377	1,340	1,369
Silver	18.3	17.5	17.7	17.7	18.5	17.7

	San Jose	Pallancata
Discount rate (post tax)	13.5%	6.5%

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

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

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

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

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

	US$000	
	San Jose	Pallancata
Gold and silver prices (decrease by 10%)	(62,700)	(19,900)
Gold and silver prices (increase by 5%)[1]	17,839	8,500
Production costs (increase by 10%)	(38,000)	(11,300)
Production costs (decrease by 10%)[1]	17,839	10,600
Production volume (decrease by 10%)	(28,700)	(6,000)
Production volume (increase by 10%)[1]	17,839	4,900
Post-tax discount rate (increase by 3%)[2]	(11,200)	
Post-tax discount rate (decrease by 3%)[2]	12,900	

Capital expenditure (increase by 10%)	(11,700)
Capital expenditure (decrease by 10%)	11,700

1 In the case of Argentina, this represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Management believes that a 3% change is a reasonably possible change in the post-tax discount rate in Argentina. However, changes in the perception of Argentina arising from political, social and financial disruption may give rise to significant movement in the discount rate used in the assessment of the San Jose CGU.

13 Evaluation and exploration assets

During the six months ended 30 June 2020, the Group capitalised evaluation and exploration costs of US$2,803,000 (30 June 2019: US$3,854,000). The additions correspond to the following properties:

	Unaudited US$000
Biolantánidos	1,683
Azuca	421
Crespo	312
Volcan	387
Total	**2,803**

There were no transfers from evaluation and exploration assets to property, plant and equipment during the period (2019: 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 2020 and 31 December 2019, the Group held the following financial instruments measured at fair value:

	As at 30 June 2020 (Unaudited) US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Assets measured at fair value				
Equity shares[1]	568	568	—	—
Trade and other receivables	32,725	—	—	32,725
	33,293	**568**	—	**32,725**
Liabilities measured at fair value				
Derivative financial liabilities	(7,126)	—	(7,126)	—
	(7,126)	—	**(7,126)**	—

1 During 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.

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 interests at a variable rate equal to Libor+1.15% on the notional amount from 17 March 2020 to 17 December 2024 (refer 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 fair value of the interest rate swap as at 30 June 2020 is as follows:

	US$000
Current liabilities	1,582
Non-current liabilities	5,544
	7,126

The effect recorded is as follows:

	US$000
Income statement – finance costs	355
Equity - Unrealised gain/ (loss) on hedges	7,047

	As at 31 December 2019 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Assets measured at fair value				
Equity shares[2]	6,159	6,159	—	—
Trade and other receivables	37,799	—	—	37,799
	43,958	6,159	—	37,799

2 During 2019, the Group sold 10,032,000 shares of Santa Cruz Silver Mining (SCSM) with a fair value at the date of sale of US$421,000 generating a loss on disposal of US$1,658,000 recognised in equity.

During the six months ended 30 June 2020 there were no transfers between these levels. During the year ended 31 December 2019 there were transfers between level 3 to level 1, related to the listing of the shares of Goldspot Discoveries Inc. initially recognised as level 3.

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

	Unlisted equity shares US$000	Trade receivables subject to price adjustments US$000
Balance at 1 January 2019	3,186	45,201
Acquisition	500	–
Fair value adjustment recognised through OCI	1,868	–
Reclassification to investment in subsidiaries	(3,444)	–
Reclassification to listed equity shares	(2,110)	–
Net change in trade receivables from goods sold	–	(4,887)
Changes in fair value of price adjustments	–	14,584
Realised price adjustments during the period	–	(17,099)
Balance at 31 December 2019	–	**37,799**
Net change in trade receivables from goods sold	–	(4,065)
Changes in fair value of price adjustments	–	631
Realised price adjustments during the period	–	(1,640)
Balance at 30 June 2020 (Unaudited)	–	**32,725**

The fair value of non-listed equity investments is determined based on financial information available of the companies and they are categorised as level 3

15 Deferred income tax assets and liabilities

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

	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000
Beginning of the period	(61,476)	(69,727)
Income statement (charge)/credit	(13,711)	8,251
OCI credit	2,079	–
End of the period	(73,108)	(61,476)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

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

	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000
Deferred income tax assets	1,173	1,627
Deferred income tax liabilities	(74,281)	(63,103)
Net deferred income tax liabilities	(73,108)	(61,476)

16 Cash and cash equivalents

	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000
Cash at bank	480	331
Liquidity funds	–	16
Current demand deposit accounts[1]	93,467	37,900
Time deposits[2]	68,144	128,110
Cash and cash equivalents	162,091	166,357

1 Relates to bank accounts which are readily accessible to the Group and bear interest.
2 These deposits have an average maturity of 41 days (as at 31 December 2019: 7 days).

