HOCHSCHILD

19 February 2020

Preliminary Results for the year ended 31 December 2019

Robust 2019 financial performance

- Revenue up 7% at $755.7 million (2018: $704.3 million)[1]
- Adjusted EBITDA up 28% at $343.3 million (2018: $268.0 million)[2]
- Profit before income tax (pre-exceptional) up 89% at $103.4 million (2018: $54.7 million)
- Profit before income tax (post-exceptional) up 100% at $76.8 million (2018: $38.4 million)
- Basic earnings per share (pre-exceptional) up 80% at $0.09 (2018: $0.05)
- Basic earnings per share (post-exceptional) up 100% to $0.06 (2018: $0.03)
- Cash and cash equivalent balance of $166.4 million as at 31 December 2019 (2018: $79.7 million)
- Net debt reduced by 57% to $33.2 million as at 31 December 2019 (2018 $77.4 million)
- Final proposed dividend up 19% at 2.335 cents per share ($12.0 million) bringing the full-year total dividend to $22.2 million (2018: $20.0 million)

Strong 2019 operational delivery[3]

- All-in sustaining costs (AISC) from operations down to $965 per gold equivalent ounce (2018: $973) or $11.9 per silver equivalent ounce (2018: $12.0) comfortably in line with full year cost guidance of $960-$1,000 per gold equivalent ounce or $11.8-12.3 per silver equivalent ounce[4]
- Full year attributable production of 477,400 gold equivalent ounces (38.7 million silver equivalent ounces) exceeding full year attributable production guidance of 457,000 gold equivalent ounces (37.0 million silver equivalent ounces)
- Record production at Inmaculada up 6% to 260,126 gold equivalent ounces (2018: 244,445 ounces)
- Record production at San Jose up 10% to 15.4 million silver equivalent ounces (2018: 14.0 million ounces)
- Inmaculada brownfield drilling programme added further 46 million silver or 0.5 million gold equivalent ounces of inferred resources in 2019 (calculated using a gold/silver ratio of 86:1) at a grade of 475 grams per tonne silver equivalent
- Permits received for key Pablo Sur and Cochaloma exploration targets close to Pallancata with drilling campaign already started at Pablo Sur

2020 outlook[5]

- Attributable production target of 422,000 gold equivalent ounces (36.0 million silver equivalent ounces)
- Total sustaining and development capital expenditure expected to be approximately $115-130 million including $22 million expansion of tailings storage facility (TSF) at Inmaculada
- AISC from operations expected to be $1,040-$1,080 per gold equivalent ounce ($12.1-12.5 per silver equivalent ounce)
- AISC from operations excluding Inmaculada TSF expansion expected to be $1,000-$1,040 per gold equivalent ounce ($11.6-12.0 per silver equivalent ounce)
- 2020 brownfield exploration budget expected to be $36 million with greenfield and advanced project budget set at an additional $8 million

[1]Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts plus services revenue
[2]Please see the Financial Review page 19 for a definition of Adjusted EBITDA
[3]2019 and 2018 (restated) equivalent figures calculated using the previous Company gold/silver ratio of 81x. All 2020 forecasts assume the average gold/silver ratio of 86x.
[4]All-in sustaining cost per (AISC) silver equivalent ounce: Calculated before exceptional items and includes cost of sales less depreciation in production cost and change in inventories, administrative expenses (excl depreciation), brownfield exploration, operating and exploration capex and royalties (presented with income tax) divided by silver equivalent ounces produced, plus commercial deductions and selling expenses divided by silver equivalent ounces sold using a gold/silver ratio of 81:1. The Arcata operation is excluded from the calculation of the AISC from operations in 2019.
[5]2019 and 2018 (restated) equivalent figures calculated using the previous Company gold/silver ratio of 81x. All 2020 forecasts assume the average gold/silver ratio of 86x.

$000 unless stated	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Attributable silver production (koz)	**16,808**	19,700	(15)
Attributable gold production (koz)	**270**	260	4
Revenue	**755,676**	704,290	7
Adjusted EBITDA	**343,332**	268,010	28
Profit from continuing operations (pre-exceptional)	**60,083**	18,225	230
Profit from continuing operations (post-exceptional)	**41,439**	6,701	518
Basic earnings per share (pre-exceptional) $	**0.09**	0.05	80
Basic earnings per share (post-exceptional) $	**0.06**	0.03	100

Ignacio Bustamante, Chief Executive Officer said:

"In 2019, we have delivered some strong financial results which reflect another robust year of production including records at two of our operations and good cost control. Improved precious metals prices in the second half of the year combined with strong free cashflow generation saw us reduce leverage further and finish the year with net debt at $33 million. We have again discovered a significant amount of resource additions at Inmaculada and anticipate another year of ambitious exploration with exciting drill targets at all our current operations and projects throughout our entire southern Peru cluster. In addition, we can look forward to progressing our portfolio of greenfield opportunities and strategic alliances."

A presentation will be held for analysts and investors at 9.30am (UK time) on Wednesday 19 February 2020 at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE

The presentation and a link to the live audio webcast of the presentation can be found at the Hochschild website: www.hochschildmining.com

To join the event via conference call, please see dial in details below:
UK: +44 (0)330 336 9411 (Please quote confirmation code **1877935**)

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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) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates three underground epithermal vein mines, two located in southern Peru and one in southern Argentina. Hochschild also has numerous long-term projects throughout the Americas.

CHAIRMAN'S STATEMENT

2019 was another busy year for Hochschild Mining and I believe we have delivered further strong progress. Our team continued to drive a responsible and innovative mining strategy that aims to combine world class operational performance with exploration-led growth in a safe and environmentally friendly manner. In this regard, I am pleased to report that our delivery in these key areas has been very encouraging. Upholding the Company's high standards is not only critical to our operational success, but to our reputation with our communities, host governments and investors. I also believe that we are continuing to create a stimulating, inclusive and forward-thinking workplace environment where our people can grow their careers and develop new skills and expertise.

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

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

Our people are crucial to our success and therefore it is incumbent on the Board and management to attract and retain a diverse pipeline of talent. An internal study revealed that although Hochschild's gender diversity is better than the average among our peers in Peru, it is a stark fact that women remain significantly under-represented. In order to tackle this imbalance, a working group has been established and an action plan has been developed to achieve the Group's target of increasing workforce diversity. Further details on this and all of the activities mentioned above can be found in the Sustainability section of the 2019 Annual Report.

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

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

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

Outlook

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

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

Eduardo Hochschild, Chairman
18 February 2020

CHIEF EXECUTIVE OFFICER'S STATEMENT

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

Operations

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

Exploration

Our ambitious brownfield exploration programme continued in 2019 with the key highlight being the 46 million silver equivalent ounces of additional resources discovered at Inmaculada close to the Angela vein and at approximately 456 grams per tonne silver equivalent. Furthermore, we also carried out a comprehensive infill drilling programme on the veins discovered in 2018. At San Jose, we have continued to evaluate the Aguas Vivas polymetallic deposit to the north west of existing operations as well as preparing to drill the Telken zone which we believe could form the extension to veins from Newmont's Cerro Negro mine in the south. Long hole drilling also started towards the end of the year close to the mine as well as our first use of Titan geophysics in the area. At Pallancata, drilling campaigns commenced at Palca to the south east and Corina to the north. Encouraging mineralisation was found in both zones with further campaigns scheduled in 2020. We experienced delays in receiving exploration permits for two other key targets close to the operation, Pablo Sur and Cochaloma, and have finally received them in early 2020. As a result, we have reduced production at Pallancata for 2020 in order to extend its life of mine and recalibrate our exploration to production cycle as well as recognising an impairment of $14.7 million.

Business Development

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

In October, we announced the acquisition of the remaining 94% of the Biolantanidos rare earth deposit in Chile for $56 million. We believe that this acquisition in an attractive mining jurisdiction provides unique optionality for our shareholders and was the direct result of an extensive long-term effort to identify commodities with very strong growth characteristics. The project consists of ionic clay resources, similar to those found in China, but very different from most other rock-based rare earth projects worldwide. The process is environmentally friendly with no requirements for the use of explosives, no tailings dams and no potentially harmful chemicals. Capital and operational expenditure is projected to be low and we are also excited by the strong geological upside potential. Although Hochschild remains focused on precious metals, this diversification gives us a unique deposit in a key industry with expected exponential growth. We intend to deliver a revised feasibility study in 2021 and will thereafter decide on the appropriate path to development to maximise value for shareholders.

Financial position

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

Financial results

The average gold price received in 2019 was 12% higher than the previous year with the silver price rising 8% and therefore, combined with a rise in gold sales, revenue increased by 7% to $756 million (2018: $704 million). The operational all-in sustaining cost of $11.9 per silver equivalent ounce (2018: $12.0 per ounce) was at the better end of forecasts and reflected ongoing cost efficiencies offset by a budgeted increase in exploration expenses investment as well as selling expenses due to the export taxes in Argentina. The combination of the revenue increase and tight cost control led to Adjusted EBITDA rising strongly by 28% to $343 million (2018: $268 million) with Profit from continuing operations before income tax increasing by 79% to $103.4

million (2018: $54.7 million). Adjusted earnings per share was higher at $0.09 per share (2018: $0.05 per share) resulting from the higher profitability and lower interest costs and partially offset by the above-mentioned increase in selling expenses and a rise in mine closure provisions for our former operations at Ares and Sipan ($13.6 million).

Outlook

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

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

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

Ignacio Bustamante, Chief Executive Officer
18 February 2020

OPERATING REVIEW

OPERATIONS

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

Production

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

Total 2019 group production

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

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

Attributable 2019 group production

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

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

2020 Production forecast split

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

Costs

All-in sustaining cost from operations in 2019 was $965 per gold equivalent ounce or $11.9 per silver equivalent ounce (2018: $973 per gold equivalent ounce or $12.0 per silver equivalent ounce), in line with guidance of between $960 and $1,000 per gold equivalent ounce or $11.8 and 12.3 per silver equivalent ounce. This was driven by Inmaculada's competitive $798 per gold equivalent ounce (2018: $751 per ounce) in addition to a solid result from Pallancata ($13.5 per silver equivalent ounce). Please see page 13 of the Financial Review for further details on costs.

