HOCHSCHILD
BEYOND MINING

Responsible development in the Americas

Hochschild Mining PLC
Annual Report & Accounts 2022

2022 Highlights

5.27
ECO SCORE
2021: 5.29

1.37
LTIFR
2021: 1.26

US$249m
ADJUSTED EBITDA
2021: US$382m

US$0.01
ADJUSTED BASIC EPS
2021: US$0.14

US$175m
NET CASH/(DEBT)
2021: (US$86m)

US$18.9/oz Ag Eq
AISC
2021: $16.0/oz Ag Eq

206,013oz
ATTRIB. GOLD PRODUCTION
2021: 221,419oz

11.0m oz
ATTRIB. SILVER PRODUCTION
2021: 12.2m oz

Strategic Report

Governance

Financial Statements

Further Information

Responsible development in the Americas

Hochschild is focused on responsible development at all our mines and projects across the Americas. We always prioritise value creation for our every stakeholder and a key part of the Company's ethos has been strong relationships with our communities throughout the mining life cycle.

Furthermore, our cultural attributes reflect our purpose and guide our day-to-day conduct, providing the foundation of our culture and what it means to work at Hochschild. The cornerstone of our corporate purpose is our collective sense of responsibility.

Who we are and where we operate

We are a leading underground precious metals company, focusing on the exploration, mining, processing and sale of gold and silver in the Americas.

Where we operate

Mining operations

Hochschild operates three underground epithermal deposits, two of which are located in the south-west of Peru and one in the southern Argentinian province of Santa Cruz.

Operation

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

Project pipeline

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

Advanced Project

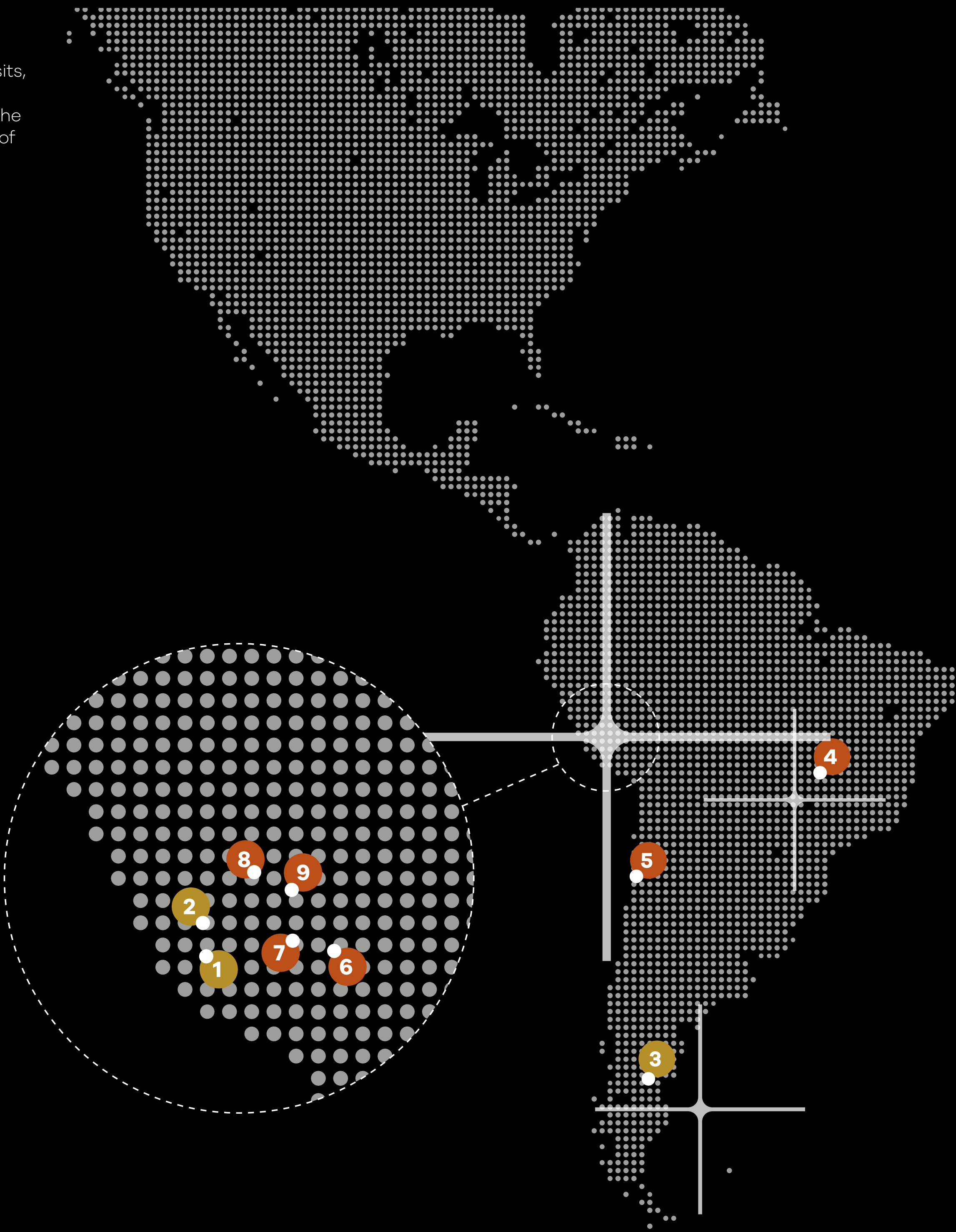
4. Mara Rosa (Brazil)

Development Projects

5. Volcan (Chile)

Exploration Projects

6. Ares (Peru)
7. Arcata (Peru)
8. Azuca (Peru)
9. Crespo (Peru)



11.0m oz

SILVER PRODUCTION IN 2022

206k oz

GOLD PRODUCTION IN 2022

Peru

4,950 employees (incl. contractors)
$76.5m wages paid
$19.7m taxes and royalties
$46.9m local procurement spend

Brazil

1,383 employees (incl. contractors)
$0.9m wages paid
$21.2m local procurement spend

Argentina

1,745 employees (incl. contractors)
$67.6m wages paid
$0.7m taxes and royalties
$51.3m local procurement spend

Operational Highlights

Resources discovered in 2022 at the Royropata zone close to the Pallancata mine

51m oz Ag Eq

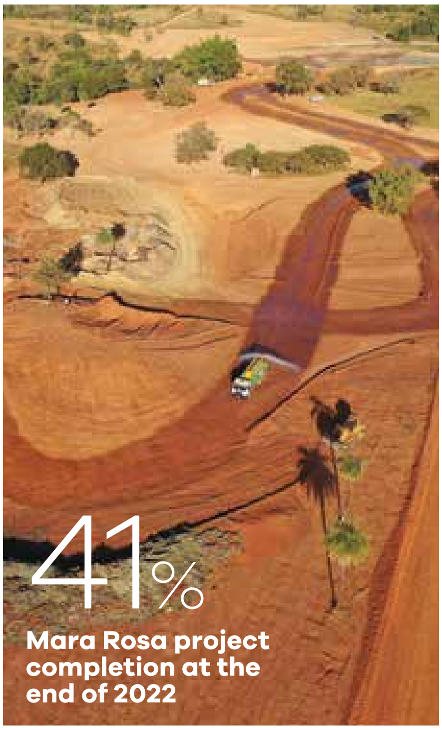
Company silver production in 2022

11m oz Ag

7

YEARS

Inmaculada's enviable track record of meeting market guidance



41%

Mara Rosa project completion at the end of 2022

237,289oz Au Eq

Inmaculada production in 2022

Social & Environmental Highlights

$119.4m

Value of local goods and services procured in Peru, Argentina and Brazil

Significant year-on-year reduction in Accident Severity Rate, illustrating the success of our Safety 2.0 Action Plan

2022 ECO Score, (out of 6)

5.27

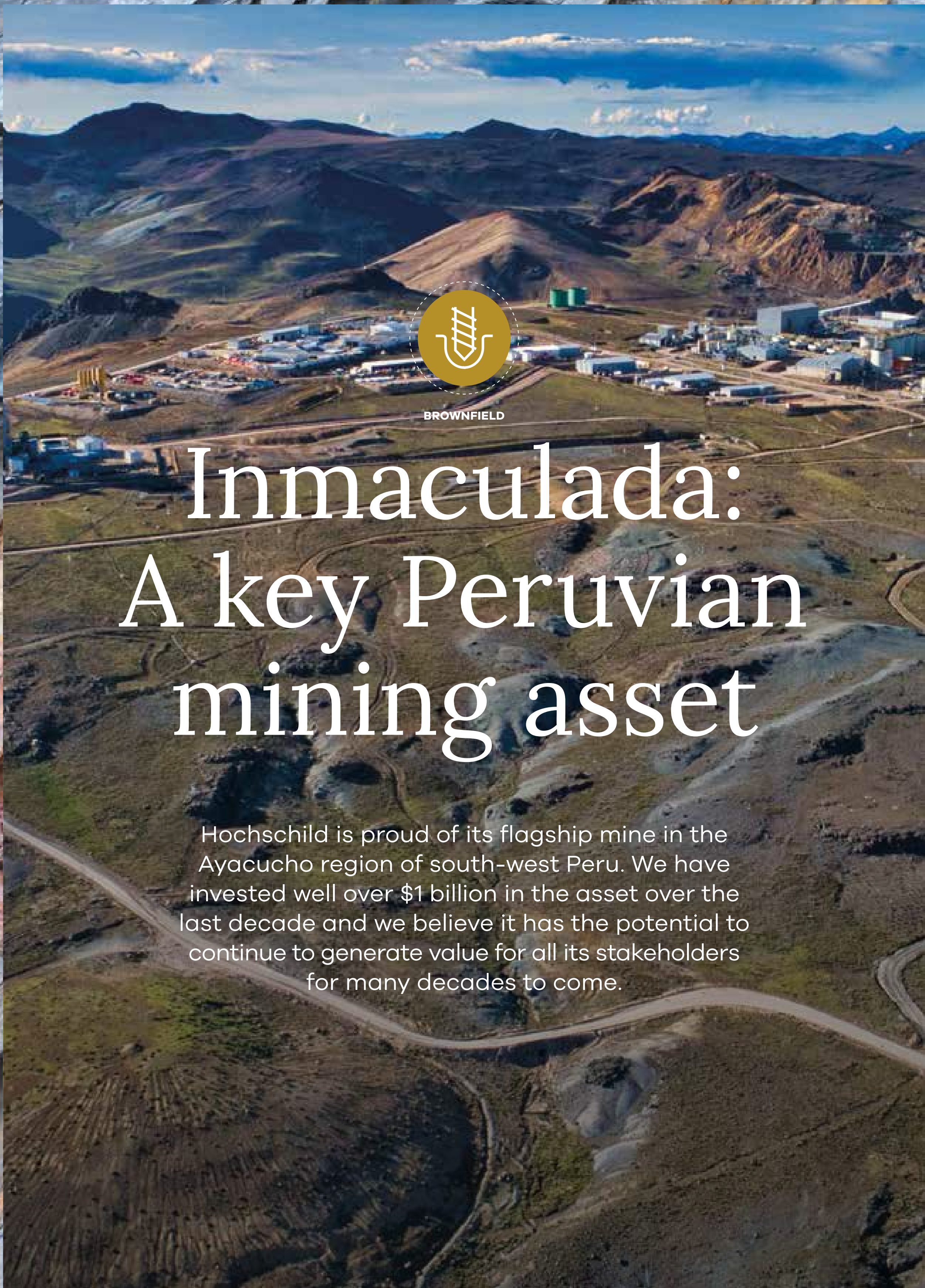
Amount spent or donated to benefit local communities and authorities

$7.0m

Local mine workforce as a percentage of total mine workforce

61%

In our efforts to minimise our environmental footprint, we have reduced our potable water consumption by 58% since 2015

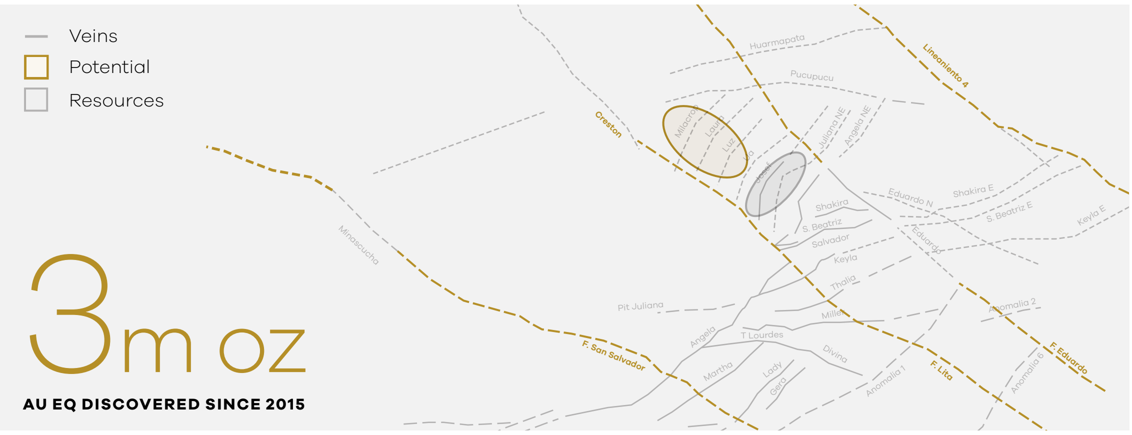


BROWNFIELD

Inmaculada: A key Peruvian mining asset

Hochschild is proud of its flagship mine in the Ayacucho region of south-west Peru. We have invested well over $1 billion in the asset over the last decade and we believe it has the potential to continue to generate value for all its stakeholders for many decades to come.

Inmaculada property area and veins



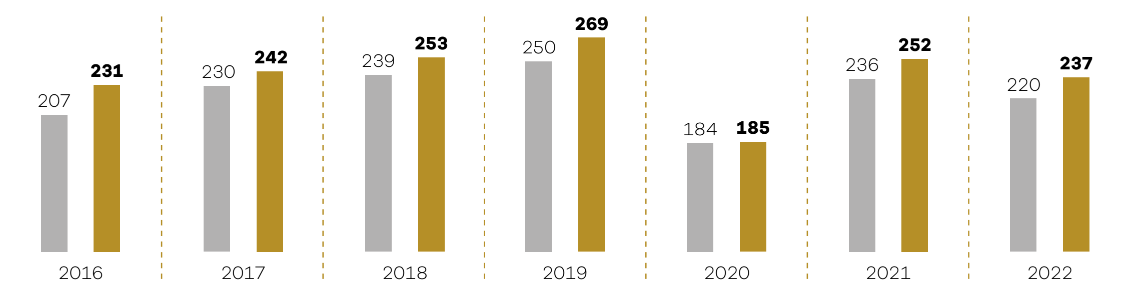
In 2015, production commenced at Hochschild's largest underground mine to date.

Since that time the operation has built up a reputation in the industry as a world-class, high-grade precious metal mine with an enviable record of meeting its annual forecasts. Several years of low-cost brownfield exploration since 2018 have hugely expanded the resource base and revealed a substantial epithermal vein district which the Company believes will support the operation for a further 20 years or more.

Almost 3,000 Peruvians are currently employed at Inmaculada and given the inherently high-risk profile of mining, we recognise that our people are our most valuable asset. Ensuring employee safety is a key measure for our corporate success and over the last few years we have updated our safety training and action plan for the operation with considerable progress made and resulting in industry-leading operational safety performance.

We are also justifiably proud of the work we do to support the local communities surrounding the mine. We have invested our resources to understand their needs and expectations as well as of those of the local government and have focused on areas such as education, connectivity, health and nutrition, and socio-economic development. We believe that community and governmental collaboration can ensure the Company's social investment strategies are implemented successfully and have a long-lasting impact.

Guidance vs Actual (000 GEO*)

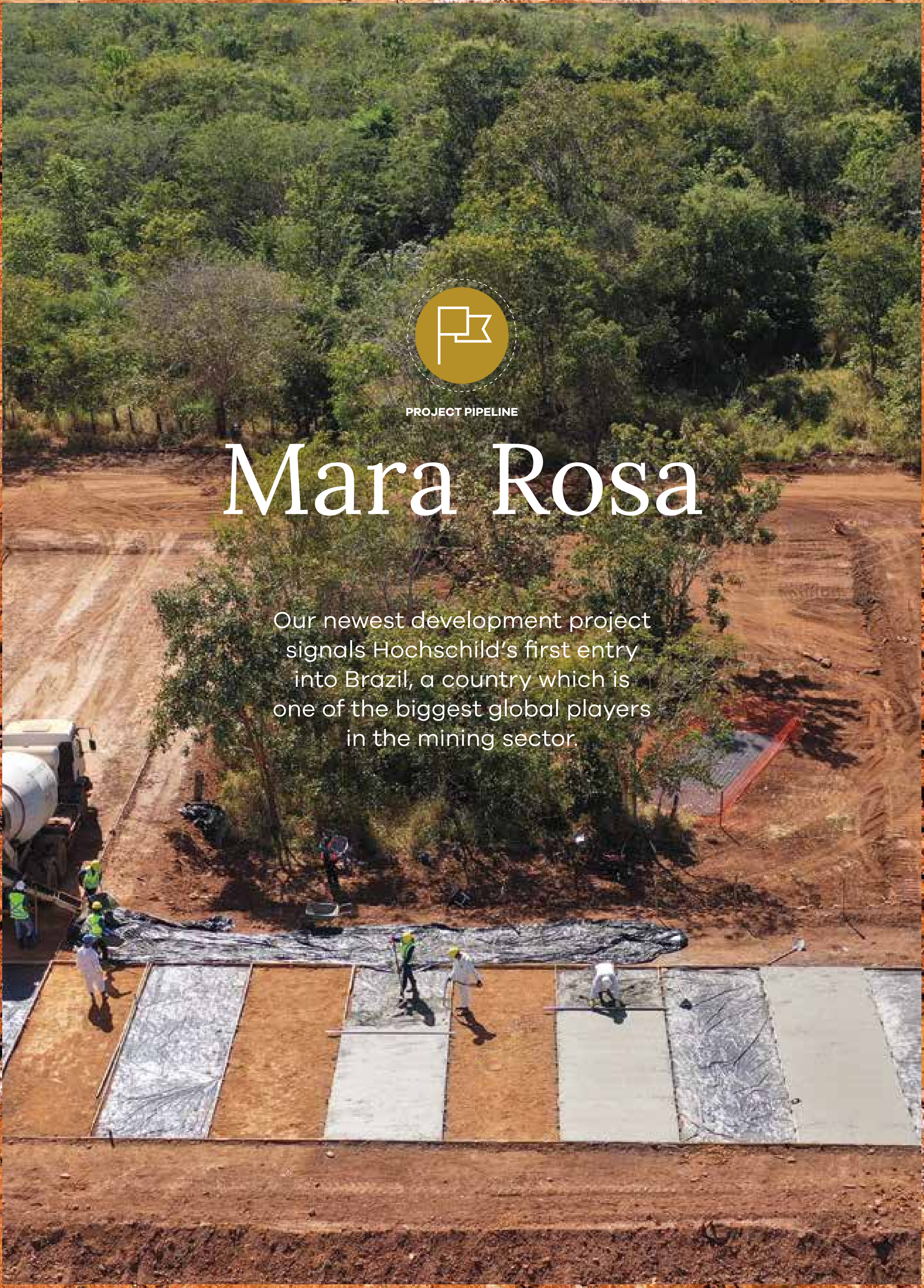


*Gold equivalent ounces (GEO) with silver ounces converted using 72x ratio. 2020 target revised due to Covid-related stoppages.

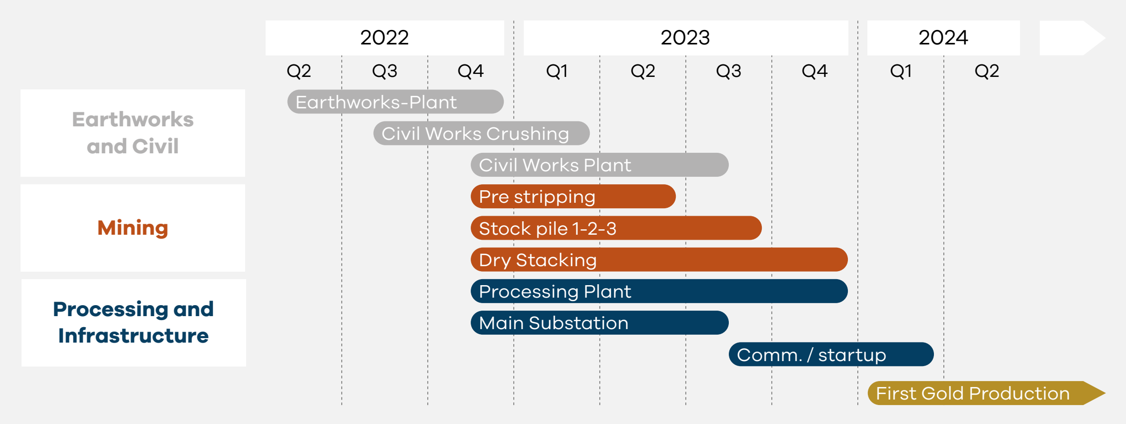
PROJECT PIPELINE

Mara Rosa

Our newest development project signals Hochschild's first entry into Brazil, a country which is one of the biggest global players in the mining sector.



Mara Rosa schedule



In April 2022, we acquired Amarillo Gold and its flagship Mara Rosa gold project in Brazil. Mara Rosa is an open pit gold project located in the mining friendly jurisdiction of Goiás State.

This brownfield project benefits from existing infrastructure and in 2022, having received all the requisite permits, we made excellent progress in advancing construction with the completion rate currently at over 70%. We are on track to deliver first production in the first half of 2024 with output set to be 100,000 ounces of gold in the first four years of an initial 10-year mine life.

The purchase of this asset aligned with our core strengths and long-term strategy of acquiring and optimising development stage projects in the Americas. It has significantly enhanced our project pipeline and was the result of a long-term Company review process of a wide range of growth opportunities. Mara Rosa is an attractive low-cost project with relatively near-term production and strong exploration upside potential. We believe we are ideally placed to take the project to production and generate strong sustainable value for the Company.

The project has benefited from a complementary ESG-led approach with strong local community and government support and we have continued that focus during 2022. Environmental controls to monitor construction work have been executed and reported to local authorities. In September 2022, the 'Knowledge Trail' was inaugurated in the presence of local authorities and the Hochschild Chief Operating Officer. This consists of an open ecological area with 13 stations highlighting local culture, the environment, education and project history and will be used as a learning tool for local education.

Hochschild´s health and safety corporate standards have also been being implemented, including the introduction of the Company's 'Seguscore' safety indicator. The project has surpassed 500,000 of injury free working hours and 2022 Frequency and Severity Indexes were zero.

Location in Brazil

"We believe we are ideally placed to take the project to production and generate strong sustainable value for the Company."

100k oz

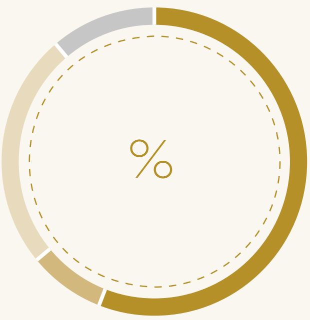
TARGETED OUTPUT FOR FIRST FOUR YEARS OF PRODUCTION

Working in changing markets

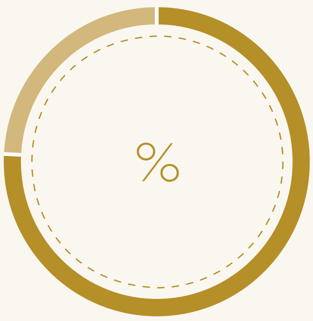
Hochschild is subject to external market dynamics associated with the precious metals industry that inform decision-making and influence our business performance. In addition, our operations, located in Peru and Argentina, are exposed to changing country-specific factors that can impact our business.

Gold market summary

Demand



Supply



Gold and silver prices in 2022 (indexed)

Source: Nasdaq

Gold experienced a volatile year with peaks and troughs dictated by reaction to war in Ukraine and the resulting worries over inflation causing the global central bank's subsequent raising of interest rates.

The price rose early in the year to over US$2,000 an ounce but as interest rates were increased from March onwards the price fell some 20% to around US$1,650 by early November before finishing the year with a rally to end the year flat at US$1,826. The average for the year was approximately $1,805.

Annual gold demand (excluding OTC) in 2022 increased by 18% year-on-year, hitting 4,741t – the highest annual total since 2011. Boosted by a record fourth quarter, demand for gold was propelled by hefty central bank-buying and persistently strong retail investment. Annual central bank demand more than doubled to 1,136t in 2022, up from 450t the year before and to a new 55-year record high. Purchases in Q4 2022 alone reached 417t, bringing the total for the second half of 2022 to more than 800t.

Investment demand (excluding OTC) in 2022 was up 10% on the previous year. The increase was the result of two factors: a notable slowdown in ETF outflows and strong gold bar and coin demand. Gold bars and coins continued to hold favour with investors in several countries around the world, which helped to offset weakness in China. Total European gold bar and coin investment for 2022 surpassed 300t, aided by persistently robust German demand. There was also significant growth in the Middle East, where annual demand increased by 42% year-on-year. Jewellery demand softened slightly in 2022, down 3% at 2,086t. This weakness was largely driven by the marked drop in Chinese annual jewellery demand, down 15% as consumer activity was curtailed by ongoing Covid lockdowns for most of the year. The gold price rally in Q4 also contributed to the annual decline in jewellery demand.

Total annual supply in 2022 continued its gentle upwards trajectory, up by 2% year-on-year to 4,755t and remaining above pre-pandemic levels. In particular, mine production increased to 3,612t – a four-year high.

Possible drivers for gold in 2023

Inflation was a major concern in 2022 to global economies and is at levels not seen since the 1970s. The consequent interest rate increases across the globe may increase the risk of recession. Inflation may reverse and the demand for gold could fall.

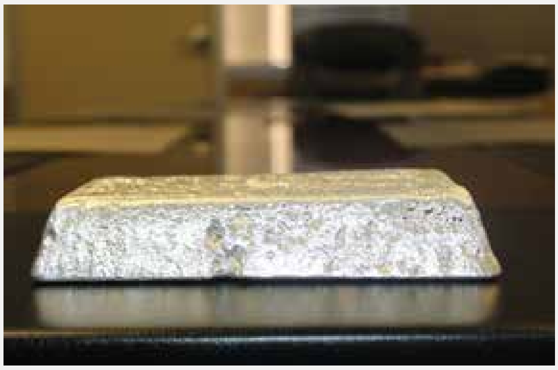
Gold investment demand and prices should be expected to benefit from concerns about inflation, government spending, and related economic issues. Any weakening of the US dollar and the moderating pace of interest rate hikes could have positive implications for gold-backed ETF demand.

Jewellery consumption is expected to remain resilient, bolstered by a release of pent-up demand as China re-opens but possibly dragged down by the squeeze on consumer spending if there is a more severe downturn.

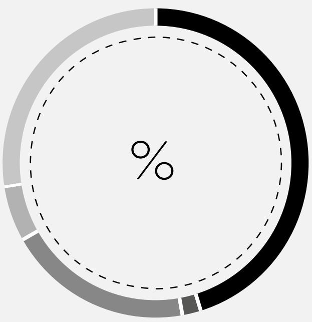
Gold has a long precedent for performing well in turbulent economic times, highlighting its value as a long-term strategic asset.

Source: World Gold Council, Metals Focus

Silver market summary

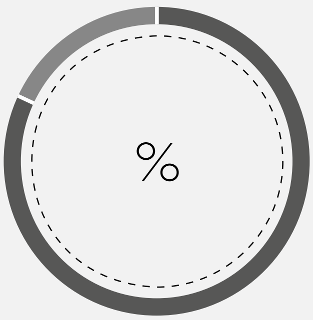


Demand



- Industrial Uses 45%
- Photography 2%
- Jewellery 19%
- Silverware 6%
- Net physical investment 27%
- Net hedging demand 0%

Supply



- Mine production 82%
- Recycling 18%

Silver has tended to perform in line with gold demonstrating its store-of-value characteristics although with over 50% of silver demand coming from industrial uses, the metal can also move with other industrial metals in line with global growth expectations.

The silver price movements for the year were similar to gold, rising early in the year to almost $27 an ounce but as interest rates were increased from March onwards the price fell by 34% to around $17.5 by early September before finishing the year with a strong rally to end the year up 3% at $24. The average for the year was approximately $21.8 an ounce.

Silver demand is forecast to have reached a record total in 2022, driven by new highs for industrial demand, jewellery and silverware offtake and physical investment. The figure is expected to be 1.21 billion ounces in 2022, up by 16% from 2021. Each key segment of demand, except photography, is set to post a new peak. Industrial demand is on course to have grown to 539 million ounces. Developments such as ongoing vehicle electrification (despite sluggish vehicle sales), growing adoption of 5G technologies and government commitments to green infrastructure will have industrial demand overcome macro-economic headwinds and weaker consumer electronics demand. The global silver market is forecast to record a second consecutive deficit in 2022 and at 194moz, this will be a multi-decade high and four times the level seen in 2021.

Physical investment in 2022 is expected to have jumped by 18% to 329moz, which would also be a new record. Support has come from investor fears of high inflation, the Russia-Ukraine war, recessionary concerns, mistrust in government, and buying on price dips. The rise was boosted further by a (near-doubling) of Indian demand, a recovery from a slump last year, with investors often taking advantage of lower rupee prices.

ETF demand, in contrast, is forecast to have seen the largest annual decline in holdings totaling 110moz, due in part to silver's higher volatility than gold, which has made it more vulnerable to profit-taking. Institutional investors are expected to retain a bearish stance as real yields are likely to strengthen, encouraging further distance from the white metal.

Mined silver production is expected to have risen by 1% year-on-year to 830mz. Output from Mexico will rise most significantly as several major new silver projects that have come online in recent years continue to ramp-up to full production rates. By-product silver production from existing mines and new projects in Chile will also have been a major contributor to growth. Partially offsetting these rises will be lower output from major silver producers such as Peru, China and Russia.

Possible drivers for silver in 2023

U.S. Fed could continue to lifting interest rates, raising the opportunity cost for precious metals and this, combined with rising yields and ongoing dollar strength, could continue to exert pressure on silver prices.

Silver's industrial nature could mean that, as fear grow over a possible recession, this will weigh on sentiment, despite the extremely favourable long-term fundamental backdrop.

Silver, like gold, has a track record for performing well in turbulent economic times as an alternative store-of-value to gold.

Source: Silver Institute, Metals Focus

Another important year for strategic development

Eduardo Hochschild
Chairman

Dear shareholder

During the past year, our Company has been directly and indirectly impacted by a range of political, social and regulatory challenges. However, the Board and I want to congratulate our management team and all our colleagues on a highly creditable operational performance and ensuring that our steadfast commitment to the environment, stakeholders and communities remains a firm and an integral part of our corporate purpose. At the time of writing, we are still waiting for the final decision from the Peruvian Government on the Modification of the Environmental Impact Assessment ("MEIA") for Inmaculada but I would particularly like to thank the teams involved in four years of hard work. It has proved to be an enormous undertaking, but I am sure that, whatever the decision, Inmaculada will remain a key part of Hochschild's strategy for decades to come.

We continued with our focus on safety and are delighted that, in 2022, our key performance indicators highlighted a strong performance in this area with both the accident frequency rate and accident severity indices demonstrating the successful implementation of our safety culture plan. As mentioned last year, following a trial period, we launched the Seguscore in 2022 which is being used to appraise the safety performance of each mining unit based on, not only using our traditional measures but also on the result of internal and external safety audits.

Acknowledging the impact of our activities on the environment, I am proud that through the "Green Challenges" set for our operations, we were able to reduce our water consumption to the lowest level since 2015. This should not be considered a one-off achievement but a reflection of an environmentally conscious culture that has evolved since the adoption of our internal measure, the ECO Score. Work is also on track to establish later this year our 2030 interim targets in order to achieve Net Zero by 2050.

We have continued with our valuable community relations initiatives which, in line with the Company's approach, see resources dedicated to education, health and nutrition, and sustainable development. During the year, we facilitated the delivery of technical skills training through the establishment of three digital centres in communities in southern Peru as part of our Future Connection programme which has already benefited over 180 students. We also worked in collaboration with the Peruvian Health Ministry in our "Always Healthy" programme which ran campaigns staffed by a multi-disciplinary team of medical practitioners thereby extending the reach of healthcare services. Our Community Relations team has also continued with the various programmes we have put in place to support local farmers in marketing and selling their produce which, in certain cases, are destined for international markets.

2022 was another important year for strategic development. In April, we completed the acquisition of Amarillo Gold with its Mara Rosa gold project in Brazil, which is due to commence production in the first half of 2024. Since then, we have made excellent progress at the project with over 70% constructed already and we are on schedule and in line with our budget. We also delivered a Preliminary Economic Assessment on our Snip project in British Columbia, Canada which showed positive investment returns at conservative gold prices. However, in line with Hochschild's capital allocation strategy where the focus is on the Mara Rosa construction, we recently made the decision to terminate the option on the project.

> "We have continued with our valuable community relations initiatives which, in line with the Company's approach, see resources dedicated to education, health and nutrition, and sustainable development."

Turning to our operations, the team had to contend with substantial disruption during the year, including a fire in the crushing area at San Jose, continued Covid-related labour restrictions in Argentina and local and national social disturbances in Peru. However, we are proud that we were able to maintain a constructive dialogue with our communities and once again able to deliver a robust operating performance, only moderately below our annual production target and in line on costs. In addition, precious metal prices remained relatively high, so our business continued to generate strong cashflow, especially in the fourth quarter, and we therefore are in a good position to deliver on our capital commitments, including construction at Mara Rosa.

In 2022, the brownfield exploration team made a significant discovery close to Pallancata, within the Royropata zone. Although it is outside the permitted area and will require approximately three years to receive the necessary government approvals, the size of the resource is already over 50 million silver equivalent ounces with significant exploration upside. We are confident that this new zone will be the future of mining in the area in the medium to-long-term, despite the likely necessity to place the mine on temporary care and maintenance at some stage in 2023. At San Jose, we have also been able to replace resources once again whilst at Inmaculada, the team is planning a busy year of drilling subject to the Inmaculada MEIA approval.

During the year, we saw changes in the composition of the Board with the retirement of Graham Birch and Dionisio Romero, who stepped down as Non-Executive Directors at the 2022 AGM. In their place, we welcomed Mike Sylvestre and Nicolas Hochschild.

At the forthcoming AGM, Nicolas and Eileen Kamerick will be stepping down from the Board. Nicolas will be taking up the role of Corporate Development Manager within the Company, reporting to the Director of Technical Services. We look forward to continuing to work with Nicolas in his new role. Eileen will be leaving the Board after a tenure of over six years. I would like to take this opportunity to express my gratitude to Eileen for chairing the Audit Committee with the utmost diligence and for her commitment to the Company. On behalf of the Directors, we wish Eileen all the very best for the future. Jill Gardiner has agreed to chair the Audit Committee on an interim basis with Mike Sylvestre also joining the committee.

Outlook

In 2022, precious metal prices experienced considerable volatility. Gold rose to over $2,000/ounce in the first quarter of the year as the Ukraine war started but then fell steadily by 20% to just over $1,600 by November as expectation of global interest rate rises became the theme. A rebound in December left the metal flat versus 2021 with silver rising by 3% during the year. These increases have continued in the first quarter of 2023 and consequently, we are confident that when combined with our operational track record and good cost control, we can maintain significant levels of profitability and continued good cash flow. Strong balance sheet discipline will be crucial as construction at Mara Rosa continues towards its completion in 2024 and therefore the Board feels that it would be imprudent to pay a final dividend for 2022 at this stage but will reassess the potential for capital return at the interim results in August.

I would like to express gratitude to all stakeholders for their ongoing support in what has been a tough period for the Company. I also want to emphasise that we are clear-eyed in viewing the task ahead of us. We will position the Company's strategy in line with the Peruvian government's decision on the Inmaculada's MEIA extension and we hope that it will provide renewed impetus. We look forward to a year of opportunity and to maintaining the very highest levels of safety, environmental stewardship, responsible business practices and community support as we work to deliver on our commitments to all stakeholders.

Eduardo Hochschild
Chairman
19 April 2023

We remain resolutely committed to our sustainability strategy

Ignacio Bustamante
Chief Executive Officer

> I am proud that during 2022, we procured goods and services worth almost $120m from locally based suppliers. We consider this one of our key contributions to the communities where we operate and are committed to continuing."

The volatile political, economic and social situation has continued to impact Peru in recent months, and this has resulted in a tough operating environment for Hochschild's two mines. However, the team's response has once again been something to be proud of. We remain confident that the permitting process for Inmaculada's MEIA will conclude during Q2 2023 and believe the outcome will be positive. We believe this world class deposit will continue to underpin our Company for many decades to come and are looking forward to reigniting the successful exploration programme and continuing to invest in the Ayacucho region and its communities.

However, in advance of the government's decision, the Company has been preparing for a number of scenarios and the resulting financing requirements going forward. These include planning in the event of an outright MEIA denial and the resulting requirement to resubmit the permit application as well as the potential for additional short-to-medium term delays. We have also recently taken advantage of precious metal price strength to hedge a total of 29,250 ounces of gold at a forward price of $2,047 per ounce in order to realise a degree of cashflow certainty for the remainder of the year. In addition, for 2024 we have also hedged a further 27,600 ounces of gold for the period between March and December at a forward price of $2,100 per ounce. We believe that such a strategy is appropriate whilst construction at Mara Rosa is ongoing.

ESG

We remain resolutely committed to our sustainability strategy, making consistent progress year-to-year in serving our communities, protecting the environment, promoting health and safety, supporting our people, and ensuring responsible business practices. In line with our decision to publish a standalone sustainability report every other year, the Annual Report includes a sustainability section that provides a detailed account of the progress made in all these critical fronts. I am proud to report that our progress in ESG has been externally recognised by several ESG rating agencies. I look forward to next year's standalone sustainability report where we will be able to further highlight our leadership in ESG-related matters.

Operations

Hochschild's output in 2022 continued our good track record. Overall attributable production was 358,826 gold equivalent ounces (25.8 million silver equivalent ounces) which was, as expected lower than the 2021 figure of 390,496 gold equivalent ounces (28.1 million silver equivalent ounces) mainly due to scheduled grade reductions at Inmaculada and Pallancata. This was produced at an all-in sustaining cost of $1,364 per gold equivalent ounce ($18.9 per silver equivalent ounce) which was slightly higher than 2021 reflecting the lower grades at both the Peruvian assets but boosted by the implementation of a cost optimisation plan to contend with inflationary pressures and commodity price volatility.

Despite substantial community disruption in the final quarter, the team at Inmaculada had another commendable year producing 237,289 gold equivalent ounces (2021: 252,337 ounces) at $1,058 per gold equivalent ounce. At Pallancata, production in 2022 reflected a mining area that is almost depleted with delivery of 3.2 million silver equivalent ounces (2021: 4.2 million ounces) at a cost of $32.4 per silver equivalent ounce. In Argentina, there was more disruption at San Jose from Covid as well as a fire in the mine's crushing area which temporarily affected operations but, nevertheless, production was only marginally below the 2021 figure at 11.0 million silver equivalent ounces (2021: 11.3 million ounces), with costs at $21.7 per silver equivalent ounce.

11.0m oz
SILVER PRODUCTION

206k oz
GOLD PRODUCTION

$249m
ADJUSTED EBITDA

Projects
We completed the purchase of Amarillo Gold in Brazil on 1 April 2022 and have made strong progress at the Mara Rosa project since taking control. We are now over 70% of the way through the build with many long lead-time items purchased and construction of the plant and other site infrastructure well advanced. We remain on track for first production at this low-cost project in the first half of 2024 and have also been drilling several prospective exploration targets in the surrounding area which, in time, may provide the long-term upside for the project.

Work at the Snip project in Canada progressed well during the year and included metallurgy, processing plant designs and resource model updates as well as an additional drill campaign. This culminated in the completion of a Preliminary Economic Assessment at the end of the year which provided the basis for potential next steps on the project. However, early in April 2023, we decided to terminate the option on the project due to the need to concentrate on other capital allocation priorities, including expenditure in Brazil and brownfield exploration at the mines.

Exploration
The brownfield programme for 2022 was focused on Pallancata and San Jose and I am pleased to report that our team have had another highly successful campaign, replacing resources at San Jose, and delivering a major discovery close to Pallancata. The initial discovered resource from the new Royropata zone to the west of existing operations was over 50 million silver equivalent ounces. We have already commenced the permitting process and are excited that, with strong exploration upside potential and high-grade structures (848 grammes per tonne silver equivalent) and widths averaging five metres, the new zone can be the driver of Pallancata's medium-to-long-term future.

Financial position
Production has remained reliable and with the existing strong price environment, the Company is generating healthy cashflow. Cash and cash equivalents of $143.8 million at the end of December (2021: $386.8 million) reflected the net payment of approximately C$135 million for Amarillo Gold and expenditure of just over $21 million at the Snip project. This has led to a net debt position of $175.1 million (31 December 2021: $86.3 million net cash). In addition, the Company closed a $200 million committed medium-term debt facility with BBVA and Scotiabank in December 2022. The loan has a maturity of five years and two year of grace period, at a cost SOFR + 2.05%. The facility will be become available on receipt of the Inmaculada MEIA approval.

Financial results
Total Group production was lower versus 2021 and, combined with a 6% fall in the silver price received and a flat year-on-year gold price, revenue decreased by 9% to $735.6 million (2021: $811.4 million). All-in sustaining costs were in line with guidance at $1,364 per gold equivalent ounce or $18.9 per silver equivalent ounce (2021: $1,153 per ounce/$16.0 per ounce).

Adjusted EBITDA of $249.6 million (2021: $382.8 million) mostly reflects reduced production levels and increased cost of sales. Pre-exceptional earnings per share of $0.01 (2021: $0.14 per share) includes the impact of an increase in exploration expenses due to project expenditure at Snip in Canada and a reduction in income tax mainly due to the lower profitability. Post-exceptional earnings per share was lower at $0.01 (2021: $0.15 earnings per share) and includes an impairment of the investment in Aclara Resources Inc. of $9.9 million, the reversal of impairment loss in Pallancata of $15.5 million resulting from the new resources discovered in Royropata, and the impairment of the Azuca project's evaluation and exploration costs of $4.2 million. The net after-tax effect of exceptional items is a loss of $1.9 million.

Outlook
We expect attributable production in 2023 of between 301,000–314,000 gold equivalent ounces (25.0 to 26.0 million silver equivalent ounces) assuming the silver to gold ratio of 83:1 (the average ratio for 2022). This will be driven by: 204,000–211,000 gold equivalent ounces from Inmaculada; an attributable contribution of 6.1 to 6.3 million silver equivalent ounces from San Jose; and 2.0–2.9 million ounces from Pallancata. All-in sustaining costs for operations are expected at between $1,370 and $1,450 per gold equivalent ounce ($16.5 to $17.5 per silver equivalent ounce). This forecast reflects slightly lower output and a rise in mine development costs at Inmaculada in addition to a further reduced contribution at Pallancata before its anticipated move to care and maintenance later in 2023.

The achievement of the Inmaculada MEIA will be a key milestone for our Company and we are looking forward to the next twenty years and more from this world class mine. Although 2023 has started with more political and social volatility in Peru, we believe that Hochschild's longstanding focus on our ESG initiatives will stand us in good stead to withstand any future challenges. We remain excited by the year ahead with our Brazil construction moving ahead quickly and strong exploration potential at all our existing deposits.

Ignacio Bustamante
Chief Executive Officer
19 April 2023

"We believe that Hochschild's longstanding focus on our ESG initiatives will stand us in good stead to withstand any future challenges."

Ignacio Bustamante
Chief Executive Officer

Benefiting all our stakeholders

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

Inputs

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

Responsibility

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

Governance

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

Expertise

We have specific expertise in mining a variety of deposit types in complex geological conditions throughout the Americas.

Experience

We have steadily built an enviable track record in managing mines, developing projects, identifying growth options and utilising best practice social environmental and policies.

Discipline

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

Innovation

We are dedicated to the development of more efficient business practices through the adoption of new technologies.

Our core activities

Technical expertise is the key attribute underpinning our business model.

ENVIRONMENT

Discover

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

Develop

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

COMMUNITY

Outputs

The efficacy and resilience of our business model allows us to invest in the future of our employees, redistribute profit to our host communities through a wide variety of collaborative programmes and deliver long-term value for all our shareholders.

HEALTH & SAFETY

Extract

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

SUSTAINABILITY

Communities

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

61%

LOCAL WORKFORCE

Employees

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

55%

WORKFORCE REPRESENTED BY A TRADE UNION

Shareholders

We are committed to our aims of profitable and safe operations, a strong local and international reputation and stability. We believe that if we can deliver sustainable low-cost growth and consequently generate solid free cash flow, we can use that to repay all our stakeholders. Since the middle of 2016 we have paid out $126 million in equity dividends which included an 2022 interim dividend of $10 million despite the significant disruption to our operations from the Peruvian political situation and the delay to the approval of the Inmaculada MEIA.

$10m

INTERIM DIVIDEND PAID IN 2022

Strategic development and growth

Our strategy focuses on four key paths to secure low-cost growth.

Brownfield

Life-of-mine increases

Improve quality of resources

Spare capacity available

2022 activities

- Significant discovery close to exiting Pallancata operations
- 51m of resources discovered in the Royropata zone
- Three years to production due to permitting
- Added 19.2m oz resources at San Jose

2023 priorities

- Overall budget to be set subject to receipt of Inmaculada MEIA
- Aim to add further resources at all three existing mines
- Focus on geology and mapping of Eduardo belt, Melissa and Anomalia structures at Inmaculada
- 8,000m drilling for potential and resources at San Jose and Saavedra

Risks

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

Greenfield

Portfolio streamlined

Staking properties

Progressing drill-ready projects

2022 activities

- All greenfield projects now returned or on hold
- Drilling executed at Speed Goat with next steps dependent on future greenfield budget

2023 priorities

- No existing greenfield budget due to cost savings drive

Risks

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

Project Pipeline

Advancing Mara Rosa project

Optimising early-stage projects

Further drilling

2022 activities

- Completed acquisition of Amarillo Gold
- Commenced Mara Rosa construction following receipt of permits
- Continued drilling at Snip and delivered PEA on project

2023 priorities

- Continue development of Mara Rosa project in Brazil
- Advance Volcan project opportunities

Risks

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

Strategic alliances

Early/ development stage

Control (Acquisition/JVs)

Geological upside

ROIC:12-15%

2022 activities

- Completed acquisition of Amarillo Gold
- Assessed additional option agreements on projects in Americas

2023 priorities

- Further options/JVs in Americas to be considered subject to budget
- Larger long-term acquisitions also being assessed with shares

Risks

- Political, legal and regulatory
- Commodity prices

Measuring our progress

Financial measures

Production

31.2m oz

M oz Ag equivalent

22	31.2
21	33.6
20	24.9
19	40.0
18	41.0

Links to strategy

Links to remuneration
Yes
Page: 116

Definition
Silver equivalent production equals total attributable gold production multiplied by a gold/silver ratio for 2022 of 72x, 2019-2021 of 86x, 2018 of 81x, 2017 of 74x and added to the total attributable silver production.