17 Borrowings

	As at 30 June 2020 (Unaudited)			As at 31 December 2019		
	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	4.7% to 36%	–	18,141		–	–
• Short-term loans in Minera Santa Cruz	38.6%		2,172			
• Mid-term loans in Minera Ares	2.178%	199,473	161	3.05%	199,308	234
Total		199,473	20,474		199,308	234

The movement in borrowings during the six month period to 30 June 2020 is as follows:

	As at 1 January 2020 US$000	Additions US$000	Repayments US$000	Transfers US$000	As at 30 June 2020 (Unaudited) US$000
Current					
Bank loans[1]	–	27,910	(8,000)	–	**19,910**
Accrued interest	234	3,124	(2,794)	–	**564**
	234	31,034	(10,794)	–	**20,474**
Non-current					
Bank loans[1]	199,308	–	–	165	**199,473**
	199,308	–	–	165	**199,473**

1 Relates to pre-shipment loans for a total amount of US$18,141,000 (31 December 2019: US$nil) which are credit lines given by banks to meet payment obligations arising from the exports of the Group and a short-term loan of US$2,172,000 (31 December 2019: US$nil). In addition, the balance at 30 June 2020 and 31 December 2019 includes a five-year credit agreement signed between Compania Minera Ares and Scotiabank Peru S.A.A., the Bank of Nova Scotia and BBVA Securities Inc, with Hochschild Mining plc as guarantor. The US$200,000,000 medium term loan is payable on equal quarterly instalments from 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 2020: US$527,000, 31 December 2019: US$692,000) at 30 June 2020 is US$199,634,000 (31 December 2019: US$199,542,000). 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 current borrowings approximates their fair value. The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000	As at 30 June 2020 (Unaudited) US$000	As at 31 December 2019 US$000
Bank loans	199,473	199,308	197,894	186,653
Total	**199,473**	**199,308**	**197,894**	**186,653**

18 Provisions

	As at 30 June 2020 (Unaudited)		As at 31 December 2019	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Provision for mine closure[1]	**101,767**	**8,001**	97,313	9,358
Workers profit sharing[2]	–	–	–	6,063
Provision for contingencies	**1,119**	**726**	1,191	828
Long term incentive plan	**865**	**140**	818	–
Total	**103,751**	**8,867**	99,322	16,249

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 2020 and 31 December 2019 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties on the timing for use of this provision include changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. The pre-tax real discount rates used were negatives from -0.57% to -0.65% (2019: 0.00%). Movements in the provision relates to a decrease due to change in estimate of US$1,176,000 and payments of US$1,367,000, net of an increase related to change in discount rate of US$5,640,000.

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	10,977
Discount rate (increase by 0.5%) (decrease of provision)	(2,540)

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

19 Assets held for sale

On 3 August 2011, the Group entered into an agreement with Impulsora Minera Santa Cruz ("IMSC") whereby IMSC acquired the right to explore the San Felipe properties and an option to purchase the related concessions. Under the terms of this agreement the Group has received US$33,646,000 as non-refundable payments at 30 June 2020 and 31 December 2019. These payments will reduce the total consideration that IMSC will be required to pay upon exercise of the option and constitute an advance of the final purchase price, rather than an option premium and, as such, they were recorded as deferred income.

In March 2017, IMSC entered into an agreement with Americas Gold and Silver Corporation ("AGSC", formerly Americas Silver Corporation "ASC") to assign 100% of its interest in the San Felipe Project. On 15 December 2018, the option to sell the San Felipe property to AGSC was extended to 15 December 2020 with the outstanding option payment of US$6,000,000 payable in equal quarterly-instalments over the 2 years period. In consideration for the extension, the Group received 452,200 of ASC's common shares on 18 January 2019 at an issue price equal to US$600,000 that was recognised as other income. During 2019 the Group collected US$2,250,000.

AGSC had not paid any of the quarterly instalments of US$750,000 due since 13 December 2019. However, AGSC has demonstrated its intention to pay the outstanding balance of US$3,750,000 during the first semester of 2020. On 9 July 2020 the Group received and accepted a proposal from AGSC to exercise the option by paying the remaining balance of US$3,750,000 plus applicable value added tax in the form of 1,687,401 shares of AGSC at a price of C$3.49 each (equivalent to US$2.58 each). The AGSC shares issued will be subject to a statutory 4-month and one day resale restriction from the date of issuance. As the sale is considered highly probable to be completed within the twelve months of the period-end, the assets and liabilities continue to be disclosed as asset held for sale at 30 June 2020.

20 Equity

Share capital and share premium

The movement in share capital of the Company from 31 December 2019 to 30 June 2020 is as follows:

	Number of ordinary shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2020	513,875,563	226,506	438,041
Shares issued as at 30 June 2020	513,875,563	226,506	438,041

On 21 March 2019, the Group purchased 115,640 shares for a total consideration of £236,000 (equivalent to US$309,000).