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

2020 AISC forecast split

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

Inmaculada

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

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

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

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

Pallancata

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

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

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

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

San Jose

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

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

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

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

Arcata

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

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

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

EXPLORATION

Inmaculada

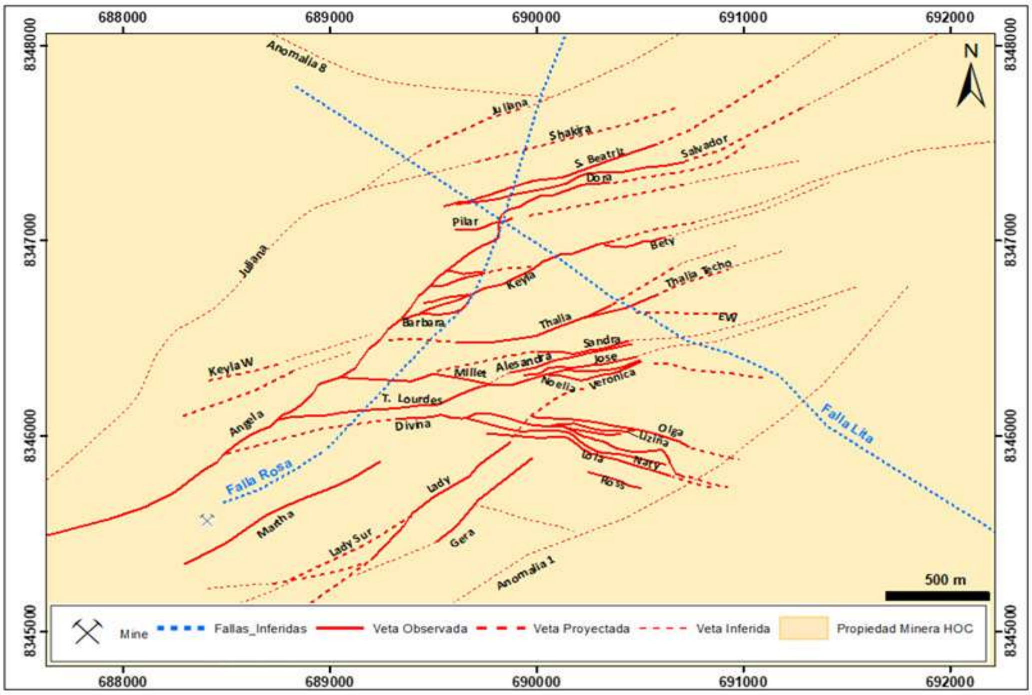
During 2019, almost 8,500m of potential resource drilling was carried out at the newly-discovered Susana Beatriz, Juliana and Salvador structures to the west of the Angela vein. Thereafter resource drilling commenced in the area and also included work at other structures including Angela, Pilar, Noelia,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

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

Vein	Results (resource drilling)
Salvador	ANE-19-010: 0.8m @ 16.7g/t Au & 349g/t Ag ANE-19-011: 0.8m @ 20.7g/t Au & 667g/t Ag ANE-19-013: 0.8m @ 5.9g/t Au & 399g/t Ag ANE-19-020: 1.6m @ 3.0g/t Au & 370g/t Ag ANE-19-021: 1.4m @ 7.1g/t Au & 318g/t Ag ANE-19-022: 3.0m @ 2.0g/t Au & 165g/t Ag ANE-19-025: 1.2m @ 2.8g/t Au & 133g/t Ag ANE-19-027: 0.8m @ 3.6g/t Au & 192g/t Ag ANE-19-028: 0.9m @ 7.8g/t Au & 357g/t Ag ANE-19-029: 0.9m @ 267g/t Au & 1,783g/t Ag ANE-19-031: 0.8m @ 5.5g/t Au & 700g/t Ag ANE-19-032: 1.6m @ 8.4g/t Au & 509g/t Ag ANE-19-035: 0.8m @ 29.6g/t Au & 794g/t Ag ANE-19-037: 1.5m @ 2.7g/t Au & 120g/t Ag IMM-19-001: 1.1m @ 31.9g/t Au & 5,053g/t Ag IMM-19-007: 0.6m @ 3.6g/t Au & 98g/t Ag IMM-19-025: 1.4m @ 5.0g/t Au & 261g/t Ag IMM-19-032: 1.0m @ 2.2g/t Au & 168g/t Ag HUA-19-005: 2.2m @ 7.7g/t Au & 335g/t Ag HUA-19-006: 1.0m @ 8.4g/t Au & 534g/t Ag
Pilar	ANG-18-023: 0.5m @ 5.0g/t Au & 236g/t Ag ANG-19-011A: 2.3m @ 7.4g/t Au & 250g/t Ag ANG-19-012: 2.2m @ 41.0g/t Au & 480g/t Ag IMM-19-001: 1.1m @ 31.9g/t Au & 5,053g/t Ag IMM-19-003: 1.9m @ 1.4g/t Au & 110g/t Ag IMM-19-008: 1.5m @ 3.7g/t Au & 203g/t Ag IMM-19-011: 3.1m @ 4.1g/t Au & 176g/t Ag IMM-19-014: 5.8m @ 17.7g/t Au & 751g/t Ag IMM-19-015: 1.4m @ 5.4g/t Au & 254g/t Ag IMM-19-016: 1.0m @ 4.9g/t Au & 52g/t Ag IMM-19-017: 2.1m @ 4.2g/t Au & 253g/t Ag IMM-19-020: 1.1m @ 23.1g/t Au & 268g/t Ag IMM-19-025: 2.1m @ 6.2g/t Au & 271g/t Ag IMM-19-026: 1.8m @ 7.2g/t Au & 279g/t Ag IMM-19-028: 1.1m @ 1.9g/t Au & 69g/t Ag IMM-19-029: 1.0m @ 1.8g/t Au & 87g/t Ag IMM-19-032: 1.5m @ 2.5g/t Au & 250g/t Ag HUA-19-003: 1.4m @ 19.4g/t Au & 438g/t Ag HUA-19-005: 1.3m @ 4.2g/t Au & 169g/t Ag HUA-19-007: 1.7m @ 3.1g/t Au & 180g/t Ag HUA-19-008: 0.8m @ 3.6g/t Au & 150g/t Ag
Juliana	HUA-19-002: 1.1m @ 3.7g/t Au & 78g/t Ag HUA-19-002: 5.2m @ 5.1g/t Au & 88g/t Ag
Noelia	HUA-19-005: 1.3m @ 2.7g/t Au & 109g/t Ag ANE-19-020: 1.5m @ 16.8g/t Au & 1,843g/t Ag ANE-19-021: 1.1m @ 3.3g/t Au & 101g/t Ag IMM-19-017: 1.0m @ 1.1g/t Au & 73g/t Ag IMM-19-025: 1.9m @ 13.6g/t Au & 682g/t Ag HUA-19-005: 1.1m @ 12.2g/t Au & 300g/t Ag
Rosa	ROS-19-001: 3.2m @ 3.5g/t Au & 43g/t Ag ROS-19-002: 1.0m @ 2.5g/t Au & 122g/t Ag

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

Map of current Inmaculada veins



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

Vein	Results (infill drilling)
Millet	MIL-19-001: 0.9m @ 1.7g/t Au & 80g/t Ag MIL-19-002: 4.5m @ 2.6g/t Au & 204g/t Ag MIL-19-003: 2.8m @ 3.6g/t Au & 153g/t Ag MIL-19-004: 1.3m @ 0.9g/t Au & 42g/t Ag MIL-19-005: 0.9m @ 3.2g/t Au & 25g/t Ag MIL-19-006: 4.2m @ 0.8g/t Au & 67g/t Ag MIL-19-007: 2.7m @ 7.0g/t Au & 129g/t Ag MIL-19-008: 1.5m @ 2.5g/t Au & 139g/t Ag MIL-19-009: 2.0m @ 4.8g/t Au & 557g/t Ag MIL-19-010: 5.0m @ 3.3g/t Au & 104g/t Ag MIL-19-011: 0.9m @ 2.0g/t Au & 37g/t Ag MIL-19-012: 6.8m @ 2.4g/t Au & 81g/t Ag MIL-19-013: 1.2m @ 1.3g/t Au & 8g/t Ag MIL-19-014: 2.0m @ 3.8g/t Au & 342g/t Ag MIL-19-015: 1.2m @ 0.9g/t Au & 97g/t Ag MIL-19-016: 5.9m @ 1.9g/t Au & 88g/t Ag MIL-19-017: 1.4m @ 2.0g/t Au & 344g/t Ag MIL-19-018: 1.2m @ 1.4g/t Au & 30g/t Ag MIL-19-019: 4.6m @ 1.3g/t Au & 67g/t Ag MIL-19-020: 1.2m @ 0.2g/t Au & 52g/t Ag MIL-19-021: 2.6m @ 9.4g/t Au & 184g/t Ag MIL-19-022: 4.0m @ 1.2g/t Au & 61g/t Ag MIL-19-023: 3.5m @ 3.1g/t Au & 208g/t Ag MIL-19-024: 1.0m @ 2.8g/t Au & 213g/t Ag MIL-19-025: 5.8m @ 2.9g/t Au & 174g/t Ag MIL-19-026: 6.2m @ 2.1g/t Au & 167g/t Ag MIL-19-027: 5.1m @ 2.7g/t Au & 264g/t Ag MIL-19-028: 3.0m @ 2.7g/t Au & 162g/t Ag MIL-19-029: 4.0m @ 2.9g/t Au & 470g/t Ag MIL-19-030: 0.7m @ 1.4g/t Au & 67g/t Ag MIL-19-031: 2.3m @ 1.6g/t Au & 113g/t Ag MIL-19-032: 2.5m @ 1.7g/t Au & 133g/t Ag MIL-19-033: 3.3m @ 3.0g/t Au & 14g/t Ag MIL-19-034: 1.4m @ 0.7g/t Au & 41g/t Ag MIL-19-035: 3.0m @ 2.7g/t Au & 77g/t Ag MIL-19-036: 2.3m @ 2.1g/t Au & 71g/t Ag MIL-19-037: 2.8m @ 4.5g/t Au & 509g/t Ag MIL-19-038: 1.0m @ 1.0g/t Au & 93g/t Ag MIL-19-039: 0.8m @ 0.9g/t Au & 68g/t Ag MIL-19-040: 3.5m @ 3.0g/t Au & 111g/t Ag MIL-19-041: 0.6m @ 0.2g/t Au & 347g/t Ag MIL-19-043: 12.5m @ 3.8g/t Au & 394g/t Ag MIL-19-044: 2.4m @ 6.5g/t Au & 720g/t Ag MIL-19-045: 10.5m @ 7.8g/t Au & 622g/t Ag MIL-19-046: 14.0m @ 3.8g/t Au & 44g/t Ag MIL-19-047: 12.5m @ 4.9g/t Au & 311g/t Ag MIL-19-048: 3.2m @ 9.8g/t Au & 374g/t Ag MIL-19-049: 1.4m @ 4.0g/t Au & 188g/t Ag MIL-19-051: 5.8m @ 3.8g/t Au & 138g/t Ag MIL-19-053: 9.2m @ 4.1g/t Au & 88g/t Ag MIL-19-056: 1.2m @ 8.2g/t Au & 804g/t Ag MIL-19-059: 10.5m @ 3.4g/t Au & 127g/t Ag MIL-19-060: 4.4m @ 11.0g/t Au & 432g/t Ag MIL-19-062: 1.6m @ 3.9g/t Au & 199g/t Ag MIL-19-072: 12.5m @ 4.5g/t Au & 51g/t Ag MIL-19-075: 2.5m @ 4.4g/t Au & 122g/t Ag MIL-19-080: 1.3m @ 3.5g/t Au & 263g/t Ag MIL-19-082: 3.3m @ 66.0g/t Au & 835g/t Ag MIL-19-088: 6.6m @ 4.7g/t Au & 184g/t Ag MIL-19-093: 3.1m @ 4.3g/t Au & 108g/t Ag MIL-19-096: 2.0m @ 5.9g/t Au & 79g/t Ag MIL-19-098: 9.9m @ 7.1g/t Au & 106g/t Ag
Divina	DIV-19-027: 6.8m @ 6.3g/t Au & 347g/t Ag DIV-19-029: 0.8m @ 5.0g/t Au & 406g/t Ag DIV-19-030: 8.4m @ 1.4g/t Au & 72g/t Ag DIV-19-031: 3.4m @ 1.7g/t Au & 72g/t Ag