Performance
Total silver equivalent production decreased by 7% versus 2021 due to the scheduled fall in production from Pallancata and Inmaculada

Outlook
Total silver equivalent production is forecast to be between 25.0 and 26.0 million silver equivalent ounces in 2023 assuming a gold/silver conversion ratio of 83x

Risks
Operational performance

Revenue

$736m

22	736
21	811
20	622
19	756
18	704

Links to strategy

Links to remuneration
Yes
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Definition
Revenue presented in the financial statements is disclosed as net revenue and is calculated as gross revenue less commercial discounts

Performance
Total revenue decreased by 9% versus 2021 due to the scheduled fall in production and increase in costs

Outlook
Total silver equivalent production is forecast to be between 25.0 and 26.0 million silver equivalent ounces in 2023 assuming a gold/silver conversion ratio of 83x

Risks
Operational performance and precious metal prices

Adjusted EBITDA

$249m

22	249
21	383
20	271
19	343
18	268

Links to strategy

Links to remuneration
Yes
Page: 116

Definition
Calculated as profit from continuing operations before exceptional items, net finance costs, foreign exchange loss and income tax plus depreciation, and exploration expenses other than personnel and other exploration related fixed expenses and other non-cash (income)/expenses

Performance
Adjusted EBITDA decreased by 33% versus 2021 due to the decrease in revenue resulting from the scheduled fall in production and rise in cost inflation across the industry

Outlook
Adjusted EBITDA result for 2023 will depend on precious metal prices and cost and expenses performance along with the ability of the operations to operate normally

Risks
Operational performance, precious metal prices and costs

Basic earnings per share

$0.01

Pre-exceptional

22	0.01
21	0.14
20	0.06
19	0.09
18	0.05

Links to strategy

Links to remuneration
No

Definition
The per-share (using the weighted average number of shares outstanding for the period) profit available to equity shareholders of the Company from continuing operations before exceptional items

Performance
Pre-exceptional earnings per share decreased to $0.01 due to the fall in Adjusted EBITDA and from an increase in exploration expenses due to project expenditure at Snip in Canada

Outlook
Pre-exceptional earnings per share will depend on EBITDA performance and the effective tax rate which may be impacted if local currencies including the Peruvian sol and Argentinian peso continue to depreciate

Risks
Operational performance, precious metal prices, costs, levels of financial costs and income, tax charge

Total dividend per share

¢2.0

US cents per share

22	2.0
21	4.3
20	4.0
19	2.0
18	3.92

Links to strategy

Links to remuneration
No

Definition
The per-share (using the weighted average number of shares outstanding for the period) dividend paid to equity shareholders of the Company as recommended by the Board

Performance
Dividend per share decreased by 53% due to the Company's decision not to pay a final dividend

Outlook
Dividend per share for 2023 will depend on the level of profitability of the Company and the available uses of cash and is at the discretion of the Board

Risks
Company profitability

Brownfield

Greenfield

Project pipeline

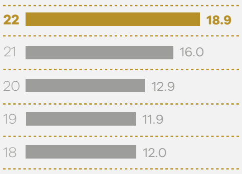
Strategic alliances

Financial measures

All-in sustaining costs

$18.9oz

$/oz Ag equivalent



Links to strategy

Links to remuneration
Yes
Page: 116

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

Performance
All-in sustaining costs from operations rose versus 2021 mainly as a result of the scheduled decline in production in 2022 and the rise in unit costs

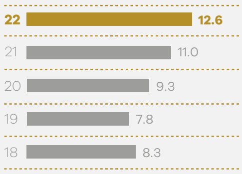
Outlook
The all-in sustaining cost from operations in 2023 is expected to be between $1,370 and $1,450 per gold equivalent ounce (or $16.5 and $17.5 per silver equivalent ounce)

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

Total silver cash costs

$12.6oz

$/oz Ag equivalent



Links to strategy

Links to remuneration
No

Definition
Cash costs are calculated based on pre-exceptional figures. Co-product cash cost per ounce is the cash cost allocated to the primary metal (allocation based on proportion of revenue), divided by the ounces sold of the primary metal

Performance
Total silver cash costs for the Company increased by 15% versus 2021 due to increases in unit costs in Peru and Argentina and some decreases in grade in Peru

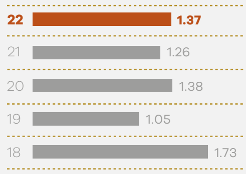
Outlook
Cash costs performance in 2023 is expected to be dependent on operational performance, levels of local cost inflation and levels of local currency devaluation in Argentina and Peru

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

Non-financial measures

LTIFR

1.37



Links to strategy

Links to remuneration
Yes
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Definition
Calculated as total number of accidents per million labour hours

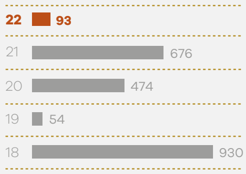
Performance
LTIFR increased by 9% but remains low relative to the industry

Outlook
The Company remains focused on its 'Safety 2.0 Hochschild Safety Transformation' plan in and introduced the safety equivalent of the ECO Score – the Seguscore

Risks
Health and safety risks

Accident Severity Index

93



Links to strategy

Links to remuneration
Yes
Page: 117

Definition
Calculated as total number of days lost per million labour hours

Performance
The Accident Severity index decreased to 93 in 2022 due to zero fatalities

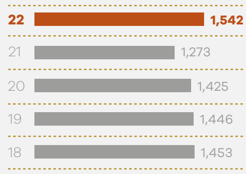
Outlook
The Company remains focused on its 'Safety 2.0 Hochschild Safety Transformation' plan in and introduced the safety equivalent of the ECO Score – the Seguscore

Risks
Health and safety risks

Resource base

1,542

M oz Ag equivalent



Links to strategy

Links to remuneration
Yes
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Definition
Total attributable silver equivalent metal resources as at 31 December 2022

Performance
Total attributable silver equivalent metal resources increased by 21% in 2022 due to the addition of resources from the Mara Rosa acquisition as well as an updated resource figure from the Volcan project

Outlook
Resource increases in 2023 will depend on the level of ongoing success in finding potential resources and the ability to turn these resources into the inferred and measured and indicated categories through drilling

Risks
Implementing and maintaining the annual exploration drilling programme

Meeting our 2022 cost targets

2022 Highlights

13,596koz
TOTAL GROUP PRODUCTION OF SILVER
2021: 14,746koz

13,536koz
TOTAL GROUP SILVER PRODUCTION SOLD
2021: 14,712koz

244.63koz
TOTAL GROUP PRODUCTION OF GOLD
2021: 262.39koz

242.89koz
TOTAL GROUP GOLD PRODUCTION SOLD
2021: 260.71koz

Total 2022 Group production

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Silver production (koz)	13,596	14,746
Gold production (koz)	244.63	262.39
Total silver equivalent (koz)	31,209	33,638
Total gold equivalent (koz)	433.46	467.19
Silver sold (koz)	13,536	14,712
Gold sold (koz)	242.89	260.71

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

Attributable 2022 Group production

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Silver production (koz)	11,003	12,174
Gold production (koz)	206.01	221.42
Silver equivalent (koz)	25,835	28,116
Gold equivalent (koz)	358.83	390.50

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

Attributable 2023 production forecast split

Operation	Oz Au Eq	Moz Ag Eq
Inmaculada	204,000-211,000	16.9-17.5
Pallancata	24,000-27,000	2.0-2.2
San Jose	73,000-76,000	6.1-6.3
Total	**301,000-314,000**	**25.0-26.0**

2023 AISC forecast split

Operation	$/oz Au Eq	$/oz Ag Eq
Inmaculada	1,260-1,320	15.2-15.9
Pallancata	2,050-2,310	24.7-27.8
San Jose	1,400-1,470	17.0-17.7
Total from operations	**1,370-1,450**	**16.5-17.5**

Operations

Note: 2022 and 2021 equivalent figures calculated using the previous Company gold/silver ratio of 72x. All 2023 forecasts assume the average gold/silver ratio for 2022 of 83x.

Production

In 2022, Hochschild delivered attributable production of 358,826 gold equivalent ounces or 25.8 million silver equivalent ounces, moderately below the Company's 2022 guidance due to the reduced contribution at Pallancata resulting from lower grades which could not be fully offset by higher output at Inmaculada. This was due to local community disturbances in Q4 along with the wider political and subsequent civil unrest in Peru since December.

The overall attributable production target for 2023 is 301,000-314,000 gold equivalent ounces or 25.0-26.0 million silver equivalent ounces.

Costs

All-in sustaining cost from operations in 2022 was $1,364 per gold equivalent ounce or $18.9 per silver equivalent ounce (2021: $1,153 per gold equivalent ounce or $16.0 per silver equivalent ounce), higher than 2021 mainly as a result of: expected lower average grades at Inmaculada and Pallancata; higher costs at Inmaculada and Pallancata resulting from using a higher proportion of conventional mining methods as well from local inflation; and higher costs in San Jose mainly due to local inflation and expenditure related to the accessing incremental resources. These were partially offset by local currency devaluation in Argentina.

The all-in sustaining cost from operations in 2023 is expected to be between $1,370 and $1,450 per gold equivalent ounce (or $16.5 and $17.5 per silver equivalent ounce).

Where we operate

1

Inmaculada

Peru

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

Production

The Inmaculada mine delivered gold equivalent production of 237,289 ounces (2021: 252,337 ounces), in line with the upwards revised forecast published in August 2022 and slightly reduced versus 2021 owing to budgeted lower grades.

Costs

All-in sustaining costs were $1,058 per gold equivalent ounce (2021: $917 per ounce) with the increase versus 2021 due to scheduled lower grades and higher production costs resulting from the use of more semi-mechanised mining methods with a higher extraction cost and from inflation affecting mainly fuel, reagents and supplies.

Inmaculada summary	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Ore production (tonnes)	**1,329,177**	1,349,892	(2)
Average silver grade (g/t)	**156**	174	(10)
Average gold grade (g/t)	**3.81**	4.05	(6)
Silver produced (koz)	**5,936**	6,236	(5)
Gold produced (koz)	**154.85**	165.73	(7)
Silver equivalent produced (koz)	**17,085**	18,168	(6)
Gold equivalent produced (koz)	**237.29**	252.34	(6)
Silver sold (koz)	**5,918**	6,216	(5)
Gold sold (koz)	**154.93**	165.86	(7)
Unit cost ($/t)	**118.7**	99.2	18
Total cash cost ($/oz Au co-product)	**693**	557	24
All-in sustaining cost ($/oz Au Eq)	**1,058**	917	15

2

Pallancata

Peru

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

Production

In 2022, Pallancata produced 3.2 million silver equivalent ounces (2021: 4.2 million ounces) with the reduction versus 2021 and versus the revised forecast (3.4–3.6 million ounces) due to the effects of lower-than-expected grades in line with the current declining production profile.

Costs

All-in sustaining costs were $32.5 per silver equivalent ounce (2021: $23.8 per ounce) with the significant increase year-on-year due to lower grades, a higher proportion of conventional mining resulting in higher production costs and local inflation.

Pallancata summary	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Ore production (tonnes)	**559,799**	530,681	5
Average silver grade (g/t)	**151**	212	(29)
Average gold grade (g/t)	**0.69**	0.84	(18)
Silver produced (koz)	**2,368**	3,261	(27)
Gold produced (koz)	**10.98**	13.05	(16)
Silver equivalent produced (koz)	**3,158**	4,200	(25)
Gold equivalent produced (koz)	**43.86**	58.33	(25)
Silver sold (koz)	**2,315**	3,263	(29)
Gold sold (koz)	**10.76**	13.03	(17)
Unit cost ($/t)	**131.9**	124.8	6
Total cash cost ($/oz Ag co-product)	**26.6**	19.2	39
All-in sustaining cost ($/oz Ag Eq)	**32.4**	23.8	37

3

San Jose

Argentina

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

Production

San Jose's production in 2022 totalled 11.0 million silver equivalent ounces (2021: 11.3 million ounces) with the decrease versus 2021 reflecting first quarter Covid-related employee absences and a fire in the crushing area, both of which temporarily affected operations and explain the reduction in tonnage. This was partially offset by better-than-budgeted grades.

Costs

All-in sustaining costs were at $21.7 per silver equivalent ounce (2021: $18.4 per ounce) with the rise versus 2021 due to local inflation affecting production costs, higher mine development capital expenditure to access new areas and lower production. This was partially offset by local currency devaluation.

San Jose summary	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Ore production (tonnes)	**507,189**	539,229	(6)
Average silver grade (g/t)	**369**	344	7
Average gold grade (g/t)	**5.55**	5.47	1
Silver produced (koz)	**5,292**	5,250	1
Gold produced (koz)	**78.80**	83.62	(6)
Silver equivalent produced (koz)	**10,966**	11,270	(3)
Gold equivalent produced (koz)	**152.31**	156.53	(3)
Silver sold (koz)	**5,303**	5,233	1
Gold sold (koz)	**77.20**	81.83	(6)
Unit cost ($/t)	**285.0**	229.0	24
Total cash cost ($/oz Ag co-product)	**14.4**	13.3	8
All-in sustaining cost ($/oz Ag Eq)	**21.7**	18.4	18

ADVANCED PROJECT: MARA ROSA

On 22 March 2022, the Company announced that it had received shareholder approval for the acquisition of Amarillo Gold Inc. in Brazil with completion occurring on 1 April 2022.

On 10 August, the Company announced that the Goiás state's environmental authority, the State Secretariat for the Environment and Sustainable Development (SEMAD), had granted the key permit to enable the Company to start construction of the processing plant. It also allowed all the required site infrastructure for progressing the project's critical paths.

The progressed subsequently progressed according to schedule and budget with total project progress now standing at over 70% and detailed engineering almost complete. The Company continues to expect first production in H1 2024.

Earthworks

Site clearance for the processing plant and earthworks are at an advanced stage (92% and 96% respectively) whilst the reservoir is fully operational and already receiving pumped water from the pit. All sites being prepared for the processing plant have been finished on time, therefore allowing civil works to start according to schedule.

Procurement

Currently purchase orders have been issued for 93% of the project equipment. Deliveries are on schedule with key equipment such as the crusher, conveyor belts, HDPE pipes, aluminium cabling for transmission lines, hydrocyclones, agitators and equipment for the wastewater treatment station already received. Key material packages that are pending include pipes and valves which are expected to be closed in the first quarter.

Processing plant

The civil works contractor is fully mobilised and work on the plant site area is at 32% completion rate. The concrete base for the grinding area is complete with walls and equipment columns currently progressing and expected to be finished by the end of February whilst deliveries for the tanks are due the same month.

Infrastructure

Construction of infrastructure for the main access route is ongoing to allow delivery of materials and heavy equipment. A preliminary drainage system that will guarantee access to critical path areas was completed in Q4 whilst the main project drainage system is 60% complete.

The power supply for the mine will be provided by the building of a 67km, 138kv transmission line from the Porangatu substation with work currently 45% advanced and expected to be completed by June 2023.

Sustainability

Environmental controls to monitor construction work have been implemented to ensure compliance with applicable permits. In September, the 'Knowledge Trail' was inaugurated with the presence of local authorities and the Hochschild COO. The trail consists of an open ecological area with 13 stations highlighting local history, culture, archaeological and environmental information, and project history. The trail will be used as a learning tool by local schools among other local stakeholders and to date almost 500 people have visited. Local supplier and labour training programmes are continuing with over 80 local suppliers already on standby.

Health and safety

Hochschild's health and safety corporate standards are currently being implemented at the project, including the introduction of the Company's Seguscore safety indicator. The project has recently surpassed one million injury-free working hours and year-to-date Frequency and Severity Indexes are currently at zero. Finally, Covid-19 prevention protocols are in place with no positive cases recorded to date.

DEVELOPMENT PROJECT: SNIP

At the Snip project in British Columbia, Canada, exploration recommenced during the first quarter of 2022, with approximately 2,500m drilled from underground. Work also began on the Preliminary Economic Assessment (PEA), which was awarded to Ausenco Engineering Canada. This included metallurgical test work, an evaluation of ARD potential in waste samples, and a flowsheet trade-off study. In addition, a new two year Environmental Baseline programme was approved and data collection began.

On 1 March 2022, Hochschild issued an updated mineral resource estimate. Indicated mineral resources more than tripled to 840,000 ounces and inferred resources almost doubled to 723,000 ounces (compared to the previous 2020 estimate) as a result of approximately 28,000m of drilling and the application of Hochschild's standard approach to resource evaluation. Following on from that, approximately 10,300m was drilled from underground in the second and third quarters. Results received during Q3 had the following highlights:

Vein	Results (Twin hole)
208	UG22-279: 4.3m @ 125.7g/t Au & 13g/t Ag
212	UG22-290: 2.1m @ 8.4g/t Au & 2g/t Ag
213	UG22-278: 2.3m @ 11.5g/t Au & 19g/t Ag
214	UG22-284: 4.5m @ 48.4g/t Au & 18g/t Ag
219	UG22-290: 3.8m @ 9.5g/t Au & 2g/t Ag
228	UG22-290: 2.5m @ 6.5g/t Au & 4g/t Ag
230	UG22-284: 4.1m @ 11.0g/t Au & 3g/t Ag

Vein	Results (Infill hole)
215	UG22-317: 3.9m @ 33.4g/t Au & 3g/t Ag
219	UG22-330: 4.8m @ 45.1g/t Au & 14g/t Ag
219	UG22-332: 4.0m @ 12.8g/t Au & 2g/t Ag
231	UG22-300: 3.7m @ 9.2g/t Au & 8g/t Ag
240	UG22-334: 4.3m @ 31.7g/t Au & 9g/t Ag

A Communications and Engagement Agreement with the Tahltan Central Government was signed at the beginning of 2022 with constructive discussions between the two parties continuing throughout the remainder of the year which included a project site visit by a leadership delegation in August.

At the end of the year, the PEA was completed by Ausenco. Highlights are given below.

Mineral Resource Estimate (effective as of 20 June 2022)

Category	Domain	Tonnes (000)	Au Grade (g/t)	Total Au metal content (000 oz)
Indicated	Twin Main	3,847	9.8	1,217
	Twin West	293	8.1	76
Total indicated		**4,140**	**9.7**	**1,293**
Inferred	Twin Main	829	12.3	329
	Twin West	207	11.0	73
Total inferred		**1,036**	**12.1**	**402**

Notes:

1 These mineral resources are not mineral reserves and do not have demonstrated economic viability.

2 The independent qualified person MRE, as defined by National Instrument (NI) 43-101 guidelines, is Marc Jutras P.Eng., M.A.Sc., Principal, Mineral Resources at Ginto Consulting Inc.

3 Follows CIM definitions (2014) for mineral resources.

4 Results are presented in-situ and undiluted and considered to have reasonable prospects for economic extraction.

5 Reported for an underground scenario at a cut-off grade of 3.0 g/t.

6 The number of tonnes and ounces were rounded to the nearest thousand.

7 Estimates are in total for the property and have not been adjusted to reflect the proportion attributable to Hochschild on the basis of its joint venture participation.

The update of the mineral resources of the project follows a drilling campaign of 83 surface and underground holes carried out in 2021 and 2022. The drill hole database is comprised of 3,507 historical drill holes and 415 holes drilled by Skeena from 2016 to 2021 and 69 holes drilled by Hochschild in 2022. The historical holes were validated from a set of twin holes drilled by Skeena in 2021 and Hochschild in 2022.

Mining

The Snip Project contemplates the underground exploitation of the Mineral Resources of both Twin Main and Twin West deposit at a planned rate of 1,350 to 1,500 tpd over an eight-year period. Total mineralised material in the Life of Mine (LOM) is 3.7mt @ 7.1 g/t Au, with an average gold production of 100 koz per year. A pre-production period of two years, including rehabilitation and dewatering of existing tunnels and the ramp-up period in year two, will allow for the start of full production beginning in year three.

Processing

The process plant design is based on composite samples that represent the underground mining plan. The circuit selected is a gravity and whole ore leach process to produce gold dore bars. The plant is designed for a through put of 1,350 tpd based on availability of 92%. The metallurgical recovery is estimated at 96%. The process flowsheet consisted of: three-stage crushing and ball mill grinding circuits; gravity and leach + carbon-in-leach (L/CIL) circuits; desorption and carbon regeneration; electrowinning and smelting; and cyanide destruction of tailings using SO_2/air process.

Capital costs

The total initial capital cost is C$346.5 million and the LOM sustaining cost is C$239.9 million. The initial capital costs are summarised below:

Initial capital costs

Description	C$m
Underground Mine	113.7
Process Plant	52.5
Tailings Storage Facility	35.4
Infrastructure	47.1
Total Direct Costs	**248.7**
Indirect costs	39.5
Contingency	58.3
Total	**346.5**

Project economics

The overall economics of the Project have been evaluated using a gold price of US$1,700/oz, CAD/$US rate of 0.75 and a discount rate of 5%. Snip's valuation has been estimated at C$183 million post-tax NPV, with an IRR of 17%. The payback period is expected to be four years from the start of production.

Key project economics

Description	Units	Value
Au Payable	000oz	797
Processed Tonnes	Mt	3.65
Au Grade	g/t	7.08
After-tax valuation indicators		
Undiscounted cash flow	C$m	373
NPV@5%	C$m	183
Payback period	years	4
IRR	%	17
Project Capital (initial)	C$m	347
AISC	C$/oz Au	1,081

Termination

Due to the need to focus capital elsewhere in Hochschild's portfolio, on 5 April 2023, the Company announced that it had given notice to Skeena Resources Limited ('Skeena') to terminate the option to earn-in a 60% interest in Snip. Termination of the option became effective immediately and, as a result, Hochschild has no liability to complete the Aggregate Expenditure Requirement.

In addition, Hochschild provided confirmation to Skeena that it had satisfied the Minimum Annual Expenditure Requirement in respect of the 12-month period that commenced on 14 October 2022. Accordingly, no cash payment is due from Hochschild to Skeena under the terms of the option agreement.

DEVELOPMENT PROJECT: VOLCAN

In early 2022, the Company restructured its 100% ownership of the Volcan project in Chile under a newly established Canadian company, Tiernan Gold Corp.

During the year, work continued to advance the project. This included updating the Mineral Resource Estimate as well as developing an optimised mine and project development plan. During the third quarter, the Company advanced several trade-off studies aimed at creating additional project value.

The results of the engineering work were outlined in a new PEA completed by Ausenco with highlights, as follows:

– open pit mining with 293 Mt of mineralised material mined over a 14-year mine life;
– 451 Mt of waste mined during the life of mine (1.5:1 strip ratio);
– processing of mineralised material by three stages of crushing followed by heap leaching and gold dore production;
– annual processing rate of 22 Mtpa producing an average of 350,000 oz per year of gold for the first five years and a life of mine total of 3.82 million ounces of gold recovered;
– initial capital cost of $900 million and average all-in sustaining costs of $1,002/oz; and
– after tax net present value (5% @ $1,800/oz gold) of $826 million with IRR of 20.5%.

The Company is currently evaluating strategic alternatives for Tiernan.

BROWNFIELD EXPLORATION: PALLANCATA ROYROPATA RESOURCE

In the third quarter of the year, Hochschild announced a major discovery west of current operations at Pallancata. The new area, named Royropata, is part of the extended Royropata system.

An initial Inferred Mineral Resource Estimate for the Royropata Zone to the west of the existing Pallancata mine was completed in Q4. The Company estimates that the zone contains an Inferred Mineral Resource of 1.88 million tonnes at an average grade of 667 g/t Ag and 2.42 g/t Au containing 51.2 million silver equivalent (Ag Eq) ounces at a combined Ag Eq grade of 848 g/t (see table below).

The programme started in 2019 with two long drill holes, with the second drill hole intercepting 37.6m of quartz vein without economic values. In 2022, after a period of geologic interpretation and 9,800m of drilling, a new vein system, including the Marco West, (the main structure) Laura, Demian, Royropata 1, and Royropata 2 veins was discovered (see maps below). The Royropata system is a tabular sinistral strike-slip fault filled by hydrothermal quartz with crustiform, coloform, banded, and breccia textures. The vein strikes 80-90° and dips 60° to 75° to the southeast, reaching 750m in length and 200m in depth. The host rocks are dacitic tuffs andesitic tuffs and andesitic flow. The contained minerals are mainly: pyrargyrite, proustite, argentite, electrum and pearceite-polybasite at the precious metal level. The principal gangue mineral is quartz and carbonates and silicified tuff fragments with an argillic alteration. The Marco vein remains open to the south-west for another 900m according to the current geological interpretation.

Audited Royropata Inferred Mineral Resource Estimate

Vein	Tonnes (k)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag Eq (moz)
Marco West	1,497	763	2.81	973	46.8
Laura	247	203	0.62	250	2.0
Royropata2	80	495	1.48	606	1.6
Demian	27	444	1.55	560	0.5
Royropata1	26	285	0.81	346	0.3
Total/Average	**1,876**	**667**	**2.42**	**848**	**51.2**

Notes::
1 Mineral Resources are 100% attributable to Hochschild.
2 Metal prices used for the Mineral Resources calculations: Au: US$1,800/oz, Ag: US$24/oz.
3 Ag Eq = (Au x 75) + Ag.
4 Ag Eq Cut-off: 99 g/t Ag Eq.
5 Totals have been rounded to the appropriate number of significant figures.

2023 next steps

In 2023, the Company will develop the Mineral Resource including infill drilling to convert the Inferred Minerals Resources to Indicated and will also proceed with basic engineering as well as the environmental permitting process, including baseline studies. In addition, over the next few quarters, the brownfield team will also target the upside potential in the Royropata zone, including the extension of the Marco vein, the Royropata veins and the Yanacochita and Bolsa structures according to ongoing permitting progress. These veins are expected to add significant additional resources.

EXPLORATION

Inmaculada

In the first half of the year, most of the drilling at Inmaculada was potential drilling at the Huarmapata area and resource drilling in the Josefa vein with the best results from Josefa which then merited further drilling in the second half. In addition, there was 2,900m of infill drilling in the Juliana, Susana-Beatriz, Bety, Barbara and Noelia structures. Much of the planned brownfield exploration work including surface drilling work was curtailed in 2022 by a lack of permits.

Vein	Results (resource drilling)
Josefa	IMM-22-139: 2.8m @ 1.9g/t Au & 43g/t Ag
	IMM-22-172: 1.5m @ 6.1g/t Au & 186g/t Ag
Josefa Piso	IMM-22-171A: 1.6m @ 8.5g/t Au & 104g/t Ag
	IMM-22-172: 0.8m @ 6.9g/t Au & 13g/t Ag
Cloty	IMM-22-172: 0.8m @ 3.9g/t Au & 90g/t Ag

San Jose

During the year, 18,150 of potential drilling was executed around the mine area and in the Saavedra area in the Ayelen, Ayelen SE, Maura and Maura East veins, among others, in addition to 2,800m of infill drilling in the Julia, Isabel, Odion, Molle and Perla veins. The Company also started to explore the Ciclon project (700m of drilling) further away in the Santa Cruz province.

Vein	Results (potential/resource drilling)
Celina	SJD-2451: 1.5m @ 6.0g/t Au & 236g/t Ag
	SJD-2453: 1.2m @ 8.3g/t Au & 561g/t Ag
Celina Piso	SJD-2453: 1.1m @ 2.8g/t Au & 546g/t Ag
Jimena	SJD-2463: 5.2m @ 1.6g/t Au & 47g/t Ag
	SJD-2465: 2.4m @ 2.8g/t Au & 48g/t Ag
Agostina	SJD-2468: 4.1m @ 7.5g/t Au & 84g/t Ag
	SJD-2469: 5.4m @ 3.3g/t Au & 29g/t Ag
	SJD-2471: 1.9m @ 1.6g/t Au & 68g/t Ag
Ayelen SE	SJM-594: 1.5m @ 6.9g/t Au & 648g/t Ag
	SJD-2529: 2.4m @ 3.9g/t Au & 363g/t Ag
	SJD-2531: 2.6m @ 10.0g/t Au & 1,321g/t Ag
Maura	SJD-2554: 1.1m @ 4.7g/t Au & 102g/t Ag
	SJD-2556: 0.8m @ 5.5/t Au & 103g/t Ag
	SJD-2563: 1.3m @ 6.3g/t Au & 109g/t Ag
	SJD-2570: 1.0m @ 15.1g/t Au & 123g/t Ag
	SJD-2572: 2.5m @ 4.0g/t Au & 216g/t Ag
Ciclon	DCE22-02: 2.9m @ 1.0g/t Au & 615g/t Ag
Olivia	SJM-609: 1.1m @ 3.0g/t Au & 357g/t Ag

In 2022 as a whole 19.3 million silver equivalent ounces have been added to the San Jose resource base at a silver equivalent grade of 983 grams per tonne.

Eduardo Noriega
Chief Financial Officer

A resilient financial performance in 2022

$736m
REVENUE

$249m
ADJUSTED EBITDA

$0.01
EARNINGS PER SHARE

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

Revenue

Gross revenue[8]

Gross revenue from continuing operations decreased by 10% to $751.3 million in 2022 (2021: $831.0 million) mainly due to the lower production and average realised silver price. Output was mainly impacted by: lower expected grades in Pallancata and Inmaculada; lower treated tonnage in San Jose due to Covid-related employee absences in Q1 and a fire in the crushing area which temporarily affected operations; and lower treated tonnage in Inmaculada resulting from the local and national disruption in Peru in Q4. These were partially offset by a slightly higher average realised gold price.

Gold

Gross revenue from gold in 2022 decreased to $435.1 million (2021: $464.3 million) due to the 7% decrease in gold sales resulting from lower gold produced at all operations. This was partially offset by a 1% increase in the average realised gold price.

Silver

Gross revenue from silver decreased in 2022 to $315.5 million (2021: $366.2 million) mainly due to a 6% decrease in the average realised silver price and lower silver production at Pallancata and Inmaculada due to lower tonnage treated and grades.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for 2022 and 2021:

Average realised prices	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Silver ounces sold (koz)	**13,536**	14,712
Avg. realised silver price ($/oz)	**23.3**	24.9
Gold ounces sold (koz)	**242.89**	260.71
Avg. realised gold price ($/oz)	**1,791**	1,781

4.0 million silver ounces of 2022 production were hedged at $26.86 per ounce, boosting the realised price. On 10 November 2021, the Company hedged 3.3 million ounces of 2023 silver production at $25.00 per ounce.

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 2022, the Group recorded commercial discounts of $15.7 million (2021: $19.6 million) with the fall explained by the decrease in production. The ratio of commercial discounts to gross revenue in 2022 was 2%, in line with 2021.

Net revenue

Net revenue was $735.6 million (2021: $811.4 million), comprising net gold revenue of $429.8 million (2021: $457.8 million) and net silver revenue of $305.2 million (2021: $353.1 million). In 2022, gold accounted for 58% and silver 42% of the Company's consolidated net revenue (2021: gold 56% and silver 44%).

Reconciliation of gross revenue by mine to Group net revenue

$000	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Silver revenue			
Inmaculada	**137,033**	156,675	(13)
Pallancata	**62,986**	82,727	(24)
San Jose	**115,477**	126,790	(9)
Commercial discounts	**(10,334)**	(13,088)	(21)
Net silver revenue	**305,162**	353,104	(14)
Gold revenue			
Inmaculada	**276,895**	296,160	(7)
Pallancata	**19,459**	22,989	(15)
San Jose	**138,782**	145,187	(4)
Commercial discounts	**(5,335)**	(6,517)	(18)
Net gold revenue	**429,801**	457,819	(6)
Other revenue	**680**	464	47
Net revenue	**735,643**	811,387	(9)

8 Includes revenue from services.

Cost of sales

Total cost of sales before exceptional items was $527.6 million in 2022 (2021: $487.8 million). The direct production cost excluding depreciation was higher at $384.2 million (2021: $323.4 million) mainly due to inflation impacting fuel, reagents and supplies and the use of a higher proportion of conventional mining methods. Depreciation in production cost decreased to $137.7 million (2021: $148.8 million) due to lower extracted volumes across all operations. Fixed costs incurred during total or partial production stoppages in Argentina and Peru were $8.0 million in 2022 (2021: $8.7 million).

$000	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Direct production cost excluding depreciation	**384,183**	323,418	19
Depreciation in production cost	**137,747**	148,842	(7)
Other items and workers' profit sharing	**3,321**	6,512	(49)
Fixed costs during operational stoppages and reduced capacity	**8,023**	8,680	(8)
Change in inventories	**(5,631)**	320	(1,860)
Cost of sales	**527,643**	487,772	8

Fixed costs during operational stoppages and reduced capacity

$000	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Personnel	**4,498**	7,607	(41)
Third-party services	**3,090**	995	211
Supplies	**146**	–	–
Depreciation and amortisation	**2**	–	–
Others	**287**	78	268
Cost of sales	**8,023**	8,680	(8)

Unit cost per tonne

The Company reported unit cost per tonne at its operations of $158.7 per tonne in 2022, a 19% increase versus 2021 ($133.5 per tonne). This was due to: higher costs at Inmaculada resulting from using more semi-mechanised mining methods with a higher extraction cost; higher costs at Pallancata due to the use of more conventional mining methods; and higher costs in San Jose mainly due to inflation and from expenditure related to the accessing and mining of incremental resources.

Unit cost per tonne by operation (including royalties)[9]

Operating unit ($/tonne)	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Peru	**122.9**	106.5	15
Inmaculada	**118.7**	99.2	20
Pallancata	**131.9**	124.8	6
Argentina			
San Jose	**285.0**	229.0	24
Total	**158.7**	133.5	19

Cash costs

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

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

Cash cost reconciliation[10]
Year ended 31 Dec 2022

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	**162,397**	**80,756**	**170,585**	**413,738**
(+) Cost of sales[11]	239,277	83,926	193,840	**517,043**
(-) Depreciation and amortisation in cost of sales	(80,633)	(8,671)	(47,123)	**(136,427)**
(+) Selling expenses	796	622	12,614	**14,032**
(+) Commercial deductions[12]	2,957	4,879	11,254	**19,090**
Gold	2,131	969	4,630	**7,730**
Silver	826	3,910	6,624	**11,360**
Revenue	**413,928**	**77,566**	**243,469**	**734,963**
Gold	276,895	18,490	134,416	**429,801**
Silver	137,033	59,076	109,053	**305,162**
Ounces sold				
Gold	154.9	10.8	77.2	**242.9**
Silver	5,918	2,315	5,303	**13,536**
Group cash cost ($/oz)				
Co product Au	701	1,789	1,220	**996**
Co product Ag	9.1	26.6	14.4	**12.7**
By product Au	158	1,652	711	**400**
By product Ag	(19.7)	26.5	6.0	**(1.8)**

Year ended 31 Dec 2021

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Total
Group cash cost	**141,316**	**80,354**	**150,663**	**372,333**
(+) Cost of sales[13]	213,812	93,049	172,231	**479,092**
(-) Depreciation and amortisation in cost of sales	(76,372)	(19,915)	(49,195)	**(145,482)**
(+) Selling expenses	616	620	14,195	**15,431**
(+) Commercial deductions[14]	3,260	6,600	13,432	**23,292**
Gold	2,164	1,034	5,717	**8,915**
Silver	1,096	5,566	7,715	**14,377**
Revenue	**452,835**	**99,116**	**258,972**	**810,923**
Gold	296,160	21,955	139,704	**457,819**
Silver	156,675	77,161	119,268	**353,104**
Ounces sold				
Gold	165.9	13.0	81.8	**260.7**
Silver	6,216	3,263	5,233	**14,712**
Group cash cost ($/oz)				
Co product Au	557	1,366	993	**806**
Co product Ag	7.9	19.2	13.3	**11.0**
By product Au	(99)	(182)	289	**19**
By product Ag	(25.3)	17.6	1.0	**(6.4)**

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.

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

11 Does not include fixed costs during operational stoppages and reduced capacity of $8.0 million.

12 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore.

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

14 Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore.

All-in sustaining cost reconciliation[15]

All-in sustaining cash costs per silver equivalent ounce

Year ended 31 Dec 2022

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main Operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	156,551	75,472	152,160	384,183	–	**384,183**
(+) Other items and workers' profit sharing in cost of sales	1,777	1,544	–	3,321	–	**3,321**
(+) Operating and exploration capex for units[16]	78,176	12,340	47,604	138,120	584	**138,704**
(+) Brownfield exploration expenses	2,946	6,000	7,700	16,646	2,537	**19,183**
(+) Administrative expenses (excl depreciation)	3,894	729	6,242	10,865	41,266	**52,131**
(+) Royalties and special mining tax[17]	4,032	756	–	4,788	2,658	**7,446**
Sub-total	**247,376**	**96,841**	**213,706**	**557,923**	**47,045**	**604,968**
Au ounces produced	154,846	10,977	78,803	244,626	–	**244,626**
Ag ounces produced (000s)	5,936	2,368	5,292	13,596		**13,596**
Ounces produced (Ag Eq 000s oz)	17,085	3,158	10,966	31,209	–	**31,209**
Sub-total ($/oz Ag Eq)	**14.5**	**30.7**	**19.5**	**17.9**	**1.5**	**19.4**
(+) Commercial deductions	2,957	4,879	11,254	19,090	–	**19,090**
(+) Selling expenses	796	622	12,614	14,032	–	**14,032**
Sub-total	**3,753**	**5,501**	**23,868**	**33,122**	**–**	**33,122**
Au ounces sold	154,930	10,759	77,204	242,893	–	**242,893**
Ag ounces sold (000s)	5,918	2,315	5,303	13,536	–	**13,536**
Ounces sold (Ag Eq 000s oz)	17,073	3,090	10,862	31,025	–	**31,025**
Sub-total ($/oz Ag Eq)	**0.2**	**1.8**	**2.2**	**1.1**	**–**	**1.1**
All-in sustaining costs ($/oz Ag Eq)	**14.7**	**32.4**	**21.7**	**18.9**	**1.5**	**20.4**
All-in sustaining costs ($/oz Au Eq)	**1,058**	**2,336**	**1,561**	**1,364**	**109**	**1,473**

Year ended 31 Dec 2021

$000 unless otherwise indicated	Inmaculada	Pallancata	San Jose	Main Operations	Corporate & others	Total
(+) Direct production cost excluding depreciation	134,110	66,859	122,449	323,418	–	**323,418**
(+) Other items and workers' profit sharing in cost of sales	3,489	3,023	–	6,512	–	**6,512**
(+) Operating and exploration capex for units[18]	76,512	14,526	41,325	132,363	1,735	**134,098**
(+) Brownfield exploration expenses	3,276	5,993	9,654	18,923	3,658	**22,581**
(+) Administrative expenses (excl depreciation)	4,909	1,075	6,104	12,088	38,783	**50,871**
(+) Royalties and special mining tax[19]	5,190	1,136	–	6,326	5,916	**12,242**
Sub-total	**227,486**	**92,612**	**179,532**	**499,630**	**50,092**	**549,722**
Au ounces produced	165,730	13,045	83,615	262,390	–	**262,390**
Ag ounces produced (000s)	6,236	3,261	5,250	14,746		**14,746**
Ounces produced (Ag Eq 000s oz)	18,168	4,200	11,270	33,638	–	**33,638**
Sub-total ($/oz Ag Eq)	**12.5**	**22.1**	**15.9**	**14.9**	1.4	**16.3**
(+) Commercial deductions	3,260	6,600	13,432	23,292	–	**23,292**
(+) Selling expenses	616	620	14,195	15,431	–	**15,431**
Sub-total	**3,876**	**7,220**	**27,627**	**38,723**	**–**	**38,723**
Au ounces sold	165,857	13,027	81,831	260,715	–	**260,714**
Ag ounces sold (000s)	6,216	3,263	5,233	14,712	–	**14,712**
Ounces sold (Ag Eq 000s oz)	18,158	4,201	11,124	33,483	–	**33,483**
Sub-total ($/oz Ag Eq)	**0.2**	**1.7**	**2.5**	**1.2**	–	**1.2**
All-in sustaining costs ($/oz Ag Eq)	**12.7**	**23.8**	**18.4**	**16.0**	**1.5**	**17.5**
All-in sustaining costs ($/oz Au Eq)	**917**	**1,711**	**1,325**	**1,153**	**105**	**1,258**

Administrative expenses

Administrative expenses were higher at $54.2 million (2021: $51.9 million) mainly due to higher personnel expenses and travel expenses, and administrative expenses related to the Mara Rosa project.

15 Calculated using a gold/silver ratio of 72:1.

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

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

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

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

Exploration expenses

In 2022, exploration expenses increased to $56.8 million (2021: $39.9 million) mainly due to the Snip project's exploration expenses of $20.8 million (2021: Nil), partially offset by lower exploration expenses across all mines of $3.9 million.

In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resources to the Inferred or Measured and Indicated categories. In 2022, the Company capitalised $0.7 million relating to brownfield exploration compared to $6.1 million in 2021, bringing the total investment in exploration for 2022 to $57.6 million (2021: $46.0 million).

Selling expenses

Selling expenses decreased to $14.0 million (2021: $15.4 million) mainly due to lower volumes sold in Argentina.

Other income/expenses

Other income before exceptional items was lower at $3.3 million (2021: $8.4 million) mainly due to decreased gains on the sale of equipment of $3.0 million and $2.0 million of higher income on the recovery of provisions in 2021.

Other expenses before exceptional items were lower at $39.3 million (2021: $44.6 million) with the reduction mainly due to lower increases in provision for mine closure of $17.8 million (2021: $22.1 million), lower expenses from a voluntary redundancy programme in Argentina of $1.3 million (2021: $8.3 million). These were partially offset by: an increase in care and maintenance costs to $7.4 million (H1 2021: $5.7 million); higher labour contingencies in Argentina of $3.1 million (2021: $0.8 million); increased provision for administrative fines of $1.6 million (2021: $0.1 million), and the insurance deductible plus expenses not covered by insurance relating to the fire in San Jose of $0.9 million.

Adjusted EBITDA

Adjusted EBITDA decreased by 35% to $249.6 million (2021: $382.8 million) mainly due to the decrease in revenue resulting from lower gold and silver production, and the lower average realised silver price. In addition, there was an increase in production costs mainly due to inflation, higher mine development capex and the use of a higher proportion of conventional mining methods.

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

$000 unless otherwise indicated	**Year ended 31 Dec 2022**	Year ended 31 Dec 2021	% change
Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange loss and income tax	**45,190**	179,438	(75)
Depreciation and amortisation in cost of sales	**136,427**	145,482	(6)
Depreciation and amortisation in administrative expenses and other expenses	**2,135**	2,184	(2)
Exploration expenses	**56,826**	39,848	43
Personnel and other exploration related fixed expenses	**(10,602)**	(7,099)	49
Other non-cash income, net[20]	**19,629**	22,958	(15)
Adjusted EBITDA	**249,605**	382,811	(35)
Adjusted EBITDA margin	**34%**	47%	(28)

Finance income

Finance income before exceptional items of $5.2 million increased from 2021 ($3.9 million) mainly due to higher interest on deposits of $2.4 million (2021: $1.6 million).

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

Finance costs
Finance costs before exceptional items decreased from $32.1 million in 2021 to $21.8 million in 2022 principally due to: lower foreign exchange transaction costs to acquire $5.2 million dollars in Argentina of $5.0 million (2021: $15.3 million); the capitalisation of $4.9 million interest expenses that are directly attributable to the construction of Mara Rosa; and the cancelation of the Libor rate swap of the refinanced $200 million medium-term loan of $3.8 million in 2021. These effects were partially offset by higher interest paid of $12.9 million in 2022 (2021: $5.7 million) mainly due to an additional $100 million medium-term loan drawn down in December 2021 and higher interest rates, and the fair value loss on financial investments of $2.1 million (2021: $0.8 million).

Foreign exchange (losses)/gains
The Group recognised a foreign exchange loss of $2.6 million (2021: $2.4 million loss) as a result of exposures in currencies other than the functional currency.

Income tax
The Company's pre-exceptional income tax charge was $17.6 million (2021: $81.3 million). The significant decrease in the charge is mainly explained by lower profitability versus 2021.

The effective tax rate (pre-exceptional) for the period was 72.3% (2021: 54.7%), compared to the weighted average statutory income tax rate of 35.6% (2021: 30.9%). The high effective tax rate in 2022 versus the average statutory rate is mainly explained by: the impact of non-recognised tax losses in non-operating companies increasing the rate by 36.5%, Royalties and the Special Mining Tax which increased the effective rate by 21.8%; partially offset by the effect of foreign exchange in Peru and Argentina decreasing the rate by 19.2%.

Exceptional items
Exceptional items in 2022 totalled a $1.9 million loss after tax (2021: $3.7 million loss after tax) related to: the impairment of the investment in Aclara Resources Inc. of $9.9 million; the reversal of impairment loss in Pallancata of $15.5 million resulting from the new resources discovered in the Royropata zone; and the impairment of the Azuca project's evaluation and exploration costs of $4.2 million.

The tax effect of these exceptional items was a $3.3 million tax loss (2021: $15.1 million tax gain). The net attributable loss of exceptional items was $1.9 million.

Cash flow and balance sheet review
Cash flow

$000	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Change
Net cash generated from operating activities	**102,918**	282,520	(179,602)
Net cash used in investing activities	**(337,580)**	(183,434)	(154,146)
Cash flows generated/(used in) from financing activities	**(6,588)**	59,307	(65,895)
Foreign exchange adjustment	**(1,695)**	(3,487)	1,792
Net increase in cash and cash equivalents during the year	**(242,945)**	154,906	(397,851)

Net cash generated from operating activities decreased from $282.5 million in 2021 to $102.9 million in 2022 mainly due to lower Adjusted EBITDA of $249.6 million (2021: $382.8 million), and an increased working capital position.

Net cash used in investing activities increased from $183.4 million in 2021 to $337.6 million in 2022 mainly due to the acquisition cost of Mara Rosa and subsequent capex of $193.2 million. This effect was partially offset by the purchase of Aclara shares for $20.0 million in 2021, and lower foreign exchange transaction costs to acquire dollars in Argentina of $5.0 million (2021: $15.3 million).

Cash from financing activities decreased to an outflow of $6.6 million from an inflow of $59.3 million in 2021, primarily due to the additional medium-term loan of $100.0 million drawn down in December 2021, partially offset by proceeds from Minera Santa Cruz stock market promissory notes of $14.5 million, and lower dividends to non-controlling interest of $0.3 million (2021: $9.8 million).

Working capital

$000	As at 31 December 2022	As at 31 December 2021
Trade and other receivables	**85,408**	69,749
Inventories	**61,440**	49,184
Derivative financial assets/(liabilities)	**2,186**	14,073
Income tax payable, net	**7,100**	(22,322)
Trade and other payables	**(144,102)**	(133,482)
Provisions	**(24,177)**	(32,058)
Working capital	**(12,145)**	(54,856)

The Group's working capital position increased by $42.7 million from $(54.9) million to $(12.1) million. The key drivers of the increase were: higher income tax payable of $29.4 million; higher trade and other receivables of $15.7 million; and lower derivative financial assets of $11.9 million.

Net (debt)/cash

$000 unless otherwise indicated	As at 31 December 2022	As at 31 December 2021
Cash and cash equivalents	**143,844**	386,789
Non-current borrowings	**(275,000)**	(300,000)
Current borrowings[21]	**(43,989)**	(499)
Net cash/(net debt)	**(175,145)**	86,290

The Group's reported net debt position was $175.1 million as at 31 December 2022 (31 December 2021: net cash of $86.3 million). The decrease is mainly explained by: the acquisition cost of Mara Rosa and subsequent construction capex of $193.2 million; the Snip project's exploration expenses of $19.6 million; and temporary changes in working capital.

Capital Expenditure

$000	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Inmaculada	**78,176**	76,512
Pallancata	**13,518**	14,250
San Jose	**50,112**	43,666
Operations	**141,806**	134,428
Mara Rosa	**193,218**	-
Aclara	**-**	11,476
Other	**4,842**	7,957
Total	**339,866**	153,861

2022 capital expenditure of $339.9 million (2021: $153.9 million) mainly comprised the acquisition cost of Mara Rosa and subsequent capex of $193.2 million and operational capex of $141.8 million (2021: $134.4 million). Operational capex was higher mainly due to higher capex for development work at Pallancata to access newly economic resources which have further extended the mine life, and higher mine development capital expenditure in San Jose.

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


EMERGENCIA

STAKEHOLDER ENGAGEMENT

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

Our six key stakeholder groups

Section 172

On these pages, we describe our key stakeholders and summarise the engagement that has been undertaken across the business. How the Board develops an understanding of the interests of stakeholders, and how it considers stakeholders' interests in its principal decisions and the section 172(1) statement can be found in the Corporate Governance Report on page 96.

	Why are they important to us?	**Engagement activities**
Shareholders	Our shareholders are investors and owners of the business. We seek to establish and maintain constructive relations with all shareholders through open dialogue and an ongoing programme of engagement.	We interact with our shareholders through various channels throughout the year with the participation of the CEO, CFO, members of the Board, the Company Secretary and the Head of Investor Relations. Examples of shareholder engagement in 2022 include participation in sector-specific conferences, discussions with proxy voting agencies and with significant shareholders.
Employees	We acknowledge that our success relies greatly on our people. We seek to attract, retain and develop our people through competitive remuneration, a positive and safe working environment and equal opportunities for all.	Employee engagement generally takes many forms and includes the use of surveys, presentations and Q&A sessions with management. Our 2022 programme included: – Group-wide meetings with the CEO on the Company's financial and operational performance; – online forums chaired by Tracey Kerr, the Non-Executive Director designated for Workforce Engagement (see page 65 for further details); – breakfasts with the Chair and senior managers as part of the induction of new employees; and – regular meetings with labour unions to negotiate collective agreements and discuss matters of interest.
Social	We recognise our social commitments to (a) produce the smallest environmental footprint possible and (b) understand the needs and expectations of our local communities. Through close collaboration we implement social investment programmes in our areas of focus.	We adopt a varied approach to engaging with local communities including: – direct interaction with local mayors and residents; – our Permanent Information Office (which re-opened for in-person service in 2021) and town hall meetings; – community surveys; – participation in formal roundtables with the participation of regional authorities; – collaborative activities, for example environmental monitoring; and – the implementation of local purchasing and hiring protocols.

Issues raised in 2022	Additional information
– Peruvian country-risk – The acquisition of Mara Rosa, the Company's first Brazilian asset – Impact of safety events on executive remuneration – Safety performance; and – Board succession.	READ MORE **Corporate Governance Report (Shareholder Engagement) page 95**
– Integration initiatives for the new operations in Brazil and Canada and their contribution to the Group's strategic objectives – Progress of the Group's strategies on Environmental, Social and Governance matters; and – The implementation of initiatives promoting the Group's safety and organisational culture	READ MORE **Sustainability Report (Our people) page 63** **Risk Management (Personnel risks) page 80**
– Environmental issues – Local hiring and purchasing – Provision of education to children and others returning from cities – Terms and conditions of existing agreements with local stakeholders, including access to new land	READ MORE **Sustainability Report (Environment Management & Communities) from page 54** **Risk Management (Environmental risks) page 82** **Risk Management (Community relations) page 83**

	Why are they important to us?	Engagement activities
Government/ Regulators	It is our aim to maintain a constructive relationship and open dialogue with the various governmental authorities we interact with in each of the countries where we operate.	The Vice President of Corporate Affairs oversees regular interaction with relevant authorities and regulators, both at a Company level but also through the National Mining Association. Various teams also regularly interact with public officials and regulators as part of their operational functions. The equivalent role in our Argentinian joint venture is undertaken by the General Manager and General Counsel. We also play an active role through the National Mining Association.
Suppliers/ Lenders	As a key influence on how we operate our business, we seek a relationship of mutual benefit while requiring high standards of conduct.	The General Managers of our Peruvian, Argentinian and Brazilian operations maintain ongoing dialogue with suppliers to the mine sites. Other suppliers are managed by the relevant functional department such as IT, Group Finance, etc.
Customers	Due to the nature of what we produce, Hochschild has relatively few customers. As a result, successful relations with our customers are of critical importance to our business.	Our sales and logistics teams oversee a relationship of co-operation and constant dialogue. During the year, the Company sought to establish new commercial relationships to mitigate the risk of a concentrated customer base and its vulnerability to geo-political developments. In addition to usual relationship management, Hochschild attended CESCO Week in Chile for customer engagement.

	Issues raised in 2022	Additional information
	– Permitting – Social conflicts – Health & Safety and environmental performance and compliance – Contribution to regional development such as through local job creation and investment in social programmes/infrastructure – Discussions with representatives of the Tahltan Central Government on Hochschild's planned activities at the Snip project	READ MORE **Risk Management (Political, Legal & Regulatory risks) page 81**
	– The maintenance of stocks of critical consumables and spare parts to mitigate supply chain risks – Ongoing discussions with suppliers to anticipate price variations due to inflation – With regards to its lenders, the Group maintains an open dialogue with its relationship contacts on relevant developments including operational, social and political issues and their impact on the business	READ MORE **Risk Management (Business Interruption/Supply Chain risks) page 79**
	– Increased logistics costs as a consequence of the Russia-Ukraine conflict – Shipping schedules and the availability of containers due to ongoing challenges relating to logistics	READ MORE **Risk Management (Commercial Counterparty risk) page 78**

Tracey Kerr
Chair, Sustainability Committee

Our commitment to sustainability is not just a business necessity, but a moral obligation to future generations

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

$119.4m
LOCAL PROCUREMENT

5.27
ECO SCORE

33%
FEMALE BOARD COMPOSITION

2nd
RANKING OUT OF 16 MINING COMPANIES IN PERU
(2022 MERCO RESPONSIBILIDAD ESG RANKING)

Dear shareholder

In my capacity as the new Chair of the Sustainability Committee, I am thrilled to share with you the significant strides we have made delivering across our many ESG initiatives during 2022. We're determined not to stand still however, and through our Online Engagement Forum I have had the pleasure of speaking personally with some of our diverse and very talented people to understand what more we can do to improve. We understand that our decisions and actions taken today will shape the world for years to come and the team and I are all dedicated to being a leader in responsible mining. I do hope you enjoy reading about our progress to date and we warmly welcome any feedback.