On 22 March 2019, 115,682 Treasury shares with a value of US$309,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long term Incentive Plan.

On 31 December 2019 the Company issued 3,321,643 ordinary shares, under the Restricted Share Plan, to certain employees of the Group.

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 2020 the Group has no Treasury shares (31 December 2019: nil)

21 Dividends paid and declared

Dividends declared to non-controlling interests in the six months ended 30 June 2020 were US$285,000 (30 June 2019: US$nil). Dividends paid to non-controlling interests in the six months ended 30 June 2020 were US$285,000 (30 June 2019: US$2,210,000).

There was no final dividend declared to shareholders of the parent for 2019 (Final dividend for 2018: US$10,002,000). The Directors of the Company have not declared an interim dividend in respect of the six months ended 30 June 2020 (30 June 2019: US$10,211,000). Dividends paid to shareholders of the parent in the six months ended 30 June 2020 were US$nil (30 June 2019: US$10,002,000).

22 Related party transactions

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 Tecnología ("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.

23 Notes to the statement of cash flows

	Six- months ended 30 June	
	2020 (Unaudited) US$000	2019 (Unaudited) US$000
Reconciliation of profit for the period to net cash generated from operating activities		
(Loss)/profit for the period	(9,006)	16,661
Adjustments to reconcile Group profit to net cash inflows from operating activities		
Depreciation	51,750	90,599
Amortisation of intangibles	573	1,121
Write-off of assets (net)	1,208	517
Gain on sale of property, plant and equipment	(38)	(2)
Provision for obsolescence of supplies		55
Finance income	(2,074)	(1,424)
Finance costs	5,144	3,504
Income tax expense	15,470	12,857
Other	3,814	2,624
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	(4,361)	(23,927)
Other financial assets and liabilities	79	—
Inventories	9,385	5,846
Trade and other payables	(41,708)	(5.079)
Provisions	(6,050)	1,958
Cash generated from operations	24,186	105,310

24 Subsequent events

a) On 6 July 2020 operations were halted in Inmaculada due to a number of cases of Covid-19 with a reduced workforce performing care and maintenance activities. The Inmaculada team subsequently was retested for the virus and remobilised with production restarting on 28 July although full production will only be reached by the end of August. This is a non-adjusting post balance sheet event however the impact will need to be considered in the consolidated financial statements for the year ending 31 December 2020. Should the Group's operations continue to be affected by Covid-19, the significant estimates and judgements that will be made in preparing future financial statements would be impacted. In the absence of any changes to the current gold and silver prices projections, we would not anticipate recording any impairment to the Inmaculada CGU; however we would expect the estimated recoverable amount of our CGUs related to the San Jose and Pallancata mine units could be reduced. An additional impairment tests would be required as the CGUs were not impaired as at 30 June 2020 and are sensitive to future stoppage of operations of $8,900,000 and $3,700,000 respectively, per month of stoppage.

Profit by operation[1]

(Segment report reconciliation) as at 30 June 2020 (Unaudited)

Company (US$000)	Pallancata	San Jose	Inmaculada	Consolidation adjustment and others	Total/HOC
Revenue	**25,021**	**79,716**	**127,241**	**51**	**232,029**
Cost of sales (pre-consolidation)	(26,834)	(53,587)	(68,243)	1,719	(146,945)
Consolidation adjustment	(136)	–	(1,477)	1,613	–
Cost of sales (post-consolidation)	**(26,698)**	**(53,587)**	**(66,766)**	**106**	**(146,945)**
Production cost excluding depreciation	(16,971)	(39,083)	(33,867)	106	(89,815)
Depreciation in production cost	(11,275)	(16,683)	(21,444)	–	(49,402)
Change in inventories	1,548	2,179	(11,455)	–	(7,728)
Gross profit	**(1,813)**	**26,129**	**58,998**	**1,770**	**85,084**
Administrative expenses	–	–	–	(20,236)	(20,236)
Exploration expenses	–	–	–	(12,743)	(12,743)
Selling expenses	(324)	(5,428)	(235)	–	(5,987)
Other income/(expenses)	–	–	–	(33,461)	(33,461)
Operating profit/(loss) before impairment	**(2,137)**	**20,701**	**58,763**	**(64,670)**	**12,657**
Write-off of non-financial assets	–	–	–	(1,208)	(1,208)
Finance income	–	–	–	2,074	2,074
Finance costs	–	–	–	(5,144)	(5,144)
Foreign exchange	–	–	–	(1,915)	(1,915)
Profit/(loss) from continuing operations before income tax	**(2,137)**	**20,701**	**58,763**	**(70,863)**	**6,464**
Income tax	–	–	–	(15,470)	(15,470)
(Loss)/profit for the period from continuing operations	**(2,137)**	**20,701**	**58,763**	**(86,333)**	**(9,006)**

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

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

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

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