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

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

Pallancata

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

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

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

Palca

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

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

	PLC-195-039: 1.0m @ 3.7g/t Au & 37g/t Ag
North east vein	PLC-195-009: 0.4m @ 12.8g/t Au & 19g/t Ag

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

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

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

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

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

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

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

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

GREENFIELD AND BUSINESS DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

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

Revenue

Gross revenue

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

Gold

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

Silver

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

Gross average realised sales prices

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

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

Commercial discounts

Commercial discounts refer to refinery treatment charges, refining fees and payable deductions for processing concentrate, and are deducted from gross revenue on a per tonne basis (treatment charge), per ounce basis (refining fees) or as a percentage of gross revenue (payable deductions). In 2019, the Group recorded commercial discounts of $24.7 million (2018: $29.4 million) with the decrease explained by the significant decrease in production from the concentrate-only Arcata mine. The ratio of commercial discounts to gross revenue in 2019 was 3% (2018: 4%).

Net revenue

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

Reconciliation of gross revenue by mine to Group net revenue

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

Costs

Total cost of sales was $512.7 million in 2019 (2018: $531.8 million). The direct production cost excluding depreciation was lower at $327.7 million (2018: $363.9 million) mainly due to lower production and lower cost per tonne both resulting from the decision

[6] *Includes revenue from services*

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

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% Change
Direct production cost excluding depreciation	327,660	363,922	(10)
Depreciation in production cost	184,388	164,244	12
Other items[7]	4,445	1,141	290
Change in inventories	(3,782)	2,481	(252)
Cost of sales	512,711	531,788	(4)

Unit cost per tonne

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

Unit cost per tonne by operation (including royalties)[8]:

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

Cash costs

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

Cash cost reconciliation[10]:

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

[7]Other items in and workers profit sharing in costs of sales
[8]Unit cost per tonne is calculated by dividing mine and treatment production costs (excluding depreciation) by extracted and treated tonnage respectively
[9]2018 unit cost per tonne for Peru includes the Arcata mine. 2019 does not include the Arcata mine.
[10]Cash costs are calculated to include cost of sales, commercial discounts and selling expenses items less depreciation included in cost of sales
[11]Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore

Co-product cash cost per ounce is the cash cost allocated to the primary metal (allocation based on proportion of revenue), divided by the ounces sold of the primary metal. By-product cash cost per ounce is the total cash cost minus revenue and commercial discounts of the by-product divided by the ounces sold of the primary metal.

All-in sustaining cost reconciliation

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2019

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main operations	Arcata	Corporate & others	Total
(+) Production cost excluding depreciation	124,814	75,590	120,529	320,933	6,727	-	327,660
(+) Other items and workers profit sharing in cost of sales	1,902	1,976	567	4,445	-	-	4,445
(+) Operating and exploration capex for units[12]	66,435	26,605	41,406	134,446	42	2,470	136,958
(+) Brownfield exploration expenses	3,976	7,116	9,753	20,845	1,065	3,954	25,864
(+) Administrative expenses (excl depreciation)[13]	3,917	1,642	6,215	11,774	44	31,669	43,487
(+) Royalties and special mining tax[14]	3,510	1,471	-	4,981	47	3,429	8,457
Sub-total	**204,554**	**114,400**	**178,470**	**497,424**	**7,925**	**41,522**	**546,871**
Au ounces produced	189,180	25,952	105,478	320,611	966	-	321,577
Ag ounces produced (000s)	5,747	7,259	6,846	19,851	311	-	20,163
Ounces produced (Ag Eq 000s oz)	21,070	9,361	15,390	45,821	390	-	46,210
Sub-total ($/oz Ag Eq)	**9.7**	**12.2**	**11.6**	**10.9**	**20.3**	**-**	**11.8**
(+) Commercial deductions	2,580	11,133	13,336	27,049	776		27,825
(+) Selling expenses	481	996	19,444	20,921	150		21,071
Sub-total	**3,061**	**12,129**	**32,780**	**47,970**	**926**	**-**	**48,896**
Au ounces sold	188,585	25,446	102,824	316,855	662	-	317,515
Ag ounces sold (000s)	5,732	7,161	6,846	19,738	323	-	20,062
Ounces sold (Ag Eq 000s oz)	21,008	9,222	15,174	45,404	377		45,780
Sub-total ($/oz Ag Eq)	**0.1**	**1.3**	**2.2**	**1.1**	**2.5**	**-**	**1.1**
All-in sustaining costs ($/oz Ag Eq)	**9.9**	**13.5**	**13.8**	**11.9**	**22.8**	**-**	**12.9**
All-in sustaining costs ($/oz Au Eq)	**798**	**1,097**	**1,114**	**965**	**1,847**	**-**	**1,045**

Year ended 31 Dec 2018

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San Jose	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	62,559	114,291	68,907	118,165	363,922	-	363,922
(+) Other items in cost of sales	-	-	-	1,141	1,141	-	1,141
(+) Operating and exploration capex for units	526	57,678	28,939	42,849	129,992	634	130,626
(+) Brownfield exploration expenses	9,024	1,732	2,162	4,224	17,142	3,563	20,705
(+) Administrative expenses (excl depreciation)	651	3,516	1,560	6,952	12,679	31,618	44,297
(+) Royalties and special mining tax[15]	-	3,113	1,381	-	4,494	2,746	7,240
Sub-total	72,760	180,330	102,949	173,331	529,370	38,561	567,931
Au ounces produced	10,575	174.,199	26,399	96,595	307,768	-	307,768
Ag ounces produced (000s)	3,416	5,690	7,499	6,165	22,720	-	22,720
Ounces produced (Ag Eq 000s oz)	4,273	19,800	9,588	13,989	47,650	-	47,650
Sub-total ($/oz Ag Eq)	17.0	9.1	10.7	12.4	11.1	-	11.9
(+) Commercial deductions	8,273	2,788	10,441	11,180	32,682	-	32,682
(+) Selling expenses	999	344	728	7,997	10,068	-	10,068
Sub-total	9,272	3,132	11,169	19,177	42,750	-	42,750
Au ounces sold	9,926	172,395	26,234	96,595	304,505	-	304,505
Ag ounces sold (000s)	3,397	5,676	7,439	6,175	22,687	-	22,687
Ounces sold (Ag Eq 000s oz)	4,201	19,640	9,564	13,947	47,352	-	47,352
Sub-total ($/oz Ag Eq)	**2.2**	**0.2**	**1.2**	**1.4**	**0.9**	**-**	**0.9**
All-in sustaining costs ($/oz Ag Eq)	**19.2**	**9.3**	**11.9**	**13.8**	**12.0**	**-**	**12.8**
All-in sustaining costs ($/oz Au Eq)[16]	**1,558**	**751**	**964**	**1,115**	**973**	**-**	**1,039**

Administrative expenses

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

Exploration expenses

[12] Operating capex from San Jose does not include capitalised DD&A resulting from mine equipment utilised for mine developments
[13] Administrative expenses does not include expenses from the Biolantanidos project ($160,000)
[14] Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line
[15] Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line
[16] Calculated using a gold silver ratio of 81:1

In 2019, exploration expenses increased to $38.0 million (2018: $34.4 million) in line with the overall rise in the Company's investment in brownfield and greenfield exploration. In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the Inferred or Measured and Indicated categories. In 2019, the Company capitalised $6.0 million relating to brownfield exploration compared to $9.2 million in 2018, bringing the total investment in exploration for 2019 to $44.0 million (2018: $43.6 million).

Selling expenses

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

Other income/expenses

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

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

Adjusted EBITDA

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

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

$000 unless otherwise indicated	Year ended 31 Dec 2019	Year ended 31 Dec 2018	% change
Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange loss and income tax	**112,276**	72,804	54
Depreciation and amortisation in cost of sales	**182,676**	164,819	11
Depreciation and amortisation in administrative expenses and other expenses	**2,480**	1,486	67
Exploration expenses	**37,965**	34,381	10
Personnel and other exploration related fixed expenses	**(6,316)**	(5,916)	7
Other non-cash income, net [17]	**14,251**	436	3,169
Adjusted EBITDA	**343,332**	268,010	28
Adjusted EBITDA margin	***45%***	*38%*	

Finance income

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

Finance costs

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

Foreign exchange (losses)/gains

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

Income tax

[17] *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*

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

Exceptional items

Exceptional items in 2019 totalled an $18.6 million loss after tax (2018: $11.5 million loss after tax). Exceptional items included the payment of termination benefits due to the restructuring process generated by the temporary suspension of operations at the Arcata mine unit ($12.2 million) and the impairment of the Pallancata mine unit of $14.7 million. 2018 exceptional items included the payment of the premium to redeem early the Senior Notes and the reversal of capitalised Senior Notes issuance costs.