Serving our Communities

We have forged strong partnerships with our local communities and invested approximately $7.0 million in 2022 to support education, connectivity, health and nutrition, and socio-economic development initiatives. Our efforts have benefited over 2,000 people in Peru who received free medical care, and 687 primary and secondary school students who participated in skills development workshops. Approximately 500 people also gained access to our digital centres, where they received information and communication technology training. Finally, we procured goods and services worth $119.4 million from local providers in Peru, Argentina and Brazil, contributing to the growth of local economies.

Protecting the Environment

We launched our updated Environmental Management System to monitor and improve our environmental performance. Our sustainability efforts were externally recognised through our CDP climate change impact report, which I'm proud to say received a B rating – an improvement on last year and higher than the mining industry average. We also continue working towards net zero emissions by 2050, and plan on setting interim targets for 2030 in 2023, which will serve as a stepping-stone to achieve our goal.

Promoting Health and Safety

We're proud of our outstanding health and safety record, with no fatal or serious accidents occurring in the high-risk field of underground mining in 2022. We also introduced an in-house integrated safety performance indicator – Seguscore – to track and improve vital safety metrics. We retained our DNV Level 7 Occupational Health and Safety Management System rating, reflecting our unwavering commitment to upholding the highest safety standards.

Empowering our People

We offer equal opportunities to all our employees, regardless of their race, gender, religion, ethnicity, age, or any other personal characteristic. Our low voluntary employee turnover rate of just 4% speaks to our positive culture. Mining is a predominately male industry, which historically has had challenges regarding the sexual harassment of female workers. During 2022, we continued assessing our Company with ELSA – a comprehensive diagnostic and intervention tool, which confirms a substantial decrease in harassment cases compared with 2021.

Guaranteeing we are a Responsible Business

Hochschild continues to receive external recognition for our responsible business practices. For the second year running, we were honoured with the EMIN award for Mining Excellence in the South Macro Region, presented by the Peruvian National Society of Industries, the Peruvian Mining Engineers Institute, and the Arequipa Chamber of Commerce. Additionally, we maintained our certification for Anti-Bribery from 'Entrepreneurs for Integrity' and achieved second place among 16 mining companies in the 2022 MERCO Responsabilidad ESG ranking in Peru.

Moving forward, we will launch a new set of ESG KPIs in 2023 that will help us monitor our progress across all these topics. Our goal is to further enhance our ESG practices by launching new projects that promote socio-economic development in our local communities, reduce our environmental footprint through effective climate risk management, assess additional High Potential Events (HPEs) to enhance safety measures, and strengthen our grievance and whistleblower mechanisms to ensure the wellbeing and satisfaction of our employees. I look forward to sharing our progress with you next year.

If you have any comments and feedback on our sustainability activities or report, please reach out to us at sustainability@hocplc.com.

Tracey Kerr
Chair, Sustainability Committee

Our approach to sustainability

Our areas of focus

Hochschild's approach to sustainability

The aim behind our long-term business strategy is to provide an attractive investment proposition for our shareholders, while also enhancing value for all our stakeholders, including our employees, customers, suppliers, and local communities.

To ensure that both these objectives are met, we have focused our efforts and operational delivery on the areas where we can have the biggest impact, supported by our commitment to the United Nations Sustainability Development Goals (UN SDGs). We initially identified these areas through a materiality assessment, which we reviewed in 2021. In this latest review, we determined 14 key environmental, social and governance topics that are vital to both our Company and its stakeholders. The process involved analysing external trends, conducting a peer benchmarking exercise, engaging with stakeholders both within and outside the Company, and comprehensively examining and prioritising material topics.

We undertake a materiality assessment every two years and plan to revisit and refresh it in 2023.

Sustainability Strategy

Minimal footprint	Maximise innovation	Transparency	Robust culture	Best in class

Governance

Good corporate governance is key to ensuring the effective and efficient management of a company, promoting transparency, accountability and trust in the business and its operations, which requires strong guidance and leadership. Our Board of Directors holds the ultimate accountability for creating policies on sustainability, making sure that the Company complies with both international and national regulations, and for establishing sustainability as a source of lasting competitive advantage.

The Board has tasked the Sustainability Committee, an official sub-committee, with the responsibility of overseeing sustainability matters, ensuring compliance and implementing systems and practices effectively throughout Hochschild to manage ESG-related risks and opportunities.

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

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

2022 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Tracey Kerr, Non-Executive Director (Chair)*	Yes	3	3
Graham Birch, Non-Executive Director**	Yes	2	2
Ignacio Bustamante, Chief Executive Officer	No	4	4
Eileen Kamerick, Non-Executive Director	Yes	4	3
Michael Rawlinson, Non-Executive Director***	Yes	1	1
Mike Sylvestre, Non-Executive Director****	Yes	2	2

* Tracey Kerr was appointed member of the Committee on 1 March 2022 and as Chair of the Committee on 26 May 2022.
** Graham Birch stepped down from the Committee on his retirement from the Board on 26 May 2022.
*** Michael Rawlinson stepped down from the Committee on 1 March 2022.
**** Mike Sylvestre joined the Committee on 26 May 2022.

The Committee conducted the following key activities during 2022:

Core areas of focus

- Monitoring the execution of the annual plan in key areas: Serving our Communities, Protecting the Environment, Ensuring Health and Safety, Empowering our People, and Guaranteeing we are a Responsible Business;
- Oversight of the ongoing rollout of the Environment Culture Transformation Plan as well as updates on the progress of the Company's Carbon Strategy; and
- Consideration of the issues raised by employees in the roundtables hosted by Tracey Kerr, Sustainability Committee Chair (see page 65 for further details).

Policy & risk management

- Reviewing and approving the updated Corporate Environmental Policy;
- Benchmarking the risk assessment of the Company's Tailings Storage Facilities (TSF) with reference to the International Council on Mining and Metals' (ICMM) Global Standard on Tailings Management; and
- Reviewing key sustainability-related risks faced by the Company and evaluating the adequacy of the mitigation measures put in place.

Reporting & monitoring

- Approving the Sustainability section for inclusion in the 2021 Annual Report and reviewing the standalone 2021 Sustainability Report;
- Providing oversight and updates on external ESG-related disclosure initiatives, for example the Company's participation in the Carbon Disclosure Project (CDP), MSCI and Sustainalytics; and
- Selecting and adopting ESG-related Key Performance Indicators (KPIs) in alignment with the Company's strategy.

Sustainability reporting

To provide our stakeholders with greater transparency on the impact of climate change on our business, we began participating in CDP surveys and reporting under the Task Force for Climate-related Financial Disclosure (TCFD) framework in 2021. We were encouraged that our CDP climate score for 2022 showed a marked improvement from 2021. More information on our scores can be found on the website.

For climate-specific disclosure, we have published our 2022 report based on the TCFD framework, which can be found from page 68. Using these external disclosure frameworks, we are committed to providing our stakeholders with an ongoing and transparent account of the material topics and to outline the steps we are continually taking to improve our sustainability performance.

In addition, we publish a Sustainability Report that conforms to the requirements of the GRI Universal Standards every two years, with the next one set to be published in 2024. Our previous Sustainability Report, published in 2022 can be found via our website at:

https://www.hochschildmining.com/sustainability/sustainability-reports-and-policies/

Launching new ESG KPIs

After a comprehensive internal review, our Board of Directors approved the publication of new KPIs in May 2022, against which the Company's future sustainability performance will be measured. The ESG KPI dashboard can be found on our website under Our Reporting and Ratings at:

https://www.hochschildmining.com/sustainability/sustainability-reports-and-policies/

We will report our performance against the chosen KPIs on an annual basis. In addition, to track our ESG performance, we will set clear and actionable KPI targets for 2030. The list of tracked KPIs will be supplemented as appropriate, as we continue to monitor their significance.

Serving our Communities

Highlights

61%

LOCAL MINE WORKFORCE VS TOTAL MINE WORKFORCE* (2021: 58%)

$119.4m

LOCAL PROCUREMENT IN PERU, ARGENTINA AND BRAZIL* (2021: $94.7M IN PERU AND ARGENTINA)

$7.0m

SPENT OR DONATED TO BENEFIT LOCAL COMMUNITIES AND LOCAL GOVERNMENTS (2021: $6.8M)

Alignment to UN SDGs

3 GOOD HEALTH AND WELL-BEING

4 QUALITY EDUCATION

8 DECENT WORK AND ECONOMIC GROWTH

* Local refers to people working at the mines or businesses that belong to the regions where the Company operates (Peru: Apurimac, Arequipa, Ayacucho and Cajamarca; Argentina: Santa Cruz; Brazil: Goias).

At Hochschild, we are deeply committed to supporting the local communities where we operate. Our aim is to make a significant and positive impact on the development of these communities. We have identified the following material topics related to this pillar: Positively Impacting Local Communities and Respecting Human Rights.

Our approach to serving our communities

Our approach at Hochschild is to foster strong partnerships with our local communities, while respecting their unique cultural heritage, practices and social dynamics. Since transparent communication is a high priority for us, we keep our communities informed of any relevant Company developments and actively engage them in decision-making processes that may impact them.

Our approach is guided by our Community Relations Policy, which outlines our commitment to building trust, establishing open lines of communication, and actively listening to and addressing community concerns. We work with government authorities to ensure our social investment strategies are implemented successfully and have a long-lasting impact.

Key achievements 2022

– **Digital inclusion:** The Conexion Futuro (*'Future Connection'*) programme aims to increase employability in the rural areas surrounding our mining units in Peru through technical skills training. This initiative is especially intended for communities with a large student population, where digital centres are established to provide them with information and communication technology (ICT) training. Over 180 students from six localities have already benefited from the programme. These centres are equipped with projectors, wireless network systems and sound systems, and access to them is always free of charge. In 2022, one new digital centre was established in Pausa and two were upgraded in Pacapausa and Cascara, communities in Peru. With these new and improved centres, there are a total of 10 centres built since programme launch in 2020, which connect 13 localities in Peru with stable internet access.

Beneficiaries of the 6 Digital Centres in Peru in 2022	491
Students attending technical certification courses	183
ICT issues resolved	1,929
Total internet connections in 13 local communities in Peru	118,264
Average number of daily connections	50

– **Education:** Our educational programme Aprender para Triunfar (*'Learn to Succeed'*) not only provides academic support to primary school students in the areas of mathematical reasoning and reading comprehension, but also emphasises the development of socio-emotional and entrepreneurial skills for secondary school students. In 2022, we conducted workshops with over 450 secondary school students and 181 primary school students, trained 13 primary school teachers and 51 secondary school teachers as well as facilitated eight parent-teacher meetings. Ultimately, this programme benefited 675 students and 64 teachers.

To cater to the needs of the mining industry specifically, we sponsor higher education opportunities in technical subjects relevant to this industry through our Becas Futuro (*'Future Scholarship'*) programme. In 2022, 30 students were enrolled in higher education programmes and 64 received sponsorship for trade certifications related to work at a plant, mine, laboratory, among others.

Beneficiaries of the Aprender para Triunfar programme in 2022	739
Secondary school students who attended workshops	494
Primary school students who attended workshops	181
Number of trained teachers	64
Number of parent-teacher meetings	8
Beneficiaries of the Becas Futuro programme in 2022	94

– **Health and nutrition:** The Siempre Sanos (*'Always Healthy'*) programme implemented in partnership with the Peruvian Health Ministry addresses the medical needs of local communities. As part of this programme, we organised five campaigns with multi-speciality medical professionals to offer free medical care to these communities, reaching over 2,000 people.

Beneficiaries of the Siempre Sanos programme in 2022	2022
Number of multi-speciality medical campaigns	5

The Estimulación Temprana (*'Early Stimulation'*) programme supports new parents with infant nutrition and educates community members on preventive care. In 2022, more than 2,000 people benefited from the programme. Sixteen health promoters – trained by us and from within the communities – carried out almost 1,500 home visits to improve parents' knowledge of early child development. Furthermore, experts in specialised nutrition and early stimulation carried out 160 visits in local communities near the Inmaculada mine. We are pleased to report that there was a 51% reduction in child anaemia cases in this area in 2022, compared to the previous year.

Number of health promoters	16
Number of home visits carried out	1,459
Number of home visits carried out by specialised nutrition and early stimulation personnel	160
Reduction in child anaemia cases in local communities near the Inmaculada mine	51%

– **Economic development:** Hochschild's Impulso Productivo (*'Boosting Productivity'*) programme seeks to strengthen local entrepreneurs' business management skills and improve their market access to three food production-related areas: guinea pigs, poultry and vegetables. As a part of this programme, we were especially successful in setting up a collection centre for fruits and vegetables in San Javier de Alpabamba. We worked with 134 agricultural producers, who sold approximately $26,000 worth of guinea pigs, chicken, vegetables and other local produce in 2022 to our food service provider and to the local market. We are proud to announce that in August 2022 we won first place in the Proactivo awards under the 'Large Mining' category for this programme.

A noteworthy part of this programme involved providing support to members of the Asociación de Productores Agroindustriales de Paucar del Sara Sara (Asapapssa) to help them in certifying their avocados as organic. Our support covered the cost of the certification process, including the pesticide analysis conducted by a third-party company. Along with 19 other partners, our efforts allowed these producers to export around 16 tonnes of organic avocados to the European market in 2022.

In a bid to further support the economic development of our communities in Peru, we began the Orgullo Pecuario (*'Pride in our Livestock'*) programme in 2016. In 2022, we provided 776 livestock producers with personalised technical assistance to improve the health of their livestock. Moreover, we carried out animal health campaign activities and provided support for the management of almost 140,000 camelids and cattle.

Beneficiaries of the Impulso Productivo programme in 2022	134
Sales of guinea pigs, chickens and fruits & vegetables	~$ 26,000
Beneficiaries of the Orgullo Pecuario programme in 2022	776

Material topics in serving our communities

Positively impacting local communities

At Hochschild, our communities are one of our most important stakeholders. We established and implemented a Social Engagement Strategy – which includes our Community Relations Strategy – to help broaden our impact beyond the Company's four walls. Our aim is to foster a mutually beneficial relationship with 57 communities in our direct area of influence – approximately 7,000 families. To this end, we engage in a regular dialogue with our community members centred around four strategic themes: education, connectivity, health and nutrition and socio-economic development. We gather detailed feedback through focus groups, site visits and meetings with authorities to understand our social impact. Additionally, we have established Permanent Information Offices near the Inmaculada mine and in Pallancata to serve as a central point of contact for communities to ask questions or express concerns about our mining operations. We received 56 grievances and enquiries in 2022 in Peru and Brazil, and responded to all of them, with an average response time of 14.7 days.

Number of engagements with local communities in Peru	993
Response rate to grievances and enquiries	100%

We strive to generate local employment opportunities and aim to gradually increase this over time. In 2022, local employment, including people from communities near our mining sites and from the provinces where we operate in Peru, Argentina and Brazil, accounted for 61% of the total mine workforce.

Hochschild made social investments of approximately $7.0 million in 2022 towards projects in the aforementioned four strategic areas, in ad-hoc philanthropic campaigns and in providing technical assistance to municipalities. Of this amount, $3.4 million was provided to the Santa Cruz province in Argentina through a publicly managed Trust Fund, 'Proyecto UNIRSE', which finances diverse social projects. We are delighted to report that these investments have positively impacted the lives of over 30,000 individuals.

Education	$1,057,733
Health and nutrition	$580,150
Socio-economic development	$765,468
Philanthropic campaigns	$247,276
Culture and Communication	$106,613
Donations	$445,000
Local governments support	$3,823,737

Respecting human rights

We have operationalised our commitment to human rights in the policies and procedures throughout our entire business enterprise. Key examples of this include updating our Whistleblowing portal to allow the registration of human rights violations/grievances and revising all our contract templates to reflect our commitment to the UN Universal Declaration of Human Rights. Our Human Rights Policy from 2020, which is aligned with internationally recognised human rights standards and frameworks, remains in effect for all our contractors and suppliers.

> "Hochschild is committed to upholding and respecting human rights within the Company and throughout our value chain."
>
> **Jose Augusto Palma**
> VP Legal and Corporate Affairs

Protecting the Environment

Highlights

5.27

2022 ECO SCORE (VS TARGET OF 5.00)

58%

REDUCTION IN POTABLE WATER CONSUMPTION COMPARED WITH 2015 (2021: 53% REDUCTION)

46%

DECREASE IN DOMESTIC SOLID WASTE GENERATED COMPARED WITH 2015 (2021: 48% REDUCTION)

Alignment to UN SDGs

Hochschild is committed to acting with responsibility towards the environment and to ensuring our business processes are environmentally sound. We have identified the following material topics related to this pillar: Climate Change Resilience, Water Management, Innovation through Technological Solutions, Safeguarding Biodiversity and Natural Resources through effective Land Use, and Responsible Management of Waste and Tailings.

Our approach to protecting the environment

Our Environmental Policy guides all our actions with the goal of minimising the environmental impact of our mining and metal production activities. These measures include reducing water usage, improving energy efficiency and increasing the use of recycled waste among other environmentally-conscious measures.

Key achievements 2022

- **Environmental Management System (EMS):** To enhance our environmental performance, we updated our Environmental Management System in 2022. The newly designed EMS was introduced in January 2023, with an internal announcement to mark its launch. Our EMS outlines 15 key processes and is aligned with ISO 14001:2015. Additionally, we created an EMS handbook, which was distributed to all our facilities. In 2023, we will take further steps to implement and reinforce our EMS practices by creating specific environmental management documentation for each of our mines. For further details on the processes of the EMS, please visit our website.
- **Environmental Culture Transformation Plan:** Our Environmental Culture Transformation Plan aims to foster and embed an eco-friendly culture across our business and operations. Key initiatives include the Environmental Ambassadors Programme and the Environmental Processes Optimisation Programme.
  - **Environmental Ambassadors Programme:** In 2022, we formed the second group of environmental ambassadors for the mining units in Peru and Argentina. Our 35 ambassadors in Peru and 43 in Argentina were tasked with promoting a fundamental Company value: environmental responsibility in everything Hochschild does. The ambassadors were managed by the environmental superintendent of the relevant mining unit, who monitored and evaluated their performance. A training plan was established to provide the ambassadors with all the necessary resources required to effectively communicate information and instructions on environmental issues. Their tasks included participating in awareness-raising and cultural transformation campaigns, accompanying inspectors on monthly environmental inspections, and conducting field visits around the mining units.

- **Environmental Processes Optimisation Programme:** We set up this programme with the aim of assessing environmental risks across our operations and implementing the most appropriate environmental controls. To this end, we formed interdisciplinary groups in each mine, and presented them with specific environmental problem statements. In 2022, we focused on two challenges: controlling dust on roads and improving containment in tailings pipelines. At the end of the year, teams presented their final proposals with the potential to be selected for implementation.

– **ECO Score: A Hochschild innovation:** Hochschild developed an innovative indicator – the ECO Score – to achieve a best-in-class environmental footprint. This tool enables us to measure our environmental performance as a single, easily understandable number. The ECO score serves as a powerful and innovative tool for managing environmental issues, holding employees accountable, and generating value for all stakeholders.

Every year, we review the target range for our ECO Score. Since 2021, this was between 5 and 6, our toughest goal yet. We were able to achieve excellent results in 2022, obtaining 5.27 out of 6, and we also achieved our best result yet for the environmental culture compliance indicator at 96.5% (compared with a target of 95%).

"

Hochschild is dedicated to reducing its greenhouse gas emissions, as addressing climate change is of utmost importance to the Company."

David Vexler
Corporate Sustainability Director

To incentivise continuous improvement within the Company, we set a higher corporate target at 5.25 for 2023, and we will work towards achieving the highest possible score.

Additionally, we established more stringent targets for water consumption and domestic waste generation. The target for water consumption was reduced to 193 litres/person/day (previous target of 250 litres/person/day) and the target for domestic waste generation was also lowered to 1 kilogram/person/day (previous target of 1.5 kilograms/person/day) for 2023. More importantly, we improved our Environmental Culture inspection checklist criteria and assessment methods by drawing on lessons learned from the previous years. With the implementation of the EMS, we will endeavour to find and address any previously unidentified environmental issues and incorporate them as specific assessment criteria for each mine.

The 2022 Eco Score results were independently assured by EY Peru following the International Standard on Related Services (ISRS) 4400. Information on the ECO Score and how it is calculated can be found under:

https://www.hochschildmining.com/sustainability/environment-and-climate-change/

Material topics in protecting the environment

Climate change resilience

At Hochschild, we recognise the urgency of addressing climate change and are determined to play our part by continuously reducing our greenhouse gas (GHG) emissions. Our aim is to reach net zero GHG emissions by 2050. As part of our reduction pathway towards that goal, we will be setting interim targets for 2030. These targets will require us to improve our energy efficiency and increase our reliance on renewable energy sources. In 2022, we sourced 81% energy from renewable sources.

Our mining operations in both Peru and Argentina have a lower GHG emissions intensity compared to other gold and silver mines globally (1.81tCO_2e/koz Ag eq; 0.13 tCO_2e/oz Au eq). This is a result of our underground mining operations having lower emissions compared to open pit mines, utilising low-carbon grid-based electricity, and prioritising the use of renewable energy when available. For instance, we signed a new contract to source renewable energy for the Ares and Arcata mines in January 2022.

Greenhouse gas emissions data[1, 2] (tonnes of CO_2e)	2022	2021[3]	2020	2019	2018	2017	2016	2015	2014
Emissions from combustion of fuel and operation of facilities (tCO_2e)	43,196	46,339	40,647	39,341	38,939	47,265	46,033	46,892	73,244
Emissions from total purchased electricity (tCO_2e)[4]	68,116	58,133	41,254	82,833	85,084	94,249	91,893	78,163	69,933
Emissions from purchased electricity – non-renewable sources (tCO_2e)[5]	13,389	12,820	6,591	n/a	n/a	n/a	n/a	n/a	n/a
Total Scope 1 & Scope 2 emissions (tCO_2e)[6]	**111,312**	**104,472**	**81,901**	**122,174**	**124,023**	**141,514**	**137,926**	**125,055**	**143,178**
Emissions intensity, per thousand ounces of total silver equivalent produced (CO_2e/k oz Ag)[6,7]	3.57	3.11	2.76	2.64	2.60	3.16	3.27	3.70	5.08
Scope 3 emissions (tCO_2e)	**29,736**	**29,029**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Energy consumption	476,691,426	465,027,594	366,955,382	446,288,131	n/a	n/a	n/a	n/a	n/a
From combustion of fuel (kWh)[8]	158,749,673	165,114,299	132,414,133	143,763,206	n/a	n/a	n/a	n/a	n/a
From purchased electricity (kWh)	317,941,753	299,913,295	234,541,249	302,524,925	n/a	n/a	n/a	n/a	n/a

1 Method used based on ISO 14064-1 Standard and GHG Protocol Corporate Accounting and Reporting Standard, using IPCC and Peruvian emission factors. Gases included in the calculation of all three scopes: CO_2, CH_4, N_2O.
2 Includes data for the whole year for Peru (former and current operating assets, Azuca, warehouses and office locations), Argentina (San Jose and Buenos Aires office) and London office. The Group's UK operations consist of a single office with an occupancy of three. Its total Scope 1 and Scope 2 emissions and energy consumption represent less than 0.01% of the Group's reported totals
3 Restated following a review of underlying data and external verification of the emissions from Inmaculada, Pallancata, Selene and San José.
4 Location-based emissions. Total purchased electricity from both renewable and non-renewable sources.
5 Market-based emissions. Excludes electricity purchased from renewable sources, hydropower in Peru and wind power in Argentina.
6 Emissions (and intensity) reflect combustion of fuel and operation of facilities (Scope 1) and purchased electricity (Scope 2) – location-based emissions.
7 Total production includes 100% of all production, including that attributable to the joint venture partner at San Jose.
8 Collected information has been converted to kWh from gallons of fuel using net calorific values obtained from the Peruvian Ministry of Environment. Corresponds to fuel calculated for Scope 1.

Hochschild oversees and manages climate change-related risks at the highest governance levels through its Sustainability Committee and the Audit Committee. In terms of environmental-related reporting, our climate change impact report for CDP received a B rating, which was an improvement from our C rating in the previous year and higher than the average rating of C for the mining industry. Our TCFD report details specific information on our approach to managing climate risks and opportunities, including governance, strategy and risk management, which can be found on page 68.

Water management

Hochschild has established a strategy for responsible water management to make optimal use of water resources. In 2022, 84.3% of all water used in processing plants was recycled, minimising intake of freshwater. At the Inmaculada mine, 78% of the water used was reclaimed (2021: 75%), at the Selene mine, the figure was 99% (2021: 99%) and at the San Jose mine, it was 69% (2021: 77%). It is noteworthy that the Inmaculada mine operates in an area with high water stress, and the Selene mine operates in an area with medium-high water stress. We closely monitor water discharge to the environment to ensure it complies with national regulations, with around 2,000 parameters monitored annually.

In 2022, we continued reducing our water footprint at the Inmaculada mining site in line with the project implemented as part of the Blue Certificate programme by the Peruvian Water Authority (ANA). The project, implemented in 2021, consisted in recirculating treated water from the domestic water treatment plant to the processing plant. Our water savings in 2022 amounted to 61,062m^3, equivalent to a 17% reduction of the annual industrial freshwater consumption at the Inmaculada processing plant.

Water use in our operations* (m^3)

Year	Freshwater used in processing plants (m^3)
2020	454,527
2021	589,904
2022	651,066

*Inmaculada, Selene and San Jose mines.

In addition, we are proud to report that the potable water consumption rate in 2022 was the lowest to date, a result of the successful implementation of several initiatives. These included installing electro-valves to improve water use and control, running a communication campaign around the efficient use of water and maintaining high quality water pipelines.

Potable water consumption (l/person/day)

2022	2021	2020	2019	2018	2017	2016	2015
171.21	192.83	230.67	206.01	224.78	214.08	293.71	408.35

Innovation through technological solutions

Our dedication to innovation allows us to embrace new technologies and apply them to our business. In 2022, we launched an Innova campaign with the goal of reducing our environmental impact by incorporating technology and innovation into our processes, proposed by our workers. We received proposals via our innovative projects portal, which will be evaluated to determine which projects are feasible for implementation.

An example of one such project came from plant workers in the San Jose mine in Argentina, who proposed an improvement to the water recovery process. They identified an opportunity to increase the efficiency of the water recovery plant, maximising water recovery and drastically reducing the need for freshwater in the processing plant. The project was implemented in January 2021 and saved an estimated 12,335 m^3 of freshwater within the first 12 months of operation. The team received an award in recognition for their innovative proposal.

We have also held talks on innovation to inspire and encourage creativity within our business, with topics such as electrification of mining vehicles being discussed. The talks reached an audience of over 100 people.

Safeguarding biodiversity and natural resources through effective land use

In recognition of Peru's status as one of the world's most biodiverse countries, and the proximity of our operations to national protected areas, Hochschild has included biodiversity as a priority in its revised 2022 Environmental Policy. Biodiversity needs are included in the monitoring and planning of activities and operations to avoid any undue nature-related risks and impacts. In the future, we intend to set ambitious nature-positive targets.

To protect the ecology around our mining units, a specialist consulting firm conducts surveys of the ecosystems surrounding our mining units twice a year, in both the rainy and dry seasons. The results of these surveys confirmed the overall health of the ecosystem in 2022.

In order to protect biodiversity and to increase awareness on this topic, Hochschild developed a 'Knowledge Trail' in the municipality of Mara Rosa, with full accessibility for people with special needs. Open to the public since September 2022, the Trail is an environmental and heritage education project aimed at the communities of Mara Rosa, Amaralina and the neighbouring localities. The trail, which spans approximately 400 metres, features 13 activity stations showcasing over 10 years of research on the Cerrado biome ecoregion and local communities.

In 2022, Hochschild Mining's Peruvian operator, Compañía Minera Ares, continued its partnership with Profonanpe, a Peruvian trust fund for national parks and protected areas, to preserve and conserve the Cotahuasi Landscape Reserve. Based on the Reserve's Master Plan, four strategic components were prioritised:

i) Structural management: Improving the Reserve signage to demarcate the Reserve's boundaries and to clearly identify tourist attractions.

ii) Response to natural disasters: Providing equipment (uniforms and tools) to the fire brigade within the Reserve. Holding training courses on fire control techniques, fire risks and hazards, personal safety among other topics for firefighters.

iii) Environmental education: Holding educational conventions on biodiversity integrating the local schools and the general public.

iv) Sustainable economic activities: Supporting local entrepreneurship through the 'Emprendedores por Cotahuasi' programme. In 2022, 3 business proposals from local communities received funding, benefiting 336 individuals.

Responsible management of waste and tailings

Hochschild recognises the damage that hazardous and non-hazardous waste can cause if not managed correctly. To minimise risk, we have extensive Waste Management Plans in place. As a results of these efforts, including the implementation of the ECO Score, domestic waste generation has decreased by 45.9% since 2015.

Domestic waste generation (kg/person/day)

2022	2021	2020	2019	2018	2017	2016	2015
1.05	1.00	1.18	1.04	1.13	1.13	1.33	1.94

Hochschild has 11 tailings storage facilities in total, nine of which are downstream with rock buttresses and two with central berms with impoundments on both sides. Of these, four are currently operational – two in Peru and two in Argentina. To ensure the stability of our operational tailings facilities, we conduct external audits every two years. The latest audit took place in 2021 and concluded that all dams were stable, with only minor maintenance-related observations. An action plan addressed these issues in 2022. Our next audit is scheduled for later this year.

Hochschild provides induction and training on the policies regulating TSF management for employees. We fully support the need for greater transparency in the mining sector and therefore disclose comprehensive details on each of our TSFs and their management. We published our updated Church of England report on TSFs, based on the ICMM Global Industry Standard on Tailings Management under:

https://www.hochschildmining.com/sustainability/sustainability-reports-and-policies/.

READ MORE

See **hochschildmining.com** for further details on the Group's TSFs

Ensuring Health and Safety

Highlights

0
WORK-RELATED FATALITIES
(2021:2)

93
SEVERITY INDEX
(2021: 676)

1.37
LTIFR
(2021: 1.26)

Alignment to UN SDGs

At Hochschild, we understand that our employees are our most valuable resource, and with the high-risk nature of mining, prioritising their safety is crucial to our operations and overall success. We firmly believe that a healthy and motivated workforce plays an important role in driving the growth of our Company. Our material topic relating to this pillar is: Occupational Health, Safety and Wellbeing.

Our approach to health and safety

Everyone at Hochschild has a responsibility to work in the safest manner possible. The Company recognises that a highly engaged workforce, where individuals are proactively looking out for their own and others' safety, is vital to managing safety and health risks.

Key achievements 2022

- **Accidents:** We are extremely pleased to report that no fatal accidents occurred in 2022, demonstrating a robust safety performance despite the high risk associated with underground mining.
- **Safety 2.0:** To embed a Company-wide safety-first culture, we upgraded our Safety Action Plan to Safety 2.0 in 2020 based on seven fundamental aspects. These included providing technical training, developing a feedback culture, giving awards for standout behaviour and linking compensation with safety amongst others. As a part of this plan, we officially launched the Seguscore after a period of internal testing in January 2022. The Seguscore is an in-house integrated safety performance indicator, which incorporates proactive safety indicators such as internal inspection results, as well as traditional safety indicators such as frequency, severity, and high potential events.

Hochschild obtained a Seguscore of 9.7 out of 10 in 2022, based on a score of 5 out of 5 under the traditional reactive indicators, and a 4.7 out of 5 on the proactive indicators. In 2023, we plan to keep improving our Seguscore by incorporating key lessons from the previous year. Two main areas of focus include encouraging active employee leadership in safety and increasing the role of health and safety leaders at our mining units.

Another feature of Safety 2.0 is an in-house tailored risk perception programme we developed in 2021 to improve our employees' and contractors' understanding of safety-related risks. The programme focuses on six parameters covering areas such as fatigue, daily habits and time management, all of which are presented by internal instructors certified by us. The training is conducted regularly to ensure that all employees and contractors have a chance to participate and take an active role in promoting safety. In 2022, two rounds of the training were held with a 92% attendance rate among mining employees in Peru. The second round particularly emphasised the lessons learned from recent safety incidents at Hochschild.

– **Investigating and learning from safety incidents:** No significant safety-related incidents occurred in 2022. Minor incidents that occurred were investigated in a timely manner and appropriate measures were implemented. We remained diligent in our commitment to safety by continuing to assess the potential occurrence of High Potential Events (HPEs), which refer to events that could result in serious injury or lost time. When an HPE occurs, our CEO holds a meeting to conduct a thorough investigation and develop a corrective action plan. During 2022, six HPEs were evaluated.

  To enhance road safety and provide our drivers with greater control, all our personnel transport buses are equipped with integrated GPS as well as a speed and fatigue control system. This system collects data that is analysed through a business intelligence dashboard, aimed at predicting potential incidents. The implementation of this system was based on the lessons learned from a safety incident that occurred in 2021.

– **Wellbeing:** To support the mental health and wellbeing of our employees, we promoted the Conversemos en familia ('Talk as a family') programme in 2022 in Peru. The programme consisted of nine one-hour online sessions with 20 to 30 participants per session. The topics covered included healthy eating, internet risks, financial education and breast cancer prevention. Based on the positive feedback received, we intend to continue these sessions in 2023 and will be revising the themes of the talks to keep them relevant and topical.

Material topic in health and safety

Occupational health, safety and wellbeing

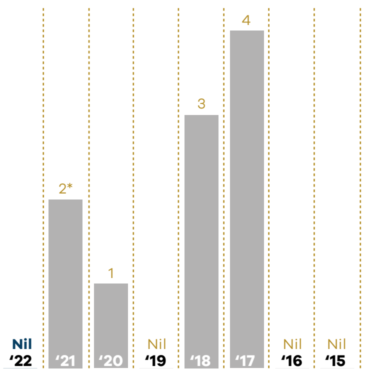
The health, safety and wellbeing of our employees and contractors is integral to our business. We adopt practical measures to avoid workplace fatalities, eliminate occupational health hazards and support employee wellbeing.

To ensure a safe working environment, we implement a systematic risk management approach, supported by our Occupational Health and Safety (OHS) Management System. In H1 2022, the OHS System received certification from DNV at Level 7 after an external audit, which applies to all our operating units. Additionally, internal cross-audits were conducted by Hochschild-trained Auditors in H2 2022, and all findings were promptly addressed.

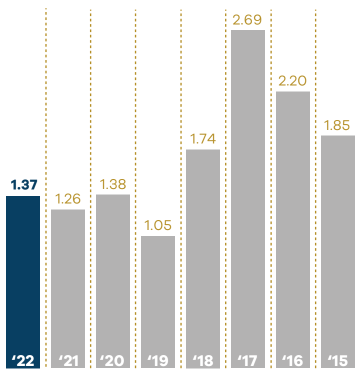
> Hochschild offers a healthy and secured workplace in which our employees as well as contractors can feel safe and thrive."
>
> **Eduardo Landin**
> Chief Operating Officer

Safety performance

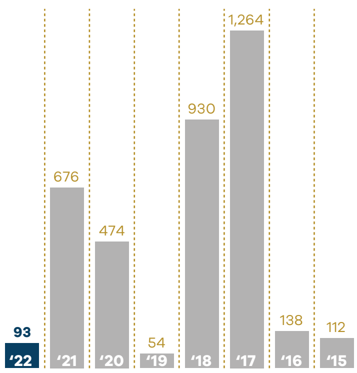
Fatal accidents



Lost Time Injury Frequency Rate (LTIFR)



Accident Severity Index



* Taking into account the ICCM's Health and Safety Guidance, the Sustainability Committee took the view that the Pallancata bus highway accident would not be reportable by Hochschild in its safety KPIs as it took place outside of Hochschild Mining's operation and involved third-party transportation.

Empowering our People

Highlights

4%
VOLUNTARY EMPLOYMENT TURNOVER (2021: 5%)

9%
FEMALE WORKERS VS TOTAL WORKFORCE (2021: 9%)

33%
FEMALE REPRESENTATION AT BOARD LEVEL (2021: 33%)

Alignment to UN SDGs

Our people are absolutely pivotal to the success of our business. By creating a supportive work environment, we can improve employee satisfaction and increase retention rates. We identified the following material topics relating to this pillar: Labour Relations, Diversity and Inclusion, and Recruitment, Retention and Engagement.

Our approach to supporting our people
Underpinning the importance we place on our people, we are committed to providing a safe and healthy workplace, an inclusive work environment, offering competitive compensation and benefits, implementing wellness initiatives, investing in professional development and promoting work-life balance.

Key achievements 2022
- **Internships for women:** We believe diversity brings new and innovative ideas that contribute to our overall business success. Our focus on gender diversity in a predominantly male industry is reflected in the launch of our Mujeres de Oro ('Women of Gold') internship programme in 2020. This programme offers rotations across eight different departments (including safety, community relations, and environment), mentorship, training, and the potential for a permanent career with Hochschild.

In its first year, 10 women completed the programme and were hired at the Inmaculada mine. In 2022, 11 women enrolled in the programme and are still continuing their training.

We are honoured to have received the 'Empresa Segura, Libre de Violencia y Discriminación contra la Mujer' (Safe Company, Free of Violence and Discrimination Against Women) Gold award from the Ministry of Women and Vulnerable Populations in Peru. This recognition is given every two years to companies that support non-discrimination and non-violence towards women.

- **Anti-sexual harassment:** Hochschild has a strict policy of zero tolerance towards any form of harassment, including sexual harassment. To tackle this issue proactively, we implemented ELSA, a comprehensive diagnostic and intervention tool developed by GenderLab. ELSA measures four key indicators: tolerance, prevalence, confidence and myths through the means of an employee survey. Based on the results of our initial survey in Peru in 2021, we launched an action plan that included a communication campaign and e-learning training on sexual harassment. Our second ELSA survey in 2022 showed a positive outcome, with increased awareness of sexual harassment-related issues and a decrease in people that experienced some form of sexual harassment from 51% to 8% in Peru compared with 2021. We identified areas for improvement, such as increasing awareness of our Anti-Harassment Policy and providing further training, which we will continue to work on.
- **Listening to our people:** As part of the Board's efforts to gain a greater insight into the views of its employees, we launched the Online Employee Forum hosted by Tracey Kerr as the designated Board member for workforce engagement (see opposite page).

Material topics in our people

Diversity and Inclusion

At Hochschild, diversity and inclusion are deeply embedded in our corporate culture and equal employment opportunities are provided to all employees.

We are committed to providing equal employment opportunities for all, regardless of race, gender, religion, ethnicity, age or any other distinguishing characteristic or trait. Our Diversity and Inclusion Policy outlines our commitment to promoting diversity, including the education and development of women in the workplace. As of 2022, 33% of our Board of Directors and 12% of senior management were women, and we are striving to increase this representation.

We firmly believe in the merits of a multi-generation team, as can be seen in our workforce with its varied age composition. Younger and older employees working together bring benefits such as mutual learning, mentorship opportunities, and the acquisition of new skills and competencies.

Labour Relations

We recognise and uphold the principle of freedom of association in accordance with the laws and practices of the countries in which we operate, fair compensation, job security and professional development opportunities. In 2022, approximately 55% of our total workforce was represented by a trade union or similar body. We did not record any strikes or lockouts during 2022.

Recruitment, Retention and Engagement

We are committed to recruiting and retaining a skilled workforce by creating an attractive and innovative place to work. In 2022, nearly 90% of our employees were permanent full-time workers, with a low voluntary turnover rate of 4%. Additionally, we ranked second among 18 mining sector companies in Peru in the Merco Empresas corporate reputation ranking, and placed 23rd out of top 100 companies in Peru based on our talent retention and attraction efforts.

People indicators

Gender diversity*	2022	2021	2020	2019	2018	2017	2016
Number of employees							
Male	**3,282**	3,347	3,155	3,024	3,894	3,849	3,859
Female	**316**	316	275	218	245	235	222
Number of senior managers							
Male	**44**	43	41	37	37	36	35
Female	**6**	2	1	1	1	1	1
Number of Board members							
Male	**6**	6	7	7	7	7	8
Female	**3**	3	2	1	1	1	1

* As at 31 December 2022.

Age structure	Employees	Board
<30	556	1
30-50	2,637	0
>50	405	8

Contracts in 2022	Permanent employees	Fixed term contracts
Male	2,961	321
Female	276	40
Total	3,237	361

Online Employee Forum

Tracey Kerr hosted two sessions of the OEF which were also attended by the Vice President of Human Resources and the Company Secretary. These events provided an opportunity for Tracey to get to know colleagues across the organisation, seek their views on a wide range of issues and host a Q&A session.

The inaugural OEF was held with colleagues from the Lima and Buenos Aires offices and the second with colleagues from the new Mara Rosa project, in Brazil. Participants represented different departments including Human Resources, Sustainability, Finance and Project Management.

Feedback on areas of strength:

- Wide-ranging opportunities within the organisation.
- Supportive working environment.
- Acknowledged the Company's efforts to promote gender diversity.

Feedback on areas to develop:

- Continued push for innovation.
- Opportunities to integrate IT systems.
- The continuation of the series of events organised around the Company's cultural attributes.

At the Mara Rosa OEF, Tracey took the opportunity to understand views on perceptions of the success or otherwise of the transition following the acquisition of the project in April 2022. Colleagues expressed their satisfaction with the integration process and valued their participation in Company-wide online events which also provided simultaneous translation in Portuguese.

"

We are very excited to write the next chapter for Hochschild in Brazil."

Participant in Mara Rosa OEF

Guaranteeing we are a Responsible Business

Highlights

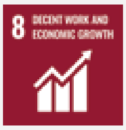
6 out of 9

DIRECTORS CONSIDERED TO BE INDEPENDENT

RECOGNISED BY THE EMIN AWARD FOR MINING EXCELLENCE

RETAINED THE ANTI-BRIBERY CERTIFICATION FROM THE ENTREPRENUERS FOR INTEGRITY

Alignment to UN SDGs



We are dedicated to operating with responsibility and implementing strong corporate governance systems that drive positive economic, social and environmental outcomes. We identified the following material topics related to this pillar: Responsible Business Conduct and Ethics, Advocacy for Positive Change and Responsible Supply Chain Management.

Our approach to responsible business

We are unwavering in our commitment to ethical business practices and are dedicated to maintaining the highest standards of honesty and integrity in all our relationships and transactions. Our approach to ethical business practices goes beyond meeting legal and regulatory obligations and involves fostering a corporate culture aligned with shared values.

Key achievements 2022

- **Policies:** In 2022, we thoroughly revised and updated our Prevention and Criminal Compliance Manual and Interaction with Public Officials Policy. Our operations in Peru and Argentina underwent evaluations for corruption risks in accordance with the Compliance Manual.
- **Recognition:** We retained our previous certification on anti-bribery from the organisation Entrepreneurs for Integrity. Although no audit was required in 2022, we successfully passed an assessment to re-confirm our eligibility and implemented the latest standards to maintain our certification. We are proud to have once again received the EMIN award (Mining Excellence of the South Macro Region) from the Peruvian National Society of Industries and the Arequipa Chamber of Commerce in Peru.

"

We place great importance on ensuring that we are part of a value chain that protects human rights, safeguards the environment, and promotes sustainable outcomes."

Claudia Revilla
Environmental Officer

Material topics in Ensuring we are a Responsible Business

Responsible business conduct and ethics

As a company committed to responsible business practices, Hochschild is honoured to have received external recognition for our standards in governance.

Hochschild is committed to upholding the highest ethical standards in our operations and supply chain. Our Board is responsible for ensuring that our Company values are reflected in our behaviour. To embody this, we have established a Code of Conduct, along with supporting policies, that apply to all individuals acting on behalf of the Company. Our Code of Conduct outlines the ethical standards and values that we expect of our employees to promote responsible behaviour, establish accountability and foster a positive corporate culture. To ensure these standards are upheld, during 2022 we reviewed the Code, and distributed copies to all employees in early 2023. In addition to the Code of Conduct, our supplementary policies cover topics such as anti-corruption, anti-bribery and money laundering prevention amongst others. Any violations of the Code of Conduct are considered serious misconduct and handled with utmost urgency. The Company has a long-established Whistleblowing Policy and an online portal to provide employees with a mechanism to raise concerns, anonymously or otherwise. Hochschild offers protection to all employees who file a complaint or make enquiries regarding the Code of Conduct, provided they act in good faith. We have a policy of zero tolerance towards retaliation.

Advocacy for positive change

We proactively collaborate with policy makers, practitioners, and the civil society to discuss, shape and approve new initiatives that improve mining and environmental regulations. To promote ESG guidelines and practices in the mining industry, we actively participate in industry associations and professional forums such as the Sociedad de Minería and Petróleo y Energía (SNMPE) in Peru, Cámara Argentina de Empresarios Mineros (CAEM) in Argentina as well as the Confederação Nacional da Indústria (CNI) in Brazil.

Responsible supply chain management

We place great importance on ensuring that we are part of a value chain that protects human rights, safeguards the environment and promotes sustainable outcomes. For this reason, our suppliers are required to comply with our updated Supplier Code of Conduct, which was distributed in 2022. The Code outlines adherence to specific standards related to human rights, work practices, hiring and purchasing, compliance with regulations, ethical business practices and the environment. Our Contracts Policy, which outlines the rights and responsibilities between us and our suppliers, was also revised in 2022. We prioritise ethical decision-making throughout the entire metal production process and promote the safe and responsible manufacturing, usage, recycling and disposal of metals.

Climate change is one of the greatest challenges facing society. The mining sector has a key role to play in helping the world transition to net zero and Hochschild Mining is committed to playing its part. Below we have provided information consistent with the TCFD's recommendations and recommended disclosures or cross-referred to other parts of this Annual Report where such information can be found.

Pillar 1 – Governance:
Disclose the organisation's governance around climate-related risks and opportunities

Recommended Disclosure 1:
Describe the board's oversight of climate-related risks and opportunities

Hochschild Mining PLC's (Hochschild or the Company) Board of Directors engages with senior management through quarterly meetings of the Sustainability Committee on strategic planning and risk management and assesses if management is consistently achieving sound operations. Sustainability and ESG topics, including climate change and climate risks, are becoming an increasingly important aspect of Hochschild's operations and stakeholders.

Currently, there is no formal process in place yet for the Board of Directors to monitor and oversee progress against Greenhouse Gas (GHG) emissions and climate goals and targets. This governance process will be established once the GHG and climate related targets have been set, and monitoring, governance and reporting programs have been established. This work is already in progress as evidenced by the quantification and reporting of GHG emissions, the development of a carbon reduction strategy and the completion of a Climate Risk Assessment (CRA) on key physical assets owned and managed by the Company.

Sustainability Committee

Since 2006, the Sustainability Committee (previously known as the CSR Committee) has been delegated authority from the Board of Directors in overseeing the implementation of systems dealing with, amongst other things, environmental matters as well as compliance with the Company´s environmental commitments. The Sustainability Committee consists of four Independent Directors and the CEO. Regular attendees are the COO and the Vice Presidents of Legal and Corporate Affairs, and Human Resources.

Given the scope of the Sustainability Committee's responsibilities (summarised above), it will make the necessary recommendations to the Board of Directors in connection with matters such as climate change and GHG emissions that are material to Hochschild´s operations and economics. The Sustainability Committee also focuses on compliance with national and international standards to ensure that effective practices are in place at each of Hochschild's operations. It is also responsible for reviewing management's investigation of incidents or accidents that occur in order to assess whether policy improvements and additional procedures are required.

The quantification of climate related financial risk implications is ongoing and will progressively be completed, in line with future CRAs. The Company will integrate climate related financial risks and the associated decision-making process into the financial planning process once the assessment quantifying the financial risks is complete. The Company aims to start reporting the financial risks in the next 2 years.

For details on the activities of the Sustainability Committee in 2022, please refer to page 53.

Recommended Disclosure 2:
Describe management's role in assessing and managing climate-related risks and opportunities

Managing risk
The monitoring of climate-related risks and opportunities ultimately resides with the Management Risk Committee (the MRC), which is responsible for implementing Hochschild's policy on risk management and monitoring the effectiveness of controls in support of Hochschild's business objectives. The MRC meets four times a year and more frequently as required. The MRC is comprised of the CEO, Vice Presidents, Country General Managers and the head of the Internal Audit function. In preparation for the MRC meetings, the Internal Audit head meets with the Sustainability Director to review climate risks and controls. See page 76 (Risk Management report) for further information.

Environmental management
The Sustainability Director (previously the Environmental Corporate Manager) reports to the VP, Legal and Corporate Affairs and to the CEO. The ESG team, led by the Sustainability Director, collects and reports on ESG data such as energy, GHG emissions, water consumption, waste generation, etc. and oversees the development of corporate sustainability disclosures and communications with external stakeholders on Hochschild's ESG performance.

Pillar 2 – Strategy:
Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material

Recommended Disclosure 3:
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term

Hochschild is committed to assessing and reducing its exposure to climate-related financial risks. The Company has completed a CRA for all existing operations, has crafted a carbon neutral strategy that will place the Company in a position to achieve net zero operations by 2050 and aims to set 2030 interim targets in 2023.

The Company is in the process of evaluating how to track physical and transition risks, as well as opportunities, which could have a potential impact to business. A detailed Transitional Risk Assessment (TRA) will be conducted during the next 2 years, including prediction of market opportunities and social and regulatory liabilities, allowing Hochschild to start reporting on the quantitative side of climate impacts. The detailed TRA, in conjunction with the completion of ongoing internal physical risk assessments of existing and planned assets, will be used to inform the quantification of climate related financial risks to the Company.

For the purposes of this TFCD disclosure, a high-level assessment of risks and opportunities deemed to be important either by stakeholders or due to potential impact or likelihood was derived by considering risks and opportunities under RCP 2.6 (low warming scenario) and is presented below. The risks were qualitatively assessed as short (1–3 years), medium (3–5 years) and long-term (5+ years). Hochschild is in the process of examining these time horizons as they relate to the Company, taking into consideration operational processes and life of mine, assets and infrastructure. By virtue of the longer-term time horizon of the physical risks of climate change, these are not considered to be material for the operations within the time horizon of the Company's current average operating life of mine.

A summary of the assessment of physical risks, transitional risks and opportunities arising from these risks are as follows:

Transitional risks – The initial review identified the following transitional risks which are not exhaustive but were deemed to be important either by stakeholders or due to potential impact or likelihood. A qualitative assessment of the time horizons for each of the risks have been identified in brackets below:

- **Current regulations** (short-medium term) – Many of Hochschild's customers are taking regulatory and/or voluntary positions to reduce energy and GHG emissions in their operations. Those more mature organisations are now requiring and pushing for GHG emission reductions in the value chain. While Hochschild is not yet exposed to these requirements, it is understood that this will happen, and as such, Hochschild has committed investment and demonstrated leadership in technology for future growth in alignment with intersecting global industry megatrends – including electrification, software and more.
- **Emerging regulations** (medium term) – Mining continues to be a highly regulated industry where multiple permits are required leading to increased delays and costs. Changes in the legal, tax and regulatory landscape could result in significant additional expense, restrictions on or suspensions of operations and may lead to delays in the development of current operations and projects. Emerging carbon regulations will also impact operational costs as renewable portfolio standards, renewable fuel requirements and carbon taxes will directly and indirectly increase the cost of fuels and energy sources.

  Carbon targets, like those being established in the UK (Net Zero by 2050), Peru (reducing GHG emissions by 30% by 2030), and Argentina (absolute, economy-wide and unconditional goal of limiting greenhouse gas emissions to 313 $MtCO_2e$ (excl. land use, land use change and forestry by 2030) are likely to directly increase future capital costs as Hochschild integrates and adopts more energy efficient and lower emissions technologies in mining operations.
- **Technology** (long term) – Technological advancements have the ability to impact both operational competitiveness as well as demand for Hochschild's products. For example, the increased adoption of renewable energy technologies and electric vehicles will likely play a role on the path to achieving carbon neutrality and increase the demand for Hochschild's metal products. However, operationally, off-road vehicle and engine manufacturers can be slow to adopt to low/no-carbon products and as such, there is only a handful of market players offering these products. Much like the electric light duty vehicle market, this is a short-term transition that will be mitigated as more manufacturers enter the market and the market matures. Adopting these technologies has the potential to hinder Hochschild's competitiveness in the short term (i.e. increase costs and reduce EBITDA) but would improve Hochschild's social licence to operate and move the Company towards its climate goals. Renewable energy technologies and electric vehicles will also likely require increased battery demand for energy storage which is also a risk in the short term as battery storage is relatively new; over time, this risk will dissipate.

  Hochschild has recognised this risk and as part of its strategy, actions include improving processes on energy conservation and transitioning to power sourced from renewable energy.
- **Legal** (medium term) – If no action is taken on climate change and GHG emissions, Hochschild could be at risk to climate-related legal action, reputational issues (social licence to operate) and investor risk which could materialise as increased costs, longer permitting delays, higher interest loans, or reduced access to capital. Given what is occurring in jurisdictions, like Canada and the US, where lawsuits have been filed against oil and gas companies for climate-related impacts, the Company anticipates that over the medium to long term, should no action be taken to reduce/eliminate its carbon footprint, there could be a carbon legal-related risk to Hochschild. Hochschild has not experienced legal issues regarding climate change-related issues.

  Hochschild is keeping abreast of regulatory changes such as carbon tax undertaken by host governments where it operates or have current project developments. For example, while Peru does not levy a tax on carbon, other countries such as Argentina, Chile and Canada impose carbon taxation, which can directly impact the operational cost of the business as well.
- **Market** (long term) – Hochschild is currently monitoring the risk of changing demand for its metal products under a low-carbon economy. Under a 2 degree scenario, it is likely that there will be an increase in the uptake of battery powered vehicles and 5G networks which increase the demand for silver. For example, most internal combustion cars use between 15g and 28g of silver, whereas hybrid cars require between 18g to 34g, and electric vehicles typically need upwards of 50g. Bloomberg estimates that by 2040, 55% of vehicles on the road will be electric which means more demand for silver. Gold demand could also play out well under a 2 degree scenario as the metal can be used in nanomaterial technologies (e.g., enhance hydrogen fuel cell performance and solar PV) that can help facilitate the transition to a low-carbon economy. In light of these opportunities, Hochschild also sees a downside of not managing their own environmental and social footprint as under a 2 degree scenario, Hochschild's customers and investors will expect them to perform to higher standards as part of their procurement and investment criteria. This may result in uncertainty in market signals and increased cost of raw materials which may impact the Company. Hochschild continuously engages with their customers to understand their requirements and align with their goals. Hochschild has also begun to mitigate these risks by implementing a carbon neutral strategy, completing a climate risk assessment, and are continually pushing internally to improve their ESG performance and scorecard.
- **Reputation** (medium term) – Poor performance with respect to managing the risks and opportunities of climate change could result in reputational impairment. This could lead to public and regulatory opposition to

Hochschild's projects and/or operations or lead to a potential increase in cost-of-capital and perceived risk amongst the investor community. For example, Hochschild may suffer from reputational risk and may be liable for losses arising from environmental hazards associated with its mining activities and production methods. In Peru, protests relating to mining projects have increased social demands and expectations and have led to wider social unrest. Communities living in the areas surrounding Hochschild's operations may oppose the activities carried out at existing mines or, with respect to development projects and prospects, may invoke their rights to be consulted under new laws. A number of actions were taken during the year to maximise Hochschild's ability to work with partner communities which included:

- increased efforts to collect and process information and intelligence regarding potential social conflicts;
- increased interaction with local governments and other key stakeholders;
- continue to maximise local hiring and local purchasing practices; and
- continue executing social programmes with surrounding communities.

Investors are increasingly requiring companies to demonstrate strong ESG credentials especially regarding climate change and requesting that companies adequately demonstrate a commitment to reducing CO_2 emissions and mitigating climate change risks to assets and business operations into its long-term business strategy.

– **Physical risks (Acute and Chronic)** (short-long term)

A CRA was completed on five mine properties – the Arcata Mine, Pallancata Mine, Inmaculada Mine, Selene plant and the San Jose Mine, considering the physical medium- and long-term nature of climate-related issues (2020s to 2050s) under RCP 8.5 scenario (high warming).

The methodology deployed to assess physical risk will be replicated every four years for all assets to identify climate-related physical risks to assets over their operational lifespans and to develop adaptive actions to reduce these risks.

The CRA identified several high and medium risks to the infrastructure and operations at the Hochschild mines in Peru and Argentina. The high risks are to be evaluated on a regular basis and risk reduction measures used to reduce the possible impacts to the mines' operations.

Peru

Of the 34 identified risks at each of the Peru mine sites under future climate conditions, 5 or 15% of the risks were rated as 'high', 11 (32%) were ranked a 'medium' risk and the remaining 18 (53%) of the risks were classified as low risk.

– The highest risk was associated with intense rainfall affecting the tailings facilities/tailings dams at the mine sites. The high risks are associated with the potential failures of the tailings containment facilities/dams, which would most likely result in shutting down the mine operations, thus having a major impact on the Company's overall business operations.
  - Intense rainfall resulting in rising water levels upstream of the dam face would increase the hydraulic loading on the dam structure. If the loading is large enough a failure may occur.
  - Intense rainfall could erode parts of the dam structure creating weak points for failure.
  - A series of intense rain/snow melt events has the potential to raise the levels of the tailings pond to the point it might overtop the dam, resulting in discharge to the environment.

Four additional infrastructure-climate hazards interactions scored as high risks were identified for each of the Peru mine operations assessed:

– Transportation (road, site roads, mine access roads, etc.) was found to be at high risk due to intense rainfall events. The amount of rainfall and resulting runoff, often intensified by the local topography and steep slopes, has the potential to wash out the roads, impacting access to the mine site and local mine operations.
– The drinking water supply system was found to be at high risk due to intense rainfall. Runoff associated with intense rainfall events could wash sediments/other contaminants into the local lakes/rivers that are used as a raw water source for drinking water at the mine sites.
– The mine infrastructure, which includes buildings as well as underground mine operations, are at high risk to the impacts of lightning/atmospheric discharges. Lightning strikes at or near the mines can create extreme voltage surges which can damage electrical mine equipment, resulting in disruptions to the mine operations.
– Communications infrastructure (e.g. towers) was found to be at high risk to lightning strikes/atmospheric discharges.

Argentina

Of the 34 risks identified at the San Jose mine under future climate conditions, four or 12% of the risks were rated as 'high', 12 (35%) were ranked a 'medium' risk and the remaining 18 (53%) of the risks were classified as low risk.

– The highest risk score at the San Jose mine under future climate was associated with drought affecting the process facilities at the mine sites. Drought conditions could have a significant impact on the Company's business objectives as a shortage of water could negatively impact the mines ore treatment processes.

High risks were also identified for the following infrastructure-climate hazards interactions:

– Processing facilities being impacted by freezing days (found to be at high risk under both current and future climate). Interruption of the ore processes at the mine due to freezing of pipes will have a material effect on the mine's and Company's operations.
– Drinking water supply impacted by drought conditions.
– Communications infrastructure impacted by lightning/atmospheric discharge.

Tailings containment facilities/dams under the effect of intense rainfall were found to be at medium risk which was lower than the risks at the Peru mines due to the expected lower probability of intense rainfall events under future climate conditions. However, the high severity rating, and similar consequences described for the Peru mines, indicates Hochschild should monitor the tailings facilities/tailings dams for damages or early warning signs of potential failure after any intense rainfall event despite the lower probability of occurrence.

Climate opportunities

- **Increased revenues resulting from increased demand for products and services** (long term) – The demand for Company´s products may increase as a consequence of regulatory or market curtailments. For example, under a 2 degree scenario, there is likely to be an increase in the uptake of battery powered vehicles and 5G networks which incorporate silver and gold in the manufacture of their hardware components. Bloomberg estimates that by 2040, 55% of vehicles on the road will be electric which means more demand for silver. Gold will also play out well under a 2 degree scenario as the metal can be used in nanomaterial technologies (e.g., enhance hydrogen fuel cell performance and solar PV) that can help facilitate the transition to a low-carbon economy.
- **Improved market capitalisation** (medium term) – Investors are demanding that companies improve their long-term sustainability/ESG performance to reduce climatic and climate-related risks while improving shareholder value and social and environmental wellbeing. Current market and shareholder pressures with regards to 'sustainable investments' and consideration of climate change in investment could potentially impact Hochschild´s share price over the medium to long term simply on the basis of the Company´s ESG rating. In consequence, the Company is heavily focused on improving their ESG performance. This is evidenced by the robust standalone 2021 Sustainability Report, the ECO Score programme, continuing efforts to strengthen the Company's environmental culture, and carefully managing climate-related risks and their impacts by the completion of a climate change risk assessment (2021) and the implementation of a carbon strategy (recently completed in 2022) to continually reduce the GHG emissions.
- **Fuel-switching/Energy saving technologies** (medium-long term) – The Company´s carbon emissions primarily result from electricity use in mining and processing operations. Hochschild´s operations have a favourable GHG emissions intensity (1.81 tCO_2e/ k oz Ag Eq – market based / 0.13 tCO_2e/ oz Au Eq – market based) compared to other gold and silver mines globally. This is due to the underground nature of their mining operations (which generally have lower GHG emissions than larger open pit mines) and a low-carbon, grid-based electricity supply which is around 81% sourced from hydro or wind power. However, acknowledging the global significance of climate change, the Company is committed to taking the necessary measures to continually reduce their GHG footprint by evaluating additional low-carbon energy options and improving their operational energy efficiency, which also helps to deliver valuable cost savings to the business. Hochschild is currently implementing a carbon strategy (recently completed in 2022) to continually reduce their GHG emissions, the Company has set a net zero target for 2050 and in 2023 aims to establish an interim target for 2030. As part of this, the Company has signed a new contract to source renewable energy for the Ares and Arcata mines starting in January 2022.

Taking into consideration the transition risks, physical risks and opportunities arising from these risks, Hochschild is developing strategic initiatives to address climate-related issues projected to arise in the short, medium and long term wholistically to balance short-term risks and opportunities with long-term risks and opportunities. Once climate-related impacts on current and future development that could have a material financial impact on the organisation are reviewed and assigned to a short-medium- or long-term time horizon, they will be mapped across time.

Short-term climate impacts may include impacts imposed (by regulation) or anticipated (through voluntary action) by Hochschild's customers. Over the medium term, it is likely that climate-related regulations will be expanded to cover Hochschild's activities directly. Making investments in technology, infrastructure, and business practices that may result in short-term costs will not only allow Hochschild to establish a position in the market for low-carbon supply chain but will also prepare Hochschild to meet the demands of future direct regulation. Studying long-term issues such as the practicality of mine infrastructure maintenance as well as closure and remediation under more extreme weather scenarios predicted for future climate will also play a role in Hochschild's short-term decision-making.

The insight from the combination of the physical and transitional risk assessment under specific conditions at Hochschild´s mines will be extrapolated to opportunities for future Company developments.

Recommended Disclosure 4:
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning

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

Hochschild has completed a CRA and a carbon strategy to put the Company on a path towards net zero operations by 2050, and aims to set 2030 interim GHG targets in 2023.

GHG emissions are being proactively reduced through the increased use of renewable power. New mines (excluding those in progress in 2022) will be assessed to be electric where possible.

Hochschild conducted an initial review of climate-related physical and potential transitional risks in 2021 and will expand the review of transitional risks of climate change and the potential impacts on the Company. Additional assessment on quantifying financial risks implications is ongoing and will be progressively completed, in line with future CRAs. The Company will integrate climate related financial risks and the associated decision-making process into the financial planning process once the assessment quantifying the financial risks is complete. The Company aims to start reporting the financial risks in the next two years.

A specific five-year strategic objective, approved by the Board of Directors in its annual review during 2022, relates to the Company's ESG performance including its progress, over that period, in managing its impact on climate change. Progress against this, and other strategic objectives will be monitored by the Board of Directors and, where appropriate, the relevant Board Committee.

Key Board decisions take into account the impact on a wide range of stakeholders as required by company law and, as a result, reflect among other things, social and environmental consequences.

Recommended Disclosure 5:
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Climate modelling uses various greenhouse gas (GHG) emissions scenarios, known as Representative Concentration Pathways (RCPs), to project future climate variables under different concentrations and rates of release of GHGs to the atmosphere, as well as different global energy balances. The 4 original RCPs which refer to the concentrations in 2100 are: RCP2.6; RCP 4.5; RCP 6.0; and RCP 8.5. RCP 2.6 assumes that global annual GHG emissions peak between 2010-2020, with emissions declining substantially thereafter, while RCP 8.5, assumes that emissions continue to rise throughout the 21st century.

Hochschild has assessed current and future climate risks related to infrastructure for select mines in Peru and Argentina under RCP 8.5 and 2.6, as defined by the Intergovernmental Panel on Climate Change (IPCC) as follows:

- RCP 8.5 is being used to assess the physical impacts that climate change could have on Hochschild's operations and infrastructure. The time horizon has been set between the 2020s and the 2050s as this aligns with Hochschild's mines current and projected operational lives and decommissioning phases.
- RCP 2.6 is being used as the <2°C Scenario to align with the mid-century goals of the Paris Agreement and is being used to assess Hochschild's transition risk assessment which evaluated possible market (electric vehicles), regulatory (e.g., carbon pricing), technology and renewable energy risks/opportunities (e.g., increased adoption of renewables resulting in improved ROI).

Climate adaptation and resilience measures to minimize risks of climate change and extreme weather were identified. The Company will further assess impacts through a full scenario analysis examining physical and transitional risks.

Hochschild implements risk reduction and adaptation measures to improve the resilience of the mines exposed to the impacts of climate change and associated extreme weather events as needed, taking into consideration site-specific resilience and adaptation measures, and will continue to do so based on the results of future risk assessments. For instance, Hochschild has taken water conservation measures to address water scarcity, such as enhancing water recovery at its San Jose mine. Additional assessment on quantifying financial risks implications is ongoing and will be progressively completed, in line with future climate risk assessments. The Company aims to start reporting the impact of climate-related issues on financial performance and financial position in the next two years.

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

Recommended Disclosures:

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

Risk management
Climate change risk has been identified by the Company as one of the principal risks facing the business. As such, this risk and its mitigation actions are monitored on an ongoing basis by the MRC and Environmental Management and reported to the Audit and Sustainability Committees and the Board of Directors on a quarterly basis. For details on Hochschild Mining's general approach to risk management and mitigating actions taken in 2022, please refer to page 76 (Risk Management report).

Environmental reporting regulations (current and emerging) are monitored on an ongoing basis by the environmental and legal teams to incorporate into this analysis.

As part of the CRA, Hochschild utilised a risk rating system to assess physical climate change risks for each climate hazard/event-infrastructure element interaction. Each interaction is assigned a consequence/severity of impact rating, which is then multiplied by the probability of the occurrence (return period) of the climate hazard/event. The risk rating/risk score is defined as the product of two ratings as illustrated in the equation:

Risk Rating =
Probability of Climate Event Occurring
× Consequence or Severity of Impact

Probability Rating represents the probability (likelihood) of occurrence of a climate hazard or event above a selected threshold. Probability is based on Hochschild's risk management system, ranging from 1 (Low) to 3 (High).

- Consequence/Severity of Impact Rating is a measure of the expected damage and/or associated loss of service associated with the infrastructure component should the climate event occur and interact with the infrastructure. Consequence/Severity scores are based on Hochschild's risk management system and range from 1 (Insignificant) to 5 (Very High).
- Using Consequence/Severity of Impact scores of 1 to 5, and Probability ratings of 1 to 3 produces a 3x5 risk matrix. Risks scores were calculated under current climate conditions to establish a baseline, as well as for the future climate (2050s (2040-2059)). Hochschild risk manage system uses three risk categories (Low, Medium, High) with associated recommended actions.

Risks or losses from climate change or other natural events are being continuously monitored and reviewed as part of ongoing operations. Where an unacceptable risk is identified, asset level mitigation plans are developed and are the responsibility of local management.

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

Recommended Disclosures:

– 9. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

– 10. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

Hochschild crafted a remuneration policy aligned with their business strategy. One of the principal objectives of the Remuneration Policy is to align management incentives with the creation of shareholder value. Hochschild seeks to achieve this alignment over both the short and long term through the use of an annual performance-related bonus, which rewards the achievement of a balanced mix of financial, operational and other relevant performance measures, and the use of a Long-Term Incentive Plan (LTIP) which is linked to longer-term critical measures of financial and non-financial performance. Once the GHG and climate related targets have been set, they will be assessed for their inclusion as part of performance measures.

Non-financial performance indicators related to climate metrics are included in Hochschild's individual employee performance targets. To form a link between the Company's environmental performance and risks, the ECO Score programme was established in 2015, which brings together the management/mitigation of environment and climate change risks. The ECO Score programme incorporates quantitative and qualitative indicators directly related to environmental management.

Performance against the annual ECO Score objective determines the extent of annual bonus payouts to eligible employees, thereby aligning interests to reduce Hochschild's environmental footprint. The results are shared across Hochschild on a monthly basis.

The Sustainability Committee is charged with making sure Hochschild, as a company, is meeting Sustainability and ESG targets. As part of the ECO Score, Hochschild monitors water usage and waste recycling.

In addition, many of Hochschild financial KPIs reflect the financial impact of climate change risks and opportunities such as Revenue, AISC (operating and production costs), EBITDA (overall profitability). Other financial indicators reflect the impact of such risks/opportunities such as asset impairments, market valuation. Hochschild will continue to explore metrics to quantify climate-related financial risks implications in their operations.

Targets and results

In 2022, Hochschild's ECO Score was 5.27 out of 6, exceeding the stretch target of 5.00. The 2022 results are independently verified by EY Perú following the International Standard on Related Services (ISRS) 4400. For additional details on the ECO Score, visit https://www.hochschildmining.com/sustainability/environment-and-climate-change/

Since 2015, the ECO Score has improved by 59%, reflecting a significantly higher level of environmental efficiency. To incentivise continuous improvement, Hochschild has set a target of 5.25 out of 6 for 2023.

Due to the importance of water and climate-related risks, Hochschild minimises water consumption as much as possible and has set a new target of 193 litres per person per day of potable water for 2023. Between 2015 and 2022, the Company has reduced potable water consumption by 58%.

Freshwater used in processing plants is also closely monitored, with the intention to continue reducing its consumption over time. In 2022, 84.3% of all water used in processing plants was recycled, minimising intake of freshwater. Improvements were made at the Inmaculada mine, where 78% of the water used was reclaimed in 2022, compared to 75% in 2021. Another key indicator that forms part of the ECO Score is waste generation, with a new target for 2023 of 1 kg per person per day of domestic waste generation. Between 2015 and 2022, the Company has reduced waste generation by 46%.

In 2020, an Environment Culture Transformation Plan was launched to further embed an environmentally conscious culture across the Company and to achieve the set long-term performance goals. Three work streams were identified to drive continuous improvement:

– **People** – communicating the importance of respecting and conserving the environment to the Company´s workforce and stakeholders.
– **Technical** – focusing on the continuous improvement of Hochschild's environmental performance. During 2022, an Environmental Management System (EMS) was developed and it launched in January 2023.
– **Technology and Innovation** – incorporating best practices and utilising new technologies to reduce Hochschild's environmental footprint.

There is a committee that meets periodically to oversee progress.

Hochschild has been reporting on Scope 1 and 2 GHG emissions since 2014, and scopes 1, 2 and 3 since 2022. These are calculated using a method based on ISO 14064-1 Standard and the GHG Protocol Corporate Accounting and Reporting Standard, using IPCC, Peruvian and Argentinian emission factors.

GHG emission reduction targets are proposed in the carbon strategy that will put Hochschild on a path towards net zero operations. In 2023, Hochschild aims to finalise the 2030 interim target that will be assumed by the Company in order to achieve this goal and then will set a formal process for the Board of Directors to monitor and oversee progress against these targets. These targets will require the Company to continue calculating the company's GHG footprint, improve their energy efficiency and increase the reliance on renewable energy sources. In 2022, Hochschild sourced 81% energy from renewable sources.

Incorporation of metrics such as amount or percentage of assets/activities vulnerable to climate-related physical and transition risks, percentage of revenue aligned with climate-related opportunities, capital investment deployed for climate-related risks and opportunities will be assessed upon completion of the detailed transitional risk assessment.

Recommended Disclosure 11:
Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Please refer to the Environmental section of the Sustainability Report on page 59 for details on the Company's Scope 1, Scope 2 and Scope 3 GHG emissions.

For the purposes of Listing Rule 9.8.6R (8), we have concluded that, through this report (and the parts cross-referred to which are incorporated herein by reference), the Company has complied with the Listing Rules requirements with regards to the TCFD Recommendations and Recommended Disclosures with the exception of the items detailed in the following table. In addition, 2030 interim targets are expected to be set during H1 2023 in order to achieve Net Zero by 2050.

TCFD Pillar / Recommendation	Status	Next steps
1	Partially consistent	The governance process will be established once the GHG and climate related targets have been set, and monitoring, governance and reporting programs have been established.
2	Consistent	–
3	Partially consistent	A detailed Transitional Risk Assessment (TRA) will be conducted during the next 2 years.
4	Partially consistent	The quantification of climate related financial risk implications is ongoing and will progressively be completed, in line with future CRAs. The Company will integrate climate related financial risks and the associated decision-making process into the financial planning process once the assessment quantifying the financial risks is complete. The Company aims to start reporting the financial risks in the next 2 years.
5	Partially consistent	Hochschild will further assess impacts through a full scenario analysis examining physical and transitional risks.
6	Consistent	–
7	Consistent	–
8	Consistent	–
9	Partially consistent	Hochschild will continue to explore metrics to quantify climate-related financial risks implications in their operations. In 2023, Hochschild aims to finalize the 2030 interim target that will be assumed by the Company in order to achieve the net zero by 2050 goal and then will set a formal process for the Board of Directors to monitor and oversee progress against these targets. Once the GHG and climate related targets have been set, they will be assessed for their inclusion as part of performance measures.
10	Consistent	–
11	Consistent	–

Our risk appetite approach is to minimise our exposure to reputational, compliance and excessive financial risk, whilst accepting a certain level of risk to achieve our strategic goals.

Management of the Group's operations and execution of its growth strategies are subject to a number of risks, the occurrence of which could adversely affect the performance of the Group. The Group's risk management framework is premised on the continued monitoring of the prevailing environment, the risks posed by it, and the evaluation of potential actions to mitigate those risks.

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

Risk appetite

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

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

2022 risks

Details of the principal and emerging risks affecting the Group and the associated mitigating actions are provided on the following pages. The risks presented differ from those reported in the 2021 Annual Report in the following respects:

(i) the additions of:

a) Liquidity Risk given the potential financial ramifications of a denial of, or extended delays in obtaining, the Inmaculada Modified Environmental Impact Assessment

b) Project Development which, as described later, reflects the importance to the Group of the mitigation of risks associated with the construction of the Mara Rosa mine in Brazil; and

(ii) the removal of Covid-19 as a significant risk in light of the full vaccination status of the Company's employees in Peru and Argentina, and the overall reducing trend in both the number of cases and the likelihood of severe illness. This notwithstanding, the Company maintains close oversight of the health of its employees and is ready to re-implement enhanced health protocols whenever necessary.

Reasons for the year-on-year change in the profile of a specific risk can be found in the commentary section of the relevant risk, which also provides an outlook on the risk for the current financial year.

Outlook

At the time of approval of this Annual Report, Peru continues to suffer from significant social unrest following the detention of former President Castillo and the appointment of President Dina Boluarte. As discussed further below, this has resulted in heightened levels of risks related to:

– operational performance;
– business interruption/supply chain;
– exploration;
– political, legal and regulatory;
– labour relations; and
– community relations.

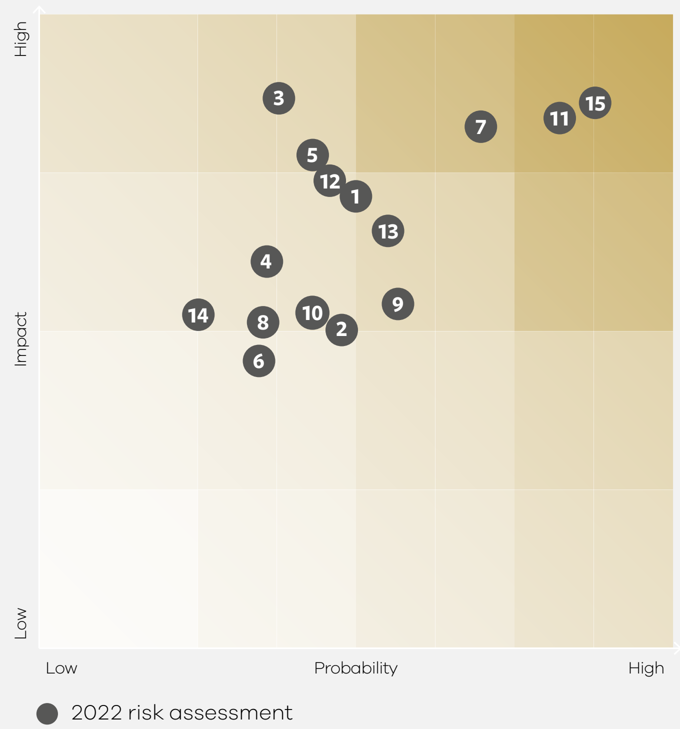
Risk heat map

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

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

1. Unchanged – Commodity price
2. Unchanged – Commercial counterparty
3. New – Liquidity
4. Unchanged – Operational performance
5. Unchanged – Business interruption/supply chain
6. Unchanged – Information security and cybersecurity
7. Unchanged – Exploration and reserve and resource replacement
8. Unchanged – Personnel: recruitment and retention
9. Unchanged – Personnel: labour relations
10. New – Project development
11. Higher – Political, legal and regulatory
12. Lower – Health and safety
13. Unchanged – Environment
14. Unchanged – Climate change
15. Higher – Community relations

Key: Unchanged | Higher | Lower | New



Change in risk profile vs 2021

Unchanged Higher Lower N New

Financial risks

Risk	Impact	Mitigation	Commentary
1 **Commodity price** (Unchanged) See the Market Review on pages 10 to 13 for further details on how commodity prices performed in 2022	Adverse movements in precious metal prices could materially impact the Group in various ways beyond a reduction in the financial results of operations. These include impacts on the feasibility of projects, the economics of mineral resources, heightened personnel retention and sustainability related risks.	– Constant focus on maintaining a low all-in sustaining cost of production and an efficient level of administrative expense. – Policy to maintain reasonable levels of financial leverage to ensure flexibility through price cycles. – Flexible hedging policy that allows the Company to contract hedges to mitigate the effect of price movements taking into account the Group's asset mix and forecast production.	The Group's principal strategy to mitigate against commodity price volatility is focused on conserving capital and optimising cash flow through: – controlling operating and administrative costs; – optimising sustaining capital expenditure; and – maintaining low working capital. As previously reported, the Group hedged 4 million ounces of silver for 2022 at an average price of c.$27 per ounce to protect cash flows in Peru. In addition, the Group has hedged 3.3 million ounces of silver for 2023 at $25 per ounce. These hedges will ensure profitable production from existing resources mainly at Pallancata.
2 **Commercial counterparty** (Unchanged)	Insolvency of a customer or other business counterparty (bank, insurance company, contractor, etc) could result in the Group's inability to collect accounts receivable or to access funds or to receive services which could adversely impact the Group's profitability.	– Active assessment of customers and business counterparties. – Risk mitigation practices seeking to diversify the Group's customer base and/or to limit the size of shipments. – Ongoing assessment of methods to mitigate collection risk.	During the year, the Group undertook the following: – Annual counterparty analysis: The Company's annual review of existing customers entails analysis of corporate governance, balance sheet strength and other aspects of credit quality. Counterparty risk is also mitigated through the requirement for advance payment of 90–98% of the value of the end-product sold. Where considered necessary, parent guarantees are obtained. – The Company implemented a banking solution that allowed us to accelerate the receipt of revenue from concentrate sales while transferring the risk to financing partners. – Review of financial counterparties: The Group has implemented policies to identifying suitable financial counterparties to support the Group's treasury and insurance needs. On an ongoing basis, the Group has adopted a number of practices such as the placing of limits on cash balances invested with financial institutions and monitoring credit ratings.
3 **Liquidity** (N)	The availability of financing, including a new US$200 Medium Term Loan Committed Facility signed in Q4 2022, is conditional on the approval of the Inmaculada MEIA which, once secured, will see the Inmaculada mine continue in operation until 2043. Denial of, or significant delays in securing, the Inmaculada MEIA, could therefore have a material adverse effect on the Group's business, financial condition and results of operations.	– A cross-disciplinary team, led by the Vice-President of Legal and Corporate Affairs and the Corporate Director of Sustainability comprising specialist consultants and advisers engage on a regular basis with the relevant governmental authorities to support the official review process of the Inmaculada MEIA	As at the date of this report, the permitting process for Inmaculada's Second Modified Environment Impact Assessment ("MEIA") continues and the Company's revised expectation is a decision by the Peruvian government during Q2 2023. The Company believes that the outcome of the permitting process will be positive. In light of the continued delays in securing the Inmaculada MEIA, management has implemented a number of cash optimisation measures including: – Reductions in administrative and other operating costs; – Deferral of capital expenditure; and – Hedging a proportion of 2023 production from Inmaculada. A plan of contingency measures has also been prepared in collaboration with the Company's financial advisers in the event that a denial of the Inmaculada MEIA or additional significant delays in its approval were to occur. The principal lenders are informed of the contingency measures and are supportive.

Operational risks

Risk	Impact	Mitigation	Commentary
4 **Operational performance** (Unchanged)	Failure to meet production targets and manage the cost base could adversely impact the Group's profitability.	– Close monitoring of operational performance, costs and capital expenditure as well as the overall profitability at all stages of the mining value chain. – Monitoring the adequacy and safety of key mining components such as tailing dams, waste rock deposits and pipelines in close liaison with relevant departments ensuring that procurement, construction and permitting are undertaken appropriately.	In 2022 the Group's production was 25.8m silver equivalent ounces. In setting budgets for the year, the Group continued to focus on maintaining controlled levels of costs, capital expenditure and expenses. As reported in the Financial Review from page 36, the all-in sustaining cost from operations was in line with guidance for the year, at $18.9 per silver equivalent ounce (excluding exceptional items). **Outlook** Inmaculada MEIA Failure to secure approval of the Inmaculada MEIA (see Liquidity risk commentary above) would result in a suspension of operations at Inmaculada during H2 2023 until a new MEIA is approved. The specific date of suspension will depend on operational factors that are being evaluated.

Risk	Impact	Mitigation	Commentary
5 **Business interruption/ supply chain** —	Assets used in the Group's operations may cease to function or the provision of supplies or of electricity may be disrupted (e.g. as a result of technical malfunction or earthquake damage) thereby causing production stoppages with material effects.	– Insurance coverage to protect against major risks. – Management reporting systems to support appropriate levels of inventory. – Inspections every 18 months by insurance brokers and insurers (to coincide with policy renewals) assist management's efforts to understand and mitigate operational risks. – Negotiation of long-term power supply contracts and the procurement of contingent generators and transformers.	In addition to maintaining insurance policies covering machinery breakdown, mitigating actions include the following: – the use of a Maintenance Module of SAP HANA to monitor critical supplies and inventory; – maintaining back-up equipment to ensure power supply in Peru and Argentina; and – a Crisis Response Plan (CRP) on how to mount a co-ordinated response to unforeseen disruption. Specifically with regards to supply chain risks, the Company: – has identified alternative suppliers for numerous critical consumables; – has restored stocks of critical consumables and strategic spare parts to pre-pandemic levels; – requires, of certain suppliers, the maintenance of minimum stock levels; and – monitors the financial position of key suppliers.
6 **Information security and cybersecurity** —	Failure of any of the Group's business critical information systems as a result of unauthorised access by third parties may affect the Group's ability to operate.	– Compliance with ISO 27001, an internationally recognised certification to evaluate information security management systems. – Dedicated team within the IT department focused on preventing cyber-attacks. – Audits performed by the internal audit department and third parties to test systems and issue recommendations. – Primary information processing supported by SAP Hana which has best-in-class security features.	Security of the Group's information and networks are guaranteed through the following means: – we have world class cybersecurity tools supported by artificial intelligence that secure and protect our network as well as our computer assets and the information that resides in them. Additionally, we have a CiberSOC (Cyber Security Operation Center) that works 24x7 to monitor the different events and possible attacks that may arise; – every year we perform ethical hacking evaluations to identify possible vulnerabilities at the level of our technological infrastructure as well as the different applications that we use to operate; – we train colleagues and keep them informed about the risks that exist relating to cybercrime and information theft, as well as good practices associated with cybersecurity; and – our Information Security Management System (ISMS) is BSI certified. We are currently in the process of transferring server backups to the cloud.
7 **Exploration and reserve and resource replacement** —	The Group's future operating margins and profitability depend upon its ability to find mineral resources and to replenish reserves.	– Implementing and maintaining an annual exploration drilling plan. – Ongoing evaluation of acquisition and joint venture opportunities to acquire additional ounces. – Implementation of a comprehensive permitting strategy led by a Permitting Committee. – Comprehensive engagement activities with communities and governmental authorities (see later sections on Macro-economic and Sustainability risks).	**General** The Group has an internal Permitting Committee led by two Vice Presidents to co-ordinate efforts with a view to streamlining the permitting process for exploration and operational requirements. Senior executives actively participate in industry initiatives to simplify the permitting process. The Group undertakes greenfield exploration primarily through the negotiation of earn-in/joint venture opportunities. The aim is for this to provide the Group with a balanced portfolio of advanced and early-stage opportunities in stable jurisdictions in the Americas. **Developments during the year** As described elsewhere in the Annual Report, social conditions in Peru have continued to be tense with higher demands and social conflicts involving mining projects. From an exploration perspective, this has led to continued delays in securing permits from the communities, impacting the Group's exploration programme. The year therefore saw a suspension of greenfield exploration in Peru which was subsequently followed by a reduced programme of activity in light of the focus to reduce costs. Despite the above conditions, the Company increased its attributable Reserve and Resource additions by 35% and 18% respectively. Furthermore, 51.2 moz Ag Eq of inferred mineral resources were identified in the Royropata Zone at Pallancata. Further details on brownfield exploration are provided on page 35.
	Reserves stated in this Annual Report are estimates.	– Engagement of independent experts to undertake annual audit of mineral reserve and resource estimates. – Adherence to the JORC Code and guidelines therein.	The Group has engaged P&E Consultants to undertake the annual audit of mineral reserve and resource estimates. See page 207 for further details.

Operational risks continued

Risk	Impact	Mitigation	Commentary
8 **Personnel: recruitment and retention** — For further details see the Directors' Remuneration Report on page 112	Inability to attract or retain personnel through a shortage of skilled personnel.	– The Group's approach to recruitment and retention provides for the payment of competitive compensation packages, well defined career plans, training and development opportunities and the overall employee value proposition.	**General** The Group has undertaken a number of initiatives to improve the retention of employees. These include the use of financial benefits such as the LTIP and non-financial benefits (e.g. flexible working arrangements for office-based staff) and personal development through tailored personal plans, training on leadership and cultural transformation in the areas of safety and environmental. In addition, initiatives have been launched on causes valued by employees; providing employees with the opportunity to contribute to the relaunched purpose of the Company which includes innovation, community relations and environmental performance.
9 **Personnel: labour relations** —	Failure to maintain good labour relations with workers and/or unions may result in work slowdown, stoppage or strike.	– Development of a tailored labour relations strategy focusing on profit sharing, working conditions, management style, development opportunities, motivation and communication. – Monthly meetings with mineworkers and unions to ensure a complete understanding of expectations and to keep all parties updated on the Group's financial performance.	**Peru** The Group's Peruvian operation generated sufficient taxable income to give rise to an entitlement to statutory profit sharing for Peruvian mineworkers. In keeping with recent practice, as part of the salary increases agreed with the Peruvian labour unions, the Company has approved an additional bonus plan incorporating safety and productivity goals. Enactment of new laws by Castillo's Government empowers labour unions and will result in higher wage expectations and potential labour conflicts. We monitor, on an ongoing basis, the social risk and work with all stakeholders to prevent disruption arising from these risks. **Argentina** In Argentina the Company maintains constructive relations with the labour unions through ongoing and regular dialogue. In addition to AOMA (Mining National Union for hourly workers), ASIJEMIN (National Union for mining employees) has been confirmed by national authorities and the Company maintains open and regular dialogue with them.
10 **Project development** N	Failure to manage the timely construction/development of projects within budget could adversely impact the Group's financial position, production profile and reputation.	– Cross-disciplinary project teams, which report to the relevant Vice-President, monitor execution against agreed timelines and budget. – Support by corporate departments, such as HR, Internal Audit and Procurement, to ensure compliance with Group procedures and standards.	**Mara Rosa (Brazil)** During the year, the Mara Rosa project team, supported by relevant Group functions, has successfully: – obtained all environmental permits; – commenced construction of a 138 kv powerline for completion in June 2023; – ordered all construction equipment identified as having extended leadtimes; and – commenced ESG-related programmes under the oversight of the recently recruited ESG Manager. **Snip (Canada)** Key developments in 2022 comprise the following: – established dialogue with Tahltan First Nation on the Group's plans at the project; – completion of a Preliminary Economic Assessment; and – completed implementation of mitigating actions following risk assessment taking into account physical risks and those associated with the project's remote location. Further details on Mara Rosa are provided on pages 8, 9 and 33.

Macro-economic risks

Risk	Impact	Mitigation	Commentary
11 **Political, legal and regulatory**	Changes in the government, political, legal, tax and regulatory landscape could result in significant additional expense, restrictions on or suspensions of operations and may lead to delays in the development of current operations and projects. Delays in granting/securing the necessary environmental permits for exploration or operations, including specifically Inmaculada's Second Modified Environmental Impact Assessment (MEIA) could affect future production and financial results of the Group.	– Local specialist personnel continually monitor and react, as necessary, to policy changes. In addition, political, social and communications advisers have been engaged to support the Group in responding to developments. – Participation in local industry organisations.	**Peru** The impeachment of former president Castillo, following his failed coup in which he attempted to dissolve Congress and control the judiciary, triggered violent protests across the country. Protesters blocked key highways and roads, and invaded airports and destroyed public and private property, demanding the resignation of his successor Dina Boluarte, the dissolution of Congress, and the approval of a constituent assembly to draft and approve a new constitution. With the exception of the region of Puno, Boluarte's government has been able to contain the social unrest for now, but the risk of further social unrest remains high given the government's high disapproval and the fact that a very high percentage of the population favours new general elections. However, to date, there is no consensus in Congress to approve the constitutional amendment required to hold general elections early. **General** ***Environmental permits*** With regards to environmental permits for operating activities, the permitting process for the Inmaculada MEIA continues and the Company's revised expectation is a decision by the Peruvian government during Q2 2023. The Company believes that the outcome of the permitting process will be positive. However, failure to secure approval of the MEIA would result in a suspension of operations at Inmaculada during H2 2023 until a new MEIA is approved. The specific date of suspension will depend on operational factors that are being evaluated. The Company has commenced the environmental permitting process, including baseline studies, to enable production from the Royropata zone at Pallancata and to support the ongoing associated brownfield activities. ***Easement and other permits*** Among the approvals and permits required to be obtained by the Company in the ordinary course of business, the Company has been granted an easement by the State over the land on which the key mining components of the Inmaculada mine are located. The Company is in the process of renewing this easement for an additional 10-year period which is expected to be secured in H1 2023. **Argentina** President Fernandez's administration has been very cautious active in supporting and promoting the mining industry. Covid-19 as they see it as one of the pillars for the future Argentine economy; however, two of the main problems that affect the industry (the peso-dollar exchange rate and certain populist measures the restrictions on imports) remain unresolved. Very high levels of inflation and poverty, and the low level of international reserves are three of the principal challenges faced by Argentina over the past decade. These factors together with the continuous disputes within the government coalition have negatively adversely impacted the overall investment climate in Argentina including in the extractive industry sector. President's reputation as well as his chances of re-election. **Brazil** Presidential elections were held in October 2022 and Lula da Silva was elected President by a narrow majority. Lula is expected to govern based on a centre-left political and economic platform. The Governor of the State of Goias, where Mara Rosa is located, was re-elected for another term. **2023 outlook** **Peru** Given the lack of consensus in Congress regarding the amendment required to hold general elections early, the possibility that Dina Boluarte will continue until July 2026 cannot be discarded. However, because of the political turmoil described above, the risk that violent protests will resume remains high. **Argentina** President Fernandez's administration is expected to continue cautiously supporting mining activity; however, the above economic challenges will continue to hinder the industry in the absence of significant policy changes. The chances of implementation of such a policy during 2023, an electoral year, are low. From a political and social perspective, 2023 will be dominated by the presidential elections. Primaries will take place in August and the general election in October. The chances of the government coalition being re-elected are highly influenced by: (i) performance of the economy; (ii) the level of conflict within the government coalition and how it is handled; and (iii) the ability of the opposition to field a leader with sufficient political backing.

Sustainability risks

Risk	Impact	Mitigation	Commentary
12 **Health and safety**	Group employees working in the mines may be exposed to severe health and safety risks. Failure to manage these risks may result in occupational illness, accidents, a work slowdown, stoppage or strike and/or may damage the reputation of the Group and hence its ability to operate.	– Health and safety operational policies and procedures reflect the Group's zero tolerance approach to accidents. – Use of world-class DNV safety management systems. – Dedicated personnel to ensure the safety of employees at the operations via stringent controls, training and prevention programmes. – Systematic programme of training, communication campaigns and other initiatives promoting safe working practices. – Use of reporting and management information systems to monitor the incidence of accidents and enable preventative measures to be implemented.	The Group is pleased to report on its strong safety performance in 2022 with accident frequency at 1.37 and accident severity at 93 and the attainment of its ongoing objective of Zero Fatalities. Management continued with the implementation of 'Safety 2.0', an action plan to reinforce a safety-first culture. The plan, which combines technical and people-led approaches, comprises seven key attributes covering training, effective communication, recognition and aligning compensation with measurable safety performance. In addition, during the year, a new internal safety indicator, the Seguscore, was rolled out to better measure the Group's safety performance by combining traditional indicators (including those referred to above) with leading indicators reflecting the outcome of internal and external safety audits. For further details on the above, please refer to the safety section of the Sustainability Report on pages 61 and 62.
13 **Environmental**	The Group may suffer from reputational risk and may be liable for losses arising from environmental hazards associated with the Group's activities and production methods, ageing infrastructure, or may be required to undertake corrective actions or extensive remedial clean-up action or pay for governmental remedial clean-up actions or be subject to fines and/or penalties.	– The Group has a dedicated team responsible for environmental management. – The Group has adopted a number of policies and procedures to manage its environmental footprint. – The Group has developed a tool which allows it to measure and manage environmental performance. – The Group continues to adopt measures to minimise natural resource use, with particular emphasis on water consumption in its operations. – A specific tailings management framework is in place for TSFs, including independent third-party review.	In 2022, the Group performed strongly in its ECO Score (with a score of 5.27 out of 6 (2021: 5.29)), reflecting the following notable achievements: – two operations achieving a perfect score of 6 out of 6 (Arcata and Sipan); – the lowest water consumption since 2015 (171.2 l/person/day); and – the highest level of environmental culture compliance since 2015 (using an internal scoring system). In addition, during the year: – our Environmental Policy was updated in February 2022 and now includes specific provisions regarding climate change and protection of biodiversity; – completed the development of a tailor-made Environmental Management System comprising of 15 key processes; – the Environmental team continued with its efforts on reporting widely on the Group's environmental performance by participating in numerous reporting initiatives; and – there was continued progress with the implementation of the Environmental Culture Transformation Plan (ECTP) which in 2022 saw the training of 78 Environmental Ambassadors and the launch of Company-wide courses held on climate change and mine closure. As disclosed in the Operational risks section, the Group has published information on its website regarding its TSFs, including their construction method and risk profile. It also continues to commission independent third-party reviews of all such facilities and monitors their stability on an ongoing basis. For further details, please refer to the environmental section of the Sustainability Report on pages 57 to 60.

Risk	Impact	Mitigation	Commentary
14 **Climate change** Read our 2022 TCFD Report from page 68.	Changes in climate and weather patterns, including the occurrence of extreme weather events such as higher rainfall, droughts and storm conditions, may cause operational disruption and, at worse, could result in a suspension of operations. Failure to comply with climate-related laws and regulations could result in reputational risks for the Group, increased costs and longer permitting delays. Lack of climate change actions could result in restricted access to capital.	– Enhanced management oversight and operating protocols to: –quantify and verify carbon footprint, including Scope 3; –maximise the use of natural resources and minimise energy consumption; –maximise the use of renewable energy; and –promoting transparency with regards to the Group's performance through participation in investor-led reporting initiatives.	Actions taken in 2022 include: – Ares and Arcata switched entirely to renewable energy consumption; – the completion of a climate change physical risk assessment; – a commitment to achieve Net Zero by 2050; – updated the Corporate Environmental Policy to identify and mitigate climate change-related risks; and – ongoing reporting to the Board and Sustainability Committee on status of climate change-related risks. Reporting of the Group's performance has been enhanced through: – continued external assurance of the calculation of the Group's carbon footprint at operations; and – participation in CDP information request (improved score from C in 2021 to B in 2022). The 2023 Action Plan includes, most notably setting interim Carbon Neutral targets for 2030 to achieve Net Zero by 2050.
15 **Community relations**	Communities living in the areas surrounding the Group's operations may oppose the activities carried out at existing mines or, with respect to development projects and prospects, may invoke their rights to be consulted under new laws. These actions may result in loss of production, increased costs and decreased revenues, longer lead times, additional costs for exploration and have an adverse impact on the Group's ability to obtain the relevant permits.	– The Group has a dedicated team responsible for Community Relations. – Constructive engagement with local communities based on several years of positive relations. – Community Relations strategy focuses on promoting education, health and nutrition, and sustainable development. – Policy to actively recruit workers from local communities. – Policy of hiring service providers from local communities. – The Group has also engaged with local governments to support public investment initiatives through technical assistance and direct investment.	**Overall** The polarised political climate in Peru has led to an increase in social conflicts by some local communities which are trying to take advantage of the situation to increase their economic demands. As a result, social conflicts (e.g. invasion or attacks of mining units and workers) has increased, with numerous sites suffering from blockades. Conflicts in other sectors could affect our supply of materials (e.g. transportation services) and disrupt the change of shift of our workers. The Inmaculada mine was attacked by members of a local community at the end of October 2022 and severely damaged certain non-critical installations. Members of another community also attempted to violently invade the industrial area of the Inmaculada mine in order to disrupt operations. Despite the presence of a pre-existing agreement with both communities, numerous rounds of discussions have been held and will continue. As reported elsewhere in this report, the invasion of Inmaculada was partially responsible for a short period of disruption to production. Governmental authorities remain very sensitive to conflicts between communities and mining companies and typically take a cautious approach by prioritising dialogue between parties and supporting social demands regardless of their merit. As described earlier (in relation to political, legal and regulatory risks), given the impeachment of President Castillo in December 2022, political and social risks have increased substantially as widespread protests have seen supporters challenging the legitimacy of Dina Boluarte's appointment and her cabinet and demanding the reinstatement of Castillo. **Hochschild developments** The Group continues to implement its social engagement strategy in recognition of its responsibilities to host communities. The Group invested significant resources to understand the needs and expectations of local communities and governments. During the year: – the Group spent or donated $7.0million to benefit local communities and supported local community-run businesses; – we continued to support the communities with a wide range of programmes covering our areas of focus: education, health and nutrition, and sustainable development; and – the Community Relations team continued to support the business, for example, in relation to permitting and environmental studies. Further details can be found in the Sustainability Report from page 54.