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

Cash flow and balance sheet review

Cash flow:

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

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

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

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

Working capital

$000	As at 30 December 2019	As at 31 December 2018
Trade and other receivables	73,618	78,736
Inventories	62,600	58,035
Other financial assets	-	47
Income tax (payable)/receivable	(11,005)	17,462
Trade and other payables	(120,537)	(125,475)
Provisions	(16,249)	(3,153)
Working capital	(11,573)	25,652

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

Net debt

$000 unless otherwise indicated	As at 30 December 2019	As at 31 December 2018
Cash and cash equivalents	166,357	79,704
Long term borrowings	(199,308)	(50,000)
Short term borrowings[18]	(234)	(107,067)
Net debt	(33,185)	(77,363)

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

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

Capital expenditure[19]

$000	Year ended 31 Dec 2019	Year ended 31 Dec 2018
Arcata	42	526
Pallancata	26,605	28,939
San Jose	43,623	44,632
Inmaculada	66,435	57,678
Operations	136,663	131,775
Biolantanidos[20]	60,726	-
Other	7,727	2,630
Total	205,116	134,405

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

[19] *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*
[20] *Capital expenditure from Biolantanidos includes the fair value of the asset plus additions since the acquisition*

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. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

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

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

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

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

Ignacio Bustamante
Chief Executive Officer
18 February 2020

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 31 December 2019

					Other reserves									
	Notes	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Fair value reserve of financial assets at fair value through OCI US$000	Dividends expired US$000	Cumulative translation adjustment US$000	Merger reserve US$000	Share-based payment reserve US$000	Total other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2018		**224,315**	**438,041**	**(140)**	**(937)**	**–**	**(13,712)**	**(210,046)**	**7,634**	**(217,061)**	**286,356**	**731,511**	**90,177**	**821,688**
Other comprehensive income/(expense)		–	–	–	(6,447)	–	4	–	–	(6,443)	-	(6,443)	–	(6,443)
Profit for the year		–	–	–	–	–	–	–	–	–	12,836	12,836	(6,135)	6,701
Total comprehensive income/(expense) for the year		**–**	**–**	**–**	**(6,447)**	**–**	**4**	**–**	**–**	**(6,443)**	**12,836**	**6,393**	**(6,135)**	**258**
Sale of financial assets at fair value through OCI	19	–	–	–	3,060	–	–	–	–	3,060	(3,060)	-	–	-
Issuance of shares		1,094	–	–	–	–	–	–	–	–	–	1,094	–	1,094
Exercise of share options		–	–	719	–	–	–	–	(4,675)	(4,675)	2,862	(1,094)	–	(1,094)
Expiration of dividends		–	–	–	–	62	–	–	–	62	–	62	–	62
Dividends	28	–	–	–	–	–	–	–	–	–	(19,999)	(19,999)	–	(19,999)
Dividends to non – controlling interests	28	–	–	–	–	–	–	–	–	–	–	–	(13,039)	(13,039)
Purchase of treasury shares		–	–	(579)	–	–	–	–	–	–	–	(579)		(579)
Share-based payments		–	–	–	–	–	–	–	1,901	1,901	–	1,901	–	1,901
Balance at 31 December 2018		**225,409**	**438,041**	**–**	**(4,324)**	**62**	**(13,708)**	**(210,046)**	**4,860**	**(223,156)**	**278,995**	**719,289**	**71,003**	**790,292**
Other comprehensive income/(expense)		–	–	–	3,628	–	(327)	–	–	3,301	-	3,301	–	3,301
Profit for the year		–	–	–	–	–	–	–	–	–	28,954	28,954	12,485	41,439
Total comprehensive income/(expense) for the year		**–**	**–**	**–**	**3,628**	**–**	**(327)**	**–**	**–**	**3,301**	**28,954**	**32,255**	**12,485**	**44,740**
Sale of financial assets at fair value through OCI	19	–	–	–	1,658	–	–	–	–	1,658	(1,658)	-	–	-
Transfer of financial assets at fair value through OCI to subsidiary	3	–	–	–	(944)	–	–	–	–	(944)	944	-	–	-
Issuance of shares		1,097	–	–	–	–	–	–	–	–	–	1,097	–	1,097
Exercise of share options		–	–	309	–	–	–	–	(4,647)	(4,647)	3,241	(1,097)	–	(1,097)
Expiration of dividends		–	–	–	–	37	–	–	–	37	–	37	2	39
Dividends	28	–	–	–	–	–	–	–	–	–	(20,213)	(20,213)	–	(20,213)
Dividends to non – controlling interests	28	–	–	–	–	–	–	–	–	–	–	–	(8,859)	(8,859)
Purchase of treasury shares		–	–	(309)	–	–	–	–	–	–	–	(309)		(309)
Share-based payments		–	–	–	–	–	–	–	1,951	1,951	–	1,951	–	1,951
Balance at 31 December 2019		**226,506**	**438,041**	**–**	**18**	**99**	**(14,035)**	**(210,046)**	**2,164**	**(221,800)**	**290,263**	**733,010**	**74,631**	**807,641**

1 Notes to the condensed consolidated financial statements

For the year ended 31 December 2019

The financial information for the year ended 31 December 2019 and 2018 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2019 and 2018 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2019 which have been approved by the directors on 18 February 2020 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2 Significant accounting policies

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Companies Act 2006.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2019 and 2018 are set out below. The consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that are measured at fair value at the end of each reporting period, as explained below. These accounting policies have been consistently applied, except for the effects of the adoption of new and amended accounting standard.

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

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

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

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

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

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

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

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

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

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- The accounting for operating leases related to low value assets (below US$5,000)

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

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

Right-of-use assets are measured at cost comprising the following:
- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs

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

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

The effect of adoption IFRS 16 is as follows:

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

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

- IFRIC 23 Uncertainty over income tax treatments, applicable for annual periods beginning on or after 1 January 2019

IFRIC 23 clarifies the accounting for uncertainties in income taxes. This interpretation is applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances

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

3 Acquisition of assets

REE UNO SpA (“REE UNO”)

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

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

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

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

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

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

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

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

4 Segment reporting

The Group's activities are principally related to mining operations which involve the exploration, production and sale of gold and silver. Products are subject to the same risks and returns and are sold through similar distribution channels. The Group undertakes a number of activities solely to support mining operations including power generation and services. Transfer prices between segments are set on an arm's length basis in a manner similar to that used for third parties. Segment revenue, segment expense and segment results include transfers between segments at market prices. Those transfers are eliminated on consolidation.

For internal reporting purposes, management takes decisions and assesses the performance of the Group through consideration of the following reporting segments:

- Operating unit – San Jose, which generates revenue from the sale of gold and silver (dore and concentrate).
- Operating unit – Arcata and Pallancata, which generate revenue from the sale of gold and silver (concentrate). The Arcata mine unit was put into care and maintenance on 13 February 2019.
- Operating unit – Inmaculada, which generates revenue from the sale of gold and silver (dore).
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the aim of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes costs charged to the profit and loss and capitalised as assets.
- Other – includes the profit or loss generated by Empresa de Transmisión Aymaraes S.A.C.

The Group's administration, financing, other activities (including other income and expense), and income taxes are managed at a corporate level and are not allocated to operating segments.

Segment information is consistent with the accounting policies adopted by the Group. Management evaluates the financial information based on IFRS as adopted for use in the European Union.

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

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

(a) Reportable segment information

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

Total assets	**8,110**	**70,938**	**211,942**	**533,380**	**259,235**	**269,643**	**–**	**1,353,248**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$45,920,000, other income of US$9,014,000, other expenses of US$46,093,000, write-off of assets (net) of US$853,000, impairment of assets (net) of US$14,378,000, finance income of US$2,938,000, finance expense of US$10,038,000, and foreign exchange loss of US$1,757,000.
3 Includes depreciation capitalised in the Crespo project (US$809,000), and San Jose unit (US$2,217,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$6,159,000, other receivables of US$41,007,000, income tax receivable of US$206,000, deferred income tax asset of US$1,627,000, and cash and cash equivalents of US$166,357,000.

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

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

(b) Geographical information

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

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

In the periods set out below, certain customers accounted for greater than 10% of the Group's total revenues as detailed in the following table:

	Year ended 31 December 2019			Year ended 31 December 2018		
	US$000	% Revenue	Segment	US$000	% Revenue	Segment
Asahi Refining Canada	352,949	47%	Inmaculada	12	0%	Inmaculada
Argor Heraus	105,436	14%	San Jose	74,210	11%	San Jose
LS Nikko	91,304	12%	Pallancata and San Jose	97,943	14%	Pallancata and San Jose
Republic Metals Corporation	66	0%	San Jose	86,974	12%	Inmaculada and San Jose
Bank of Nova Scotia	–	0%	Inmaculada	162,843	23%	Inmaculada
Asahi Refining USA	(806)	0%	Inmaculada	85,136	12%	Inmaculada

Non-current assets, excluding financial instruments and deferred income tax assets, were allocated to the geographical areas in which the assets are located as follows:

	As at 31 December 2019 US$000	2018 US$000
Peru	709,022	753,016
Argentina	163,656	172,726
Mexico	838	38,835
Chile	125,682	64,199
Total non-current segment assets	999,198	1,028,776
Financial assets at fair value through OCI	6,159	5,296
Trade and other receivables	5,188	5,451
Other financial assets	–	47
Deferred income tax assets	1,627	1,504
Total non-current assets	1,012,172	1,041,074

5 Revenue

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

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

The provisional pricing adjustments are as follows:

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

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

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

6 Cost of sales

Included in cost of sales are:

	Year ended 31 December	
	2019 US$000	2018 US$000
Depreciation and amortisation in cost of sales[1]	**182,676**	164,819
Personnel expenses (note 10)	**102,977**	116,065
Mining royalty (note 30)	**6,412**	5,857
Change in products in process and finished goods	**(3,782)**	2,481
Other items[2]	**567**	1,141

1 The depreciation and amortisation in production cost is US$184,388,000 (2018: US$164,244,000).

2 Other items include costs related to stoppage of US$567,000 at the San José mine unit (2018: Other items include costs related to stoppage of US$202,000 and termination benefits of US$939,000 at the San José mine unit).