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group taking into account the Group's current position and principal risks.

Period of Viability Statement

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

It has been concluded that three years (the 'Viability Period') is the appropriate time horizon in light of:

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

Approach to assessing viability

In assessing the Group's viability, the Directors started by considering two variations of a Base Case scenario, using average analyst consensus prices for the 3-year period as of December 31, 2022 which are considered to be conservative in light of prevailing prices. The variations reflected two possible outcomes with respect to the Inmaculada Modified Environmental Impact Assessment ("MEIA"), namely (a) the approval of the MEIA prior to the date of approval of the financial statements ("Scenario A"), and (b) the rejection of the MEIA prior to the date of approval of the financial statements resulting in a three-year suspension of operations at that mine ("Scenario B" and the variations collectively referred to as the "MEIA Base Case Scenarios").

While the Group remains optimistic that the MEIA approval will be forthcoming, the Board highlights that the material uncertainties referred to in respect of the Going Concern assessment in the event of Scenario B may cast significant doubt over the future viability of the Group (see page 90).

Both of the MEIA Base Case Scenarios were used to model situations which are within reasonable contemplation taking into account the principal risks to which the Group is exposed (as set out in the earlier part of this report).

Assumptions in Assessing Viability

In their assessment of the financial impact of each of the above-referenced scenarios, the Directors made the following principal assumptions:

General Assumptions for both of the MEIA Base Case Scenarios:

a) conservative prices of Au: $1,670/oz and Ag: $20.2/oz (the 'Assumed Prices');

b) operational forecasts are largely based on the 2023 approved budget, adjusted to reflect the outcome in relation to the MEIA; and

c) in the cases where a scenario envisages a mine or plant stoppage which results in a delay in production, production will be recovered once plant capacity becomes available, albeit after the three-year time horizon.

Assumptions particular to Scenario A:

A1) debt repayments of the current $300m Medium Term loan proceed as planned; and

A2) the $200m new Medium Term facility is fully drawn down, and repayments proceed as planned.

Assumptions particular to Scenario B:

B1) debt repayments due under the $300m Medium Term loan will be renegotiated such that they commence after the three-year period;

B2) the successful completion of an equity financing from existing shareholders; and

B3) corporate expenses are significantly reduced,

(the actions 'B1' and 'B2' collectively referred to as the 'Refinancing Actions')

In both of the MEIA Base Case Scenarios, viability situations 1 through 5 below were applied to the Inmaculada mine, which currently represents the majority of the Group's cash generation in 2023. These scenarios would have a significantly reduced impact at the Group's other operations.

Viability Situations Modelled

The following situations were analysed:

Situation 1: A community-led protest blocks a principal road to/from the mine

A protest by a local community obstructs the access road to Inmaculada for two months. The impact analysis takes into account the cost of negotiating a settlement and other associated expenses.

Situation 2: A strike by mineworkers

A widespread mineworkers' strike results in a suspension of operations for one month. The impact analysis takes into account the cost of negotiating a settlement and other associated expenses.

Situation 3: The occurrence of a material safety accident

A severe safety occurrence takes place which results in a one-month stoppage of operations.

The impact analysis takes into account other financial liabilities that may result including the cost of remedial work and regulatory fines.

Situation 4: The occurrence of a material environmental incident

A key part of Inmaculada's plant infrastructure is compromised which results in a major spillage of contaminants. The impact analysis assumes a suspension of operations of one month and takes into account the cost of repairs, remediation and regulatory fines and other associated expenses.

Situation 5: The failure of the mill or other critical plant component

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

Situation 6: There are capex overruns in the construction of the Mara Rosa project

The capital expenditure required to complete the construction of the Mara Rosa project increases to 10% above the project budget for 2023/2024.

Situation 7: Precious metal prices fall to a level that is 10% below the annual average consensus prices

Following such a fall in prices, the Company would seek to reduce costs and capital expenditure by 5% and would stop development work at Royropata in 2024.

Directors' Assessment of Viability

(i) Scenario A

In their assessment, the Directors concluded that under Scenario A, upon the occurrence of one of the viability situations (since the occurrence of a combination of two or more of the viability situations taking place concurrently is considered to be remote), the Company would be viable.

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

i. Reducing administrative costs further including through further headcount reductions and the closure of non-essential offices;
ii. Accelerating the placing of Pallancata into care and maintenance;
iii. Hedging a higher proportion of production for the remainder of 2023, 2024 and 2025;
iv. Undertaking a review of non-core assets and projects for opportunities to realise value; and
v. Considering various alternatives of debt and equity financing,

(All collectively referred to as the 'Indicative Mitigating Actions').

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

Conclusion of Viability Assessment under Scenario A

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

(ii) Scenario B

In light of discussions with the Group's principal lenders and its major shareholder, the Group remains confident that, in the event of Scenario B, the Refinancing Actions would be successfully achieved. However, as binding commitments cannot be secured at this stage, the outcome is uncertain and outside of the Group's control and hence, the Refinancing Actions constitute material uncertainties.

In their assessment, the Directors concluded that under Scenario B, upon the occurrence of one of the viability situations (since the occurrence of a combination of two or more of the viability situations taking place concurrently is considered to be remote), the Company would be viable subject to the successful completion of the Refinancing Actions.

Should prices fall further than the Assumed Prices or the situations in reality are more severe than those modelled or a combination of situations occurs, the Board would oversee the implementation of mitigating actions including the Indicative Mitigating Actions (which, for the avoidance of doubt, would be in addition to the completion of the Refinancing Actions).

Conclusion of Viability Assessment under Scenario B

Assuming the successful completion of the Refinancing Actions, the Directors have formed the opinion that:

(i) while it is always possible that combinations of weak precious metal prices and the occurrence of more than one of the above referenced viability situations could threaten the solvency and liquidity of the Company over the Viability Period, such combinations are considered to be remote; and
(ii) having assessed the impact of each viability situation under Scenario B using the Assumed Prices and other factors considered to be reasonable, and taking into account the impact of the Indicative Mitigating Actions, they have a reasonable expectation that the Company will be able to continue in operation and meet its obligations over the next three years.

Nevertheless, as previously highlighted, the material uncertainties in respect of the Refinancing Actions referred to in the Going Concern assessment may cast significant doubt over the future of the Group.

Non-financial information regulation

Under sections 414CA and 414CB of the Companies Act 2006, as amended by The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, the Strategic Report must contain a non-financial information statement. This can be found in the Supplementary Information section on page 111.

The Strategic Report, as set out from pages 2 to 85, has been reviewed and approved by the Board of Directors and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
19 April 2023

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- S Sustainability Committee
- ○ Chair

Eduardo Hochschild
Chairman

N

Joined the Group in 1987 and appointed Chairman in 2006.

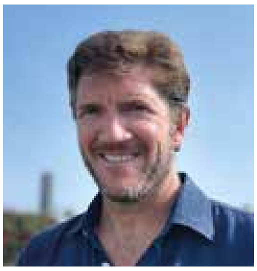
Key skills and competencies
- Over 30 years' involvement with the Group
- Extensive board experience of companies in Latin America
- Proven ability to implement long-term strategies in both the non-profit and corporate sectors

Current external appointments
Commercial: Cementos Pacasmayo S.A.A. (Chairman), Aclara Resources Inc. (Chairman)

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

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

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



Ignacio Bustamante
Chief Executive Officer

S

Appointed to the Board in 2010.

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

Current external appointments
Commercial: Non-Executive Director of Profuturo AFP, Scotiabank Peru S.A.A. and Aclara Resources Inc.

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

Jorge Born Jr.
Independent Non-Executive Director

N

Appointed to the Board in 2006.

Key skills and competencies
- Extensive experience of managing international businesses
- Deep understanding of socio-political issues in Latin America
- Corporate finance

Current external appointments
Commercial:: Consult & Co. (President and CEO)

Non-profit: Bunge and Born Charitable Foundation (President)

Previous experience
Jorge served as a Director and Deputy Chairman of international agribusiness Bunge between 2001 and 2010. He previously served as Head of European operations and Head of the UK operations. Jorge previously served as a Non-Executive Director of Dufry AG.

Jill Gardiner
Independent Non-Executive Director

A[†] N R

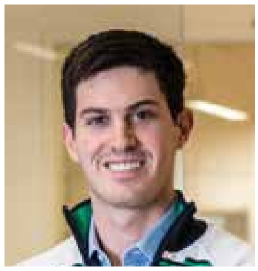
Appointed to the Board in August 2020.

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

Current external appointments
Commercial: Capital Power Corporation (Chair)

Non-profit: ARC Foundation

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



Nicolas Hochschild[†]
Non-Independent Non-Executive Director

N

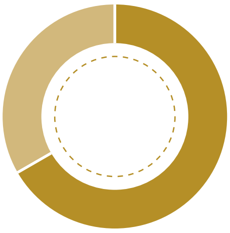
Appointed to the Board in May 2022.

Key skills and competencies
- Mergers and Acquisitions

Experience
Nicolas is a Mergers & Acquisitions Associate, having previously served as Senior Analyst, at Forum Brands, a New-York based venture capital backed E-commerce business acquirer. Nicolas holds a B.Sc. in Mechanical Engineering and an M.Sc. in Management Science and Engineering, both from Stanford University.

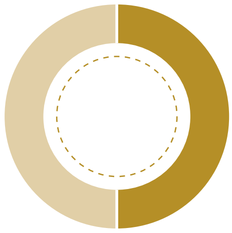
[†] At the conclusion of the 2023 AGM, Nicolas Hochschild and Eileen Kamerick will step down from the Board. On that date, Jill Gardiner will assume the Chair of the Audit Committee and Mike Sylvestre will become a member of the Audit Committee.

Gender of Directors on the Board



- Male 6
- Female 3

Tenure of Independent Non-Executive Directors



- 0-3 years **3/6**
- 3-6 years **0**
- 6+ years **3/6**

Eileen Kamerick[1]
Independent Non-Executive Director

A N S

Appointed to the Board in November 2016.

Key skills and competencies
- Strong background in audit and financial reporting
- Extensive experience on listed company boards
- In-depth knowledge of corporate governance/ finance

Current external appointments
Commercial: Non-Executive Director of Associated Banc-Corp., Legg Mason Closed End Mutual Funds, ACV Auctions Inc and Valic Funds I

Non-profit: Alzheimer's Association

Previous experience
Eileen spent the majority of her career in senior financial roles and as CFO in the oil & gas and mining sectors. She has an MBA in Finance and International Business and the Directorship Certification of the US National Association of Corporate Directors (NACD). Eileen is a Board Leadership Fellow of the NACD.

Tracey Kerr
Independent Non-Executive Director

N R S

Appointed to the Board in December 2021. Designated Non-Executive Director for workforce engagement.

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

Current external appointments
Commercial: Non-Executive Director of Weir Group PLC and Jubilee Metals PLC

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

Michael Rawlinson
Senior Independent Director

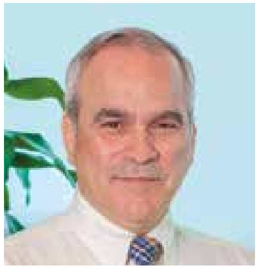
A N R

Appointed to the Board in 2016 and as Senior Independent Director in January 2018.

Key skills and competencies
- Significant knowledge of the mining sector
- Corporate finance, strategy and M&A
- UK listed company governance

Current external appointments
Commercial: Adriatic Metals Plc (Chair) and Non-Executive Director of Capital Limited and Andrada Mining

Previous experience
Michael's career of over 20 years culminated in his role as Global Co-Head of Mining and Metals at Barclays Investment Bank. Before that, he was one of the co-founding directors at boutique investment bank Liberum Capital, having worked as a corporate financier and equity research analyst covering the mining sector at JP Morgan, Cazenove and Flemings.



Mike Sylvestre
Independent Non-Executive Director

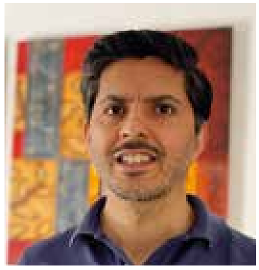
N S

Appointed to the Board in May 2022.

Key skills and competencies
- Extensive experience of managing mining operations
- In-depth knowledge of the Canadian market, a key mining hub
- Mining Engineering (B.Sc and M.Sc. from McGill University and Queen's University respectively)

Current external appointments
Commercial: Non-Executive Director of TSX-listed Nickel Creek Platinum Corp.

Previous experience
Mike spent eight years at Kinross Gold Corp, most recently as SVP, Operations until his retirement in December 2022. He previously served as Director and Interim CEO of TSX-listed Claude Resources Inc. having spent a significant portion of his career with Vale Canada (formerly Inco Ltd). During his time there he held the positions of CEO New Caledonia and President, Manitoba Operations. Mike is a member of the Professional Engineers of Ontario and a graduate of the Institute of Corporate Directors (ICD) in partnership with the Rotman School of Management.



Raj Bhasin
Company Secretary

Joined the Group and appointed Company Secretary in 2007.

Key skills and competencies
Raj is a solicitor and Chartered Secretary with over 23 years' experience in FTSE-listed companies. He has significant experience in corporate and commercial law.

Previous experience
Raj previously served as Deputy Company Secretary and Commercial Counsel at Burberry Group plc.

Eduardo Noriega
Chief Financial Officer

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

Tom Elliott
Vice President, North America

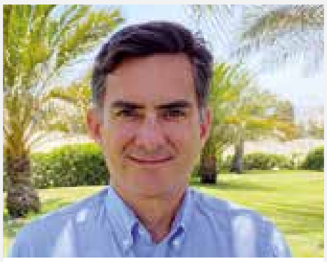
Experience
Tom Elliott joined Hochschild Mining in July 2021. Before that, he was Senior Vice President – Investor Relations and Corporate Development at Kinross Gold Corporation. Prior to that, he was Executive Director in UBS Investment Bank's Mining & Metals team in London, England and Toronto, Canada.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

Oscar Garcia
Vice President, Brownfield Exploration

Experience
Oscar Garcia was promoted to the position of VP, Brownfield Exploration on 1 January 2019 having joined Hochschild Mining in 2007 as an Ore Control geologist. He has previously worked at Hochschild as Corporate Manager for Underground Geology, Ore Control and Brownfield Exploration. Prior to Hochschild Mining, Oscar worked as a geologist at Barrick Gold, Lonrho Mining Group and Compañia Minera Aguilar. Oscar qualified as a geologist at the Universidad Nacional de Cordoba in 1981.

Eduardo Landin
Chief Operating Officer

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



José Augusto Palma
Vice President, Legal & Corporate Affairs

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

Eduardo Villar
Vice President, Human Resources

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

The Directors present their report for the year ended 31 December 2022.

Information in Directors' Report

The Directors' Report comprises the Corporate Governance Report from pages 91 to 107, this Report on pages 89 and 90, and the Supplementary Information on pages 108 to 111. Other information that is relevant to the Directors' Report, and which is incorporated by reference, comprises:

- greenhouse gas emissions data and the steps taken by the Company to increase its energy efficiency, included in the Sustainability Report from page 50; and
- policy on financial risk management in note 38 to the consolidated financial statements.

For the purposes of compliance with Disclosure Guidance and Transparency Rules 4.1.5R(2) and 4.1.8R, the Strategic Report and this Directors' Report (including the other sections of the Annual Report incorporated by reference) comprise the Management Report.

Dividend

The Directors declared an interim dividend totalling $10 million (1.95 US cents per ordinary share) in respect of the year ended 31 December 2022 and are not recommending the payment of a final dividend.

Dividend waiver

The trustee of the Hochschild Mining Employee Share Trust ('the Employee Trust') has waived, on an ongoing basis, the right to dividend payments on shares held by the Employee Trust.

Directors

The names, functions and biographical details of the Directors serving at the date of this report are given on pages 86 and 87. Other than Nicolas Hochschild and Mike Sylvestre, who were appointed on 26 May 2022, all of the Directors were in office for the duration of the year under review. Graham Birch and Dionisio Romero Paoletti resigned from the Board on 26 May 2022.

Other than Eileen Kamerick and Nicolas Hochschild, who will be stepping down from the Board at the conclusion of the forthcoming Annual General Meeting ('AGM'), the Directors will be retiring and seeking re-election (or, election in the case of Mike Sylvestre) by shareholders at the 2023 AGM in line with the UK Corporate Governance Code.

Directors' and officers' liability insurance

The Company's Articles of Association (the 'Articles') contain a provision whereby each of the Directors may be indemnified by the Company in respect of liability in relation to: (i) any negligence, default, breach of duty or breach of trust relating to the Company or any associated company; (ii) execution of his/her duties as Director of the Company; and (iii) the activities of the Company or any associated company as trustee of an occupational pension scheme. For these purposes, associated company has the meaning given to it by section 256 of the Companies Act 2006.

However, a Director will not be indemnified for any liability incurred by him/her to the Company or Group companies; any criminal or regulatory fines; the costs of defending any criminal proceedings in which he/she is convicted; or the costs of defending any civil proceedings brought by the Company in which judgment is given against him/her.

The Company has purchased and maintains liability insurance for its Directors and officers as permitted by law and Deeds of Indemnity on terms consistent with the Articles have been executed by the Company in favour of the Directors.

Political and charitable donations

The Company does not make political donations. During the year, the Group spent or donated a total of $7.0 million to benefit local communities (2021: $5.4 million).

Relationship Agreement

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

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

Further details of the Relationship Agreement with regard to the conduct of the Major Shareholder are set out in the Corporate Governance Report on page 97 and, with regard to the right to appoint Directors to the Board, are set out on page 98.

As required by the Listing Rules, the Directors confirm that, with respect to the year under review:

- the Company has complied with the independence provisions included in the Relationship Agreement; and
- so far as the Company is aware:
  - the independence provisions included in the Relationship Agreement have been complied with by the Controlling Shareholders or any of their associates; and
  - the procurement obligation included in the Relationship Agreement has been complied with by the Controlling Shareholders.

Conflicts of interest

The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts of interest of directors where the Company's Articles of Association contain a provision to that effect. Amendments to the Company's Articles of Association were approved by shareholders in 2008, which included provisions giving the Directors authority to authorise matters which may result in the Directors breaching their duty to avoid a conflict of interest.

The Board has established effective procedures to enable the Directors to notify the Company of any actual or potential conflict situations and for those situations to be reviewed and, if appropriate, to be authorised by the Board, subject to any conditions that may be considered necessary. In keeping with the approach agreed by the Board, Directors' conflicts were reviewed during the year under review.

Directors of the Company who have an interest in matters under discussion at Board meetings are required to declare this interest and to abstain from voting on the relevant matters.

Any related party transactions are approved by a committee of the Board consisting solely of Independent Directors. In addition, the Directors will be able to impose limits or conditions when giving any authorisation, if they think this is appropriate.

Going concern
After their thorough review of Group liquidity and covenant forecasts under the scenarios described in note 2(d) to the consolidated financial statements, and acknowledging the material uncertainties associated with (i) the securing of the Inmaculada MEIA and (ii) the Refinancing Actions (as defined in that note), the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the period to 31 May 2024 which is at least 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Please refer to note 2(d) to the consolidated financial statements for full details of the Directors' assessment of going concern.

AGM
The 17th AGM of the Company will be held at 9am on 9 June 2023. The shareholder circular incorporating the Notice of AGM will be sent separately to shareholders or, for those who have elected to receive electronic communications, will be available for viewing at www.hochschildmining.com

The shareholder circular contains details of the business to be considered at the meeting.

Auditor
A resolution to reappoint Ernst & Young LLP as Auditor will be put to shareholders at the forthcoming AGM.

Statement on disclosure of information to Auditor
Having made enquiries of fellow Directors and of the Company's Auditor, each Director confirms that, to the best of his/her knowledge and belief, there is no relevant audit information of which the Company's Auditor is unaware.

Furthermore, each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418(2) of the Companies Act 2006.

Directors' responsibilities
The Directors confirm that to the best of their knowledge:

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

See page 132 for a detailed description of the Directors' responsibilities in the preparation of the Annual Report and the Group and Parent Company financial statements.

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

On behalf of the Board

Raj Bhasin
Company Secretary
19 April 2023

CORPORATE GOVERNANCE REPORT

In a year which saw the Company's entry into Brazil and the social and political challenges faced in Peru, a robust framework of governance and effective leadership are crucial."

Eduardo Hochschild
Chair

Dear Shareholder

I am pleased to present the Corporate Governance Report for 2022.

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

In a year which saw the Company's entry into Brazil and subsequent commencement of construction of a new operation, and the social and political challenges faced in Peru, a robust framework of governance and effective leadership are crucial. Over the next few pages, we have described the Board's activities, its structure and how, through the implementation of controls and processes, it is best placed to discharge its oversight responsibilities.

Refreshing the Board

I am delighted that we were able to execute on our Board Succession Plan and announce the appointment of Mike Sylvestre to the Board as an Independent Non-Executive Director. This was the result of an externally-led search which was overseen by the Nomination Committee and which sought to supplement the Board skillset with that of an experienced mine operator.

Listening to the Employee Voice

Stakeholder engagement has, quite correctly, increased in importance on Board agendas and arguably, the most critical stakeholder group at Hochschild is its employees. Without their collective effort and dedication, the Company would not be able to deliver on its objectives of delivering sustainable value. I am pleased therefore that we were able to launch the Online Employee Forum during 2022 hosted by Tracey Kerr, as the Board member designated for workforce engagement. The two sessions held in the second half of the year provided not only an opportunity for the Board to learn, first-hand, employees' views on a wide range of issues but also to gauge, particularly in the case of our new colleagues in Brazil, how our corporate values have been understood and received. Further details can be found on page 96 and in the Sustainability Report on page 65.

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

Eduardo Hochschild
Chair

Introduction

This report, together with the Directors' Remuneration Report, describes how the Company has applied the Principles of the UK Corporate Governance Code ('the Code') (2018 edition) in respect of the year ended 31 December 2022. A copy of the Code is available on the website of the Financial Reporting Council (FRC) at www.frc.org.uk.

Disclosures to be included in the Corporate Governance Report in relation to share structure, shareholder agreements and the Company's constitutional provisions pursuant to the Disclosure Guidance and Transparency Rules are provided in the Supplementary Information section on pages 108 to 111.

Statement of Compliance

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

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

Our governance structure

Board

Chair
Eduardo Hochschild

2 **Non-Independent Directors** 6 **Independent Directors**

Audit Committee[1]

Chair
Eileen Kamerick

READ MORE
Page 101

Nomination Committee[1]

Chair
Eduardo Hochschild

READ MORE
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Exploration Working Group

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

Remuneration Committee[1]

Chair
Michael Rawlinson

READ MORE
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Sustainability Committee[1]

Chair
Tracey Kerr

READ MORE
Page 50

1 Terms of reference are available at www.hochschildmining.com

Leadership and purpose

The Board

The Board is responsible for approving the Company's strategy and monitoring its implementation, for overseeing the management of operations and for providing leadership and support to the senior management team in achieving sustainable added value for shareholders. It is also responsible for enabling the efficient operation of the Group by providing adequate financial and human resources and an appropriate system of financial control to ensure these resources are fully monitored and utilised.

There is an agreed schedule of matters reserved for the Board which includes the approval of annual and half-yearly results, the Group's strategy, the annual budget and major items of capital expenditure.

2022 Board meetings

Nine Board meetings were held during the year, of which four were scheduled meetings. The ad-hoc meetings were convened to consider, amongst other things:

- the transaction documentation relating to the completion of the acquisition of Amarillo Gold Corporation;
- the approval of revised delegated banking authorities;
- updates on the social and political situation in Peru (see pages 81 and 83 for further details);
- updates on the community-related disruption at Inmaculada; and
- updates on the Inmaculada MEIA approval process, scenario planning and related matters.

Attendance at the scheduled Board meetings convened during 2022 is summarised in the table below:

Director	Attendance (Maximum)
Mr E Hochschild	4 (4)
Mr G Birch*	2 (2)
Mr J Born	4 (4)
Mr I Bustamante	4 (4)
Ms J Gardiner	4 (4)
Mr N Hochschild**	2 (2)
Ms T Kerr	4 (4)
Ms E Kamerick	4 (4)
Mr M Rawlinson	4 (4)
Mr D Romero*	2 (2)
Mr M Sylvestre**	2 (2)

* Mr G Birch and Mr D Romero retired from the Board on 26 May 2022.
** Mr N Hochschild and Mr M Sylvestre were appointed to the Board on 26 May 2022.

In addition to the regular updates from across the business, the principal matters considered by the Board during 2022 are detailed below. In keeping with Board practice, meetings incorporate reports from each of the Committee Chairs on the business considered at their respective meetings. Any significant matters arising from those meetings are discussed by the full Board and feature among the matters described below.

Health and safety	– Updates on the ongoing implementation of Safety 2.0, the second iteration of the Company's Safety Culture Transformation Plan (see page 61 for further details); and – The Company's investigation into a bus accident suffered by a third-party maintenance contractor while transporting its employees to the Inmaculada mine.
Financial	– The stress-tested scenarios and the underlying assumptions used in the going concern and viability statements in support of he 2021 annual financial statements and 2022 half-yearly financial statements; – Considered recommendations of the Audit Committee to adopt the 2021 Annual Report and Accounts and the 2022 Half-Yearly Report; – The rectification process in relation to certain historic dividends including approval of the related shareholder documentation; – The Group's ongoing financial position; – The 2021 final dividend and 2022 interim dividend; – The terms of the £200 million Medium-Term Debt Facility; and – The 2023 budget.
Strategy	– Strategic options to facilitate the Group's growth including a re-evaluation of the Volcan project; – Business development projects, including the completion of the acquisition of Amarillo Gold Corporation and, in particular, its Mara Rosa Advanced Project in Brazil†; – Updates on the Group's operational innovation projects; and – The Group's strategic plan†.

Business performance	– Detailed updates on operational performance including progress on securing key permits/regulatory approvals such as the Inmaculada MEIA;
	– Unbudgeted strategic initiatives;
	– Presentations on progress against the annual plans for:
	  – construction of the Mara Rosa mine;
	  – brownfield exploration;
	  – drilling at the Snip Project; and
	– The actions being taken to improve gender diversity at management level and generally within the Company.

Risk	– Political developments in the Company's countries of operation; – The Group's Risk Register detailing the significant and emerging risks faced by the Group and their corresponding mitigation plans. As reported in the Risk Management report, Project Development risks were considered following their entry on the Group Risk Register given the importance of the successful commencement of production from the Mara Rosa mine to the Group's production profile; and – Renewal of the Group's Directors' and Officers' Liability Insurance.
Governance	– The appointments of Mike Sylvestre and Nicolas Hochschild as Non-Executive Directors and their respective Committee memberships; – Updates from the Company Secretary on governance developments including relevant regulatory/legal findings with respect to the responsibilities of the Company and the Directors; – An update on the implementation of the 2021 Board evaluation recommendations; – The process for the internal Board evaluation and the findings of the review; and – The annual reviews of Directors' conflicts of interest and independence of Non-Executive Directors.
Sustainability	– Reviews of the social climate in Peru, Argentina and Chile and their potential impact on the Group as well as the Company's social engagement strategy. With regards to Peru, this resulted in a number of ad-hoc Board meetings following protests by local communities at the Inmaculada mine; – Performance of the Group against the internally-designed environmental corporate scorecard (the ECO Score) and updates on the Company's implementation of the Environmental Cultural Transformation Plan. – Progress with regards to the Group's Carbon Strategy supporting Net Zero by 2050; – Adoption of ESG-related KPIs; – Review of the 2021 standalone Sustainability Report; and – Feedback on employees' views following the Online Employee Forums hosted by Tracey Kerr.
Investors' views	– Regular reports on investors' views as part of the Group's comprehensive engagement schedule (see section headed Shareholder engagement in 2022 for further details); and – Feedback from investors and proxy agencies on 2022 AGM & EGM business.

† See page 96 on how wider stakeholders' interests were considered in relation to these key Board decisions.

Senior executives of the organisation are invited to attend Board meetings and to make presentations on their areas of responsibility. In the event a Director is unable to attend a Board or Committee meeting, comments are encouraged to be fed back to the Chairman of the relevant meeting who ensures that the absent Director's views are represented.

In between Board meetings, Directors are kept informed of latest developments through monthly management reports on the Company's operations, safety performance, exploration activity and financial position. In addition, update meetings are diarised to take place monthly which provide an opportunity for both the Board and the CEO to consider matters and developments between scheduled meetings.

Purpose and culture

The Group was established over a hundred years ago and over time it has characterised itself not only through sound operations but also in striving to achieve the highest standards of safety and with regards to its social impact. This approach is reflected and described in further detail in the Code of Conduct, originally adopted in 2010 and updated in 2022, which sets out the standards and behaviours expected from all levels within the Company as well as our partners: professionalism, honesty, integrity, respect for our stakeholders and a commitment to safety, our communities and the environment. These are further reiterated in the Group's anti-bribery and corruption policies.

The Company launched its reformulated corporate purpose in 2019 as part of a rebranding – 'Responsible and Innovative Mining Committed to a Better World' – and, in tandem, set out the values which create a culture that is aligned with the purpose (see diagram below).

Our corporate values

Innovation

Inspiring others

Recognising talent

Demonstrating responsibility

Seeking efficiencies

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

Setting the tone

The Board sets the tone from the top, reflecting these values in its deliberations and decision-making. The Chief Executive Officer (CEO) is the crucial conduit through which the tone is cascaded throughout the organisation. By way of example, during the year, the CEO communicated with all employees on a number of matters including:

- the values and behaviours that emanate from Hochschild's corporate purpose; and
- the importance of safe working practices and praising two workers who refused to commence drilling activities as the relevant areas had not been subjected to a sufficiently thorough risk assessment.

Assessing and monitoring culture

The Board assessed and monitored the Company's culture using a dashboard of measures, some of which are reported on a monthly basis.

Dashboard	
Responsibility	**Safety** – Accident Frequency Index (LTIFR), Accident Severity Index, High Potential Event rate, Seguscore (see page 61 for further details) **Environmental** – ECO Score **Ethical practices/Integrity** – Whistleblowing reports (online and offline channels), internal audit reports
Innovation	Submissions of operational efficiency projects via the Innova platform
Inspiring others and promoting talent	Team and individual development plans, staff turnover/retention rates
Efficiency	Operational KPIs including AISC, Production and Brownfield Exploration results, Financial KPIs including Adjusted EBITDA, Working Capital, Cash Balance, Debt Covenant ratios

The timing of our next working climate survey is under review with a decision to be taken in the second half of 2023. Action plans to address key areas identified in the last survey conducted in 2019 continue to be implemented, tailored by each department focusing on the following general themes:

- recognising others' achievements;
- improving training programmes;
- reflecting the corporate culture in the style of management; and
- improving the employee value proposition.

Engagement

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

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

Shareholders

Our approach

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

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

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

Shareholder engagement in 2022

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

Date	Event
January (and April, July, October)	Conference calls following each Quarterly Production Report Continuation of shareholder engagement on proposed revised Remuneration Policy
February	BMO Global Metals & Mining Conference 2021 Annual Results presentation & UK Roadshow
March	EGM to approve the acquisition of Amarillo Gold Corporation
May	BoA Merrill Lynch Global Metals, Mining and Steel Conference EGM to approve resolutions with respect to certain historic dividends AGM
August	Publication of standalone 2021 Sustainability Report H1 2022 Results presentation
September	Launch of new corporate website H1 2022 Results UK Roadshow Denver Gold Forum

An extensive Investor Relations schedule resulted in management holding approximately 100 investor meetings during the year. The Company was pleased that a successful trial of the Investor Meet Company platform took place whereby over 80 individual investors were able to attend virtually a live presentation from the CEO on the 2022 half-yearly results and submit questions; an event which would otherwise have been attended exclusively by institutional investors.

In addition to the above, the Non-Executive Directors are available to meet shareholders on request. During the year, Tracey Kerr and the Company Secretary held a virtual meeting at the request of an institutional investor to discuss a wide range of issues including governance and ESG reporting, the actions arising from the investigation into the 2021 bus accident and executive remuneration.

2022 AGM

Following the imposition of Covid-related restrictions which prevented the holding of a physical AGM in 2020 and 2021, the Company was delighted to be able to host an AGM in 2022 at which shareholders were invited to participate.

All resolutions at the 2022 AGM were passed with the support of at least 92% of the votes cast.

Other stakeholders

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

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

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

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

Employees	Social	Government/Regulators	Suppliers/Lenders	Customers
Tracey Kerr, as Chair of the Sustainability Committee, is our designated Director to oversee workforce engagement who, in addition to receiving quarterly updates from the Vice President of Human Resources on discussions with trade unions and other employee group meetings, also chaired two online employee forums (see page 65 for further details).	Reported to the Sustainability Committee, which feeds back to the Board.	Reported to the Board (a) on a routine basis in relation to significant matters, such as developments relating to the Inmaculada MEIA and (b) as part of its consideration of the quarterly Risk Management updates on the political/ regulatory climate.	Reported to the Board as part of its consideration of the quarterly Risk Management updates in relation to Counterparty and Business Interruption & Supply Chain risks.	Significant matters are reported to the Board by the Chief Financial Officer who is responsible for managing the sales and logistics department. There were no material matters raised during the year.

Impact on wider stakeholder group of key decisions in 2022

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

For details on how our Board operates and the matters we discussed and debated during the year, please see pages 93 to 100. We set out below examples of how the Directors had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties on certain decisions taken during the year.

(a) Annual Strategy Review

As it does each year, the Board carried out a review of the Group's strategy. The discussion in 2022 identified six strategic objectives as key drivers for growth, with a five-year target set for each one. Each objective reflects the pillars of Hochschild's corporate purpose and include taking a leading role in promoting good ESG practices as well as seeking to become an employer of choice offering a positive working environment. By taking this approach, the Board has mandated that every strategic business decision should promote sustainability for a wide range of stakeholders.

(b) Completion of the acquisition of Amarillo Gold Corporation

In its decision to complete the acquisition of Amarillo Gold, the Board took into account:

- *shareholders'* concerns (a) on the limited scope for growth from the Company's existing portfolio of operating assets and its impact on shareholder returns, and (b) on the lack of geographic diversification;
- the interests of *employees* who would benefit from the addition of a high-grade asset into the Company's portfolio;
- the interests of *local stakeholders and government* who would benefit from the generation of sustainable value at Mara Rosa; and
- the neutral impact on *existing customers*.

Division of responsibilities

Board composition

Throughout the year, the Board comprised the Chair, the Chief Executive Officer and seven Non-Executive Directors, of whom six are considered, by the Board, to be of independent judgement and character. At the conclusion of the 2022 AGM, Graham Birch and Dionisio Romero Paoletti stepped down from the Board as Independent Non-Executive Director and Non-Executive Director respectively. At that time, the appointments of Mike Sylvestre and Nicolas Hochschild in those respective positions took effect.

As a result, at all times during the year, the Board comprised a majority of Independent Non-Executive Directors. Nicolas Hochschild is the only serving non-independent Non-Executive Director as he has been nominated to the Board by the Company's largest shareholder under its rights pursuant to the Relationship Agreement (further details of which can be found on page 89 of the Directors' Report).

Chair and Chief Executive

The Board is led by the Chair, Eduardo Hochschild, who controls Pelham Investment Corporation (the 'Significant Shareholder'), the largest shareholder of the Company with a c.38% holding.

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

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

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

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

Status of the Chair

In light of his significant shareholding, Eduardo Hochschild is not considered to be independent. However, the other Directors of the Board continue to assert that Mr Hochschild chairs the Board in an objective manner and encourages open and full debate. The Directors are satisfied that the composition of the Board and the implementation of certain contractual arrangements act as additional measures which prevent the exercise of undue influence by Mr Hochschild.

Firstly, the significant presence of Independent Directors and the active role of the Senior Independent Director ensure that the views of minority shareholders are well represented.

Secondly, the undertakings provided in the Relationship Agreement (as described below) ensure that the Company and its subsidiaries are capable of carrying on their business independently of Eduardo Hochschild and his associates.

The Relationship Agreement, which was revised in 2014 following the implementation of new rules governing such agreements (the '2014 Listing Rules'), contains undertakings from each of Eduardo Hochschild and the Significant Shareholder that:

- all transactions with the Company (and its subsidiaries) will be conducted at arm's length and on normal commercial terms;
- neither of them (nor their associates) (the 'Relevant Parties') will take any action that would have the effect of preventing the Company from complying with its obligations under the UK Listing Rules;
- the Relevant Parties will not propose, and neither will they procure the proposal of, a shareholder resolution intended or which appears to be intended to circumvent the proper application of the UK Listing Rules; and
- the Relevant Parties will not take any action that would preclude or inhibit any member of the Group from carrying on its business independently of any of them.

Certain confirmations are required to be given by the Board under the 2014 Listing Rules with regards to the Company's compliance with the independence provisions which can be found in the Directors' Report on page 89.

Senior Independent Director

Michael Rawlinson is the Senior Independent Director. Mr Rawlinson's role is not only to act as a central point of contact for the Non-Executive Directors as a group but to also act as a conduit between the Non-Executive Directors and the executive management team. To facilitate this, Mr Rawlinson chairs meetings of the Non-Executive Directors and of the Independent Non-Executive Directors after each Board meeting. This provides the opportunity to gather feedback and thoughts on Board discussions which are subsequently relayed to the Board Chair and/or the executive team as appropriate. A crucial part of the role of the Senior Independent Director is to meet with major shareholders if concerns have not been addressed by the executive team. No such meetings were requested during the year.

Non-Executive Directors

With the exception of Nicolas Hochschild who has been nominated to the Board by the Significant Shareholder, the Company's Non-Executive Directors hold, or have held, senior positions in the corporate sector. Each such Director brings their experience and independent perspective to enhance the Board's capacity to help develop proposals on strategy and to oversee and grow the operations within a sound framework of corporate governance.

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

Independence of Non-Executive Directors

In keeping with its usual practice, the Board considered during the year the independence of those Non-Executive Directors deemed by the Directors to be independent. As part of its assessment, the Board took into account the circumstances set out in Provision 10 of the Code. In particular, the Board noted the fact that Jorge Born has served on the Board for over nine years. The Board assessed, among other things, Jorge Born's individual approach and contribution to Board discussions. It was concluded that he demonstrated ongoing objectivity which, at times, included appropriate challenges of matters under deliberation as well as of management. Accordingly, the Board was of the opinion that the above circumstances did not interfere with Mr Born's ability to act in the best interests of the Company and is therefore considered to be independent for the purposes of the Code.

Company Secretary

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

Composition, succession and evaluation

Appointments and re-election of Directors

The Board has established a Nomination Committee which recommends nominations to the Board. The report of the Nomination Committee appears on pages 106 and 107.

The Company has adopted the practice of requiring Directors to seek annual re-election by shareholders in keeping with the UK Corporate Governance Code. The biographies of the Directors can be found on pages 86 and 87 which, in addition to specifying other positions, also highlight the key skills and experience of each Board member.

Under the terms of the Relationship Agreement, the Significant Shareholder has (i) the right to appoint up to two Non-Executive Directors to the Board for so long as the Significant Shareholder holds an interest of 30% or more in the Company and (ii) the right to appoint one Non-Executive Director for so long as it has an interest of 15% or more in the Company, and in each case to remove any such Director(s) previously appointed.

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

The Significant Shareholder exercised this right for the first time with the appointment of Dionisio Romero Paoletti who joined the Board on 1 January 2018 and who was replaced by Nicolas Hochschild on 26 May 2022.

Board development

It is the responsibility of the Board Chair to ensure that the Directors update their knowledge and their skills and are provided with the necessary resources to continue to do so. This is achieved through the various means described as follows.

Induction

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

Mike Sylvestre selection and induction process

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

↓

The Nomination Committee compiles a short-list of candidates

↓

Interviews: Board Chair and designated members of the Nomination Committee

↓

Conflicts of Interest*: Nomination Committee considers and approves any conflicts of interest and recommends Mike Sylvestre's appointment to the Board

↓

Provision of Key Documentation*: On Governance, Directors' & Officers' Liability Insurance and other information

↓

The Board Perspective*: Meets with Board members

↓

The Operational Perspective*: Meetings with the CEO, CFO, COO and his direct reports

↓

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

↓

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

Note: As a nominee of the Significant Shareholder, the induction process for Nicolas Hochschild comprised the stages marked with an asterisk.

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

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

Board effectiveness
The Board is committed to the process of continuous improvement and so, during the year (a) took a number of actions to implement the findings of the external evaluation performed by Independent Audit Limited in 2021, and (b) undertook an internally facilitated evaluation.

Implementation of 2021 Board evaluation

The table below sets out the key actions taken in 2022 in respect of the principal recommendations arising from the 2021 review.

Area of focus	Action	Update
Risk management reporting	Reviewing risk management reporting and the findings of internal audit.	Review and benchmarking of risk management reporting processes ongoing.
External perspectives	Incorporating, in a more structured way, the views of external stakeholders to enhance strategic planning.	Stakeholder perceptions reflected in annual strategic review. This will be further developed for future strategic planning discussions.
Continuing the momentum on ESG matters	Considering wider use of ESG-related indicators for performance monitoring, and supporting management's efforts in reporting on ESG matters.	– ESG-related indicators approved and adopted by the Board in May 2022 – The Group has significantly increased participation in ESG-related reporting initiates (see website for more details)
People and culture	Enhancing the Board's visibility of people issues and the embedding of the target organisational culture.	– Online Employee Forums launched which were hosted by Tracey Kerr as the Designated Non-Executive Director for Workforce Engagement (see page 65 for further information) – Site visits to be arranged when conditions are conducive to provide greater visibility of organisational culture
Board meeting effectiveness	Reformatting Board material to enhance discussion and optimising the holding of virtual meetings.	– Board material review ongoing with a view to enhancing strategic discussions – Arrangements for virtual meetings have been revised to optimise participation and meeting effectiveness

2022 Board evaluation

Process
The 2022 Board evaluation, undertaken in the latter part of the year, took the form of one-to-one interviews led by Michael Rawlinson, the Senior Independent Director supported by the Company Secretary.

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

– **The Board:** its workings, composition and specific aspects of its role, e.g Strategy & M&A, Governance & Risk, and Culture & People.
– **Developing:** retrospective review, and identifying short-/medium-term areas of focus.
– **The Committees:** a review of their workings and deeper dives into specific areas of responsibility.
– **Peer Reviews:** consideration of the skills and strengths around the Board table. The evaluation of the Chair's performance was considered by the Non-Executive Directors led by the Senior Independent Director.

Findings
The principal recommendations arising from the 2022 Board evaluation process include the following:

Area of focus	Action
Workings of the Board	– Ongoing review of Board material to facilitate detailed discussions on matter under consideration – Exploring options to maximise time for discussion between Board members outside of the boardroom – Enhancing the post-Board meeting reviews and process of feeding back to executive management
Maximising Board input on Strategic Reviews	Implementing practical suggestions on strategy planning and periodic updates on progress against agreed objectives
Risk Reporting	Ongoing review to incorporate tolerance thresholds in risk reporting and detailed contingency scenario planning
Workings of the Committees	Specific topics for further consideration identified for further discussion by the Remuneration and Nomination Committees and the Exploration Working Group

AUDIT COMMITTEE REPORT

> In addition to its customary reporting and audit responsibilities, in 2022 the Audit Committee also considered the accounting implications relating to the Amarillo Gold acquisition."

Dear Shareholder
I am pleased to present the Audit Committee report for the year ended 31 December 2022.

During the year, the Committee discharged its oversight responsibilities over numerous areas. Firstly, in relation to its customary financial reporting duties which included a review of management's accounting judgments and disclosures in the preparation of the Annual Report where the issues of impairments, going concern and viability, and mine closure provisions in particular were closely scrutinised. Please refer to pages 103 and 104 for further details on the specific issues considered.

In addition, the Committee considered the accounting implications of the Amarillo Gold (AG) acquisition, which was completed in early April 2022. In advance of this, we looked not only at the accounting in respect of the acquisition, but also practical aspects on how the finance function of AG would be integrated into our established processes.

A crucial aspect of the Committee's role is to oversee the provision of services by the external Auditor. During the year, the Committee considered both internal feedback from management on EY's performance during the full-year audit and half-year review, as well as the external reports from the Financial Reporting Council on their audit quality inspections of the large audit firms.

Eileen Kamerick
Committee Chair

2022 meeting attendance

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

Key roles and responsibilities

- To monitor the integrity and material accuracy of the Company's financial statements and related disclosures;
- To monitor the effectiveness of the Company's internal controls and risk management systems and review the preparation of the going concern and viability statements;
- To review, on behalf of the Board, the Company's procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and to review and conclude on non-compliance;
- Oversight of the Internal Audit function, review of its annual work plan and its findings;
- To oversee the relationship with the Company's external Auditor;
- To review the effectiveness of the external audit process; and
- To report to shareholders annually on the Committee's activities including details of the significant audit issues encountered during the year and how they have been addressed.

Membership

Eileen Kamerick is the chair of the Audit Committee, a position that she held during the year under review. Eileen was formerly a Chief Financial Officer of a number of US-based companies operating in the mining, oil and gas, investment banking and recruitment sectors. Eileen currently chairs the audit committees of the Legg Mason Closed End Mutual Funds and NASDAQ-listed ACV Auctions Inc. Eileen holds the Directorship Certification of the US National Association of Corporate Directors ('NACD') and is a Board Leadership Fellow of the NACD.

Michael Rawlinson's career in banking specialised in the mining sector, having initially worked as an analyst and corporate financier, serving most recently as Global Co-Head of Mining and Metals at Barclays Investment Bank from 2013 until his retirement from that role in June 2017. Michael currently serves as Chair of Adriatic Metals Plc and sits on its Audit and Risk Committee. He also serves on the Boards and Audit Committees of London-listed Capital Limited and AIM-listed Andrada Mining Limited (formerly AfriTin Mining).

Jill Gardiner was formerly an investment banker at RBC Capital Markets with a focus on certain commodity and energy related industries. She has served on and chaired numerous audit committees and currently serves as Chair of TSX-listed Capital Power Corporation and as an ex-officio member of its Audit Committee.

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

For further details on the skills and experience of the Committee members, please refer to the biographical details on pages 86 and 87. The performance of the Committee was considered as part of the annual Board evaluation process which was considered by the whole Board.

Attendees

The lead partner of the external Auditor, EY, the Chair of the Company, the Chief Executive Officer, the Chief Financial Officer, the Vice President of Legal & Corporate Affairs and the Head of Internal Audit attend each Audit Committee meeting by invitation. The Company Secretary acts as Secretary to the Committee.

Activity during the year

The Committee considered the following principal matters during the year:

Financial reporting – The 2021 Annual Report and Accounts and the 2022 Half-Yearly Report were reviewed by the Committee before recommending their adoption by the Board. In its review of these financial reports, the Audit Committee considered that appropriate accounting policies, estimates and judgements were applied in preparing the relevant statements and the transparency and clarity of disclosures contained within them.

Review of audit plans – In line with its usual practice, the Committee considered reports from the external Auditor on the scope and structure of the review of the half-yearly results and audit of the annual results and any recommendations on the Company's processes and controls.

During the year, the Committee members held meetings with the external Auditor without executive management to discuss matters relating to the 2021 annual audit and the 2022 Half-Yearly Report.

Acquisition of Amarillo Gold – The Committee considered various aspects of the acquisition such as (i) the accounting treatment for the acquisition, (ii) the accounting-related workstreams in the preparation of the shareholder circular, and (iii) the integration of the finance function.

Risk management – Consideration and challenge of risk management assessments which incorporate a risk matrix detailing (i) the most significant and emerging risks facing the Group, (ii) an evaluation reflecting the likelihood of the occurrence of the risk and the extent of the potential impact on the Group, and (iii) commentary on the steps taken to manage each specific risk. See page 76 for a description of the process by which the Group's principal and emerging risks are identified and monitored, and the actions taken during the year to mitigate them.

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

Internal control – Through the processes described on page 105, the Audit Committee reviewed the adequacy of the Group's internal control environment and risk management systems.

Whistleblowing – In line with the 2018 Corporate Governance Code, the Audit Committee reviewed, on behalf of the Board, the adequacy of the Group's whistleblowing arrangements. Whistleblowing reports are circulated to a group comprising the Audit Committee Chair ('AC Chair'), the Head of Internal Audit, the Vice-President of Human Resources and the Company Secretary ('the Reporting Group'); the AC Chair has a preliminary discussion with the Head of Internal Audit on the approach to the investigation; and the findings of the investigation are then reported, in the first instance, to the AC Chair and the Reporting Group and to the next scheduled meeting of the Audit Committee.

A key contributory factor to the success of the Whistleblowing arrangements is the level of its awareness and therefore, during the year, the Committee was keen to ensure that they were adequately publicised to new colleagues in Brazil and Canada.

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

The Group's Code of Conduct describes the values and standards of behaviour expected of our employees and our business partners. In addition, the Group has adopted a specific anti-bribery and anti-corruption policy to reflect the Board's zero tolerance to these types of acts. The Code of Conduct was reviewed in 2022 and circulated earlier this year with all recipients required to confirm receipt online and confirming their agreement to its terms.

External audit –The Audit Committee oversees the relationship with the external Auditor. EY was first appointed by the Company as Auditor in 2006 and, following a tender process undertaken in Q1 2016, was reappointed. The Audit Committee evaluated the performance of EY in 2022 and concluded that it was appropriate to recommend the re-appointment of EY as external Auditor at the 2022 Annual General Meeting. The Audit Committee reviewed the findings of the external Auditor and management letters, and reviewed and approved the audit fees.

In line with its usual practice, the Audit Committee evaluated the effectiveness of EY and the external audit process taking into account the results of Hochschild management's internal survey relating to EY's performance as well as views and recommendations from management and its own experiences with the external Auditor. Key criteria of the evaluation included resources and expertise, quality and timeliness of the audit process, quality of communication and reporting to the Audit Committee. In addition, the Committee considered the Audit Quality Inspection results published by the Financial Reporting Council, noting the ranking of EY relative to its peers and sought reassurances on the actions to be taken by the firm in response to the areas of development which had been identified.

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

Governance – The Audit Committee received updates from the Auditor and the Company Secretary on regulatory and other developments impacting the Committee's role.