7 Administrative expenses

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

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

8 Exploration expenses

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

1 Mine-site exploration is performed with the purpose of identifying potential minerals within an existing mine-site, with the goal of maintaining or extending the mine's life.

2 Prospects expenditure relates to detailed geological evaluations in order to determine zones which have mineralisation potential that is economically viable for exploration. Exploration expenses are generally incurred in the following areas: mapping, sampling, geophysics, identification of local targets and reconnaissance drilling.

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

The increase in exploration expenses is mainly explained by the work performed at the mine units trying to identify new possible ore targets.

The Group determines the cash flows which relate to the exploration activities of the companies engaged only in exploration. Exploration activities incurred by Group operating companies are not included since it is not practicable to separate the liabilities related to the exploration activities of these companies from their operating liabilities.

Cash outflows on exploration activities were US$7,503,000 in 2019 (2018: US$10,498,000).

9 Selling expenses

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

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

10 Personnel expenses before exceptional items

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

Personnel expenses are distributed as follows:

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

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

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

11 Exceptional items

Exceptional items are those significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years. Unless stated, exceptional items do not correspond to a reporting segment of the Group.

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

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

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

2 Impairment of the Pallancata mine unit of US$14,693,000 and reversals of impairment related to the San Felipe mine project of US$315,000.

3 The current tax credit generated by the termination benefits arising from the restructuring process of the Arcata mine unit of US$3,599,000 and the deferred tax credit generated by the impairment of Pallancata mine unit of US$4,334,000.

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

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

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

12 Other income and other expenses before exceptional items

	Year ended 31 December 2019	Year ended 31 December 2018
	Before exceptional items US$000	Before exceptional items US$000
Other Income		
Decrease in provision for mine closure (note 26(1))	223	–
Export credits[1]	6	1,287
Logistic services	4,489	4,128
Income related to the San Felipe agreement (note 23)	600	–
Other[2]	3,696	2,647
Total	9,014	8,062
Other expenses		
Increase in provision for mine closure (note 26(1))	(13,621)	(52)
Provision of obsolescence of supplies (note 21)	(1,449)	(384)
Care and maintenance expenses of Ares mine unit	(4,593)	(5,688)
Contingencies	71	(140)
Donations	(10)	(9)
Write off of value added tax	(144)	(66)

Corporate social responsibility contribution in Argentina[3]	(3,636)	(2,382)
Termination benefits Arcata mine unit[4]	–	(1,324)
Care and maintenance expenses of Arcata mine unit	(4,888)	–
Provision for impairment of receivables[5]	(3,706)	(5,656)
Other[6]	(1,918)	(1,443)
Total	(33,894)	(17,144)

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

13 Finance income and finance costs before exceptional items

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

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

14 Income tax expense

	Year ended 31 December 2019			Year ended 31 December 2018		
	Before exceptional items US$000	Exceptional items US$000	Total US$000	Before exceptional items US$000	Exceptional items US$000	Total US$000
Current corporate income tax from continuing operations						
Corporate income tax charge	35,543	(3,599)	31,944	8,338	–	8,338
Withholding tax	3,253	–	3,253			
	38,796	(3,599)	35,197	8,338	–	8,338
Deferred taxation						

Origination and reversal of temporary differences from continuing operations (note 28)	**(2,687)**	**(4,334)**	**(7,021)**	20,909	(4,822)	16,087
Effect of change in income tax rates[1]	**(1,230)**	**–**	**(1,230)**	–	–	–
	(3,917)	**(4,334)**	**(8,251)**	20,909	(4,822)	16,087
Corporate income tax	**34,879**	**(7,933)**	**26,946**	29,247	(4,822)	24,425
Current mining royalties						
Mining royalty charge (note 30)	**5,028**	**–**	**5,028**	4,494	–	4,494
Special mining tax charge (note 30)	**3,429**	**–**	**3,429**	2,746	–	2,746
Total current mining royalties	**8,457**	**–**	**8,457**	7,240	–	7,240
Total taxation charge/(credit) in the income statement	**43,336**	**(7,933)**	**35,403**	36,487	(4,822)	31,665

1 On 29 December 2017, the Argentinian government enacted a tax reform. The main change was the reduction in the statutory income tax rate, from 35% to 30% with effect from 1 January 2018 and to 25% with effect from 1 January 2020. On December 2019 there was a further tax reform in Argentina, stating that the income tax rate of 25% will be applied from 1 January 2021.

The weighted average statutory income tax rate was 30.9% for 2019 and 32.2% for 2018. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

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

There was no tax related to items charged or credited to equity during the year ended 31 December 2019 (2018: US$nil).

The total taxation charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated profits of the Group companies as follows:

	As at 31 December	
	2019 US$000	2018 US$000
Profit from continuing operations before income tax	**76,842**	38,366
At average statutory income tax rate of 30.9% (2018: 32.2%)	**23,740**	12,352
Expenses not deductible for tax purposes	**360**	593
Adjustment related to Restricted Share Plan (RSP)	**(940)**	–
Change in statutory income tax rate	**1,230**	–
Deferred tax recognised on special investment regime[1]	**(2,590)**	(1,399)
Movement in unrecognised deferred tax[2]	**5,223**	2,915
Special mining tax and mining royalty deductible for corporate income tax	**(2,495)**	(2,136)
Other	**(2,288)**	(1,971)
Corporate income tax at average effective income tax rate of 28.9% (2018: 27.0%) before foreign exchange effect and withholding tax	**22,240**	10,354
Special mining tax and mining royalty[3]	**8,457**	7,240
Corporate income tax and mining royalties at average effective income tax rate of 39.9% (2018: 45.9%)	**30,697**	17,594
Foreign exchange rate effect[4]	**1,453**	14,071
Corporate income tax and mining royalties at average effective income tax rate of 41.8% (2018: 82.5%) before withholding tax	**32,150**	31,665
Withholding tax	**3,253**	–
Total taxation charge in the income statement at average effective tax rate 46.1% (2018: 82.5%) from continuing operations	**35,403**	31,665

1 Argentina benefits from a special investment regime that allows for a super (double) deduction in calculating its taxable profits for all costs relating to prospecting, exploration and metallurgical analysis, pilot plants and other expenses incurred in the preparation of feasibility studies for mining projects.

2 Includes the income tax charge on mine closure provision of US$836,000 (2018: income tax credit of US$412,000), the tax charge related to the Inmaculada mine unit depreciation of US$1,636,000 (2018: US$1,631,000), and the effect of not recognised tax losses of US$2,751,000 (2018: US$1,696,000).

3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 30).

4 The foreign exchange effect is composed of US$3,280,000 loss (2018: US$9,311,000 loss) from Argentina and a gain of US$1,827,000 (2017: US$4,760,000 loss) from Peru. This mainly corresponds to the foreign exchange effect of converting tax bases and monetary items from local currency to the corresponding functional currency. The main contributor of the foreign exchange effect on the tax charge in 2018 is the devaluation of the Argentinian peso.

15 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders of the Parent by the weighted average number of ordinary shares issued during the year.

The Company has dilutive potential ordinary shares.

As at 31 December 2019 and 2018, EPS has been calculated as follows:

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

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

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

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

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

16 Property, plant and equipment

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2019							
Cost							
At 31 December 2018	1,345,516	519,450	590,447	6,680	96,397	14,966	2,573,456
Recognised on transition of IFRS 16	–	–	–	5,337	–	–	5,337
At 1 January 2019, after IFRS 16 adjustment	1,345,516	519,450	590,447	12,017	96,397	14,966	2,578,793
Additions	99,658	716	21,084	842	–	14,773[3]	137,073
Asset acquisition	–	–	218	–	–	–	218
Change in discount rate	–	–	–	–	3,249	–	3,249
Change in mine closure estimate	–	–	–	–	50	–	50
Disposals	–	–	(1,893)	(1,969)	–	–	(3,862)
Write-offs	–	–	(3,426)	–	–	(241)	(3,667)
Transfers and other movements[2]	4,200	8,915	4,525	858	–	(14,302)	4,196
At 31 December 2019	1,449,374	529,081	610,955	11,748	99,696	15,196	2,716,050

Accumulated depreciation and impairment							
At 1 January 2019	**999,695**	**298,024**	**349,908**	**4,707**	**71,003**	**947**	**1,724,284**
Depreciation for the year	108,911	34,177	37,076	3,262	3,831	–	187,257
Disposals	–	–	(1,744)	(777)	–	–	(2,521)
Write-offs	–	–	(2,814)	–	–	–	(2,814)
Impairment/(reversal of impairment), net	10,856	1,864	1,798	49	–	–	14,567
Transfers and other movements[2]	–	–	(69)	69	–	–	–
At 31 December 2019	**1,119,462**	**334,065**	**384,155**	**7,310**	**74,834**	**947**	**1,920,773**
Net book amount at 31 December 2019	**329,912**	**195,016**	**226,800**	**4,438**	**24,862**	**14,249**	**795,277**

1 Within mining properties and development costs there is a balance at 31 December 2019 related to Crespo project (US$27,693,000) that is not currently being depreciated as the unit is not operating.
2 Transfers and other movements include US$4,200,000 that was transferred from evaluation and exploration assets (note 17).
3 There were no borrowing costs capitalised in property, plant and equipment.

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

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

In 2019, management determined that there was a trigger of impairment in the San Jose mine unit due to the increase of the discount rate from 9.5% to 13.5%, mainly explained by the rise in country risk premium in Argentina. The impairment test result did not show a difference versus the carrying value given that the negative effects of the increased discount rate were offset by an increase in the silver and gold analyst consensus prices. Therefore, no impairment, nor impairment reversal was recognised.

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

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

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

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

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

2019

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

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

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

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

2018

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

	San Jose
Discount rate (post tax)	9.5%

The Period of 6 years was used to make the cash flow projections of San Jose mine unit which reflects its life of mine.