Evaluation – The Committee's performance was evaluated as part of the annual Board review which, as reported earlier in this Corporate Governance Report, was facilitated during the year by the Senior Independent Director and the Company Secretary. Aspects of the Committee's role were discussed in the one-to-one interviews held with each Board member. Recommendations of particular relevance to the Committee's work included further enhancements to the reporting of risks.

Tax compliance strategy – The Audit Committee approved on behalf of the Board a document on the Group's approach to UK tax matters. The document can be found at: www.hochschildmining.com/media/g2nlhbdh/2022-uk-tax-strategy-final.pdf

Significant issues relating to the 2022 financial statements

As recommended by the Code, the following is a summary of the significant issues considered by the Committee in relation to the 2022 financial statements and how these issues have been addressed.

(a) Impairments

The Audit Committee considered management's analysis of potential indicators of impairment and impairment reversals across the Group's assets. Having concluded on the presence of triggering factors, the Audit Committee undertook the following reviews:

In relation to Inmaculada: In the absence of any news with respect to the Inmaculada MEIA, the Committee reviewed the weighted average amount of impairment calculated by management based on the probabilities of the various outcomes and the resulting impairments. The Audit Committee reflected on the reports from management received during the year under review, and the latest update on the status of the MEIA;

In relation to Pallancata: The Committee noted the asset's new valuation based on the new mineral resource discovered in the Royropata zone and the resulting impairment reversal;

In relation to San Jose: The Committee noted the factors implying that no change be made to the asset's book value.

In addition, the Committee considered the valuations undertaken at the Group's exploration assets, namely Volcan, Crespo, Azuca and its investment in Aclara, and the factors highlighted by management in support of their recommendations.

The Audit Committee considered:
- analyst consensus price forecasts for silver and gold; and
- the underlying calculation of the impairment review.

In conclusion, the Audit Committee concurred with management that:

(i) an impairment reversal of $16 million be recognised with respect to Pallancata; and

(ii) an impairment of $4 million be recognised with respect to Azuca.

(b) Going Concern assessment & Viability Statement

The Directors must satisfy themselves as to the Group's ability to continue as a going concern to 31 May 2024, being a minimum of 12 months from the approval of the financial statements. The Audit Committee continued to support the Board in this assessment by considering whether, in adverse circumstances, the Company has adequate liquid and financing resources to meet its obligations as they fall due. These adverse circumstances were tested under two scenarios, namely (a) the approval of the Inmaculada MEIA as at the date of the financial statements, and (b) the rejection of the Inmaculada MEIA resulting in a suspension of operations at the mine at the end of 2023.

Such potential adverse circumstances included a four-week suspension across all three mines and an increase in community relations-related costs combined with lower precious metal prices. In April 2023, the Audit Committee reviewed the Group cash flow forecasts for the going concern period under both scenarios taking into account the Company's anticipated production profiles at each mine, budgeted expenditure and the sensitivity of the cash flow forecasts to movements in precious metal prices. In addition, the Audit Committee considered the viability of the refinancing actions that would be necessary under the MEIA rejection scenario. Finally, the Committee corroborated its assessment through consideration of the processes undertaken by the Auditor in its testing of management's going concern assessment and on the reasonableness of assumptions therein including with respect to the Inmaculada MEIA and the impact of the mitigating actions taken to date as well as those identified by management for implementation.

In conclusion, the Committee was content and recommended to the Board that the Directors should continue to adopt the going concern basis of accounting in preparing the annual financial statements. This remained the case even under a MEIA rejection scenario in light of the support signalled by the Company's major shareholder and its principal lenders with respect to the requisite refinancing, while acknowledging the presence of a material uncertainty in connection therewith.

Please refer to the Directors' Report on page 90 for its confirmation to shareholders on the appropriateness of the going concern assumption.

The Audit Committee also considered management's analysis in support of the longer-term viability statement which covers a period of three years from the date of these financial statements. Similar to the Going concern review, the analysis was carried out under both the Inmaculada MEIA approval and rejection scenarios which were then subject to stress testing under seven viability scenarios taking into account the principal risks faced by the Group. Key assumptions under the Inmaculada MEIA rejection scenario were the successful completion of the requisite refinancing and a significant reduction in expenses.

The Audit Committee challenged the assumptions made under both scenarios, as well as the appropriateness of the viability situations selected to stress-test the Group's viability.

In conclusion, while acknowledging the presence of material uncertainties in connection with the Inmaculada MEIA and the requisite refinancing referred to above, the Committee was satisfied and recommended to the Board that the Directors should approve and adopt the Viability Statement.

Please refer to pages 84 and 85 for the Viability Statement.

(c) Mine rehabilitation provision

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

In its assessment of the analysis undertaken by management and, where relevant, with the input provided by specialist experts, the Audit Committee took into account:

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

The Audit Committee concluded the provision to be appropriate.

Auditor independence

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

Policy on the use of Auditor for non-audit services

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

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

The Audit Committee continuously monitors the level of fees for non-audit services compared to the audit fees paid to the Auditor in the last three consecutive financial years. Based on the non-audit services for which the Company plans to engage the Auditor in 2023, the Audit Committee assessed whether it would be more appropriate for another firm to undertake the prospective work or for the

Auditor to request a waiver from the FRC in relation to the cap on fees for non-audit services stipulated by the Revised Ethical Standard so that they may undertake the work. Based on the nature of the planned work, which the Audit Committee deems would not have any bearing on EY's continued independence in their capacity as the external Auditor, the Committee considered the latter to be appropriate and has therefore granted approval for EY to undertake the non-audit services in 2023. Subsequently, EY has requested the necessary waiver from the FRC, which has also been approved.

2022 Audit and non-audit fees
Please refer to note 33 to the consolidated financial statements for details of the fees paid to the external Auditor.

Safeguards
Additional safeguards to ensure Auditor objectivity and independence include:

- six-monthly reports to the Audit Committee from the Auditor analysing the fees for non-audit services rendered; and
- an annual assessment, by the Audit Committee, of the Auditor's objectivity and independence in light of all relationships between the Company and the audit firm.

Compliance Statement required under Article 7.1 of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order')
The Company confirms that it has complied with the Order during the year under review.

Internal control and risk management
Whilst the Board has overall responsibility for the Group's system of internal control including risk management and for reviewing its effectiveness, responsibility for the periodic review of the effectiveness of these controls has been delegated to the Audit Committee. Notwithstanding this delegation of authority, the Board continues to monitor the strategic risks to which the Company is exposed in the context of a risk appetite that is under continuous review. Internal controls are managed by the use of formal procedures designed to highlight financial, operational, environmental and social risks and provide appropriate information to the Board enabling it to protect effectively the Company's assets and, in turn, maintain shareholder value.

The process used by the Audit Committee to assess the effectiveness of risk management and internal control systems comprises:

- reports from the Head of the Internal Audit function;
- reviews of accounting and financial reporting processes together with the internal control environment at Group level. This involves the monitoring of performance and the taking of relevant action through the monthly review of Key Performance Indicators and, where required, the production of revised forecasts. The Group has adopted a standard accounting manual to be followed by all finance teams, which is continually updated to ensure the consistent recognition and treatment of transactions and production of the consolidated financial statements;
- the external Auditor's observations of the Company's internal control environment;
- review of budgets and reporting against budgets; and
- consideration of progress against strategic objectives.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and it must be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee's assessment
At its April 2023 meeting, the Audit Committee reviewed the process described above and is satisfied that, for the year under review and the period from 1 January 2023 to the date of approval of the Annual Report and Accounts, internal controls are in place at the operational level within the Group.

Board's assessment

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

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

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

NOMINATION COMMITTEE REPORT

2022 saw a refreshing of the composition of the Board thereby ensuring that we are well equipped to navigate a successful course in achieving our strategic goals."

Dear Shareholder
I am delighted to report that 2022 saw the Committee proceed with a number of matters within its scope of responsibilities, primarily a refreshing of the Board composition and succession planning for the Board and the executive team.

Our search process in late 2021 culminated in the appointment of Mike Sylvestre who joined the Board having spent his entire career working in the mining sector, firstly with Vale and subsequently with Kinross. The Board has long sought a member to contribute to our ability to challenge and support the Group's operational efforts and so we look forward to working with Mike. A key tool used by the Board in identifying suitable profiles for potential candidates is the skills matrix which we are happy to provide addition detail on in this year's report.

We also took the opportunity, during the year, to review the composition of our Board committees which has seen, among other things, Tracey Kerr assume the Chair of the Sustainability Committee. Tracey's extensive experience and expertise in this area are already making their mark.

Finally, we have continued to oversee the Talent Review Plan, the name for our Executive Succession Plan. This ensures that the Committee is able to track the development needs of our management team as well as of their potential successors whilst also seeking to progress with other priorities such as a diverse pipeline of executive talent.

Eduardo Hochschild
Committee Chair

2022 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Eduardo Hochschild, Committee Chair	No	2	2
Graham Birch, Non-Executive Director*	Yes	1	1
Jorge Born, Non-Executive Director	Yes	2	2
Jill Gardiner, Non-Executive Director	Yes	2	2
Nicolas Hochschild, Non-Executive Director**	No	1	1
Eileen Kamerick, Non-Executive Director	Yes	2	2
Tracey Kerr, Non-Executive Director*	Yes	2	2
Michael Rawlinson, Non-Executive Director	Yes	2	2
Dionisio Romero Paoletti, Non-Executive Director*	No	1	1
Mike Sylvestre, Non-Executive Director**	Yes	1	1

* Graham Birch and Dionisio Romero Paoletti stepped down from the Committee on their retirement from the Board on 26 May 2022.
** Nicolas Hochschild and Mike Sylvestre were appointed members of the Committee on joining the Board on 26 May 2022.

Key roles and responsibilities:

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

Membership

The members of the Committee are listed opposite. Mike Sylvestre and Nicolas Hochschild were appointed members of the Committee following their appointments to the Board on 26 May 2022, and Graham Birch and Dionisio Romero Paoletti stepped down from the Committee following their retirement from the Board on that same date.

The Company Secretary acts as Secretary to the Committee.

Activity during the year

The principal matters considered by the Committee are outlined below.

Reporting

- the report of the Committee's activities for inclusion in the 2021 Annual Report.

Board/Committee composition

- the recommended appointment of Mike Sylvestre following the recruitment and selection process which took place in late 2021 (see 'Appointments to the Board' section below for further details).
- the recommended appointment of Nicolas Hochschild as a Non-Executive Director nominated by the Company's Significant Shareholder in place of Dionisio Romero Paoletti; and
- various recommended changes to the compositions of the Remuneration, Sustainability and Nomination Committees as a result of, among other things, the above appointments and the retirements from the Board at the 2022 AGM.

Succession planning

- **Board succession plan**

  Taking into account the recommended appointments of Mike Sylvestre and Nicolas Hochschild, the Committee considered the Board skills matrix which maps the extent to which key strategic skills are represented around the Board table thereby identifying any skill gaps that are present or could arise on the anticipated retirements from the Board (see image top right on the current skills matrix for the Board).

Board skills matrix

	1	2	3	4	5	6	7	8	9	10	11	12
Eduardo Hochschild		x	x	x		x	x				x	
Jorge Born			x		x	x	x				x	
Ignacio Bustamante	x		x	x							x	
Jill Gardiner					x	x	x					
Nicolas Hochschild												x
Eileen Kamerick					x	x	x					
Tracey Kerr	x	x						x		x	x	
Michael Rawlinson		x			x	x	x	x	x			
Mike Sylvestre	x		x							x	x	

1 – Operational Mining Experience, **2** – Geology, **3** – Experience of operating/overseeing Latam business, **4** – Peruvian Government relations, **5** – Recent & relevant audit/financial experience, **6** – Corporate Finance, **7** – M&A Experience, **8** – UK corporate governance, **9** – Relations with UK institutional investors, **10** – New Technologies/Innovation, **11** – Experience of ESG/regional socio-political issues, **12** – Nominee of Pelham Investment Corporation

- **Executive succession and development plan**

  The Committee considered the Talent Review Plan which, in addition to setting out the developmental needs for senior executives, also identifies successors to 'Critical Positions' and their personal development strategies. In reviewing this Plan, the Committee also seeks to improve the gender diversity on the pipeline of talent coming through to executive management level.

Conflicts of interest

Consideration of any existing or potential conflicts of interest:

(i) prior to Tracey Kerr's appointments to the Boards of Jubilee Metals Group Plc and The Weir Group PLC; and

(ii) prior to the recommended appointments of Mike Sylvestre and Nicolas Hochschild to the Board.

Evaluation

Appointments to the Board

The Company's approach

In seeking candidates for appointment to the Board, regard is given to relevant experience and the skills required to complete the composition of a balanced Board (with reference to the Board skills matrix) and taking into account the challenges and opportunities facing the Company. Other factors are also considered such as the opportunity to increase diversity.

Recruitment process

The recruitment process for Mike Sylvestre overseen by the Nomination Committee commenced in H2 2021 supported by search firm London Search Associates. The firm provided a long-list of potential candidates with experience of ESG matters and/or operational mining.

A short-list was drawn up and a sub-committee of the Nomination Committee carried out interviews in 2021 prior to recommending Mike's appointment to the Board to take place during H1 2022.

Other than with respect to the above recruitment process which resulted in the appointments of Tracey Kerr and Mike Sylvestre, neither the Company nor any individual Director has any connection with London Search Associates.

Diversity

Policy on Board appointments

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

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

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

Increasing workforce diversity

The Company is committed to redressing the diversity imbalance in its workforce which is reflective of the mining industry in general. Please refer to page 64 for further details of the diversity and inclusion initiatives and the progress made by the Company over the course of 2022.

Introduction

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

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

Share capital

Issued share capital

The Company's issued share capital comprises 513,875,563 ordinary shares of 1 pence each ('shares'). No shares were issued during the year ended 31 December 2022.

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

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

Current share repurchase authority

The Company obtained shareholder approval at the AGM held in May 2022 for the repurchase of up to 51,387,556 shares which represents 10% of the Company's issued share capital ('the 2022 Authority'). Whilst no purchases have been made by the Company pursuant to the 2022 Authority, it is intended that shareholder consent will be sought on similar terms at this year's AGM when the 2022 Authority expires.

Additional share capital information

This section provides additional information as at 31 December 2022.

(a) Structure of share capital

The Company has a single class of share capital which is divided into ordinary shares of 1 pence each, which are in registered form.

Further information on the Company's share capital is provided in note 29 to the consolidated financial statements.

(b) Rights and obligations attaching to shares

The rights attaching to the ordinary shares are described in full in the Articles. In summary, on a show of hands and on a poll at a general meeting or class meeting, every member present in person or, subject to the below, by proxy has one vote for every ordinary share held. However, in the case of a vote on a show of hands, where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at a general meeting or class meeting. A member that is a corporation is entitled to appoint more than one individual to act on its behalf at a general meeting or class meetings as a corporate representative.

(c) Transfer of shares

The relevant provisions of the Articles state that:

- registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Regulations and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four;
- the Directors may, in their absolute discretion, decline to register any transfer of any share which is not a fully paid share. The Directors may also decline to recognise any instrument of transfer relating to a certificated share unless the instrument of transfer:
  - is duly stamped (if required) and is accompanied by the relevant share certificate(s) and such other evidence of the right to transfer as the Directors may reasonably require; and
  - is in respect of only one class of share.
- the Directors may:
  - in their absolute discretion, refuse to register a transfer if it is in favour of more than four persons jointly; and
  - decline to register a transfer of any of the Company's shares by a person with a 0.25% interest, if such a person has been served with a notice under the Companies Act after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

(d) Restrictions on voting

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by him or her, if any call or other sum then payable by him or her in respect of that share remains unpaid. Currently, all issued shares are fully paid.

In addition, no member shall be entitled to vote if he or she failed to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

(e) Deadlines for voting rights

Votes are exercisable at the general meeting of the Company in respect of which the business being voted upon is being heard.

Votes may be exercised in person, by proxy or, in relation to corporate members, by a corporate representative. Under the Articles, the deadline for delivering proxy forms cannot be earlier than 48 hours (excluding non-working days) before the meeting for which the proxy is being appointed.

Substantial shareholdings

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

As at 31 December 2021	Number of ordinary shares/voting rights	Percentage of issued share capital	Nature of holding
Eduardo Hochschild[1]	196,900,306	38.32%	Indirect
BlackRock	Below 5%	Below 5%	–
Majedie Asset Management Limited[2]	25,384,745	4.94%	Indirect
Van Eck Associates Corporation	15,465,722	3.01%	Direct

1 The shareholding of Mr Eduardo Hochschild is held through Pelham Investment Corporation.
2 The information disclosed is taken from the latest notification received by the Company from Majedie Asset Management Limited in October 2018.

Shareholder agreements

The Relationship Agreement entered into prior to the IPO between, amongst others, the Major Shareholder (as defined in the Relationship Agreement) and Eduardo Hochschild (collectively 'the Controlling Shareholders') and the Company:

- contains provisions restricting the Controlling Shareholders' rights to exercise their voting rights to procure an amendment to the Articles that would be inconsistent with the Relationship Agreement; and
- contains an undertaking by the Controlling Shareholders that they will, and will procure that their Associates will, abstain from voting on any resolution to approve a transaction with a related party (as defined in the FCA Listing Rules) involving the Controlling Shareholders or their Associates.

Significant agreements

A change of control of the Company following a takeover bid may cause a number of agreements to which the Company, or any of its trading subsidiaries, is party to take effect, alter or terminate. Such agreements include commercial trading contracts, joint venture agreements and financing arrangements.

Further details are given below of those arrangements where the impact may be considered to be significant in the context of the Group.

(a) $300 million Credit Agreement and $200 million Credit Agreement[1] (the 'Credit Agreements')

Under the terms and conditions of the Credit Agreements which are between, amongst others, the Group and BBVA Securities Inc, and The Bank of Nova Scotia, a Change of Control obliges the Group to prepay all Advances (as defined in the agreement) unless any Lender notifies the Group that it is declining any such prepayment in which case the Advances owing to such declining Lender shall not be prepaid.

1 The $200 million Loan facility, which was signed in Q4 2022, is only available for drawdown once approval has been granted by the relevant governmental authorities to the Inmaculada Modified Environmental Impact Assessment ("MEIA")

In summary, a Change of Control means an event or series of events by which: (a) the Permitted Holders (being Eduardo Hochschild, his spouse, either of their descendants or estate or guardian of any of the aforementioned, a trust for the benefit of one or more of the aforementioned or any entity controlled by any one or more of the aforementioned) shall for any reason cease, individually or in the aggregate, to be the beneficial owners (as so defined) of at least 30% of the Company's shares; or (b) the Permitted Holders shall for any reason cease, individually or in the aggregate, to have the power to appoint at least the number of the members of the Board of Directors or other equivalent governing body of the Company that the Permitted Holders are permitted to elect as at 20 September 2021; or (c) the Company shall for any reason cease, directly or through one or more of its Subsidiaries, to be the 'beneficial owner' (as so defined) of more than 50% of the Equity Interests in the Borrowers. In the case of the $300 million Credit Agreement, the 'Borrower' is Compania Minera Ares S.A.C. ('Ares') and, in the case of the $200 million Credit Agreement, 'Borrower' is either Ares or Amarillo Mineracao do Brasil Ltda.

(b) Long-Term Incentive Plans

Awards made under the Group's Long-Term Incentive Plan shall, upon a change of control of the Company, vest early unless a replacement award is made. Vesting will be pro-rated to take account of the proportion of the period from the award date to the normal vesting date falling prior to the change of control and the extent to which performance conditions (and any other conditions) applying to the award have been met.

Summary of constitutional and other provisions

Appointment of Directors

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

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

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

Approach to appointments adopted by the Board

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

2014 Listing Rules

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

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

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

Relationship Agreement
In addition, under the terms of the Relationship Agreement:

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

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

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

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

Repurchase of shares
Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act. Any shares which have been bought back may be held as Treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued share capital. The minimum price which must be paid for such shares is specified in the relevant shareholder resolution.

Dividends and distributions
Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Directors.

The Directors may pay interim dividends whenever the financial position of the Company, in the opinion of the Directors, justifies their payment. If the Directors act in good faith, they are not liable to holders of shares with preferred or pari passu rights for losses arising from the payment of interim dividends on other shares.

Additional disclosures

Disclosure table pursuant to Listing Rule 9.8.4C R
For the purposes of LR 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following parts of this Annual Report:

Section	Matter	Location
(1)	Interest capitalised	Note 16 to the consolidated financial statements
(2)	Publication of unaudited financial information	Not applicable
(4)	Details of specified long-term incentive scheme	None
(5)	Waiver of emoluments by a Director	None
(6)	Waiver of future emoluments by a Director	None
(7)	Non pre-emptive issues of equity for cash	None
(8)	Item (7) in relation to major subsidiary undertakings	None
(9)	Parent participation in a placing by a listed subsidiary	None
(10)(a)	Contract of significance in which a Director is interested	Directors' Report (and the related note 32(c) to the consolidated financial statements)
(10)(b)	Contract of significance with controlling shareholder	Directors' Report (and the related note 32(c) to the consolidated financial statements)
(11)	Provision of services by a controlling shareholder	Directors' Report
(12)	Shareholder waivers of dividends	Directors' Report
(13)	Shareholder waivers of future dividends	Directors' Report
(14)	Agreement with controlling shareholder	Directors' Report

Group non-financial information statement

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

Reporting requirement	Relevant policies	Further information	KPIs
Business model		Business model (page 22)	
Principal risks		– Risk Management & Viability (page 76) – Audit Committee report (page 101)	
Environmental matters	– Code of Conduct* – Corporate Sustainability Policy* – Corporate Environmental Policy	Environment section of the Sustainability Report (page 57)	– GHG emissions – GHG intensity – ECO Score – Electricity consumption – Water consumption – Waste generation
Employees	– Code of Conduct* – Corporate Sustainability Policy* – Protocol for the Prevention of Covid-19 – Corporate Health & Safety Policy	The following sections of the Sustainability Report: Our People (page 63), Health & Safety (page 61)	– % workforce unionised – Health consultations – High Potential Events rate – Fatalities – Injury Frequency rate – Accident Severity rate
Social matters	– Corporate Sustainability Policy* – Corporate Community Relations Policy*	Community Relations section of the Sustainability Report (page 54)	– Community employment – Community investment – Services and goods provided by suppliers from communities
Human rights	– Corporate Sustainability Policy* – Corporate Human Rights Policy* – Diversity & Inclusion Policy* – Sexual Harassment Prevention Policy	Our People section of the Sustainability Report (page 63)	– Workforce by gender
Anti-corruption and Anti-bribery matters	– Code of Conduct* – Anti-corruption and Bribery Policy* – Whistleblowing Policy*	Audit Committee report (page 101)	

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

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ending 31 December 2022 which is split into two sections: this Annual Statement and the Annual Report on Remuneration.

Pay and performance in 2022

As noted earlier in the Strategic Report section of our Annual Report, 2022 was a year of resilient performance against a very difficult political and social backdrop. The Remuneration Committee particularly noted the following positive aspects of the Company's performance:

- a robust operational performance in terms of production and AISC;
- the Amarillo acquisition and subsequent progress with the construction of the Mara Rosa mine;
- the focus on health and safety which resulted in one of our strongest annual performances as demonstrated by our accident frequency and severity indices;
- a very encouraging environmental performance with the ECO Score illustrating the wide-ranging efforts to minimising the Group's footprint; and
- the addition of over 73m silver equivalent ounces of inferred resources at Pallancata and San Jose.

We also maintained our focus on wider employee pay matters by reviewing the alignment of elements of pay across the organisation with our strategic objectives. Our community relations initiatives focussed in 2022 on education, connectivity, health and nutrition, and socio-economic development.

As can be read more fully in the Sustainability Report on page 50, we continued with the implementation of our Safety Culture Transformation Plan known as 'Safety 2.0' and introduced the safety equivalent of the ECO Score – the Seguscore. This distils a combination of lagging and leading safety indicators and therefore provides an all-encompassing indication of how successful the Group has been in embedding a safety-first working culture.

Later in this report we describe how the Remuneration Committee has considered the Company's weak share price performance in 2022 which has been significantly impacted by concerns with regards to the mining sector in general given global levels of inflation and commodity price volatility, uncertainty relating to the renewal of the Inmaculada Modified Environmental Impact Assessment ('MEIA') as well as the socio-political developments in Peru and their consequences for mining. Given the uncertainty relating to the Inmaculada MEIA, we have we have taken the decision to defer outcomes calculated from the 2022 annual bonus scorecard until such time as the Remuneration Committee determines it to be appropriate. The deferral will apply fully in respect of the CEO (our only Executive Director) and, as to 75% for all other eligible employees. Further, if we consider it appropriate to do so, for example, if the Inmaculada MEIA is not obtained within an acceptable timescale, we will reduce the calculated amounts to such levels that reflect both 2022 performance and the experience of our shareholders and other stakeholders.

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

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

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

Operation of our Remuneration Policy in 2023

Our intention is to continue to operate our Remuneration Policy in 2023 in a way that is closely aligned with how our policy was applied in 2022.

Our 2023 annual bonus will again operate using a scorecard that considers operational, financial, strategic and ESG-related metrics and that we believe promotes appropriate balance, having both the capacity to reward very good in-year performance and a range of matters that will position the Company well in the longer term. The safety underpin introduced last year to the annual bonus will continue to apply such that in the event of a fatality during the year, we will operate a discretionary override to reduce, to nil, the element of the bonus that relates to safety.

We also intend to make further LTIP awards using the same LTIP performance conditions as for 2022 awards, which encompass relative TSR, growth in measured and indicated resources and consistent operational and strategic performance.

During 2023, we will also be reviewing the operation of our current Directors' remuneration policy ahead of its anticipated 3-yearly renewal at our 2024 AGM. Within this review we expect to consider alternatives to the Consistency performance metric within our current LTIP performance measures and also how best to incorporate ESG-related measures for new LTIP awards from 2024 onwards.

Format of the report and matters to be approved at our 2023 AGM

I would like to thank shareholders for their support at the 2022 AGM for the resolution to approve the 2021 Directors' Remuneration Report which was approved by 96.44% of shareholders voting.

At the 2023 AGM, shareholders will be asked to approve the 2022 Directors' Remuneration Report; this will be the normal annual advisory vote on the report. I hope that you find this report to be informative and that you, our shareholders remain supportive of our approach to executive pay at Hochschild and vote in favour of the resolution.

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

Michael Rawlinson
Chair of the Remuneration Committee

Annual Report on Remuneration

The following section provides details of how Hochschild's approved 2021 Directors' Remuneration Policy was implemented during the financial year ending 31 December 2022, and how the Remuneration Committee intends to implement the Directors' Remuneration Policy in 2023. Any information contained in this section of the report that is subject to audit has been marked as such.

Remuneration Committee membership

The Remuneration Committee was chaired during the year under review by Michael Rawlinson, and its other members were Jill Gardiner, Eileen Kamerick (until 1 March 2022) and Tracey Kerr (from 1 March 2022). The Remuneration Committee has comprised, at all times, only Independent Non-Executive Directors. The composition of the Remuneration Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code and the terms of reference are available for inspection on the Company's website at www.hochschildmining.com.

Members of senior management attend meetings at the invitation of the Committee. During the year, such members included the Chairman, the CEO and the Vice President of Human Resources. No Director or senior executive is present when his or her own remuneration arrangements are considered by the Committee. The Company Secretary acts as Secretary to the Committee.

The Committee's terms of reference

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

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

2022 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson, Non-Executive Director (Chair)	Yes	4	4
Jill Gardiner, Non-Executive Director	Yes	4	4
Tracey Kerr, Non-Executive Director	Yes	3	3
Former Member			
Eileen Kamerick, Non-Executive Director	Yes	1	1

The Committee undertook the following items of business:

2021 Remuneration and reporting

- Reviewed and approved incentive outcomes for 2021 (2021 annual bonus and vesting of 2019 LTIP awards) including the immediate implementation of a safety underpin such that a workplace fatality would result in the nil-vesting of the safety component of the annual bonus;
- Considered and approved the 2021 Directors' Remuneration Report;

2022 Remuneration

- Reviewed the CEO's total remuneration, including salary for 2022 (which remained unchanged from the level set in 2016);
- Considered and approved the CEO's 2022 objectives;
- Approved the opportunity/award level and performance targets for 2022 annual bonus and LTIP awards;

Policy and keeping informed

- Clarified the operation of the measured and indicated resource addition performance condition in the LTIP (see page 120 for further information).
- Engaged with major shareholders and the leading proxy advisory services in advance of the 2022 AGM in response to voting outcomes on the resolution to approve the Directors' Remuneration Report at our 2021 AGM.
- Considered feedback from shareholders regarding the 2021 Directors' Remuneration Report and action taken in relation to 2020 incentive pay outcomes.
- Reviewed potential ESG-related key performance indicators for possible inclusion in the LTIP; and
- Considered market trends in executive remuneration and key themes for 2023.

Advisers

During the year, in order to enable the Committee to reach informed decisions on executive remuneration, advice on market data and trends was obtained from independent consultants FIT Remuneration Consultants LLP (FIT).

FIT reported directly to the Committee Chair in 2022, and are signatories to and abide by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Other than advice on remuneration, no other services were provided by FIT to the Company. The Committee is satisfied that the advice provided by FIT in 2022 was independent and objective.

FIT was appointed as the independent adviser to the Remuneration Committee following a competitive tender process in 2021. The fees paid to FIT in respect of work carried out in 2022 were £40,031, excluding expenses and VAT, and were charged on the basis of FIT's standard terms of business for advice provided.

Summary of shareholder voting

The table below shows the results of the binding vote on the 2021 Remuneration Policy at the 2021 AGM and of the advisory vote on the 2021 Annual Report on Remuneration at our 2022 AGM:

	2021 Remuneration Policy		2021 Annual Report on Remuneration	
	Total number of votes	**% of votes cast**	**Total number of votes**	**% of votes cast**
For (including discretionary)	359,539,286	85.60%	384,113,210	96.44%
Against	60,498,907	14.40%	14,168,466	3.56%
Total votes cast (excluding withheld votes)	420,038,193		398,281,676	
Votes withheld	34,381		108,528	

Note: Votes withheld are not included in the final proxy figures as they are not recognised as votes in law.

The Committee is committed to listening to and engaging with the views of our shareholders and takes an interest in voting outcomes. The Committee will continue to be transparent in our remuneration decision-making and to engage with our shareholders on remuneration matters. Commencing in the latter part of 2021 and in early 2022 we undertook an "open 'engagement' exercise with our shareholders and with leading proxy agencies in order to better understand their views on remuneration at Hochschild.

Subsequent to the year-end, the Committee received and considered a report summarising the base salaries, benefits and incentives received by each category of Group staff and summarising the bonus potential and performance metrics used in each of the annual bonus schemes in operation across the Group. In addition, the Committee ensures that it remains informed regarding mandatory profit sharing for Peru-based employees.

The Company undertakes varied forms of engagement with employees. In 2022, this primarily took the form of two roundtable sessions hosted by Tracey Kerr as the Non-Executive Director designated for workforce engagement (and a member of the Remuneration Committee), and a workshop to discuss the Group's brand that reflects its cultural attributes. In addition, there are frequent and periodic meetings held by mine management with mine-site employees as well as regular engagement with workers' appointed representatives regarding many aspects of the business. These processes provide an opportunity for feedback on Executive Directors' pay to be given and explanations to be shared, although most of the engagement process is focused on wider employee welfare; a report on any material feedback regarding remuneration is received by the Remuneration Committee.

Single total figure of remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by Ignacio Bustamante, the only Executive Director, for the year ended 31 December 2022 and the prior year:

	2022 (US$000)	2021 (US$000)
Base salary[1]	702	700
Taxable benefits[2]	29	27
Total fixed	**731**	**727**
Single-year variable[3]	1,075	989
Multi-year variable[4]	0	0
Profit share[5]	69	172
Total variable	**1,144**	**1,161**
Compensation for Time Service (CTS)[6]	104	100
Tax refunds[7]	7	7
Total remuneration	**1,986**	**1,996**

All figures are rounded to the nearest $000

Notes for 2022 values:
1 Figures disclosed include certain statutory payments accounted for internally within base salary ('Statutory Supplements') including an additional day's pay for Labour Day as follows: 2022:$1,900; 2021:$300.
2 Taxable benefits include: company car (2022: $21k; 2021: $21k) and medical insurance.
3 Outcomes for performance during the year under the Annual Bonus Plan. See following sections for further details.
4 2022 Multi-year variable value is nil as the 2020 LTIP did not vest based on performance to 31 December 2022.
5 All-employee profit share mandated by Peruvian law.
6 CTS is a legal entitlement for employees in Peru which provides for a fund in the event of termination of employment. CTS in respect of base salary is calculated as one month's wages and is deposited biannually in an employee's interest-accruing bank account and prior to the end of employment, employees can gain access to the deposited amount to the extent it exceeds four months' wages. CTS in respect of other forms of remuneration such as incentive payouts, that are considered to be 'non-extraordinary', is currently calculated at a rate of 1/24th. For 2022 CTS comprises: CTS on base salary ($58k) and on bonus ($46k) (difference due to rounding). 2021 CTS comprises: CTS on base salary ($58k) and on bonus ($41k).
7 Refunds payable in relation to social security following a change in regulations.

Single total figure of remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration for the year ended 31 December 2022 and the prior year received by each Non-Executive Director serving during the year:

	Base fee (US$000)		Additional fees (US$000)		Taxable benefits (US$000)		Total (US$000)	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Eduardo Hochschild[1]	400[2]	400	0	0	601	776	1,001	1,176
Jorge Born Jr	87	96	0	0	0	0	87	96
Jill Gardiner	87	96	10	0	0	0	97	96
Nicolas Hochschild[3]	34	n/a	0	n/a	0	n/a	34	n/a
Eileen Kamerick	87	96	27	19	0	0	114	115
Tracey Kerr	87	6[4]	20[2]	0[4]	0	0	107	6[4]
Michael Rawlinson	87	96	45	38	0	0	132	135
Mike Sylvestre[5]	48	n/a	3	n/a	0	n/a	51	n/a
Former Directors								
Dr Graham Birch[6]	38	96	8	19	0	0	46	115
Dionisio Romero[7]	37	96	0	0	0	0	37	96

All figures are rounded to the nearest $000. Non-Executive Directors' fees are denominated in GBP and accordingly differences in USD:GBP exchange rates impact the comparisons between Non-Executive Directors' fees for the year being reported and the comparative prior year.

Notes:
1 Eduardo Hochschild was an Executive Director until 31 December 2014 and, as reported in the 2015 Annual Report, Eduardo Hochschild retained eligibility to receive benefits following his transition to the Non-Executive Chairman role comprising personal security, medical insurance and use of a company car and driver.
2 Due to payroll processing errors in respect of 2022, overpayments to Eduardo Hochschild (c.US$7k) and Tracey Kerr (c.US$11k) occurred which will be addressed by adjusting payments in the current financial year. The table reflects the intended amounts paid in respect of 2022.
3 Nicholas Hochschild was appointed to the Board on 26 May 2022.
4 Tracey Kerr was appointed to the Board on 10 December 2021.
5 Mike Sylvestre was appointed to the Board on 26 May 2022.
6 Dr Graham Birch stepped down from the Board on 26 May 2022.
7 Dionisio Romero Paoletti stepped down from the Board on 26 May 2022.

Salary and fees for the year ended 31 December 2022

Executive Director

The Committee reviewed the CEO's salary in 2022 and determined that there would be no increase.

Executive Director	Base salary from 1 March 2022 (US$000)	Base salary from 1 March 2021 (US$000)	% change
Ignacio Bustamante	700	700	–

Base salary above excludes CTS. Ignacio Bustamante's salary is denominated in US dollars.

Non-Executive Directors

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees. The annual rates of fees payable to the Non-Executive Directors of the Company in 2022 and 2021 are set out in the table below. All Non-Executive Directors receive a base fee, and additional fees are paid for acting as Chair of one of the Board Committees and as Senior Independent Director. No changes were made to the base fees and the Committee Chair and Senior Independent Director fees in 2022. However, as reported in last year's report, following a review of fee levels in 2022 which recognised the increasing workload for Non-Executive Directors over a number of years, committee membership fees for each of the Audit, Sustainability and Remuneration Committees of £5,000 per annum were introduced from 1 March 2022.

	Fee level from 1 March 2022 (US$000)	Previous fee level (US$000)	% change
Non-Executive Chairman's fee	US$400,000	US$400,000	–
Non-Executive Director base fee	£70,000	£70,000	–
Additional fees			
Senior Independent Director	£14,000	£14,000	–
Chair of the Audit Committee	£14,000	£14,000	–
Chair of the Remuneration Committee	£14,000	£14,000	–
Chair of the Sustainability Committee	£14,000	£14,000	–
Committee membership fee (Audit; Remuneration; Sustainability)	£5,000	n/a	n/a

Incentive outcomes for the year ended 31 December 2022 (audited)

Annual bonus in respect of 2022 performance

Objectives for the 2022 bonus were set by the Committee at the beginning of the year and assessment of performance during the year was undertaken at the February 2023 Committee meeting.

Details of the 2022 bonus outcome for the CEO, including the specific performance metrics, weightings and performance against each of the metrics, are provided in the table below:

			Targets			2022 Assessment	
Objective	KPI	Target weighting	Threshold	Target	Maximum	2021 result	Final bonus score/ (Maximum)
Profitable production and financial results	Production (Oz Ag Eq)	15%	24.9m	25.6m	26.3m	25.8m	9.64% (15%)
	Adjusted EBITDA[1]	15%	US$258m	US$276m	US$293m	US$281m	9.71% (15%)
	AISC from operations with growth[2]	10%	US$20.1/oz	US$19.6/oz	US$19.2/oz	US$18.7/oz	10% (10%)
	Strategic advancement	15%	Remco Assessment			Partial Vesting	12% (15%)
Brownfield exploration	Inferred resources (subject to permits available) (Oz Ag Eq)	15%	40m	50m	60m	73.2m	15% (15%)
Safety and environmental awareness	Accident frequency rate (LTIFR)	10%	3.00	2.50	2.00	1.37	10% (10%)
	Accident Severity Index	5%	540	450	300	93	5% (5%)
	Social key milestones	5%	Remco Assessment			Partial Vesting	4% (5%)
	ECO Score[3]	10%	4.55–4.74	4.75–4.99	>= 5.00	5.38	10% (10%)
Bonus payable (as a percentage of maximum opportunity)							**85.35%**

Notes:

1 Adjusted EBITDA is used for the annual bonus and is determined based on EBITDA adjusted primarily to neutralise price effects and other unbudgeted expenditure or unforeseen circumstances. Such adjustments in 2022 included (a) costs associated with production lost due to national protests, (b) higher-than-budgeted provision for bonuses and Workers' Profit Sharing, (c) higher than budgeted costs relating to growth projects such as the construction costs of the Mara Rosa mine, (b) costs relating to the and Snip project, (c), and (d) unforeseen costs incurred as a result of addressing social unrest

2 All-in sustaining cost is adjusted to ensure comparability with the objective set at the beginning of the year and therefore disregards unbudgeted expenditure including higher-than-budgeted provision for bonuses and Workers' Profit Sharing

3 Refer to www.hochschildmining.com for further details on the methodology of calculating the Group's ECO Score (the internally designed measurement of the Company's environmental performance)

General approach
The determination of the bonus payout is at the discretion of the Committee, taking into account performance during the year against the above scorecard. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The bonus scores for each objective are summed which translates into a percentage which is applied to the maximum bonus opportunity.

Adjustments were made in line with the Company's usual practice to maintain the quality of earnings by primarily disregarding the impact of factors outside of management's control such as the price of silver and gold (as compared to budgeted prices).

Assessing performance against 2022 bonus objectives
In arriving at the above bonus scorecard, the Committee paid particular attention to the following aspects of the Company's performance:

– Operational Performance

The Company's strong operational performance with production marginally lower than guidance but with costs in line with forecasts at the beginning of 2022. The Committee felt this to be creditable in the current operating environment particularly relative to industry peers and despite short-term interruption of operations at Inmaculada during the height of local social unrest.

– Safety

The Company's safety performance in 2022 was commendable as we achieved our long-term objective of Zero Fatalities and our accident frequency and severity rates at 1.37 and 93 respectively which both exceeded the maximum performance levels set for 2022 and compare favourably against the historic five-year average as shown below. The Remuneration Committee considered the fact that the accident frequency rate had increased by c.9% compared to 2021 but took into account the impact of local social unrest which had resulted in longer shifts and, at times, a shortage of personnel, the increased safety risk profile associated with both the works at Mara Rosa and the increased use of manual mining methods at Pallancata.

Safety KPI	5 year average (2017–2021)
LTIFR	1.624
Accident Severity Index	680

– ECO Score

The overall ECO Score for the year is 5.27 against a stretch target of 5.0. This internally designed award-winning measure of environmental management reflects the following:

- our lowest water consumption since 2015 (1.712 l/person/day); and
- the highest level of compliance with the behaviours expected from our environmental culture plan since 2015 (using an internal scoring system).

Further details on the ECO Score can be found on the Company's website at www.hochschildmining.com

– Strategic advancement

In evaluating performance against this objective, the Committee considered a range of actions taken to position the Company for long-term and sustainable growth to benefit our shareholders, comprising:

Snip Project (British Columbia, Canada)

- the successful completion of the drilling campaign and the Preliminary Economic Assessment.

Mara Rosa mine (Brazil)

- the achievement of several notable milestones including:
– securing the relevant environmental permit in August 2022;
– the completion of earthworks in Q4 2022; and
– the placing of orders for key equipment with long lead-times.

Volcan Project (Chile)

- completion of a project evaluation, identifying the optimal method of production for the deposit; and
- the completion of a Preliminary Economic Assessment in the process of being finalised with a view to evaluating strategic options for the project

The Remuneration Committee's consideration of performance against this objective also took into account the delay in the renewal of the MEIA, although the Company remains confident that the outcome of the process will be positive.

– **Social key milestones**
  - Implementation of a programme to improve infrastructure of water for human consumption and irrigation for communities near Inmaculada and Pallancata;
  - The various initiatives to promote diversity in the workforce such as training on identifying workplace sexual harassment and providing operational experience to the participants of the "Women of Gold" programme; and
  - Adoption of a commitment to become Net-Zero by 2050 and participation in programmes promoting climate-change reporting.

  The Remuneration Committee's consideration of performance against this objective also took into account that whilst the Company's operations were impacted by social unrest in 2022, relative to other businesses' operations, the impacts for Hochschild were well managed and were considered to be reflective of the management's pro-active approach towards maintaining constructive relations with our local communities.

The Committee also took into account the experience of the Group's stakeholders during the year, noting:

– the external contributory factors to the Company's share price performance in 2022 which included:
  - softer investor sentiment on mining in general as a result of concerns on cost inflation and the volatility of commodity prices; and
  - the heightened geo-political risk in Peru which, as described in the Risk Management report on page 83, saw increased levels of social unrest with protestors targeting mining companies which culminated in a national crisis following the impeachment of President Castillo;

– the Group has not made use of any government-sponsored schemes or grants in any of the countries in which it operates;

– the Company's ongoing programme of initiatives to assist the communities and other local stakeholders; and

– the continued strong performance in environmental management and number of reporting initiatives undertaken in 2022 reinforcing the Group's commitment to transparency.

For further details see the Sustainability Report on page 50.

In assessing the appropriate bonus outcome, the Remuneration Committee:

(i) balanced the shareholder experience against the commendable achievements in terms of operating performance, ESG and strategic advancement which were not reflected in the Company's share price and all against a backdrop of headwinds from global economic pressures and the social and political situation in Peru; and

(ii) considered the lapsing, in full, of the 2020 LTIP award.

The Committee accordingly decided that no further adjustment be made to the formulaic outcome of the bonus scorecard.

In conclusion the Committee agreed that the CEO be awarded a bonus of 85.35% of the maximum opportunity, which equates to c.154% of salary, and the total proportion of variable pay in respect of 2022..

Deferral

Notwithstanding the attainment of the performance metrics detailed above, as described in the Committee Chair's letter introducing this report, substantial proportions of the outcomes calculated from the 2022 annual bonus scorecard are being deferred until such time as the Committee determines it is appropriate to release any amounts. The deferral is to apply fully with respect to the CEO, and as to 75% of the bonus for the remaining eligible employee population. The Committee will take into account the overall financial situation of the Company and the timescale for attaining the MEIA in 2023 in making any determination to release the deferred 2022 annual bonus amounts.

The 2022 annual bonus amounts deferred are initially deferred as cash. The deferred bonus is contingent on continued employment until the time that such bonus is paid. Once the Remuneration Committee has made a decision to release the bonus, any amount which the policy requires to be deferred in shares for the CEO will be further deferred in shares.

Recognising the Committee's obligations under paragraph 37 of the UK Corporate Governance Code, an additional term relating to the deferral of amounts in respect of the 2022 annual bonus will be that the Committee may withhold some or all of the calculated amounts if it considers that to be appropriate. In forming such a view, the Committee will consider whether events have occurred in the period from the commencement of FY2022 until the point of determination of release which have a sufficiently significant impact on the reputation of the Company (in the Committee's absolute determination) to justify the withholding of amounts – this is expected to include consideration of the overall financial situation of the Company and the timescale for attaining the MEIA in 2023.

2020 LTIP vesting

On 19 February 2020, Ignacio Bustamante was granted an award under the LTIP with a face value of US$1,400,000. Vesting was dependent on three-year relative TSR performance against both a tailored peer group (70% of the total award) and the constituents of the FTSE 350 Mining Index (30% of the total award). There was no retesting of performance. Further details of the performance conditions are shown in the table below.

Performance measure	Weighting	Performance targets
Relative TSR[1] performance vs. tailored peer group[2]	70%	Upper quintile (80th percentile): full vesting
		Upper tercile (67th percentile): 75% vesting
		Median (50th percentile): 25% vesting
		Straight-line vesting between these points
Relative TSR performance vs constituents of the FTSE 350 Mining Index[3]	30%	Median TSR +10% p.a.: full vesting
		Median TSR: 25% vesting
		Straight-line vesting between these points

Notes:
1 TSR is calculated in common currency.
2 The 2020 LTIP peer group, at the time of measurement of the award, comprised: Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold, Centamin Egypt, Cia des Minas Buenaventura, Coeur Mining, Eldorado Gold, Endeavour Silver, First Majestic Silver, Fortuna Silver Mines, Fresnillo, Gold Fields, Hecla Mining, IAMGOLD, Kinross Gold, Newmont Mining, Pan American Silver, Polymetal, and Silver Standard Resources.
3 As at the start of the performance period.

The Remuneration Committee considered the TSR performance required by the performance conditions and concluded that the Company's TSR over the performance period between 1 January 2020 and 31 December 2022 ranked below median for the tailored peer group and also underperformed the median of the constituents of the FTSE 350 Mining and Precious Metals Index. Accordingly, the award will lapse in full.

Scheme interests awarded in 2022 (audited)

On 23 February 2022, Ignacio Bustamante was granted a cash-settled award under the LTIP with a face value of $1,400,000.

Vesting is dependent on performance conditions measured from 1 January 2022 to 31 December 2024, with 50% of the award based on TSR performance against a tailored peer group and 50% based on internal KPIs as summarised in the table below.

Awards vest on the third anniversary of the date of grant, subject to continued employment, and are subject to potential malus if, before vesting, the Committee determines either that (i) the overall underlying business performance of the Company is not satisfactory, (ii) an act or failure to act, which is attributable (directly or indirectly) to an award-holder has resulted in, among other things, an adverse event related to health and safety, the environment or community relations, or (iii) on the occurrence of certain trigger events including material misstatement, material failure of risk management, action or omission resulting in serious reputational damage. Due to legal difficulties arising from its enforcement in Peru, the Remuneration Committee is unable to operate clawback and hence the Group's malus policy was clarified as referred to above.

After payment of tax, all of the vested cash award will be required to be invested in Hochschild shares which will be held for a further period of two years. Dividends, if any, will accrue to shares during the holding period. Further details, including vesting schedules, are provided in the table below:

Executive Director	Grant date	Performance period	Face value of award at grant	Award value for threshold performance
Ignacio Bustamante	23 February 2022	1 January 2022 to 31 December 2024	$1,400,000	$350,000

Performance measure	Weighting	Performance targets
TSR		
Relative TSR[1] performance vs. tailored peer group[2]	50%	Upper quintile (80th percentile): full vesting Upper tercile (67th percentile): 75% vesting Median (50th percentile): 25% vesting Straight-line vesting between these points
Internal KPIs		
Measured & Indicated Resources (M&IR) per share[3] – absolute % growth over three-year performance period 2022-2024	25%	180 Ag Eq Moz growth in M&IR – full vesting 160 Ag Eq Moz growth in M&IR– 75% vesting 120 Ag Eq Moz growth in M&IR– 25% vesting Straight-line vesting between these points MI&R growth measured as Total M&I Resource Additions over 3 years
Consistency Performance Condition	25%	Average bonus scorecard outcome 2022-2024 with threshold vesting of 25% requiring an average achievement of 60% scorecard attainment with straight-line vesting up to full vesting requiring an average of 100% scorecard attainment. There is an overriding underpin whereby if the annual scorecard achievement is less than 60% in any one year, then the vesting of this LTIP component will be nil.

Notes:
1 TSR is calculated on the basis of common currency.
2 The 2022 LTIP peer group, at the date of grant, comprised: Agnico-Eagle Mines, Alamos Gold, AngloGold Ashanti, Barrick Gold Corp, Centamin, Cia des Minas Buenaventura, Coeur Mining, Endeavour Silver Corp, Eldorado Gold Corp, First Majestic Silver Corp, Fortuna Silver Mines, Fresnillo, Gold Fields, Hecla Mining, IAMGOLD, Kinross Gold, Kirkland Lake, Newmont Mining, OceanaGold Corp, Pan American Silver, Petropavlovsk, Polymetal and SSR Mining.
3 M&IR per share has been clarified to credit additions only in the three-year period to the Company's M&IR. The additional M&IR will be divided by the Company's issued share capital to produce M&IR per share. This clarification to the calculation method, which is also applied to the 2021 LTIP awards, is necessary and considered to be in shareholders' best interests; the original description of the metric would have technically deducted extracted resources from added resources. This metric is intended to reward the addition of new resources that are capable of producing additional returns for shareholders and was not intended to deduct actual extraction in the three-year period..

Exit payments made in the year (audited)

No exit payments were made to Directors in the year.

Payments to past Directors (audited)

No payments were made to past Directors in the year.

Implementation of Remuneration Policy for 2022

A summary of how the 2021 Remuneration Policy will be applied for the year ended 31 December 2023 is provided below.

Salary

The Committee reviewed the CEO's salary and has determined that it will remain unchanged at $700,000 (excluding CTS).

Annual bonus

The maximum annual bonus opportunity for the CEO for the 2023 financial year will be 180% of salary. The bonus payment will be subject to performance against broadly the same measures as those used in 2022. Further disclosure of measures and targets, where not commercially sensitive, will be provided in next year's Annual Report on Remuneration.

As in 2021 and 2022, the Committee will assess performance against the objectives set and calculate an overall bonus score which will be applied to the maximum bonus opportunity. The bonus will be subject to malus provisions in line with the Remuneration Policy and, in line with the approach taken with respect to the 2021 and 2022 bonus, a discretionary override will be applied such that the occurrence of any fatality during the year at the Group's operations will result in the reduction, to nil, of the safety-related objectives.

Any bonus earned above 150% of salary will be paid in shares and deferred for two years.

LTIP
The Committee will make awards in 2023 at levels up to 200% of base salary. Vesting will be based on the same performance conditions as those set for the 2021 and 2022 LTIP awards.

Vested LTIP awards will be invested (on a post-tax basis) in the Company's shares which are required to be held for a further two years.

The performance conditions are:

– relative TSR performance vs tailored peer group (50% weighting: same median to upper quintile range as for 2022 awards);
– Measured & Indicated Resources ('M&IR') per share (25% weighting: growth over three-year performance period 2023-2025, reflecting the same absolute growth targets as for 2021 and 2022 awards);
– Consistency Performance Condition (25% weighting: measured as for 2021 and 2022 LTIP awards).

Malus provisions will apply to LTIP awards granted in 2023 in line with the Remuneration Policy.

Non-Executive fees
No changes are proposed for the fees for Non-Executive Directors in 2023.

Annual percentage change in Directors' remuneration

The tables below show the percentage change in Board Directors' remuneration between 2020 and 2022 compared with the percentage change in remuneration for all other employees. As mentioned earlier in the report, the only relevant change in 2022 was the introduction of fees for Non-Executive Directors on the basis of membership of the board committees (see page 116 for further details).

2022				% change
		Base salary[1]/ Non-Executive fees[1a]	Taxable benefits[2]	Single-year variable[3]
Executive Directors	Ignacio Bustamante	0%	7.4%	-1.5%
Non-Executive Directors	Eduardo Hochschild	0%	-9.6%	n/a
	Dr Graham Birch[4]	-60%	n/a	n/a
	Jorge Born Jr	-9.3%	n/a	n/a
	Jill Gardiner	1%	n/a	n/a
	Nicolas Hochschild[5]	n/a	n/a	n/a
	Eileen Kamerick	-1%	n/a	n/a
	Tracey Kerr[6]	1,867%	n/a	n/a
	Michael Rawlinson	-2.2%	n/a	n/a
	Dionisio Romero Paoletti[4]	-61.5%	n/a	n/a
	Mike Sylvestre[5]	n/a	n/a	n/a
Average all employees[4]		7.0%	n/a	14%

2021				% change
		Base salary[1]/ Non-Executive fees[1a]	Taxable benefits[2]	Single-year variable[3]
Executive Directors	Ignacio Bustamante	0%	–10%	5.7%
Non-Executive Directors	Eduardo Hochschild	0%	17%	n/a
	Dr Graham Birch[8]	3.4%	n/a	n/a
	Jorge Born Jr	0%	n/a	n/a
	Jill Gardiner	0%	n/a	n/a
	Eileen Kamerick	0%	n/a	n/a
	Tracey Kerr	0%	n/a	n/a
	Michael Rawlinson	0%	n/a	n/a
	Dionisio Romero Paoletti	0%	n/a	n/a
Average all employees[7]		6.2%	n/a	0.8%

2020				% change
		Base salary[1]/ Non-Executive fees[1a]	**Taxable benefits[2]**	**Single-year variable[3]**
Executive Directors	Ignacio Bustamante	0%	4.5%	–5.3%
Non-Executive Directors	Eduardo Hochschild	0%	2%	n/a
	Dr Graham Birch	0%	n/a	n/a
	Jorge Born Jr	0%	n/a	n/a
	Jill Gardiner	n/a	n/a	n/a
	Eileen Kamerick	0%	n/a	n/a
	Michael Rawlinson	0%	n/a	n/a
	Dionisio Romero Paoletti	0%	n/a	n/a
Average all employees[7]		5.8%	n/a	3.8%

Notes:
1 Base salary only (i.e. excluding Statutory Supplements – see footnote 1 to table on single figure of total remuneration for Executive Directors on page 115).
1a Note that Non-Executive fees other than those paid to Eduardo Hochschild are denominated in British pounds but are reported in US dollars at the relevant rate for reporting purposes. % changes in 2022 are therefore the result of a combination of (i) differences in exchange rates used for reporting purposes and (ii) the introduction of Committee membership fees from 1 March 2022. Where '0%' is stated, this means that there was no change in the relevant fee as denominated.
2 Taxable benefits comprise (a) for Ignacio Bustamante, a company car and medical insurance and (b) for Eduardo Hochschild, the use of a car and driver, personal security and medical insurance. See footnote 2 to table on single figure of total remuneration for Executive Directors on page 115).
3 Single-year variable comprises (a) bonus (calculated with reference to base salary only, i.e. before CTS and tax rebates) and (b) 2022 statutory profit-share.
4 Year-on-year % reductions reflect the fact that Dr Graham Birch and Dionisio Romero Paoletti retired from the Board on 26 May 2022.
5 Nicolas Hochschild and Mike Sylvestre were appointed to the Board on 26 May 2022.
6 Year-on-year % increase reflects the fact that Tracey Kerr was appointed to the Board on 10 December 2021.
7 'All employees' comprise full-time salaried employees in Peru.
8 As previously reported, to align the position with that of the other committees, the Board approved the payment of the additional fee to Dr Birch as Chair of the Sustainability Committee from 1 November 2021.

Relative importance of spend on pay

The table below shows the percentage change in total employee pay expenditure and shareholder distributions (i.e. dividends) from the financial year ended 31 December 2021 to the financial year ended 31 December 2022.

Distribution to shareholders (US$000)[1]			Employee remuneration (US$000)		
2022	**2021**	**% change**	**2022**	**2021**	**% change**
10,000	22,000	-55%	167,500	161,170	3.9%

Notes:
1 Comprises all cash dividends paid in respect of each year.

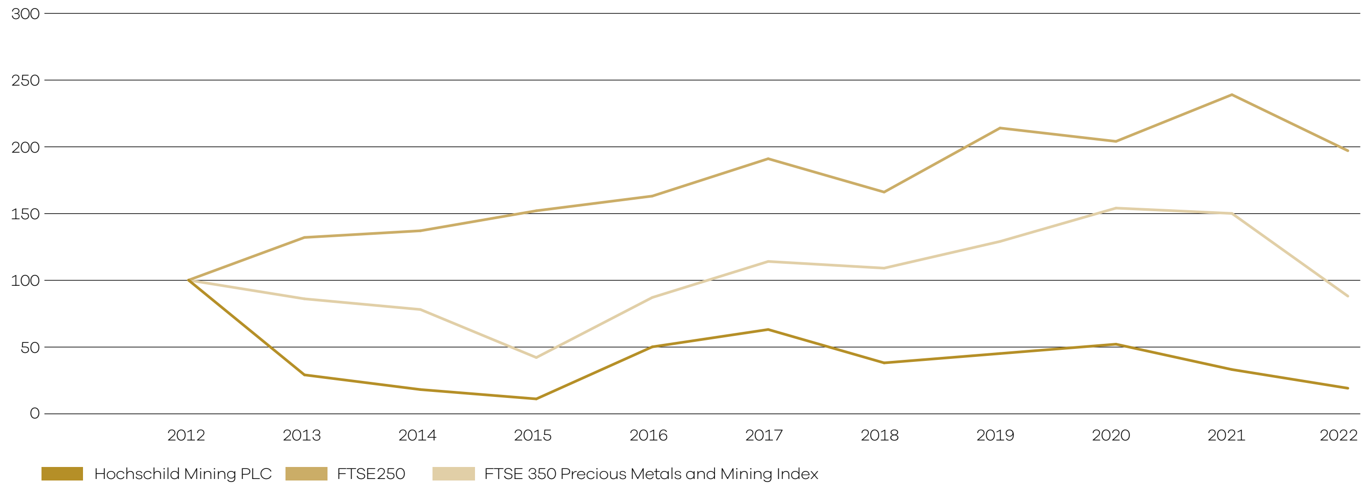
The Directors are not recommending the payment of a final dividend for the year ended 31 December 2022.

Pay for performance

The following graph shows the TSR for the Company compared to the FTSE 350 Precious Metals and Mining Index and FTSE 250 Index, assuming £100 was invested on 31 December 2012. The Board considers that the FTSE 350 Precious Metals and Mining Index is an appropriate published index as it reflects the sector that Hochschild operates in, and the FTSE 250 Index provides a view of performance against a broad equity market index of which Hochschild has been a constituent for the majority of the past 10 years. The table below details the CEO's single figure remuneration and actual variable pay outcomes over the same period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2022



CEO					Ignacio Bustamante					
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO single figure of remuneration ($000)	999	924	1,328	3,474	4,519	4,174	3,665	1,933	1,996	1,986
Annual bonus outcome (% of maximum)	81%	67%	67%	83%	83%	90%	95%	90%	78.5%	85.35%
LTI vesting outcome (% of maximum)	0%	0%	0%	0% (ELTIP) 90% (LTIP)	86% (ELTIP) 100% (LTIP)	43% (ELTIP) 100% (LTIP)	34% (ELTIP) 0% (LTIP)	0% (LTIP)	0% (LTIP)	0% (LTIP)

Notes:
1 Outcomes for performance during the year under the Annual Bonus Plan. See section headed 'Annual bonus in respect of 2022 Performance' for further details.

Directors' interests (audited)

The interests of the Directors and their families in the ordinary shares of the Company as at 31 December 2022 are detailed in the table below.

The Company has adopted shareholding guidelines whereby all Executive Directors (currently only the CEO) are required to acquire and retain a beneficial shareholding in the Company equal to at least 250% of base salary (the 'Shareholding Requirement'). The CEO is required to invest the entire amount of a vested LTIP for two years (on a net basis) regardless of his achievement of the shareholding guideline. The Shareholding Requirement will apply for the first year post-termination with respect to vested LTIP awards granted from 2021 which will reduce thereafter by 50% with respect to the second year.

	Shares held							
	Owned outright or vested at 31 Dec 2021 (or date of appointment if later)	Owned outright or vested at 31 Dec 2022 (or date of retirement if earlier)	Vested but subject to holding period	Unvested and subject to performance conditions	Unvested and subject to deferral only	Shareholding requirement (% of salary)	Current shareholding (% of salary)	Requirement met?
Ignacio Bustamante	1,214,115	1,214,115	0	0	0	250%	147%[1]	No
Eduardo Hochschild	196,900,306	196,900,306						
Jorge Born Jr	0	0						
Jill Gardiner	0	0						
Nicolas Hochschild	0[2]	0						
Eileen Kamerick	0	0						
Tracey Kerr	0	0						
Michael Rawlinson	0	0						
Mike Sylvestre	0[2]	0						
Former Directors								
Dr Graham Birch	33,750	33,750[3]						
Dionisio Romero Paoletti	55,169	55,169[3]						

Notes:
1 Using the Company's closing share price and GBP/USD exchange rate as at 30 December 2022 (being the last trading day of the year) of £0.7025 and £1:$1.21 respectively.
2 As at 26 May 2022, being the date on which Nicolas Hochschild and Mike Sylvestre were appointed to the Board.
3 As at 26 May 2022, being the date on which Dr Graham Birch and Dionisio Romero Paoletti retired from the Board.

There have been no changes to Directors' shareholdings since 31 December 2022.

Directors' interests in share options, shares and cash awards in Hochschild Long-Term Incentive Plans

Details of Directors' interests in shares and cash awards under Hochschild's Long-Term Incentive Plans are set out in the table below.

Ignacio Bustamante	Date of grant	Share price at grant	Exercise price at grant	Number of shares awarded	Face value at grant[1]	Performance period	Vesting date
2021 LTIP	27.05.21	n/a	n/a	n/a	$1.4m	01.01.21 – 31.12.23	27.05.24
2022 LTIP	23.02.22	n/a	n/a	n/a	$1.4m	01.01.22 – 31.12.24	23.02.25

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

External appointments

The table below details the fees received and retained by Ignacio Bustamante, who was the only Executive Director in office during 2022, in respect of his external directorships.

Name of company	Fee received
Profuturo AFP	US$42,000
Scotiabank Peru SAA	US$60,000

Signed on behalf of the Board

Michael Rawlinson
Chair of the Remuneration Committee
19 April 2023

Appendix – Directors' Remuneration Policy (unaudited)

This Appendix sets out the main aspects of the Directors' Remuneration Policy as approved by the Company's shareholders at the 2021 Annual General Meeting ('AGM') on 27 May 2021 with the exception of the table on the Non-Executive Directors' Letters of Appointment which has been updated to reflect changes in the composition of the Board. This section is provided for information and does not form part of the Directors' Remuneration Report which will be voted on by shareholders at the Company's 2023 AGM. The full 2021 Directors' Remuneration Policy can be found in the 2020 Annual Report and Accounts available on the Company's website at www.hochschildmining.com

The Policy applies to Directors' remuneration at the Company for a period of up to three years from the 2021 AGM, unless amended by the Company's shareholders at a general meeting.

Introduction to the Policy

The principal objectives of the Remuneration Policy are to:

- attract, retain, and motivate the Group's executives and senior management;
- provide management incentives that align with and support the Group's business strategy; and
- align management incentives with the creation of shareholder value.

The Group seeks to achieve this alignment over both the short and long term through the use of an annual performance-related bonus, which rewards the achievement of a balanced mix of financial, operational and other relevant performance measures, and the use of a Long-Term Incentive Plan ('LTIP') which is linked to longer-term critical measures of financial and non-financial performance.

The Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. Remuneration decisions are also driven by external considerations, in particular relating to the global demand for talent in the mining sector. The Committee retains discretion to make non-significant changes to the Policy without going back to shareholders.

The Committee is satisfied the principles of the UK Corporate Governance Code relating to the design of remuneration policies and practices have been applied:

Clarity: we ensure pay for performance and our policy is designed to be logical and transparent

Simplicity: Executive Director remuneration comprises a minimum of components, based on a regular package including fixed pay, and short- and long-term variable pay

Risk: a significant proportion of the Executive Director remuneration package is delivered in long-term or deferred pay which ensures the longer-term impact of decisions is reflected in pay. Furthermore, the combination of in-post and post-employment shareholding requirements, as well as capturing several categories of performance in the variable pay elements, helps to ensure multiple mechanisms through which to expose senior executive pay to inadequate risk management

Predictability: variable pay is subject to the achievement of specific and transparent performance targets, and the Committee has the ability to apply its discretion to ensure variable pay outcomes reflect underlying corporate health

Proportionality: the Executive Director pay mix is similar to that at comparable international mining peers, and the Committee has the ability to apply its discretion to ensure overall pay outcomes are proportionate to the Company's long-term performance

Alignment to culture: variable pay captures several categories of performance, including non-financial objectives such as those relating to safety and environmental performance, helping to ensure pay reflects multiple perspectives on performance, and not just financial outcomes.

Policy Table

The table below provides a summary of each element of the Remuneration Policy for Executive Directors.

Element: **Base salary**
Objective and link to strategy: **To support recruitment and retention**

Operation	Opportunity	Performance metrics
Salary is reviewed annually, usually in March, or following a significant change in responsibilities. Salary levels are targeted to be competitive and relevant to the global mining sector, with reference to the relative cost of living. The Committee also takes into consideration general pay levels for the wider employee population.	To avoid setting expectations, there is no prescribed maximum salary. In respect of existing Executive Directors, it is anticipated that salary increases will generally be in line with the wider employee population. In exceptional circumstances (including, but not limited to, a material increase in job size or complexity, the reversal of a previous salary reduction, or if a Director has not received an increase for a number of years), the Committee has discretion to make appropriate adjustments to salary levels.	None
Executive Directors receive Compensation for Time Services ('CTS') and profit share, both of which are provided for by Peruvian law, as well as certain allowances which may include medical insurance, the use of a car and driver, and personal security.	CTS is a legal entitlement for employees in Peru which provides for a fund in the event of termination of employment. CTS in respect of base salary is calculated as one month's wages and is deposited biannually in an employee's interest-accruing bank account and prior to the end of employment, employees can gain access to the deposited amount to the extent it exceeds four months' wages. CTS in respect of other forms of remuneration such as incentive payouts, that are considered to be 'non-extraordinary', is currently calculated at a rate of 1/24th. For the profit share, an amount equal to 8% of the relevant Peruvian company's taxable income for the year is distributable to its employees. This amount is mandated by Peruvian law, and any increases are not within the control of the Group. The amount receivable by each Executive Director is determined with reference to annual base salary (plus other incentive payouts, if any) and the number of days worked during the calendar year. The value of the other benefits varies by role and individual circumstances; eligibility and cost are reviewed periodically. The Committee retains the discretion to approve a higher cost of benefits in exceptional circumstances (for example relocation) or in circumstances where factors outside the Company's control have changed materially (for example increases in insurance premiums).	None

Element: **Annual bonus**
Objective and link to strategy: **To achieve alignment with the Group's strategy and commitment to operating responsibly**

Operation	Opportunity	Performance metrics
Performance measures, targets and weightings are set at the start of the year. At the end of the year, the Committee determines the extent to which targets have been achieved, taking into account individual performance. Bonus payments of up to 150% of salary are delivered in cash; any bonus earned above 150% of salary is deferred in Hochschild shares, under the Deferred Bonus Plan, for two years. Deferred bonus is subject to malus, i.e. forfeiture or reduction, in circumstances such as material misstatement, reputational damage, gross misconduct and material breach of an individual's employment contract. If deferral is applied, the Committee retains the discretion to allow dividends (or equivalent) to accrue over the deferral period in respect of the awards that vest.	The maximum annual bonus opportunity is 180% of salary. For 'threshold' and 'target' levels of performance, the bonus earned is up to 30% and 50% of maximum, respectively.	Performance is determined by the Committee by reference to Group financial measures as well as the achievement of personal/strategic objectives. The personal/strategic objectives are typically weighted no higher than 30% of maximum. The Committee retains discretion to vary year-on-year the weightings for individual measures, to ensure alignment with the business priorities for the year. Performance targets are generally calibrated with reference to the Company's budget for the year. Each objective in the scorecard has a 'threshold', 'target' and 'maximum' performance target, achievement of which translates into a score for each objective. The Committee uses its judgement to determine the overall scorecard outcome based on the achievement of the targets and the Committee's broad assessment of Company and individual performance. A review of the quality of earnings is conducted by the Committee to determine whether any adjustments should be made to the reported profit for the purpose of bonus outcomes. This ensures that bonus outcomes are not impacted by unbudgeted non-recurring or one-off items, or circumstances outside of management's control such as material changes in commodity prices that could distort the overall quality of earnings. Malus provisions apply, i.e. the Committee has the discretion to reduce bonus payments on the occurrence of an adverse event that is attributable (directly or indirectly) to an act or failure to act by the executive. Such events include those related to health and safety, the environment or community relations. Other trigger events include misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract. Details of the measures, weightings and targets applicable for the financial year under review are provided in the Annual Report on Remuneration, unless they are considered to be commercially sensitive.

Element: **Long-Term Incentive Plan ('LTIP')**
Objective and link to strategy: **To directly incentivise sustained shareholder value creation through operational performance and to support the recruitment of senior positions and longer-term retention**

Operation	Opportunity	Performance metrics
Awards are made annually, in the form of cash, with vesting subject to the attainment of specific performance conditions and continued employment. Awards have a performance and vesting period of at least three years. Vested awards are invested in Company shares and normally required to be held for a further two years. Dividends, if any, will accrue to shares during the holding period.	Maximum annual award level is 200% of salary (267% of salary in exceptional circumstances relating to the recruitment of an Executive Director). Threshold performance will result in vesting of 25% of an award.	Vesting of LTIP awards is based on performance measures linked to the Group's strategic priorities and may vary cycle-to-cycle. Malus provisions apply, i.e. the Committee can reduce or prevent vesting if it determines either that (i) the overall underlying business performance of the Company is not satisfactory or (ii) an act or failure to act, which is attributable (directly or indirectly) to an award-holder has resulted in, among other things, an adverse event related to health and safety, the environment or community relations; or (iii) on the occurrence of certain trigger events including misconduct, material misstatement, material failure of risk management, action or omission resulting in serious reputational damage, or any material breach of an individual's employment contract.

In addition to the above elements of remuneration, the Committee may consider it appropriate to grant an award under a different structure, but within the limits sets out in the Policy Table, in order to facilitate the recruitment of an individual, exercising the discretion available under Listing Rule 9.4.2R.

Shareholding requirements

Executive Directors are required to acquire and retain a beneficial shareholding in the Company equal to at least 250% of base salary whilst in employment. Directors' shareholdings are reviewed to ensure compliance with the requirements. A post-employment shareholding requirement will apply to equity-based awards granted after the effective date of the 2021 Remuneration Policy, requiring Executive Directors on the termination of their employment to hold the lower of (i) their shareholding at the date of termination and (ii) shares equivalent to their in-post shareholding requirement for a two-year period post-employment, with the required shareholding level reduced to 50% of the in-post shareholding requirement after 12 months.

Notes to the Policy Table

Payments from existing awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy detailed in this report (such as awards made under a previous Policy, or awards made prior to appointment to the Board). Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Performance measurement selection and approach to target-setting

The measures used under the annual bonus are selected annually to reflect the Group's main strategic objectives for the year and reflect both financial and non-financial priorities.

Performance targets are set to be stretching and achievable, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are set taking into account a range of reference points including the Group's strategic and operating plan.

The Committee considers a combination of relative TSR and internal KPIs to be the most appropriate measures of long-term performance for the Company and together with the annual bonus measures, provide a balance between absolute and relative performance, between short-term and long-term performance measures, and between external and internal measures of performance. TSR, in particular, aligns with the Company's focus on shareholder value creation and rewards management for outperformance of sector peers, and is transparent, visible and motivational to executives.

The Committee has discretion to vary the performance condition for in-flight awards in certain circumstances to ensure they continue to be fair, reasonable and no more or less difficult to satisfy than originally intended. For example, in the event of corporate activity amongst the TSR comparator group during a performance period, the Committee may make adjustments to the comparator group (for example, replacing that company with the acquiring company, including a substitute for that company, or tracking the future performance of that company by reference to the median of the remaining comparators). Other examples of special circumstances include but are not limited to rights issues, corporate restructuring, and special dividends. The Committee will also review the appropriateness of the performance conditions prior to each LTIP grant and reserves the discretion to set different targets for future awards without consulting with shareholders.

Remuneration Policy for other employees

The Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the scope of the role, level of experience, responsibility, individual performance and pay levels in comparable companies.

In general, the Remuneration Policy and principles which apply to other senior executives are broadly consistent with those set out in this report for the CEO. Generally, remuneration is linked to Company and individual performance in a way that is ultimately aimed at reinforcing the delivery of shareholder value.

Senior employees above a specific grade are eligible to participate in an annual bonus scheme with a similar design to that for the CEO. Opportunities and specific performance conditions vary by organisational level with business area-specific metrics incorporated where appropriate.

All Peruvian employees participate in the statutory profit share scheme whereby an amount equal to 8% of the relevant Peruvian company's taxable income for the year is distributable to its employees. The amount receivable by each employee is determined with reference to their annual base salary and bonus, if any, and the number of days worked in the calendar year.

Selected senior employees participate in the LTIP and are required to invest 50% of the vested cash award (on a tax net basis) in the Company's shares and hold these shares for a further two years. These shares will count towards their target shareholding (expressed as a percentage of salary, which will be set depending on seniority).

Approach to remuneration on recruitment or promotion

The Committee's policy is to set the remuneration package for a new Executive Director in accordance with the approved Remuneration Policy at the time of the appointment. The overarching aim is to ensure that the Company pays no more than is necessary to appoint individuals of an appropriate calibre.

In cases of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration as set out in the Policy Table. In determining the appropriate remuneration for a new Executive Director, the Committee will take into consideration all relevant factors (including the nature of remuneration and where the candidate was recruited from) to ensure that arrangements are in the best interests of Hochschild and its shareholders. Where an individual is appointed on an initial base salary that is below market, any shortfall may be managed with phased increases over a period of time, subject to the individual's development in the role. This may result in above-average salary increases during this period.

In addition to the components of remuneration as set out in the Policy Table, the Committee may also make an award in respect of a new appointment to 'buy-out' incentive arrangements forfeited on leaving a previous employer on a like-for-like basis, having regard to the fair value of the instruments. In doing so, the Committee will consider relevant factors including any performance conditions attached to these awards and the likelihood of those conditions being met. The Committee aims to use the current remuneration structure in making recruitment awards, but in some cases it may be required to use the flexibility afforded by Listing Rule 9.4.2R, if appropriate, in relation to such buy-out awards.

In cases of appointing a new Executive Director by way of internal promotion, the Committee will determine remuneration in line with the Policy for external appointees as detailed above. Where an individual has contractual commitments made prior to his or her promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but measures may vary to provide better line-of-sight.

Service contracts

Executive Director	Date of service contract
Ignacio Bustamante	1 April 2007

Executive Director service contracts, including arrangements for early termination, are carefully considered by the Committee.

Ignacio Bustamante was appointed a Director of the Company with effect from 1 April 2010 and is employed under a contract of employment with Compañia Minera Ares S.A.C. (Ares) dated 1 April 2007. The contract is subject to Peruvian law and, as such, has no fixed term and may be terminated (i) by the executive on 30 days' notice and (ii) by Ares without notice. Under Peruvian law, termination by Ares other than termination for certain prescribed reasons (such as gross negligence) gives rise to an entitlement to compensation of no less than 1.5 times the monthly base salary for each year of service completed, up to a maximum of 12 months' base salary. In addition to these provisions and to reflect Peruvian market practice, the Committee has discretion to award Ignacio Bustamante up to an additional 12 months' base salary on termination (other than for the prescribed reasons outlined above). The prevailing circumstances will be taken into consideration at the time of termination.

Non-Executive Directors

The Group's Non-Executive Directors serve under Letters of Appointment as detailed in the table below. In accordance with their terms, the Non-Executive Directors serve for an initial period of three years which is automatically extended for further three-year terms. Notwithstanding this, all Directors are subject to annual re-election by the Company in general meeting in line with the UK Corporate Governance Code, and the appointments of Non-Executive Directors may be determined by the Board or the Director giving not less than three months' notice. Details of the terms of appointment of the Company's Non-Executive Directors serving during the year are shown in the table below. The appointment and reappointment and the remuneration of Non-Executive Directors are matters reserved for the full Board.

Non-Executive Director	Letter of appointment dated	Anticipated expiry of present term of appointment (subject to annual re-election)
Eduardo Hochschild	30 January 2015	1 January 2025
Jorge Born Jr.	16 October 2006	16 October 2024
Jill Gardiner	17 July 2020	1 August 2023
Nicolas Hochschild	22 February 2022	9 June 2023*
Eileen Kamerick	9 September 2016	9 June 2023*
Tracey Kerr	4 December 2021	10 December 2024
Michael Rawlinson	18 December 2015	1 January 2025
Mike Sylvestre	22 February 2022	27 May 2025

* being the date of the 2023 AGM at the conclusion of which Nicolas Hochschild and Eileen Kamerick will be stepping down from the Board.

Note: Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

The Non-Executive Directors are not eligible to participate in the Company's performance-related incentive plans and do not receive any pension contributions. As part of his change of role from Executive to Non-Executive Chairman on 1 January 2015, the Committee agreed that Mr Hochschild would retain his eligibility for benefits received in respect of his time as an Executive Director, consisting primarily of personal security, car and driver, and medical insurance.

The Non-Executive Directors' fees have been set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees.

Details of the Policy on fees paid to our Non-Executive Directors are set out in the table below:

Objective	Details	Opportunity	Performance metrics
To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company.	Fee levels are reviewed from time to time, with any adjustments typically effective from 1 March each year. The fee paid to the Chairman is determined by the Committee, and base fees to Non-Executive Directors are determined by the Board. Additional fees are payable for acting as Chair of the Board's Committees and as Senior Independent Director. Fee levels are reviewed by reference to FTSE-listed companies of similar size and complexity. Time commitment, level of involvement required and responsibility are taken into account when reviewing fee levels.	Non-Executive Director fees will typically only be increased during the term of this Policy in line with general market levels of NED fee inflation. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive Director role, the Board has discretion to make an appropriate adjustment to the fee level. The maximum aggregate annual fee for all Directors provided in the Company's Articles of Association is £3 million p.a.	None

In recruiting a new Non-Executive Director, the Committee will use the Policy as set out in the table above. A base fee would be payable for Board membership, with additional fees payable for those acting as Chair of the Company's Board Committees and as Senior Independent Director, as appropriate.

Leaver and change-of-control provisions

The table below summarises how the awards under the annual bonus and LTIP are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion. When considering the appropriate treatment, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants.

Reason for leaving	Treatment of awards	Timing of vesting
Annual bonus		
Retirement, ill health, disability, death or any other reasons the Committee may determine in its absolute discretion	Cash bonuses will only be paid to the extent that Group and personal objectives set at the beginning of the year have been achieved. Any resulting bonus would typically be pro-rated for time served during the year. The Committee has discretion to determine whether deferral would be applied.	Normal payment date, although the Committee has discretion to accelerate
Change of control and company/business sale	The Committee would determine the most appropriate treatment in the circumstances. The Committee has discretion to determine whether deferral would be applied.	On date of event
Any other reason	No bonus is paid.	Not applicable
LTIP		
Retirement, ill health, disability, redundancy, injury or any other reasons the Committee may determine in its absolute discretion	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise.	Normal vesting date, although the Committee has discretion to accelerate
Death	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise.	On date of event
Change of control and company/business sale	Any outstanding awards will be pro-rated for time and performance, unless the Committee determines otherwise. On a change of control, Hochschild awards may alternatively be exchanged for new equivalent awards in the acquirer, where appropriate.	On date of event
Any other reason	Awards lapse.	Not applicable
Deferred Bonus Plan ('DBP')		
Death, ill health, disability, redundancy, injury, retirement with agreement of the Director, or any other reasons the Committee may determine in its absolute discretion	Any outstanding awards would typically be pro-rated for time.	On date of event
Change of control and company/business sale	Any outstanding awards would typically be pro-rated for time. On a change of control, Hochschild awards may alternatively be exchanged for new quivalent awards in the acquirer, where appropriate.	On date of event
Any other reason	Awards lapse.	Not applicable

The Remuneration Committee has discretion to determine the most appropriate treatment of vested LTIP awards that are subject to a holding period, based on the individual circumstances at the time.

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Parent Company financial statements in accordance with UK-adopted international accounting standards ('IFRS'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with UK-adopted international accounting standards.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Parent Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Parent Company and/ or the Group will not continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Group and enable them to ensure that the Parent Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Parent Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Opinion

In our opinion:

- Hochschild Mining PLC's Group financial statements and Parent Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Hochschild Mining PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise:

Group	Parent Company
Consolidated statement of financial position as at 31 December 2022	Statement of financial position as at 31 December 2022
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 14 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 39 to the consolidated financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit

Material uncertainties related to going concern

We draw attention to note 2 in the financial statements, which highlights the following events and conditions which may cast significant doubt on the Group and Parent Company's ability to continue as going concern:

- The group being able to obtain approval of the modified Environmental Impact Assessment ('MEIA') for Inmaculada mine as expected by end of May 2023.
- Should the Group be unable to obtain approval of the MEIA for Inmaculada, the Group being able to successfully restructure their existing $300 medium-term loan and raise equity from the shareholders. Specifically, the Group may need to successfully negotiate extending the principal amortisation of the loan from the banks and successfully proceed the equity financing that is affordable for the Group through the going concern period to 31 May 2024.

As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that material uncertainties exist that may cast significant doubt on the Group and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, notwithstanding the material uncertainties described above, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Confirmed our understanding of the directors' going concern assessment process and the key factors and assumptions that were considered in their assessment;
- Obtained the director's going concern assessment, including cash flow forecast and covenant calculations for the going concern period which covers 13 months from the audit report date to 31st May 2024. The directors have modelled a number of adverse scenarios in order to incorporate unexpected changes to the forecast liquidity of the Group. We evaluated the sufficiency of the sensitivities performed, by assessing whether the adverse scenarios were appropriately severe based on historical track record;
- Audited the key factors and assumptions adopted in the assessment of going concern and the cash flow model, including considering whether management had exercised any bias in selecting their assumptions, by comparing against past performance and available market data;
- Understood the operation of management's model, checked the clerical accuracy of management's modelling, and recalculated management's forecasts of their compliance with borrowing covenants throughout the assessment period under management's scenarios.
- Verified the terms, maturity, interest rates, and any restrictions or covenants of the borrowings held by the Group at the date of approving the financial statements against the original contracts.
- Checked the consistency of the factors and assumptions adopted in the going concern assessment with other areas of our audit, including the Group's asset impairment test;
- Challenged the adequacy of the going concern assessment period until 31 May 2024, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate.
- Performed direct inquiries of the Group's legal counsel to understand the status and expected outcome of the Company's efforts to obtain the MEIA's approval and critically examined the implication on the Group's ability to continue as going concern;
- Assessed the directors' ability to secure equity raise from shareholders. We:
- Understood the status and expected outcome of the directors' efforts to secure the equity raise and critically examined the implication on the Group's ability to continue as a going concern;
- Performed direct inquiries of the Group's largest shareholder to corroborate management's assertions around the equity raise plan; to understand their commitment; and to understand the key risks to the execution of the equity raise. We challenged the likelihood that an equity raise could be achieved
- Assessed the directors' ability to restructure the Group's Borrowings. We engaged our Capital and Debt Advisory Specialists to support us in this evaluation. We:
- Understood the status and expected outcome of the directors' efforts to restructure the Group's Borrowings and critically examined the implication on the Group's ability to continue as a going concern;
- Performed direct inquiries of the Group's senior banking representatives to corroborate management assertions around the restructuring plan; to understand the approvals that will be required; and to understand the key risks to the execution of the restructuring. We challenged the likelihood that a restructuring could be achieved;
- Considered the results of the reverse stress tests in order to identify what factors would lead to the Group utilising all liquidity during the going concern period. We assessed the likelihood of these factors in the context of the outlook for production and for commodity prices and against historic market lows as well as our own industry experience;
- Obtained bank confirmations covering 99.9% of the Group's cash and cash equivalents as at 31 December 2022. We also obtained bank statements to validate the Group's cash and cash equivalents as of 31st January 2023 to 31st March 2023.
- With regards to the Parent Company financial statements, reviewing the letter of support received from Compañía Minera Ares ('CMA') and assessing the ability of CMA to provide financial support to the Parent Company during the going concern period, through our test of CMA's future cashflows included within the Group's going concern model.
- Considered whether management's disclosures in the Annual Report and Accounts were appropriate, including those in relation to the material uncertainties in respect of the going concern conclusion, through consideration of the relevant disclosure standards and our understanding of the process of renewal of permit for Inmaculada, securing equity raise and restructure of existing borrowings.
- We reviewed the support prepared by management and the disclosures relating to the viability assessment and considered whether they accurately represented the process followed by management and whether the Group complied with the UK Corporate Governance Code disclosure requirements.

Going concern has also been determined to be a key audit matter.

Based on the results of our audit procedures, we consider management's going concern assessment process to be appropriate. We observed that the directors' going concern assessment, including cash flow forecasts, assumes the Group to successfully obtain approval on Inmaculada's MEIA or successfully execute the Refinancing Actions, defined as restructuring of the existing $300m medium term loan and securing equity financing that is affordable for the Group through the going concern period to 31 May 2024, in the event that Inmaculada's MEIA has been denied. While progress has been made by the directors in their efforts to renew Inmaculada's permit and on the Refinancing Actions, material uncertainties exist in the eventual outcome of Authorities' decision on MEIA and Refinancing Actions as described in note 2 to the financial statements. On the basis of insights we gained from the market consensus outlook for production and commodity prices and historic market lows, the likelihood of the factors identified in the "Remote case" materialising are remote. However, it is important to recognise that their cash flow forecasts reflect continuous production of Inmaculada's mine and financing cash flows from newly negotiated medium term committed loan contingent on the outcome of MEIA and Denial Scenario cash flow forecasts reflects the Refinancing Actions, which are significant assumptions made by the directors and the source of material uncertainties.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to:

- the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting; and
- the directors' identification in the financial statements of the material uncertainties related to the entity's ability to continue as a going concern over a period of 13 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or Parent Company's ability to continue as a going concern.

We draw attention to the viability statement in the Annual Report on page 84, which indicates that an assumption to the statement of viability is that the Group successfully obtains approval on Inmaculada's MEIA or successfully executes the Refinancing Actions. The directors consider that the material uncertainties referred to in respect of going concern may cast significant doubt over the future viability of the Group and Parent Company should these events not complete. Our opinion is not modified in respect of this matter.

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of three components, and audit procedures on specific balances for a further three components and for the remaining 13 components we performed other audit procedures. – The components where we performed full or specific audit procedures accounted for 97% of Adjusted EBITDA, 100% of Revenue and 98% of Total Assets.
Key audit matters	We identified the following key audit matters that, in our professional judgement, had the greatest effect on our overall audit strategy, the allocation of resources in the audit and in directing the audit team's efforts: – Recoverability of the carrying value of the Group's mining assets and associates – Accounting for Amarillo Gold acquisition Although going concern was considered to represent a key audit matter, detail on our audit procedures and key observations are summarised in the 'Material uncertainty related to going concern' section of our report as opposed to the key audit matters table below.
Materiality	Overall Group materiality of US$5.1m which represents 2% of the Group's Adjusted EBITDA.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent Internal Audit results, when assessing the level of work to be performed at each component.

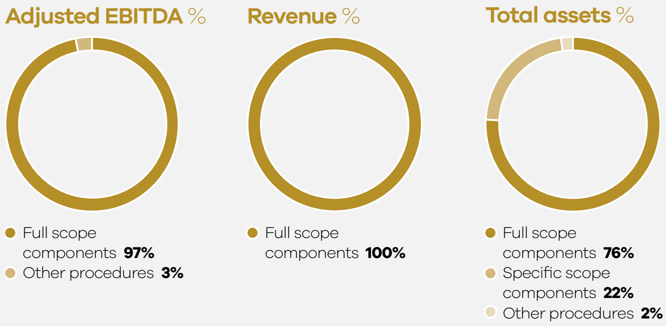
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 19 reporting components of the Group, we selected six components covering entities within the UK, Peru Argentina and Chile, which represent the principal business units within the Group.

Of the six components selected, we performed an audit of the complete financial information of three components ("full scope components") which were selected based on their size or risk characteristics. For the remaining three components ("specific scope components"), we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 97% (2021: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2021: 100%) of the Group's Revenue and 98% (2021: 98%) of the Group's Total Assets. For the current year, the three full scope components contributed 97% (2021: 99%) of the Group's Adjusted EBITDA (on an absolute basis), 100% (2021: 100%) of the Group's Revenue and 76% (2021: 76%) of the Group's Total Assets. The three specific scope components contributed 22% (2021: 22%) of the Group's Total Assets. The audit scope of these specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The remaining 13 components together represent 3% of the Group's Adjusted EBITDA (on an absolute basis) (2021: less than 1%), For these components, we performed other procedures, including analytical reviews, testing of cash balances, testing of consolidation journals and enquiry of management about unusual transactions in these components, to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Changes from the prior year

Our audit scope remains largely consistent with 2021, with the only changes being the addition of Amarillo Mineração do Brasil Ltda as a specific scope entity and the removal of REE UNO SpA as a specific scope entity, due to demerger of Aclara in December 2021.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the three full scope components, audit procedures were performed on two of these by component audit teams, and directly by the primary audit team on the remaining one. For the three specific scope components, the work was performed by the primary audit team. Where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits each of the primary operating locations where the Group audit scope is focused. During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in Peru and Argentina. These visits involved discussing the audit approach with the component team and any issues arising from their work, and meetings with local management. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed relevant working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact Hochschild Mining plc. The Group has determined that the most significant future impacts from climate change on their strategy and operations will be from potential governmental and societal responses to climate change risks, changes in weather patterns and consequential restricted access to capital as a result of failing to respond to these risks. These are explained on pages 68 to 74 in the Task Force for Climate related Financial Disclosures (TCFD) report and on page 83 in the principal risks and uncertainties. All of these disclosures form part of the 'Other information', rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on 'Other information'.

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

As explained in Note 2 to the Consolidated Financial Statements and the TCFD report on pages 68 to 74 the governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently the financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted International Accounting Standards.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the potential impacts of climate risk, physical and transition, and whether these have been appropriately reflected in the disclosures in Note 2 to the Consolidated Financial Statements. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

The Group is in the process of formulating its Carbon Neutral Strategy in response to climate change and have shared their ambition to achieve net zero emissions by 2050. However, until this strategy and associated climate-related targets are established, they are unable to determine the full future economic impact on their business model and operational plans and therefore the potential impacts are not fully incorporated in these financial statements.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainties related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Recoverability of the carrying value of the Group's mining assets *Refer to the Audit Committee Report; Accounting policies (page 147); and Notes 16,17 and 18 of the Consolidated Financial Statements (pages 169 to 173)* At 31 December 2022 the carrying values of the Group's mining assets were: – Property, plant and equipment: US$926.9m (2021: US$738.1m); – Evaluation and exploration assets: US$122.9m (2021: US$123.3m); and – Intangible assets: US$19.3m (2021: US$18.1m) – Investments in associates: US$33.2m (2021: US$43.6m) IFRS requires companies to test cash generating units (CGUs) for impairment whenever an indicator exists. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset might be impaired. For the Group, CGUs represent individual mines and advanced exploration projects. Additionally, IFRS requires testing of CGUs for impairment reversal at the end of each reporting period whether there is any indicator that an impairment loss recognised in prior periods (for an asset other than goodwill) may no longer exist, or may have decreased. For the Group, the appropriate CGUs are: – Operating mines: Pallancata, Inmaculada, San Jose and Mara Rosa (projected to start production in January 2024); – Advanced exploration projects: Amarillo, Volcan, Azuca and Crespo; and – Investment in Associate: Aclara Given that there is a shortfall in terms of the Group's recoverable value compared to the carrying amount of it's assets (c.$109mn variance), we have deemed this to be an indicator of impairment for the Group's entire asset base. From our enquiries of management, we also understand that Hochschild is currently awaiting the approval of the Modified Environmental Impact Assessment ("MEIA") for the Inmaculada mine from the Peruvian Authorities. We understand that, as at the time of this report, the approval of the MEIA is still outstanding. The Volcan CGU includes an intangible asset with an indefinite useful life and therefore is tested for impairment at least annually. Thus, an impairment test was carried out for the Group's assets. Please see section Key Observations for our findings. As disclosed in Note 16 to the consolidated financial statements, – Indicators of a reversal of impairment were identified in 2022 with respect to the Pallancata CGU (totalling $15.6mn), management estimated the recoverable amount of the asset and recognised an impairment reversal of $15.1m in property, plant and equipment and $0.4 in evaluation and exploration assets; – An impairment of $4.2m in evaluation and exploration assets was recognised in the Azuca Asset, and; – An impairment of $9.9m in investment in associates, Aclara. The risk relating to recoverability of the carrying value of mining assets has increased in comparison to the prior year.	Our approach focused on the following procedures: – We obtained an understanding of management's key controls over impairment of mining assets in supporting the prevention, detection and correction of material errors in the financial statements. – We also obtained an understanding of management's process to obtain and extend the mining operating permits, assessing the respective life of mines of the Group's assets. – We obtained management's assessment of whether any indicators of impairment or reversal of impairment were present at 31 December 2022. – We challenged the validity of the indicators identified by management, with a focus on the following key assumptions: • We compared and assessed management's prices to analysts' consensus forecasts for gold and silver as at 31 December 2022. • We obtained relevant support of management's position on market interest rates and other macro-economic factors. • We reviewed the economic performance of the CGUs during the year, discussed with management and reviewed the approved mine plans and/or budgets. • For exploration projects we obtained an understanding of management's plans to recover the carrying value in full from successful development or by sale. We also obtained technical reports from third-parties for E&E projects. • We obtained relevant support about expected renewal/extension of mining permits. – We obtained the recoverable value model from management for the Group's CGUs, E&Es and Investment in Associate. We performed the following procedures: • We assessed the appropriateness of the methodology applied in preparing each model. • We undertook an assessment of management's track record of accuracy in forecasting to determine the reliability of current forecasts. We further agreed the main inputs to the approved mine plans, budgets, technical reports and historic figures. • We involved our valuation specialists to assist us in challenging and assessing the appropriateness of the discount rate used in the calculation. • With respect to the recoverable value model for the Azuca CGU, considered by way of an enterprise valuation under FVLCD, we agreed the main inputs used to information from third party/independent sources and involved our valuation specialists to assist us in assessing the appropriateness of the methodology and EV (Enterprise Valuation) of comparable entities. • We reviewed, by reference to the FRC's guidance, the appropriateness, sufficiency, and clarity of the impairment-related disclosures. – With regards to the delay to the MEIA approval for the Inmaculada CGU we have performed the following: • We have assessed management's models for both the base case (assuming imminent MEIA approval) and worst case scenario (assuming MEIA denial and resultant delay to production until 2026). • We have re-performed managements' probability weighted fair value calculation using different cash flow scenarios under the expected cash flow approach. • Based on our discussions with the company's principal lenders, EY Peru audit partner and Group Legal counsel, we have critically assessed management's probability position and sought contra-evidence to gain comfort overt the reasonability of this risk factor. The above audit procedures over this risk area, covering 100% of the amount at risk, were performed by the Group audit team.	As a result of the audit procedures performed, we have concluded that management's impairment indicator analysis and impairment assessment for the Group's CGUs has been carried out appropriately and in accordance with the requirements of IFRS. We further concluded that the significant assumptions used in the recoverable value models prepared by management were appropriate, and where applicable, fell within the range of acceptable outcomes that we had calculated. Based on the procedures performed, we consider the impairment charges of c.US$4.2m and c.$9.9m for Azuca and Aclara respectively to be reasonable. We also deem the reversal of impairment of $15.1m in property, plant and equipment and $0.4 in evaluation and exploration assets, in respect of the Pallancata CGU, to be appropriate. Furthermore, we are satisfied that the carrying values of the Inmaculada, San Jose, Mara Rosa, Volcan and Crespo CGUs do not require impairment nor reversal of impairment as at 31 December 2022. For Inmaculada, based on the managements' probability weighted fair value calculation we deem there to be no impairment given that the associated risk of MEIA denial is below the 'break even' probability of 25.36%. We concluded that the related disclosures in the Group financial statements, including the significant judgement that permits will be obtained as required, are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Accounting for Amarillo Gold acquisition *Refer to the Audit Committee Report; Accounting policies (page 148); and Note 4 to the Consolidated Financial Statements (page 161)* On 1 April 2022 the Group acquired all of the issued and outstanding shares of Amarillo for USD128.3m. Accounting for acquisitions under IFRS can be complex and require management to form a number of judgements and estimates around matters including (but not limited to): – the method of accounting to be applied – the accounting treatment of royalties – the fair value of assets and liabilities acquired; and whether deferred tax should be provided on any adjustments.	Our approach consisted of the following procedures: – We reviewed and challenged management's assessment of this acquisition, including the appropriateness of its classification as an asset acquisition together with the supporting documentation to ensure that the accounting is in accordance with IFRS and the Group accounting policies. – We reviewed the optional concentration test performed by management to further supports its classification as an asset acquisition. – We reviewed and challenged the fair value assigned to the assets and liabilities acquired in order to ensure they are reasonable. For the assets and liabilities in which management have deemed the fair value to be equal to book value, we have agreed the amounts to supporting schedules for the purpose of our interim review. We have further challenged whether the judgement that the book values are equal to the fair value. – We engaged our tax specialists to review management's assessment of the tax implications of the transaction. – We obtained evidence of the payments made for the acquisition; and We ensured that the relevant disclosures are in conformity with IFRS.	Based on the procedures performed, we consider the judgments and assumptions made by management to be reasonable. Our evaluation of the classification of the acquisition and the fair value of assets and liabilities was satisfactory. We concluded that the accounting for the acquisition of Amarillo Gold Corporation to be in accordance with IFRS, and that all required disclosures have been included in the Consolidated financial statements.

In the current year, our auditor's report included a key audit matter in relation to Accounting for Amarillo Gold acquisition.

The mine rehabilitation provisions was considered to be a Key Audit Matter in 2021 due to the significant audit effort required around high level of judgment and estimation in assessing the method, timing and quantum of the cash flows required to rehabilitate mines, where a risk that the provision is not appropriately valued were identified. We consider that the mine rehabilitation provision is primarily based on the budget approved by the respective environmental authorities and our main audit procedure is to compare the approved budget with the provision recorded as per the books. This issue does not have a significant effect on the allocation of resources in the audit. Therefore we no longer consider it in our audit report as a key audit matter.

Revenue recognition is a significant risk presumed by ISAs (UK). It is not included above, as Hochschild's revenue streams are largely routine in nature and do not involve significant judgement or use of significant estimates. Consequently, the auditing of revenue recognition did not have the greatest effect on our overall audit strategy, the allocation of resources in the audit or in directing the efforts of the engagement team.

As part of our audit, we also address the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We determined that the risk of management override does not represent a separate key audit matter, on the basis that it is our assessment that this risk principally manifests itself through recoverability of the carrying value of the Group's mining assets and accounting for Amarillo Gold acquisition, where there are a number of significant judgements and estimates involved are susceptible to management bias.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$5.1m (2021: US$7.6m), which is 2% (2021: 2%) of the Group's Adjusted EBITDA. We believe that Adjusted EBITDA is an earnings-based measure that is significant to users of the financial statements. This is considered to be a critical measure for users of the financial statements, given the focus on this metric by the Group's shareholders, investors and external lenders. In addition, the Adjusted EBITDA measure is used to assess the Group's compliance with key restrictive covenants on the Group's borrowings.