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

The estimated recoverable values of the Group's CGUs are equal to, or not materially different 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 This represents the maximum impairment loss that could be reversed, as it represents the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Lease contracts
The Group has lease contracts for vehicles used in its operations and administrative offices. Leases of motor vehicles generally have lease terms of three years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases of assets with lease terms of twelve months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

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

The Group had total cash outflows for leases of US$12,194,000 in 2019 (US$14,133,000 in 2018). There were no non-cash additions to right-of-use assets and lease liabilities during the year. The future cash outflows relating to leases that have not yet commenced are US$5,527,000.

17 Evaluation and exploration assets

	Azuca US$000	Crespo US$000	San Felipe US$000	Biolantanidos US000$	Volcan US$000	Others US$000	Total US$000
Cost							
Balance at 1 January 2018	**81,599**	**26,239**	**55,450**	–	**94,452**	**12,668**	**270,408**
Additions	427	360	–	–	230	9,204	10,221
Transfers to property plant and equipment	–	–	–	–	–	(2,508)	(2,508)
Balance at 31 December 2018	**82,026**	**26,599**	**55,450**	–	**94,682**	**19,364**	**278,121**
Asset acquisition (note 3)	**–**	**–**	**–**	59,358	**–**	**–**	**59,358**
Additions	687	643	–	1,149	770	6,025	9,274
Transfers to assets held for sale (note 23)	–	–	(55,450)	–	–	–	(55,450)
Transfers to property plant and equipment	–	–	–	–	–	(4,236)	(4,236)
Balance at 31 December 2019	**82,713**	**27,242**	**–**	**60,507**	**95,452**	**21,153**	**287,067**
Accumulated impairment							
Balance at 1 January 2018	**45,876**	**9,878**	**17,470**	–	**44,381**	**5,404**	**123,009**
Transfers to property, plant and equipment	–	–	–	–	–	(129)	(129)
Balance at 31 December 2018	**45,876**	**9,878**	**17,470**	–	**44,381**	**5,275**	**122,880**
(Impairment reversal)/impairment	–	–	(315)	–	–	126	(189)
Transfers to assets held for sale (note 23)	–	–	(17,155)	–	–	–	(17,155)
Transfers to property, plant and equipment	–	–	–	–	–	(31)	(31)
Balance at 31 December 2019	**45,876**	**9,878**	**–**	–	**44,381**	**5,370**	**105,505**
Net book value as at 31 December 2018	36,150	16,721	37,980	–	50,301	14,089	155,241
Net book value as at 31 December 2019	**36,837**	**17,364**	**–**	**60,507**	**51,071**	**15,783**	**181,562**

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

There were no borrowing costs capitalised in evaluation and exploration assets.

As at 31 December 2019, the San Felipe project, which is part of the exploration segment, was reclassified to assets held for sale. Consequently, management recognised a reversal of impairment of US$315,000 in the period to adjust the carrying value to the amount pending of collection from the option payment at 31 December 2019 (refer to note 23).

18 Intangible assets

	Transmission line[1] US$000	Water permits[2] US$000	Software licences US$000	Legal rights[3] US$000	Total US$000
Cost					
Balance at 1 January 2018	**22,157**	**26,583**	**1,872**	**6,686**	**57,298**
Additions	–	–	13	1,894	1,907
Transfer	–	–	3	–	3
Balance at 31 December 2018	**22,157**	**26,583**	**1,888**	**8,580**	**59,208**
Additions	–	–	2	–	2
Transfer	–	–	9	–	9
Balance at 31 December 2019	**22,157**	**26,583**	**1,899**	**8,580**	**59,219**
Accumulated amortisation and impairment					
Balance at 1 January 2018	14,163	12,686	1,529	4,376	32,754
Amortisation for the year[4]	1,113	–	212	766	2,091
Balance at 31 December 2018	**15,276**	**12,686**	**1,741**	**5,142**	**34,845**
Amortisation for the year[4]	1,210	–	186	673	2,069
Transfer	–	–	(54)	–	(54)
Balance at 31 December 2019	**16,486**	**12,686**	**1,873**	**5,815**	**36,860**
Net book value as at 31 December 2018	6,881	13,897	147	3,438	24,363
Net book value as at 31 December 2019	**5,671**	**13,897**	**26**	**2,765**	**22,359**

1 The transmission line is amortised using the units of production method. At 31 December 2019 the remaining amortisation period is approximately 6 years (2018: 7 years).
2 Corresponds to the acquisition of water permits of Andina Minerals Group ("Andina"). These permits have an indefinite life according to Chilean law. To determine the fair value less costs of disposal of the Volcan cash-generating unit, which includes the water permits held by the Group, the Group used the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources which was US$6.60 per gold equivalent ounce of resources at 31 December 2019 (2018: US$6.70). The risk adjusted enterprise value figure has been determined using a combination of level 2 and level 3 inputs, which result in a fair value measurement categorised in its entirety as level 3 in the fair value hierarchy, to estimate the amount that would be paid by a willing third party in an arm's length transaction, taking into account the water restrictions imposed by the Chilean government.
3 Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. At 31 December 2019 the remaining amortisation period is from 4 to 14 years (2018: 5 to 20 years).
4 The amortisation for the period is included in cost of sales and administrative expenses in the income statement.

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually to determine whether it is in excess of its recoverable amount. No impairments were recognised in 2019 and 2018. The estimated recoverable amount is not materially different than its carrying value.

Key assumptions

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

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

The estimated recoverable amount is not materially greater than its carrying value.

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

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

Approximate (impairment)/reversal of impairment resulting from the following changes (US$000)	2019	2018

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

19 Financial assets at fair value through OCI

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

1 Corresponds to the purchase of 147,831,737 shares of REE UNO (US$500,000), and 452,200 shares of Americas Silver Corporation (ASC) (US$600,000) (note 23) (2018: Purchase of 591,326,947 shares of REE UNO (US$2,000,000), 7,519,331 shares of Skeena Resources Limited (Skeena) (US$4,313,000) and 15,600 shares of Cobalt Power Group (US$120,000)).

2 As the investments were not considered to be strategic, the Group sold 10,032,000 shares of Santa Cruz Silver Mining (SCSM) with a fair value at the date of sale of US$421,000 generating a loss on disposal of US$1,658,000 (2018: Sale of 14,545,454 shares of Red Eagle and 3,383,000 shares of SCSM with a fair value at the date of sale of US$799,000 and US$155,000, generating a loss on disposal of US$2,514,000 and US$546,000 respectively).

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

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

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

Fair value of the listed shares is determined by reference to published price quotations in an active market and they are categorised as level 1.

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

20 Trade and other receivables

	As at 31 December			
	2019		2018	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Trade receivables	–	37,799	–	45,201
Advances to suppliers	–	3,810	–	2,950
Duties recoverable from exports of Minera Santa Cruz [1]	664	–	1,546	1,788
Receivables from related parties (note 29(a))	–	569	–	76
Loans to employees	726	177	744	206
Interest receivable	–	178	–	66
Receivable from Kaupthing, Singer and Friedlander Bank	–	197	–	195
Other[2]	1,671	11,496	723	12,591
Provision for impairment[3]	–	(6,766)	–	(5,997)
Assets classified as receivables	3,061	47,460	3,013	57,076
Prepaid expenses	800	2,281	8	2,028
Value Added Tax (VAT)[4]	1,327	23,877	2,430	19,632
Total	5,188	73,618	5,451	78,736

The fair values of trade and other receivables approximate their book value.

1 Relates to export benefits through the Patagonian Port and silver refunds in Minera Santa Cruz, discounted over 18 and 24 months (2018: 24 months) at a rate of 22.24% (2018: 9.98%) for dollars denominated amounts and 48.93% (2018: 57.00%) for Argentinian pesos. The loss on the unwinding of the discount is recognised within finance costs.
2 Mainly corresponds to account receivables from contractors for the sale of supplies of US$6,235,000 (2018: US$6,111,000), and other tax claims of US663,000 (2018: US$3,227,000).
3 Includes the provision for impairment of trade receivable from customers in Peru of US$1,533,000 (2018: US$1,554,000), the impairment of deposits in Kaupthing, Singer and Friedlander of US$197,000 (2018: US$195,000), the impairment of the account receivable from a third party of US$4,626,000 (2018: US$3,233,000) and other receivables of US$410,000 (2018: US$1,015,000).
4 Primarily relates to US$12,832,000 (2018: US$11,462,000) of VAT receivable related to the San Jose project that will be recovered through future sales of gold and silver and also through the sale of these credits to third-parties by Minera Santa Cruz. . It also includes the VAT ofMinera Ares. of US$7,724,000 (2018: US$6,248,000) and Empresa de Transmisión Aymaraes S.A.C. of US$2,435,000 (2018: US$3,569,000). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

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

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

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

21 Inventories

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

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

Products in process include stockpile and precipitates.

The Group either sells dore bars as a finished product or if it is commercially advantageous to do so, delivers the bars for refining into gold and silver ounces which are then sold. In the latter scenario, the dore bars are classified as products in process. At 31 December 2019 and 2018 the Group had no dore on hand included in products in process.

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

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

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

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

22 Cash and cash equivalents

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

The fair value of cash and cash equivalents approximates their book value. The Group does not have undrawn borrowing facilities available in the future for operating activities or capital commitments.

1 The liquidity funds are mainly invested in certificates of deposit, commercial papers and floating rate notes with a weighted average maturity of nil days as at 31 December 2019 (2018: nil days).
2 Relates to bank accounts which are freely available and bear interest.
3 These deposits have an average maturity of 7 days (2018: Average of 14 days).

23 Assets held for sale

On 3 August 2011, the Group entered into an agreement with Impulsora Minera Santa Cruz ("IMSC") whereby IMSC acquired the right to explore the San Felipe properties and an option to purchase the related concessions. Under the terms of this agreement the Group has received US$33,646,000 as non-refundable payments at 31 December 2019 (2018: US$31,396,000). These payments will reduce the total consideration that IMSC will be required to pay upon exercise of the option and constitute an advance of the final purchase price, rather than an option premium and, as such, they were recorded as deferred income.

In March 2017, IMSC entered into an agreement with Americas Silver Corporation ('ASC') to assign 100% of its interest in the San Felipe Project. On 15 December 2018, the option to sell the San Felipe property to ASC was extended to 15 December 2020 with the outstanding option payment of US$6,000,000 payable in quarterly equal instalments over the 2 years period. In consideration for the extension, the Group received 452,200 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 (2018: US$2,000,000).

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

The major classes of assets and liabilities classified as assets held for sale as at 31 December 2019 are as follows:

	US$000
Assets	
Evaluation and exploration assets, net of impairment (note 17)	38,295
Total non-current assets	**38,295**
Liabilities	
Provision for mine closure (note 26)	(899)
Deferred income	(33,646)
Total liabilities directly associated with assets held for sale	**(34,545)**
Net assets directly associated with assets held for sale	**3,750**

24 Trade and other payables

	As at 31 December			
	2019		2018	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Trade payables[1]	–	75,252	–	69,568
Salaries and wages payable[2]	–	26,956	–	36,272
Dividends payable	–	37	–	2,247
Taxes and contributions	6	5,220	14	6,314
Guarantee deposits	–	5,440	–	7,922
Mining royalties (note 30)	–	607	–	506
Accounts payable to related parties (note 29(a))	–	192	–	7
Liabilities related to right of use assets	–	2,577	–	–
Other	520	4,256	773	2,639
Total	**526**	**120,537**	787	125,475

The fair value of trade and other payables approximate their book values.

1 Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted.
2 Salaries and wages payable relates to remuneration payable. At 31 December 2019, there was Board members' remuneration payable of US$184,000 (2018: US$nil) and no long-term incentive plan payable (2018: US$8,215,000).

25 Borrowings

	As at 31 December					
	2019			2018		
	Effective interest rate	Non-current US$000	Current US$000	Effective interest rate	Non-current US$000	Current US$000
Secured bank loans (a)						
• Pre-shipment loans in Minera Santa Cruz (note 20)		–	–	4.0% to 5.0%	–	6,047
• Bank loans	3.05%	199,308	234	2.43% to 3.00%	50,000	101,020
Total		**199,308**	**234**		50,000	107,067

(a) Secured bank loans:

Short-term bank loans:

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

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

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

The maturity of non-current borrowings is as follows:

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

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

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

The movement in borrowings during the year is as follows:

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

26 Provisions

	Provision for mine closure[1] US$000	Long Term Incentive Plan[2] US$000	Workers profit sharing US$000	Other US$000	Total US$000
At 1 January 2018	**100,069**	**5,831**	**–**	**4,410**	**110,310**
Additions	–	3,386	–	140	3,526
Accretion (note 13)	368	–	–	–	368
Change in discount rate	(1,609)	–	–	–	(1,609)
Change in estimates	(479)	–	–	–	(479)
Foreign exchange effect	–	–	–	(1,614)	(1,614)
Transfer to trade and other payables	–	(8,215)	–	–	(8,215)
Payments	(4,494)	–	–	–	(4,494)
At 31 December 2018	**93,855**	**1,002**	**–**	**2,936**	**97,793**
Less: current portion	1,986	–	–	1,167	3,153
Non-current portion	91,869	1,002	–	1,769	94,640
At 1 January 2019	**93,855**	**1,002**	**–**	**2,936**	**97,793**
Additions/(reductions)	–	(184)	5,965	(71)	5,710
Accretion (note 13)	506	–	–	–	506
Change in discount rate	3,819	–	–	–	3,819
Change in estimates	12,878	–	–	–	12,878
Foreign exchange effect	–	–	98	(846)	(748)
Transfer to liabilities directly associated with assets held for sale (note 23)	(899)	–	–	–	(899)
Payments	(3,488)	–	–	–	(3,488)
At 31 December 2019	**106,671**	**818**	6,063	**2,019**	**115,571**
Less: current portion	9,358	–	6,063	828	16,249
Non-current portion	97,313	818	–	1,191	99,322

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of closure of each of the mines. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure adjusted for the impact of quantitative easing as at 31 December 2019 and 2018 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties on the timing for use of this provision include changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. The discount rate used was 0.00% (2018: 0.30%). Expected cash flows will be over a period from one to eighteen years (2018: over a period from one to nineteen years).

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

A net charge of US$13,398,000 related to changes in estimates (US$12,828,000) and discount rates (US$570,000) for mines already closed were recognised directly in the income statement (2018: a net charge of US$52,000 related to changes in estimates (US$535,000) and credit for discount rates (US$483,000) for mines already closed).

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

	US$000
Closure costs (increase by 10%) increase of provision	10,087
Discount rate (increase by 0.5%) (decrease of provision)	(2,201)

2 Corresponds to the provision related to awards granted under the Long Term Incentive Plan ('LTIP') to designated personnel of the Group. Includes the following benefits:(i) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash , (ii) 2018 awards, granted in May 2018, payable in May 2021, as 50% in cash (iii)). (iii) 2017 awards, granted in March 2017, payable in March 2020 with a result of US$nil. Only employees who remain in the Group's employment on the vesting date will be entitled to vested awards, subject to exceptions approved by the Remuneration Committee of the Board. There are two parts to the performance conditions attached to LTIP awards: 70% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, and 30% is subject to the Company's TSR ranking relative to the constituents of the FTSE 350 mining index. The liability for the LTIP paid in cash is measured, initially and at the end of each reporting period until settled, at the fair value of the awards, by applying the Monte Carlo pricing model, taking into account the terms and conditions on which the awards were granted, and the extent to which the employees have rendered services to date. The net decrease to the provision of US$184,000 (2018: US$3,386,000 increase) have been recorded as administrative expenses US$172,000 (2018: US$3,203,000) and exploration expenses US$12,000 (2018: US$183,000).

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

For the period ended	LTIP 2017 31 December 2019 US$000	LTIP 2017 31 December 2018 US$000	LTIP 2018 31 December 2019 US$000	LTIP 2018 31 December 2018 US$000	LTIP 2019 31 December 2019 US$000	LTIP 2019 31 December 2018 US$000
Dividend yield (%)	–	1.80	**1.73**	1.80	**1.73**	–
Expected volatility (%)	–	2.41	**2.70**	3.51	**2.70**	–
Risk-free interest rate (%)	–	0.71	**0.61**	0.71	**0.53**	–
Expected life (years)	–	1	**1**	2	**2**	–
Weighted average share price (pence £)	–	240.88	**235.08**	235.08	**161.37**	–

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

27 Deferred income tax

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

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

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

The movement in deferred income tax assets and liabilities before offset during the year is as follows:

	Differences in cost of PP&E US$000	Mine development US$000	Provisional pricing adjustment US$000	Others US$000	Total US$000
Deferred income tax liabilities					
At 1 January 2018	**44,122**	**69,333**	**201**	**1,627**	**115,283**
Income statement (credit)/charge	(3,908)	14,255	809	49	11,205
At 31 December 2018	**40,214**	**83,588**	**1,010**	**1,676**	**126,488**
Income statement (credit)/charge	(3,444)	(1,820)	(657)	2,607	(3,314)
At 31 December 2019	**36,770**	**81,768**	**353**	**4,283**	**123,174**

	Differences in cost of PP&E US$000	Provision for mine closure US$000	Tax losses US$000	Mine development US$000	Others[1] US$000	Total US$000
Deferred income tax assets						
At 1 January 2018	**30,672**	**19,483**	**1,839**	**802**	**8,847**	**61,643**
Income statement credit/(charge)	(4,374)	(1,080)	(1,635)	(109)	2,316	(4,882)
At 31 December 2018	**26,298**	**18,403**	**204**	**693**	**11,163**	**56,761**
Income statement credit/(charge)	4,746	2,977	(204)	(109)	(2,473)	4,937
At 31 December 2019	**31,044**	**21,380**	**--**	**584**	**8,690**	**61,698**

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

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

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

Unrecognised tax losses expire in the following years:

	As at 31 December	
	2019 US$000	2018 US$000
Expire in one year	–	465
Expire in two years	4,483	–
Expire in three years	2,990	4,511
Expire in four years	–	2,861
Expire after four years	128,109	121,583
	135,942	129,420

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

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

1 This relates to provision for mine closure expenditure which is expected to be incurred in periods in which taxable profits are not expected to be available to offset the expenditure.

Unrecognised deferred tax liability on retained earnings
At 31 December 2019 and 2018, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the intention is that these amounts are permanently reinvested.

28 Dividends

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

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

29 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 2019 and 2018. The related parties are companies owned or controlled by the main shareholder of the Parent company or associates.

	Accounts receivable as at 31 December		Accounts payable as at 31 December	
	2019 US$000	2018 US$000	**2019 US$000**	2018 US$000
Current related party balances				
Cementos Pacasmayo S.A.A.[1]	**569**	76	**56**	7
Tecsup[2]	**–**	–	**41**	–
Universidad UTEC[2]	**–**	–	**95**	–
Total	**569**	76	**192**	7

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo S.A.A. The account payable relates to the payment of rentals.

2 Peruvian not for profit educational institutions controlled by Eduardo Hochschild.

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

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

Principal transactions between affiliates are as follows:

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

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

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

(b) Compensation of key management personnel of the Group

	As at 31 December	
Compensation of key management personnel (including Directors)	**2019 US$000**	2018 US$000
Short-term employee benefits	**7,911**	6,619
Long Term Incentive Plan, Deferred Bonus Plan and Restricted Share Plan	**1,184**	2,899
Total compensation paid to key management personnel	**9,085**	9,518

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

30 Mining royalties

Peru

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

In October 2011 changes came into effect for mining companies, with the following features:

a) Introduction of a Special Mining Tax ('SMT'), levied on mining companies at the stage of exploiting mineral resources. The additional tax is calculated by applying a progressive scale of rates ranging from 2% to 8.4%, of the quarterly operating profit.

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

The SMT and modified mining royalty are accounted for as an income tax in accordance with IAS 12 "Income Taxes".

c) For companies that have mining projects benefiting from tax stability regimes, mining royalties are calculated and recorded as they were previously, applying an additional new special charge on mining that is calculated using progressive scale rates, ranging from 4% to 13.12% of quarterly operating profit.

d) In the case of the Arcata mine unit, the company left the tax stability agreement, but has maintained the agreement for the mining royalties, such that the Arcata unit, is liable for the new SMT but the mining royalties remain payable at the same rate as they were, before the modification in 2011. The tax stability agreement expired on 31 December 2018, therefore as of 1 January 2019 the mining royalty of Arcata is calculated as the other mine units.

As at 31 December 2019, the amount payable as under the former mining royalty (for the Arcata mining unit), the new mining royalty (for the Arcata, Pallancata and Inmaculada mining units), and the SMT amounted to US$nil (2018: US$39,000), US$1,263,000 (2018: US$975,000), and US$1,196,000 (2018: US$279,000) respectively. The former mining royalty is recorded as 'Trade and other payables', and the new mining royalty and SMT as 'Income tax payable' in the Statement of Financial Position. The amount recorded in the income statement was US$nil (2018: US$561,000) representing the former mining royalty, classified as cost of sales, US$5,028,000 (2018: US$4,494,000) of new mining royalty and US$3,429,000 (2018: US$2,727,000) of SMT, both classified as income tax.

Argentina
In accordance with Argentinian legislation, Provinces (being the legal owners of the mineral resources) are entitled to collect royalties from mine operators. For San Jose, the mining royalty applicable to dore and concentrate is 3% of the pit-head value. As at 31 December 2019, the amount payable as mining royalties amounted to US$607,000 (2018: US$467,000). The amount recorded in the income statement as cost of sales was US$6,412,000 (2018: US$5,296,000).

31 Subsequent events

(a) Interest rate swap
On 14 February 2020, the Group signed an interest swap agreement with JP Morgan to fix the floating Libor interest rate of the medium-term loan of Minera Ares to 2.534%, effective from 17 March 2020.

(b) Sale of financial assets at fair value through OCI
In January 2020, the Group sold 7,339,331 shares of Skeena for a total consideration of CAD 7,030,000 (equivalent to US$5,337,00), generating a gain of US$1,093,000, recognised in OCI.

Also, in January 2020, the Group sold 452,200 shares of ASC for a total consideration of CAD 1,651,000 (equivalent to US$1,257,000), generating a gain of US$657,000, recognised in OCI.

Profit by operation

(Segment report reconciliation) as at 31 December 2019

Group (US$000)	Arcata	Pallancata	Inmaculada	San Jose	Consolidation adjustment and others	Total/HOC
Revenue	**5,081**	**147,598**	**352,143**	**250,715**	**139**	**755,676**
Cost of sales (pre consolidation)	(6,958)	(131,415)	(207,463)	(169,799)	2,924	(512,711)
Consolidation adjustment	(172)	(1,644)	(1,264)	156	2,924	–
Cost of sales (post consolidation)	**(6,786)**	**(129,771)**	**(206,199)**	**(169,955)**	**–**	**(512,711)**
Production cost excluding depreciation	(6,727)	(75,590)	(124,814)	(120,529)	–	(327,660)
Depreciation in production cost	(49)	(50,767)	(82,524)	(51,048)	–	(184,388)
Workers profit sharing	–	(1,976)	(1,902)			(3,878)
Other items	–	–	–	(567)	–	(567)
Change in inventories	(10)	(1,438)	3,041	2,189	–	3,782
Gross profit	**(1,877)**	**16,183**	**144,680**	**80,916**	**3,063**	**242,965**
Administrative expenses	–	–	–	–	(45,920)	(45,920)
Exploration expenses	–	–	–	–	(37,965)	(37,965)
Selling expenses	(150)	(996)	(481)	(19,444)	–	(21,071)
Other income/expenses	–	–	–	–	(37,079)	(37,079)
Operating profit before impairment	**(2,027)**	**15,187**	**144,199**	**61,472**	**(117,901)**	**100,930**
Impairment and write-off of assets	–	–	–	–	(15,231)	(15,231)
Finance income	–	–	–	–	2,938	2,938
Finance costs	–	–	–	–	(10,038)	(10,038)
Foreign exchange loss	–	–	–	–	(1,757)	(1,757)
Profit/(loss) from continuing operations before income tax	**(2,027)**	**15,187**	**144,199**	**61,472**	**(141,989)**	**76,842**
Income tax	–	–	–	–	(35,403)	(35,403)
Profit/(loss) for the year from continuing operations	**(2,027)**	**15,187**	**144,199**	**61,472**	**(177,392)**	**41,439**

1 On a post-exceptional basis.

RESERVES AND RESOURCES

Ore reserves and mineral resources estimates

Hochschild Mining plc reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2012 edition ("the JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 57 to 59 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

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

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

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

The estimates of ore reserves and mineral resources are shown as at 31 December 2019, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US$1,300 per ounce and Ag Price: US$16.0 per ounce.

ATTRIBUTABLE METAL RESERVES AS AT 31 DECEMBER 2019

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS[1]						
Inmaculada						
Proved	2,326,765	170	4.3	12.7	324.0	40.6
Probable	3,286,326	111	2.6	11.8	276.8	35.6
Total	5,613,091	136	3.3	24.5	600.7	76.1
Pallancata						
Proved	773,843	322	1.2	8.0	29.6	10.6
Probable	121,375	255	1.1	1.0	4.3	1.4
Total	895,218	313	1.2	9.0	33.9	11.9
San Jose						
Proved	399,500	489	7.8	6.3	99.5	14.8
Probable	125,729	363	5.8	1.5	23.4	3.5
Total	525,228	459	7.3	7.7	122.9	18.3
GRAND TOTAL						
Proved	**3,500,108**	**240**	**4.0**	**27.0**	**453.1**	**66.0**
Probable	**3,533,429**	**125**	**2.7**	**14.2**	**304.4**	**40.4**
TOTAL	**7,033,537**	**182**	**3.3**	**41.2**	**757.5**	**106.4**

Note: Where reserves are attributable to a joint venture partner, reserve figures reflect the Company's ownership only. Includes discounts for ore loss and dilution.

1 Operations were audited by P&E Consulting.

ATTRIBUTABLE METAL RESOURCES AS AT 31 DECEMBER 2019 [1]

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS							
Inmaculada							
Measured	2,230,000	214	5.54	691	15.4	397.5	49.5
Indicated	3,353,000	145	3.63	456	15.6	390.9	49.2
Total	5,583,000	172	4.39	550	30.9	788.3	98.7
Inferred	10,368,000	131	3.19	405	43.6	1,063.1	135.1
Pallancata							
Measured	1,635,000	364	1.51	493	19.1	79.1	25.9
Indicated	571,000	275	1.24	382	5.0	22.8	7.0
Total	2,206,000	341	1.44	464	24.2	101.9	32.9
Inferred	1,982,000	297	1.22	402	18.9	77.9	25.6
San Jose							
Measured	797,640	537	8.59	1,276	13.8	220.4	32.7
Indicated	503,370	364	6.04	883	5.9	97.7	14.3
Total	1,301,010	470	7.61	1,124	19.7	318.1	47.0
Inferred	905,760	356	5.62	839	10.4	163.6	24.4
GROWTH PROJECTS							
Crespo							
Measured	5,211,000	47	0.47	85	7.9	78.7	14.3
Indicated	17,298,000	38	0.40	70	20.9	222.5	39.0
Total	22,509,000	40	0.42	74	28.8	301.0	53.2
Inferred	775,000	46	0.57	92	1.1	14.2	2.3
Azuca							
Measured	191,000	244	0.77	307	1.5	4.7	1.9
Indicated	6,859,000	187	0.77	249	41.2	168.8	54.9
Total	7,050,000	188	0.77	250	42.7	173.5	56.7
Inferred	6,946,000	170	0.89	242	37.9	199.5	54.1
Volcan							
Measured	105,918,000	-	0.74	60	-	2,513.1	203.6
Indicated	283,763,000	-	0.70	57	-	6,368.0	515.8
Total	389,681,000	-	0.71	57	-	8,881.1	719.4
Inferred	41,553,000	-	0.50	41	-	670.7	54.3
Arcata							
Measured	834,000	438	1.35	554	11.7	36.1	14.8
Indicated	1,304,000	411	1.36	527	17.2	56.9	22.1
Total	2,138,000	421	1.35	538	29.0	93.0	37.0
Inferred	3,533,000	371	1.26	479	42.1	142.6	54.4
GRAND TOTAL							
Measured	**116,816,640**	**18**	**0.89**	**95**	**69.4**	**3,329.5**	**355.7**
Indicated	**313,651,370**	**11**	**0.73**	**73**	**105.9**	**7,327.5**	**736.1**
Total	**430,468,010**	**13**	**0.77**	**79**	**175.3**	**10,657.0**	**1,091.8**
Inferred	**66,062,760**	**73**	**1.10**	**167**	**154.1**	**2,331.5**	**354.6**

1 Prices used for resources calculation: Au: $1,300/oz and Ag: $16.0/oz and Ag/Au ratio of 86x.

CHANGE IN ATTRIBUTABLE RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	**Percentage attributable December 2019**	December 2018 Att.[1]	**December 2019 Att.[1]**	Net difference	% change
Inmaculada	Resource	**100%**	221.9	**233.8**	12.0	5.4%
	Reserve		68.4	**76.1**	7.7	11.3%
Pallancata	Resource	**100%**	69.7	**58.6**	(11.1)	(16.0%)
	Reserve		20.6	**11.9**	(8.7)	(42.0%)
San Jose	Resource	**51%**	78.5	**71.4**	(7.1)	(9.0%)
	Reserve		20.7	**18.3**	(2.4)	(11.6%)
Crespo	Resource	**100%**	57.1	**57.1**	-	-
	Reserve		-	**-**	-	-
Azuca	Resource	**100%**	112.7	**112.7**	-	-
	Reserve		-	**-**	-	-
Volcan	Resource	**100%**	821.5	**821.5**	-	-
	Reserve		-	**-**	-	-
Arcata	Resource	**100%**	91.3	**91.3**	-	-
	Reserve		-	**-**	-	-
Total	**Resource**		1,452.6	**1,446.3**	(6.3)	0.4%
	Reserve		109.7	**106.4**	(3.3)	(3.0%)

1 Attributable reserves and resources based on the Group's percentage ownership of its joint venture projects.

SHAREHOLDER INFORMATION

Company website

Hochschild Mining plc Interim and Annual Reports and results announcements are available via the internet on our website at www.hochschildmining.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and how to obtain further information.

Registrars

The Registrars can be contacted as follows for information about the AGM, shareholdings, and dividends and to report changes in personal details:

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

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

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

Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 15 May 2020 in respect of the 2019 final dividend.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility in respect of the 2019 final dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 15 May 2020. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

Financial Calendar

Dividend dates	2020
Ex-dividend date	7 May
Record date	11 May
Deadline for return of currency election forms	15 May
Payment date	2 June

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