We determined materiality for the Parent Company to be US5.4m (2021: US$11.2m), which is 1% (2021: 1%) of Equity. The Parent Company materiality is higher than the Group materiality as it is based on Equity, which we consider to be an appropriate basis for materiality for a holding company, as the users of the financial statements focus on a capital-based measure.

Starting basis	– Profit from operations before exceptional items, net of foreign exchange loss and income tax (US$38.6m)
Adjustments	– Add: Depreciation and amortisation in cost of sales and in administrative expenses (US$138.8m) – Add: Exploration expenses other than personnel and other exploration related fixed expenses (U$46.1m) – Deduct: Other non-cash expenses (US$21.87m)
Materiality	– US$255.4m Adjusted EBITDA – Materiality of US5.1m (2% of materiality basis)

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2021: 75%) of our planning materiality, namely US$5.1m (2021: US$5.7m). We have set performance materiality at this percentage due to our understanding of the Group's control environment, and that there have been no significant events that would alter our expectation that there is a low likelihood of misstatements that would be material individually or in aggregate to the financial statements.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was US$2.0m to US$3.9m (2021: US$2.7m to US$5.7m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of US$260k (2021: US$380k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 132, including the Strategic Report and Governance sections (including the Directors' Report, Corporate Governance Report, Supplementary Information, Directors' Remuneration Report and Statement of Directors' Responsibilities), other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

– adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
– the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
– certain disclosures of directors' remuneration specified by law are not made; or
– we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Whilst drawing attention to the impact of the matters disclosed in the material uncertainties related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

– Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 90 and Note 2(d) of the Consolidated Financial Statements;
– Directors' explanation as to its assessment of the Company's prospects, the period this assessment covers and why the period is appropriate set out on pages 84 and 85;
– Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 90 and Note 2(d) of the Consolidated Financial Statements;
– Directors' statement on fair, balanced and understandable set out on page 90;
– Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 105;
– The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 105; and;
– The section describing the work of the audit committee set out on pages 101 to 105.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 132, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant and directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (UK adopted international accounting standards), the Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations in the jurisdictions in which the Group operates (principally UK, Peru and Argentina). In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, mainly relating to health and safety, employee matters, bribery and corruption practices, environmental and certain aspects of company legislation recognising the regulated nature of the Group's mining activities and its legal form.
- We understood how Hochschild Mining plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes, papers provided to the Audit Committee and correspondence received from regulatory bodies, and noted there was no contradictory evidence.
- In 2021, it was identified that certain dividend distributions paid by the Company in previous years were not in accordance with The Companies Act 2006, due to the Company's lack of sufficient distributable reserves at the relevant times. We reviewed the steps that the Company, along with its legal advisors, had taken to take to remediate the issue. We reviewed the minutes of the special resolution passed at the Extraordinary General Meeting of shareholders where the Company capitalised the Company's merger reserve by applying its balance to the issuance of bonus shares. We also reviewed the High court approval for the cancellation of bonus shares issued and reduction of share premium and nominal value of the ordinary shares. In addition, we ensured that related disclosures in the financial statements were appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from various parts of the business to understand what areas were susceptible to fraud. We also considered performance targets and their propensity to influence management to manage earnings.
- We considered the programmes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where risk was considered as higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could have a material impact on the financial statements. Our procedures involve: incorporated data analytics across our audit approach, journal entry testing with a focus on manual consolidation journals and journals meeting our defined risk criteria based on our understanding of the business; enquiries of the legal counsel, Group management, internal audit and all full and specific scope management; review of Board and Audit Committee reporting; evaluating any investigations into matters of non-compliance with support from our IT, forensics and legal specialists as necessary; and focused testing as referred to in the key audit matters section above.
- We ensured our global team has appropriate industry experience through working for many years on relevant audits, including experience of mining. Our audit planning included considering external market factors, for example geopolitical risk, the potential impact of climate change, commodity price risk and major trends in the industry.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the Company on 16 October 2006 to audit the financial statements for the year ending 31 December 2006 and subsequent financial periods. Following a competitive tender process, we were reappointed as auditor of the Company for the period ending 31 December 2016 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 31 December 2006 to 31 December 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

William Binns
(Senior statutory auditor)
for and on behalf of
Ernst & Young LLP, Statutory Auditor
London

20 April 2023

Consolidated income statement

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 Before exceptional items US$000	Exceptional items (note 11) US$000	Total US$000	Year ended 31 December 2021 Before exceptional items US$000	Exceptional items (note 11) US$000	Total US$000
Revenue	5	**735,643**	**–**	**735,643**	811,387	–	811,387
Cost of sales	6	**(527,643)**	**–**	**(527,643)**	(487,772)	(22,511)	(510,283)
Gross profit		**208,000**	**–**	**208,000**	323,615	(22,511)	301,104
Administrative expenses	7	**(54,158)**	**–**	**(54,158)**	(51,905)	–	(51,905)
Exploration expenses	8	**(56,826)**	**–**	**(56,826)**	(39,848)	–	(39,848)
Selling expenses	9	**(14,032)**	**–**	**(14,032)**	(15,431)	–	(15,431)
Other income	12	**3,340**	**–**	**3,340**	8,435	37,461	45,896
Other expenses	12	**(39,302)**	**–**	**(39,302)**	(44,565)	(1,503)	(46,068)
(Impairment)/reversal of impairment and write-off of non-current assets, net		**(1,832)**	**11,363**	**9,531**	(863)	(24,846)	(25,709)
Profit/(loss) before net finance income/(cost), foreign exchange loss and income tax		**45,190**	**11,363**	**56,553**	179,438	(11,399)	168,039
Share of loss of an associate	19	**(1,677)**	**(9,923)**	**(11,600)**	(169)	–	(169)
Finance income	13	**5,211**	**–**	**5,211**	3,946	–	3,946
Finance costs	13	**(21,776)**	**–**	**(21,776)**	(32,061)	–	(32,061)
Foreign exchange loss, net		**(2,622)**	**–**	**(2,622)**	(2,424)	–	(2,424)
Profit/(loss) from before income tax		**24,326**	**1,440**	**25,766**	148,730	(11,399)	137,331
Income tax (expense)/benefit	14	**(17,581)**	**(3,353)**	**(20,934)**	(81,280)	15,055	(66,225)
Profit/(loss) for the year		**6,745**	**(1,913)**	**4,832**	67,450	3,656	71,106
Attributable to:							
Equity shareholders of the Parent		**4,874**	**(1,913)**	**2,961**	69,567	7,367	76,934
Non-controlling interests		**1,871**	**–**	**1,871**	(2,117)	(3,711)	(5,828)
		6,745	**(1,913)**	**4,832**	67,450	3,656	71,106
Basic earnings/(loss) per ordinary share for the year (expressed in US dollars per share)	15	**0.01**	**–**	**0.01**	0.14	0.01	0.15
Diluted earnings/(loss) per ordinary share for the year (expressed in US dollars per share)	15	**0.01**	**–**	**0.01**	0.13	0.01	0.14

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 US$000	2021 US$000
Profit for the year		**4,832**	71,106
Other comprehensive income that might be reclassified to profit or loss in subsequent periods, net of tax:			
Net (loss)/gain on cash flow hedges	38(a), 38(g)	**(16,929)**	25,028
Deferred tax benefit/(charge) on cash flow hedges	30	**4,994**	(7,383)
Exchange differences on translating foreign operations		**(12,739)**	(21,282)
Cumulative exchange differences gain transferred to the income statement on disposal of foreign operations	4	**–**	9,995
Share of other comprehensive income/(loss) of an associate	19	**1,283**	(9)
		(23,391)	6,349
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods, net of tax:			
Net (loss)/gain on equity instruments at fair value through other comprehensive income ('OCI')	20	**(152)**	261
		(152)	261
Other comprehensive (loss)/income for the year, net of tax		**(23,543)**	6,610
Total comprehensive (loss)/income for the year		**(18,711)**	77,716
Total comprehensive (loss)/income attributable to:			
Equity shareholders of the Parent		**(20,582)**	83,544
Non-controlling interests		**1,871**	(5,828)
		(18,711)	77,716

Consolidated statement of financial position

As at 31 December 2022

	Notes	**As at 31 December 2022 US$000**	As at 31 December 2021 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**926,913**	738,119
Evaluation and exploration assets	17	**123,462**	123,304
Intangible assets	18	**19,328**	18,094
Investment in an associate	19	**33,242**	43,559
Financial assets at fair value through OCI	20	**509**	661
Financial assets at fair value through profit and loss	21	**1,015**	3,155
Trade and other receivables	22	**6,498**	2,470
Derivative financial assets	38(a)	**–**	5,042
Deferred income tax assets	30	**4,213**	484
		1,115,180	934,888
Current assets			
Inventories	23	**61,440**	49,184
Trade and other receivables	22	**85,408**	69,749
Derivative financial assets	38(a)	**2,186**	14,073
Income tax receivable	14	**9,226**	32
Cash and cash equivalents	24	**143,844**	386,789
		302,104	519,827
Total assets		**1,417,284**	1,454,715
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital	29	**9,061**	226,506
Share premium	29	**–**	438,041
Other reserves		**(238,800)**	(217,657)
Retained earnings		**886,980**	248,664
		657,241	695,554
Non-controlling interests		**65,475**	63,890
Total equity		**722,716**	759,444
Non-current liabilities			
Trade and other payables	25	**1,623**	2,815
Borrowings	27	**275,000**	300,000
Provisions	28	**123,506**	116,835
Deferred income tax liabilities	30	**80,045**	87,228
		480,174	506,878
Current liabilities			
Trade and other payables	25	**144,102**	133,482
Borrowings	27	**43,989**	499
Provisions	28	**24,177**	32,058
Income tax payable	14	**2,126**	22,354
		214,394	188,393
Total liabilities		**694,568**	695,271
Total equity and liabilities		**1,417,284**	1,454,715

These financial statements were approved by the Board of Directors on 19 April 2023 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
19 April 2023

Consolidated statement of cash flows

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 US$000	2021 US$000
Cash flows from operating activities			
Cash generated from operations	34	**144,271**	319,588
Interest received		**2,409**	1,938
Interest paid	27	**(12,962)**	(5,720)
Payment of mine closure costs	28	**(10,409)**	(9,083)
Income tax, special mining tax and mining royalty paid[1]		**(20,391)**	(22,021)
Net cash generated from operating activities		**102,918**	284,702
Cash flows from investing activities			
Purchase of property, plant and equipment		**(210,372)**	(130,965)
Purchase of evaluation and exploration assets	17	**(122,988)**	(21,398)
Purchase of intangibles		**(353)**	
Purchase of financial assets at fair value through OCI	20	**–**	(7)
Purchase of investment in associate		**–**	(19,995)
Purchase of financial assets at fair value through profit and loss	21	**–**	(3,308)
Purchase of Argentinian bonds	13	**(10,204)**	(33,469)
Proceeds from sale of Argentinian bonds	13	**5,248**	18,133
Proceeds from sale of financial assets at fair value through OCI	20	**–**	9
Proceeds from sale of financial assets at fair value though profit and loss	21	**–**	4,726
Proceeds from sale of property, plant and equipment		**1,089**	3,393
Cash and cash equivalent of demerged entity	4	**–**	(553)
Net cash used in investing activities		**(337,580)**	(183,434)
Cash flows from financing activities			
Proceeds from borrowings	27	**28,911**	105,954
Repayment of borrowings	27	**(11,557)**	(14,793)
Payment of lease liabilities	26	**(1,639)**	(2,182)
Dividends paid to non-controlling interests	31	**(286)**	(9,832)
Dividends paid	31	**(22,017)**	(22,022)
Cash flows (used in)/generated from financing activities		**(6,588)**	57,125
Net (decrease)/increase in cash and cash equivalents during the year		**(241,250)**	158,393
Exchange difference		**(1,695)**	(3,487)
Cash and cash equivalents at beginning of year		**386,789**	231,883
Cash and cash equivalents at end of year	24	**143,844**	386,789

1 Taxes paid have been offset with value added tax (VAT) credits of US$nil (2021: US$3,478,000).

Consolidated statement of changes in equity

For the year ended 31 December 2022

				Other reserves											
	Notes	Equity share capital US$000	Share premium US$000	Fair value reserve of financial assets at fair value through OCI US$000	Share of other comprehensive loss of an associate US$000	Dividends expired US$000	Cumulative translation adjustment US$000	Unrealised gain/ (loss) on hedges US$000	Merger reserve US$000	Share-based payment reserve US$000	Total other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2021		**226,506**	**438,041**	**(205)**	**–**	**99**	**(13,876)**	**(4,169)**	**(210,046)**	**2,533**	**(225,664)**	**287,652**	**726,535**	**79,550**	**806,085**
Other comprehensive income/ (expense)		–	–	261	(9)	–	(11,287)	17,645	–	–	6,610	–	6,610	–	6,610
Profit for the year		–	–	–	–	–	–	–	–	–	–	76,934	76,934	(5,828)	71,106
Total comprehensive income/ (expense) for the year		**–**	**–**	**261**	**(9)**	**–**	**(11,287)**	**17,645**	**–**	**–**	**6,610**	**76,934**	**83,544**	**(5,828)**	**77,716**
Sale of financial assets at fair value through OCI	20	–	–	18	–	–	–	–	–	–	18	(18)	–	–	–
Dividends	31	–	–	–	–	–	–	–	–	–	–	(22,022)	(22,022)	–	(22,022)
In specie dividends		–	–	–	–	–	–	–	–	–	–	(94,945)	(94,945)	–	(94,945)
Dividends to non-controlling interests	31	–	–	–		–	–	–	–	–	–	–	–	(9,832)	(9,832)
Share-based payments	29(c)	–	–	–	–	–	–	–	–	2,442	2,442	–	2,442	–	2,442
Forfeiture of share options	29(c)	–	–	–	–	–	–	–	–	(1,063)	(1,063)	1,063	–	–	–
Balance at 31 December 2021		**226,506**	**438,041**	**74**	**(9)**	**99**	**(25,163)**	**13,476**	**(210,046)**	**3,912**	**(217,657)**	**248,664**	**695,554**	**63,890**	**759,444**
Other comprehensive income/ (expense)		–	–	(152)	1,283	–	(12,739)	(11,935)	–	–	(23,543)	–	(23,543)	–	(23,543)
Profit for the year		–	–	–	–	–	–	–	–	–	–	2,961	2,961	1,871	4,832
Total comprehensive income/ (expense) for the year		**–**	**–**	**(152)**	**1,283**	–	**(12,739)**	**(11,935)**	**–**	**–**	**(23,543)**	**2,961**	**(20,582)**	**1,871**	**(18,711)**
Dividends	31	–	–	–	–	–	–	–	–	–	–	(22,017)	(22,017)	–	(22,017)
Dividends paid to non-controlling interests	31	–	–	–	–	–	–	–	–	–	–	–	–	(286)	(286)
Issuance of deferred bonus shares	29	303,268	–	–	–	–	–	–	–	–	–	(303,268)	–	–	–
Cancelation of deferred bonus shares	29	(303,268)	–	–	–	–	–	–	–	–	–	303,268	–	–	–
Cancelation of share premium account	29	–	(438,041)	–	–	–	–	–	–	–	–	438,041	–	–	–
Nominal value reduction	29	(217,445)	–	–	–	–	–	–	–	–	–	217,445	–	–	–
Share-based payments	29(c)	–	–	–	–	**–**	–	–	–	4,286	4,286	–	4,286	–	4,286
Forfeiture of share options	29(c)	–	–	–	–	–	–	–	–	(1,886)	(1,886)	1,886	–	–	–
Balance at 31 December 2022		**9,061**	**–**	**(78)**	**1,274**	**99**	**(37,902)**	**1,541**	**(210,046)**	**6,312**	**(238,800)**	**886,980**	**657,241**	**65,475**	**722,716**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

1 Corporate information

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

The ultimate controlling party of the Company is Mr Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries (together 'the Group' or 'Hochschild Mining Group') is 38.32% and it is held through Pelham Investment Corporation ("Pelham"), a Cayman Islands company.

On 8 November 2006, the Company's shares were admitted to the Official List of the UKLA (United Kingdom Listing Authority) and to trading on the London Stock Exchange.

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

These consolidated financial statements were approved for issue by the Board of Directors on 19 April 2023.

The Group´s subsidiaries are as follows:

Company	Principal activity	Country of incorporation	Equity interest at 31 December 2022 %	2021 %
Hochschild Mining (Argentina) Corporation S.A.[1]	Holding company	Argentina	**100**	100
MH Argentina S.A.[2]	Exploration office	Argentina	**100**	100
Minera Santa Cruz S.A.[1 and 10]	Production of gold and silver	Argentina	**51**	51
Minera Hochschild Chile S.C.M.[3]	Exploration	Chile	**100**	100
Andina Minerals Chile SpA (formerly Andina Minerals Chile Ltd.)[3]	Exploration	Chile	**100**	100
Southwest Minerals (Yunnan) Inc.[4]	Exploration	China	**100**	100
Hochschild Mining Holdings Limited[5]	Holding company	England and Wales	**100**	100
Hochschild Mining Ares (UK) Limited[5]	Administrative office	England and Wales	**100**	100
Southwest Mining Inc.[4]	Exploration	Mauritius	**100**	100
Southwest Minerals Inc.[4]	Exploration	Mauritius	**100**	100
Minera Hochschild Mexico, S.A. de C.V.[6]	Exploration	Mexico	**100**	100
Hochschild Mining (Peru) S.A.[4]	Holding company	Peru	**100**	100
Compañía Minera Ares S.A.C.[4]	Production of gold and silver	Peru	**100**	100
Compañía Minera Arcata S.A.[4]	Production of gold and silver	Peru	**99.1**	99.1
Empresa de Transmisión Aymaraes S.A.C.[4]	Power transmission	Peru	**100**	100
Minera Antay S.A.C.[4]	Exploration	Peru	**100**	100
Hochschild Mining (US) Inc.[7]	Holding company	USA	**100**	100
Hochschild Mining Canada Corp[8]	Exploration	Canada	**100**	100
Hochschild Mining Brazil Holdings Corp. (formerly 1334940 BC)[8]	Holding company	Canada	**100**	100
Tiernan Gold Corp.[8]	Holding company	Canada	**100**	0
Amarillo Mineracao do Brasil Ltda.[9]	Exploration	Brazil	**100**	0

1 Registered address: Av. Santa Fe 2755, floor 9, Buenos Aires, Argentina.
2 Registered address: Sargento Cabral 124, Comodoro Rivadavia, Provincia de Chubut, Argentina.
3 Registered address: Av. Apoquindo 4775 of 1002, Comuna Las Condes, Santiago de Chile, Chile.
4 Registered address: La Colonia 180, Santiago de Surco, Lima, Peru.
5 Registered address: 17 Cavendish Square, London, W1G0PH, United Kingdom.
6 Registered address: Calle Aguila Real No 122, Colonia Carolco, Monterrey, Nuevo Leon, CP 64996, Mexico.
7 Registered address: 1025 Ridgeview Dr. 300, Reno, Nevada 89519, USA.
8 Registered address: Suite 1700, Park Place, 666 Burrard Street, Vancouver BC, V6C 2X8.
9 Registered address: Fazenda Invernada s/n, Zona Rural, Mara Rosa – Goiás – Brazil, CEP: 76.490-000.
10 The Group has a 51% interest in Minera Santa Cruz S.A. (Minera Santa Cruz), while the remaining 49% is held by a non-controlling interest. The significant financial information in respect of this subsidiary before intercompany eliminations as at and for the years ended 31 December 2022 and 2021 is as follows:

1 Corporate information continued

	As at 31 December	
	2022 US$000	2021 US$000
Non-current assets	**159,703**	157,629
Current assets	**99,997**	89,923
Non-current liabilities	**(67,710)**	(68,667)
Current liabilities	**(61,230)**	(51,354)
Equity	**(130,760)**	(127,531)
Cash and cash equivalents	**15,473**	25,942
Revenue	**243,469**	258,972
Depreciation and amortisation	**(50,967)**	(52,069)
Interest income	**652**	1,558
Interest expense	**(4,364)**	(3,196)
Income tax	**7,761**	(13,550)
Profit for the year and total comprehensive income	**3,811**	(11,891)
Net cash generated from operating activities	**18,085**	62,614
Net cash used in investing activities	**(47,197)**	(43,667)
Net cash (used in)/generated from financing activities	**18,643**	(30,900)

(Loss)/profit attributable to non-controlling interests in the consolidated income statement, non-controlling interest in the consolidated statement of financial position, and dividends declared to non-controlling interests in the consolidated statement of changes in equity are solely related to Minera Santa Cruz.

2 Significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK adopted International Accounting Standards.

The basis of preparation and accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2022 and 2021 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.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021. Other amendments and interpretations apply for the first time in 2022, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2023 or later periods but which the Group has not previously adopted. These have not been listed as they are not expected to impact the Group.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

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

Significant areas of estimation uncertainty and critical judgements made by management in preparing the consolidated financial statements include:

Significant estimates:

– *Useful lives of assets for depreciation and amortisation purposes* – note 2(f)

  Estimates are required to be made by management as to the useful lives of assets. For depreciation calculated under the unit of-production method, estimated recoverable reserves and resources are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves and resources of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources. Changes are accounted for prospectively.

– *Ore reserves and resources* – note 2(h)

  There are numerous uncertainties inherent in estimating ore reserves and resources. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and resources and may, ultimately, result in the reserves and resources being updated.

– *Recoverable values of mining assets* – notes 2(k), 16, 17 and 18

The values of the Group's mining assets are sensitive to a range of characteristics unique to each mine unit. Key sources of estimation for all assets include uncertainty around ore reserve estimates and cash flow projections. In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. The Group uses two approaches to estimate the fair value less costs of disposal, depending on the circumstances: (i) the traditional approach, which uses a single cash flow projection, and (ii) the expected cash flow approach, which uses multiple, probability-weighted cash flow projections. As at 31 December 2022, the impairment reviews for the Group´s operating assets were performed using a traditional approach, with the exception of Inmaculada where the Group used an expected cash flow approach. To determine the fair value less costs of disposal of exploration assets the Group uses the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources per ounce of resources.

There is judgement involved in determining the assumptions that are considered to be reasonable and consistent with those that would be applied by market participants. Significant estimates used include future gold and silver prices, future capital requirements, reserves and resources volumes, production costs and the application of discount rates which reflect the macro-economic risk in Peru and Argentina, as applicable. Judgement is also required in determining the risk factor that will be applied by market participants to take into account the water restrictions imposed by the Chilean government over the Volcan cash-generating unit. Changes in these assumptions will affect the recoverable amount of the property, plant and equipment, evaluation and exploration assets, and intangibles.

– *Mine closure costs* – notes 2(o) and 28(1)

The Group assesses its mine closure cost provision annually. Significant estimates and assumptions are made in determining the provision for mine closure cost as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, mine life and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the balance sheet date represents management's best estimate of the present value of the future closure costs required. In July 2021, the mine closure law for the province of Santa Cruz in Argentina was published, establishing a period of 180 business days to present the Mine Closure Plan. The regulation has not been published as of the date of the financial statements. The Group considers the mine closure provision in San Jose to be largely aligned with Argentinean´s new law, subject to further review once regulation is published.

– *Valuation of financial instruments* – note 38

The valuation of certain Group assets and liabilities reflects the changes to certain assumptions used in the determination of their value, such as future gold and silver prices (note 38).

– *Non market performance conditions on LTIP 2021 and LTIP 2022*– note 29(c)

There are two parts to the performance conditions attached to LTIP awards: 50% is subject to the Company's TSR ranking relative to a tailored peer group of mining companies, 50% is subject to internal KPIs split equally between: (i) 3-year growth of the Company´s Measured and Indicated Resources (MIR) per share (calculated on an enterprise value basis), and (ii) average outcome of the annual bonus scorecard in respect of 2021, 2022 and 2023, regarding LTIP 2021, and 2022, 2023 and 2024, regarding LTIP 2022, calculated as the simple mean of the three scorecard outcomes.

Critical judgements:

– *Income tax* – notes 2(t), 2(u), 14, 30 and 36(a)

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted. The Group analyses the possibility of generating profit in all the companies and determines the recognition of deferred tax. No deferred tax asset is recognised in the holding and exploration entities as they are not expected to generate any profit to settle the temporary difference (refer to note 30).

Judgement is also required when determining the recognition of tax liabilities as the tax treatment of some transactions cannot be finally determined until a formal resolution has been reached by the tax authorities. Tax liabilities are also recorded for uncertain exposures which can have an impact on both deferred and current tax. Tax benefits are not recognised unless it is probable that the benefit will be obtained and tax liabilities are recognised if it is probable that a liability will arise (refer to note 36(a)). The final resolution of these transactions may give rise to material adjustments to the income statement and/or cashflow in future periods. The Group reviews each significant tax liability or benefit each period to assess the appropriate accounting treatment.

– *Life of mine ('LOM').*

There are several aspects which are determined by the life of mine, such as ore reserves and resources, recoverable values of mining assets, mine rehabilitation provision and depreciation. The life of mine for an operation is specified in the relevant Environmental Impact Assessment ("EIA") which is amended from time to time as more resources at the mine are identified. EIAs are permits which are granted in the ordinary course of business to the mining industry. While the processing of such permits may be subject to delays, the Group has never had an EIA denied. A crucial element of Peru's legal framework is the principle of predictability which, in essence, means that if the legal requirements for any given permit have been satisfied, the State cannot l awfully deny the granting of the permit. Taking this into consideration, as well as the Group's operational experience, the Group believes that permits will be secured such that operations can continue without interruption. In the unlikely scenario that this does not occur, there could be material changes to those items in the financial statements that are determined by the life of mine.

– *Determination of functional currencies* – note 2(e)

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates. In Argentina, the exchange control restrictions limit the companies to hold US$ dollars but do not restrict carrying out transactions in US dollar.

2 Significant accounting policies continued

– *Recognition of evaluation and exploration assets and transfer to development costs* – notes 2(g), 16 and 17

Judgement is required in determining when the future economic benefit of a project can reasonably be regarded as assured, at which point evaluation and exploration expenses are capitalised. This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalisation of costs; the timing of the end of the exploration phase, the start of the development phase; and the commencement of the production phase. For this purpose, the future economic benefit of the project can reasonably be regarded as assured when the Board authorises management to conduct a feasibility study, mine-site exploration is being conducted to convert resources to reserves, or mine-site exploration is being conducted to confirm resources, all of which are based on supporting geological information.

– *Pandemic expenses*

The Group analyses the effect of pandemics in its operations and accounting treatment, because they generate stoppages, low capacity production and incremental costs. In the case of COVID-19, the fixed "normal" production costs during stoppages are recognised as expenses and are not considered as costs of the inventories produced. In the Income Statement these fixed costs are classified as "Pre-Exceptional.

To determine whether the incremental Covid-related costs should berecognised as exceptional expenses, consideration has been made as to whether they meet the criteria as set out in the Group´s accounting policy (note 2(z)), in particular regarding the expected infrequency of the events that have given rise to them.

The pandemic can be considered a single protracted globally pervasive event with a financial impact over a number of reporting periods. Management initial expectation was that these cost would ceased to be incurred at the end of 2020 or early 2021, and whilst the majority of the costs have reduced over time as a result of the efficiencies made to the health protocols and logistics required to operate throughout the pandemic, some residual costs continue to be incurred to date. In order to provide the users of the financial statements with a better understanding of the financial performance of the Group in the year, and to facilitate comparison with the prior period, we have considered it appropriate to continue to disclose separately as exceptional these incremental Covid-related cost up to December 2021.

Following the outbreak of the Omicron variant, the virus appears to have shifted into an endemic phase. Consequently, these costs will no longer be presented as exceptional items from 2022 and will form part of the underlying profits.

– *Climate change*

- *General*

  The Group is in the process of completing a climate change risk assessment and strategy and developing an action plan to continually reduce operational energy, GHG emissions and water consumption, with the ultimate aim of reaching net zero GHG emissions. As a result, the Group is currently unable to determine the full future economic impact of this strategy on their business model and operational plans and therefore the potential impacts are not fully incorporated in these financial statements.

  In addition, societal expectations are driving government action that may impose further requirements and cost on companies in the future. Therefore risks associated with climate change could, over time impose changes that may potentially impact (among other things) capital expenditure, mine closure provisions and production costs. However, currently the financial statements cannot capture such possible future outcomes as these are not yet known. With regards to the calculation of those items in the financial statements that rely on life of mine calculations (such as impairments, deferred tax and depreciation), it should be highlighted that as an underground mining company, Hochschild Mining's operating assets have much lower lives than conventional open-pit mining companies. As such, by virtue of the longer-term time horizon of the physical risks of climate change, the financial impact on such items will be less pronounced than may otherwise be expected.

  The adoption of the Group's climate change strategy and the implementation of climate-change regulations in the countries where the Group operates may impact the Group's significant judgements and key estimates and could result in material changes to financial results and the carrying values of certain assets and liabilities in future reporting periods.

- *Physical risks*

  As previously stated, the Group is progressing work to assess the potential impact of physical risks of climate change. Given the ongoing nature of the Group's physical risk assessment process, reflecting adaptation risk in the Group's operating plans, and associated asset valuations, is currently limited. As the Group progresses its adaptation strategy, the identification of additional risks or the detailed development of the Group's response may result in material changes to financial results and the carrying values of assets and liabilities in future reporting periods.

- Acquiring a subsidiary or a group of assets – note 4(b).

  In identifying a business combination (note 2(c)) or acquisition of assets the Group considers the underlying inputs, processes and outputs acquired as a part of the transaction. For an acquired set of activities and assets to be considered a business there must be at least some inputs and processes that have the capability to achieve the purposes of the Group. Where significant inputs and processes have not been acquired, a transaction is considered to be the purchase of assets. For the assets and assumed liabilities acquired the Group allocates the total consideration paid (including directly attributable transaction costs) based on the relative fair values of the underlying items. On 1 April 2022 the Group acquired the control of the Amarillo Gold Group (note 4(b)). The transaction was accounted as a purchase of assets as no systems, processes or outputs were acquired, with the main asset acquired being the Mara Rosa project which is in a development stage.

(c) Basis of consolidation

The consolidated financial statements set out the Group's financial position, performance and cash flows as at 31 December 2022 and 31 December 2021 and for the years then ended, respectively.

Subsidiaries are those entities controlled by the Group regardless of the amount of shares owned by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Non-controlling interests' rights to safeguard their interest are fully considered in assessing whether the Group controls a subsidiary. Specifically, the Group controls an investee if, and only if, the Group has:

– power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

– exposure, or rights, to variable returns from its involvement with the investee; and

– the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

– the contractual arrangement with the other vote holders of the investee;

– rights arising from other contractual arrangements; and

– the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Basis of consolidation
Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction, affecting retained earnings. If the Group loses control over a subsidiary, it (i) derecognises the assets (including goodwill) and liabilities of the subsidiary; (ii) derecognises the carrying amount of any non-controlling interest ('NCI'); (iii) derecognises the cumulative translation differences, recorded in equity; (iv) recognises the fair value of the consideration received; (v) recognises the fair value of any investment retained; (vi) recognises any surplus or deficit in profit or loss; and (vii) reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

An NCI represents the equity in a subsidiary not attributable, directly and indirectly, to the parent company and is presented separately within equity in the consolidated statement of financial position, separately from equity attributable to owners of the parent.

Losses within a subsidiary are attributable to the NCI even if that results in a deficit balance.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. The choice of measurement of NCI, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for the NCI, and any interest previously held, over the net identifiable assets acquired and the liabilities assumed. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets meeting either the contractual-legal or the separability criteria are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition date fair value can be measured reliably.

(d) Going concern
The Group's business activities, its future development and the factors likely to affect its performance and position are set out in the 2022 Annual Report's Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowings are described in the Financial Review on pages 42 to 43 and discussion of the Group's viability on the occurrence of certain scenarios is provided in the Viability Statement in the 2022 Annual Report. In addition, note 38 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to credit risk and liquidity risk.

The Directors have also considered any additional risks to liquidity posed by the polarised political climate in Peru resulting in a heightened level of risk of social conflict with some local communities seeking to take advantage of the situation and increasing their economic demands. As a result, social conflicts have increased with numerous mining companies facing invasions at their mine sites and road blockades which have disrupted operations. The impeachment of President Castillo in December 2022 exacerbated these fragile social conditions with widespread protests challenging the legitimacy of Dina Boluarte's appointment.

A key element of the Group's sustainability strategy is active engagement with local communities to build sustainable relations such that the risk of disruption to operating activities is mitigated and there is continuous production from the Inmaculada and Pallancata mines based in Peru. Details of specific initiatives pursued during the year can be found in the 2022 Annual Report's Sustainability Report. In the year-to date, there has been no loss of production as a result of community-led action.

The Directors' going concern assessment is supported by future cash flow forecasts. As stated earlier, the Company awaits the decision from the Peruvian authorities with regards to the modified Environmental Impact Assessment ('MEIA') for Inmaculada for which a decision is expected in H1 2023. The Company is optimistic that such approval will be forthcoming. On the assumption of the MEIA being approved, the Directors have reviewed Group liquidity, including cash resources and borrowings (refer to note 27 on details of the US$300 million medium-term loan) and related covenant forecasts to assess whether the Group is able to continue in operation for the period to 31 May 2024 (the 'Going Concern Period') which is a period of at least 12 months from the date of these financial statements.

In line with their usual practice, the Directors considered the impact of a number of potential downside scenarios on the Group's future cash flows and liquidity position and debt covenant compliance. The scenarios were further reviewed under varying precious metal price assumptions. Within these scenarios, given the current social climate in Peru, consideration was also given to the potential impact of operational disruption and cost increases.

2 Significant accounting policies continued

More specifically, the scenarios reviewed by the Directors included a base case (the 'Base Scenario'), reflecting (among other things), approval of the MEIA, budgeted production for 2023, life-of-mine plans for Inmaculada, Pallancata and San Jose, and precious metal prices of $1,714/oz for gold and $20.4/oz for silver, being the average analysts' consensus in December 2022 (the 'Assumed Prices') for the next 13 months. The forecast financing cashflows assumed that the newly negotiated US$200 million medium-term committed loan will be available for use, following approval of the MEIA.

The Directors also considered 'Downside' and 'Remote' cases which took into account a combination of circumstances. The former assumes a four-week suspension of all operations and community relations-related cost increases. The latter assumes the cumulative impact of the Downside Case and precious metal prices which are 10% lower than the Assumed Prices and a 5% reduction in costs to offset a low-price environment. Those prices would be significantly below current spot prices. After taking the financial benefits of the newly negotiated $200m committed loan into account, all scenarios indicate that the Group has sufficient liquidity and is covenant compliant for 13 months from the date of its report.

Whilst the Group remains optimistic that the MEIA approval will be forthcoming, the decision of the authorities has not yet been made and so the outcome is uncertain and outside of the Group's control. The Directors therefore also considered a MEIA denial case (the 'Denial Scenario'), reflecting that production from Inmaculada will stop at the end of the year until a revised MEIA is approved. This is not expected to be for more than 3 years. As the Group's flagship operation, the suspension of Inmaculada would have a material impact on revenues leading to insufficient liquidity to support the Group's operation. Therefore, as a contingency measure, the Company has adopted mitigation plans to preserve cash including reducing administrative costs including through headcount reductions, hedging a higher proportion of production from Inmaculada for the remainder of 2023 and from Mara Rosa in 2024 and deferring capital expenditure.

As part of the Denial Scenario, the Directors have made 2 significant assumptions to optimise cash and in forming an assessment on the Group's ability to continue as going concern:

i. A restructuring of the existing $300 million Medium Term Loan deferring repayments until Inmaculada resumes operations; and

ii. The successful completion of a $50 million equity financing with existing shareholders (collectively 'Refinancing Actions').

The principal lenders are informed of these measures and are supportive.

The Directors reviewed the cash flow forecasts and liquidity position as well as debt covenant compliance after executing the Refinancing Actions within the Denial Scenario. Consistent with the Base Scenario, the Directors considered the impact of a number of potential downside scenarios to the Denial Scenario on the Group's future cash flows and liquidity position as well as debt covenant compliance. The scenarios were further reviewed under lower precious metal price assumptions. Within these scenarios, given the current social climate in Peru, consideration was also given to the potential impact of operational disruption.

The Denial Scenario was also analysed under different sets of assumptions which included a base case reflecting (among other things), budgeted production for 2023 adjusted for the suspension of Inmaculada, life-of-mine plans for Inmaculada, Pallancata and San Jose, significantly reduced corporate expenses and precious metal prices at the Assumed Prices for the next 13 months. The forecast financing cashflows assumed that the Refinancing Actions would be successfully completed such that the Group would continue through the going concern period to 31 May 2024.

The Directors also considered 'Downside' and 'Remote' versions of the Denial Scenario which modelled the impact of a combination of circumstances, after taking into account the financial benefits of the Refinancing Actions. The former assumes a four-week suspension of all operations and the latter assumes the cumulative impact of the Downside Case and precious metal prices which are 10% lower than the Assumed Prices and a 5% reduction in costs to offset a low-price environment. Those prices would be significantly below current spot prices. All scenarios indicate that the Group is covenant compliant and remains liquid for 13 months from the date of approval of the annual financial statements.

Having held discussions with its major shareholder and management having held discussions with its lenders, the Directors have a reasonable expectation that the potential Refinancing Actions would proceed successfully, although there can be no certainty of that outcome.

Accordingly, the securing of the MEIA and the Refinancing Actions under the Denial Scenario each represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern to 31 May 2024.

After consideration of these material uncertainties, and on the assumption that the Group is able to secure approval of the Inmaculada MEIA or, where it cannot, the Group is able to successfully complete the Refinancing Actions, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence during the Going Concern Period. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(e) Currency translation

The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For the holding companies and operating entities this currency is US dollars and for the other entities it is the local currency of the country in which it operates. The Group's financial information is presented in US dollars, which is the Company's functional currency. Transactions denominated in currencies other than the functional currency of the entity are initially recorded in the functional currency using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rate prevailing at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction. Exchange differences arising from monetary items that are part of a net investment in a foreign operation are recognised in equity and transferred to income on disposal of such net investment.

Subsidiary financial statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the transaction date exchange rate for income statement items. The resulting difference on consolidation is included as a cumulative translation adjustment in equity. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost comprises its purchase price and directly attributable costs of acquisition or construction required to bring the asset to the condition necessary for the asset to be capable of operating in the manner intended by management. Economical and physical conditions of assets have not changed substantially over this period.

The cost less residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production basis for mine buildings and installations and plant and equipment used in the mining production process, or charged directly to the income statement over the estimated useful life of the individual asset on a straight-line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within other income/expenses, in the income statement.

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5 to 10
Vehicles	5

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to be ready for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are expensed where incurred. For borrowings associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. The Group capitalises the borrowing costs related to qualifying assets with a value of US$1,000,000 or more, considering that the substantial period of time to be ready is six or more months.

Mining properties and development costs

Purchased mining properties are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination. Costs associated with developments of mining properties are capitalised.

Mine development costs are, upon commencement of commercial production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. In addition, the revenue generated from the sale of the inventory produced during the pre-operating stage is recognised as a deduction of the costs capitalised for this project.

Construction in progress and capital advances

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. Once the asset moves into the production phase, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated. Capital advances to suppliers related to the purchase of property, plant and equipment are disclosed in construction in progress.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures are recognised in the income statement as incurred.

(g) Evaluation and exploration assets

Evaluation and exploration expenses are capitalised when the future economic benefit of the project can reasonably be regarded as assured. Exploration and evaluation costs related to projects in the development phase are capitalised as assets from the date that the Board authorises management to conduct a feasibility study.

Expenditure is transferred to mine development costs once the work completed to date supports the future development of the property and such development receives appropriate approval.

Costs incurred in converting inferred resources to indicated and measured resources (of which reserves are a component) are capitalised as incurred. Costs incurred in identifying inferred resources are expensed as incurred.

(h) Determination of ore reserves and resources

The Group estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with the 2012 Joint Ore Reserves Committee (JORC) code.

It is the Group's policy to have the report audited annually by a Competent Person. Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis.

(i) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 Significant accounting policies continued

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the investment and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(j) Intangible assets

Right to use energy of transmission line
Transmission line costs represent the investment made by the Group to construct the transmission line on behalf of the government to be granted the right to use it. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Water permits
Water permits are recorded at cost and allow the Group to withdraw a specified amount of water from the ground for reasonable, beneficial uses. This is an asset with an indefinite useful life (note 18(2)).

Legal rights
Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. This is an asset with a finite useful life equal to that of the mine to which it relates and that is amortised applying the units of production method for that mine.

Other intangible assets
Other intangible assets are primarily computer software which are capitalised at cost and are amortised on a straight-line basis over their useful life of three years.

(k) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

The carrying amounts of property, plant and equipment and evaluation and exploration assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash-generating unit level.

The assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, reserves and resources volumes (reflected in the production volume). Changes in these assumptions will affect the recoverable amount of the property, plant and equipment and evaluation and exploration assets.

If the carrying amount of an asset or its cash-generating unit (CGU) exceeds the recoverable amount, an impairment provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount
The recoverable amount of assets is the greater of their value in use (VIU) and fair value less costs of disposal (FVLCD) to sell. FVLCD is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm's length basis. VIU is based on estimated future cash flows discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In performing impairment reviews, the Group assesses the recoverable amount of its operating assets principally with reference to fair value less costs of disposal, assessed using discounted cash flow models. The Group uses two approaches to estimate the fair value less costs of disposal, depending on the circumstances: (i) the traditional approach, which uses a single cash flow projection, and (ii) the expected cash flow approach, which uses multiple, probability-weighted cash flow projections. As at 31 December 2022, the impairment reviews for the Group´s operating assets were performed using a traditional approach, with the exception of Inmaculada where the Group used an expected cash flow approach. To determine the fair value less costs of disposal of exploration assets the Group uses the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources per ounce of resources.

The recoverable values of the CGUs and advanced exploration projects are determined using a FVLCD methodology. FVLCD for CGUs was determined using a combination of level 2 and level 3 inputs. The FVLCD of the producing and developing stage mine assets is determined using a discounted cash flow model (note 16) and for the advanced exploration projects is determined using a discounted cash flow model or a comparative valuation analysis methodology (notes 17 and 18(2)), to estimate the amount that would be paid by a willing third party in an arm's length transaction.

Reversal of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(l) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method.

The cost of work in progress and finished goods (ore inventories) is based on the cost of production. For this purpose, the costs of production include:

- costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables
Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement. The revaluation of provisionally priced contracts stated in 2(q) is recorded as trade receivables.

(n) Share capital
Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of those shares is classified as share premium. In the case the excess above par value is available for distribution, it is classified as merger reserve and then transferred to retained earnings. The Group had the merger reserve available for distribution within retained earnings.

(o) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation (note 28). If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Mine closure cost
Provisions for mine closure costs are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives of the mines.

Changes to estimated future costs are recognised in the statement of financial position by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the related mine assets net of mine closure cost provisions exceed the recoverable value, that portion of the increase is charged directly to the income statement. Similarly, if reductions to the estimated costs exceed the carrying value of the mine asset, that portion of the decrease is credited directly to the income statement. For closed sites, changes to estimated costs are recognised immediately in the income statement.

Workers' profit sharing and other employee benefits
In accordance with Peruvian legislation, companies in Peru must provide for workers' profit sharing equivalent to 8% of taxable income in each year. This amount is charged to the income statement within personnel expenses (note 10) and is considered deductible for income tax purposes. The Group has no pension or retirement benefit schemes.

Other
Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources for which the amount can be reliably estimated.

(p) Share-based payments
Cash-settled transactions
The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting dates are recognised as personnel expenses. The fair value of the awards is taken to be the market value of the shares at the date of award adjusted by a factor for anticipated relative Total Shareholder Return (TSR) performance. Fair values are subsequently remeasured at each reporting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expenses (note 10).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2 Significant accounting policies continued

(q) Revenue recognition

The Group is involved in the production and sale of gold and silver from dore and concentrate containing both gold and silver. Dore bars are either sold directly to customers or are sent to a third-party for further refining into gold and silver before they are sold. Concentrate is sold directly to customers.

Revenue from contracts with costumers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes any applicable sales taxes.

The revenue is subject to adjustment based on inspection of the product by the customer. Revenue is initially recognised on a provisional basis using the Group's best estimate of contained gold and silver. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, certain sales are 'provisionally priced' where the selling price is subject to final adjustment at the end of a period, normally ranging from 15 to 120 days after the start of the delivery process to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue is initially recognised when the conditions set out above have been met, using market prices at that date. The price exposure is considered to be an adjustment and hence separated from the sales contract at each reporting date. The provisionally priced metal is revalued based on the forward selling price for the quotational period stipulated in the contract until the quotational period ends. The selling price of gold and silver can be measured reliably as these metals are actively traded on international exchanges. The revaluation of provisionally priced contracts is recorded as revenue.

Commercial discounts related to the refining, recovery and treatment of minerals are presented netted from sales.

A proportion of the Group's sales are sold under CIF Incoterms, whereby the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligations for freight/shipping services which are provided solely to facilitate sale of the commodities it produces.

Other Incoterms commonly used by the Group are FOB, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port, and Delivered at Place (DAP) where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes.

For CIF arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration may be received from the customer in cash at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the freight/shipping services yet to be provided, is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

Income from services provided to related parties (note 32) is recognised in revenue when services are provided.

Deferred revenue results when cash is received in advance of revenue being earned. Deferred revenue is recorded as a liability until it is earned. Once earned, the liability is reduced and revenue is recorded. The Group analyses when revenue is earned or deferred.

(r) Contingencies

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation where payment is not probable or the amount cannot be measured reliably. Contingent liabilities are not recognised in the financial statements and are disclosed in notes to the financial statements unless their occurrence is remote (note 36).

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognised in the financial statements, but are disclosed in the notes if their recovery is deemed probable (note 36).

(s) Finance income and costs

Finance income and costs comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, unwind of discount, and gains and losses from the change in fair value of derivative instruments.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

(t) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Uncertain tax positions

An estimated tax liability is recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The liability is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account risks and uncertainties surrounding the obligation. Separate liabilities for interest and penalties are also recorded if appropriate.

Movements in interest and penalty amounts in respect of tax liability are not included in the tax charge, but are disclosed in the income statement. Tax liabilities are based on management's interpretation of country-specific tax law and the likelihood of settlement. This involves a significant amount of judgement as tax legislation can be complex and open to different interpretation. Management uses in-house tax experts, professional firms and previous experience when assessing tax risks. Where actual tax liabilities differ from the liabilities, adjustments are made which can have a material impact on the Group's profits for the year. Refer to note 36(a) for specific tax contingencies.

(v) Leases

Right-of-use assets (note 26)

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest, and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(w) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, the Group's financial assets are classified in the following categories:

– Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

– The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

– The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

– Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Financial assets designated at fair value through OCI are carried in the statement of financial position at fair value with net changes in fair value recognised in the OCI. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

2 Significant accounting policies continued

The Group has listed and non-listed equity investments under this category.

– Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The Group has listed equity investments and embedded derivatives under this category. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

– Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

– Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

In 2021, the Group signed silver forward agreements. The silver forward is being used to hedge the exposure to changes in the cashflows of the silver commodity prices. Consequently, the Group has opted to apply hedge accounting under the requirements of IFRS 9 Financial Instruments.

Initial recognition and subsequent measurement

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

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

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

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

– There is 'an economic relationship' between the hedged item and the hedging instrument.

– The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.

– The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Changes in the fair value of derivatives designated as cash flow hedges are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. However, the ineffective portion of the changes in the fair value of such derivatives is recognised in profit or loss. The Group uses cash flow hedges for hedging the exposure to variability in silver prices..

The amounts that have been recognised in other components of equity relating to such hedging instruments are reclassified to profit or loss when the hedged transaction affects profit or loss.

(x) Dividend distribution

Dividends on the Company's ordinary shares are recognised when they have been appropriately authorised and are no longer at the Company's discretion. Accordingly, interim dividends are recognised when they are paid and final dividends are recognised when they are declared following approval by shareholders at the Company's Annual General Meeting.

(y) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents, as defined above, are shown net of outstanding bank overdrafts.

Liquidity funds are classified as cash equivalents if the amount of cash that will be received is known at the time of the initial investment and the risk of changes in value is considered insignificant.

(z) Exceptional items

Exceptional items are those significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years.

Exceptional items mainly include:

– impairments or write-offs of assets, property, plant and equipment and evaluation and exploration assets;

– incremental cost due to pandemics which are not expected to be recurring;

– gains or losses arising on the disposal of subsidiaries, investments or property, plant and equipment;

– any gain or loss resulting from restructuring within the Group;

– the impact of infrequent labour action related to work stoppages in mine units;

– the penalties generated by the early termination of agreements with providers or lenders of the Group;

– the reversal of an accumulation of prior year's tax expenses that resulted from an agreement with the government; and

– the related tax impact of the above items.

(aa) Fair value measurement

The Group measures financial instruments, such as derivatives, at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– In the principal market for the asset or liability, or

– In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, as described in note 38(e).

For assets and liabilities that are recognised in the financial statements on a recurring basis at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement and unquoted financial assets, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group, in conjunction with its external valuers where applicable, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3 Segment reporting

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

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

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

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

Segment information is consistent with the accounting policies adopted by the Group. Management evaluates the financial information based on the adopted IFRS accounting policies in the financial statements.

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

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

(a) Reportable segment information

	Inmaculada US$000	San Jose US$000	Pallancata US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Year ended 31 December 2022							
Revenue from external customers	**413,899**	**243,958**	**78,429**	**–**	**680**		**736,966**
Inter-segment revenue	–	–	–	–	9,872	(9,872)	**–**
Total revenue from customers	**413,899**	**243,958**	**78,429**	**–**	**10,552**	**(9,872)**	**736,966**
Provisional pricing adjustment	29	(489)	(863)	–	–	–	**(1,323)**
Total revenue	**413,928**	**243,469**	**77,566**	**–**	**10,552**	**(9,872)**	**735,643**
Segment profit/(loss)	**163,509**	**31,512**	**(8,789)**	**(57,798)**	**8,323**	**385**	**137,142**
Others[2]							**(111,376)**
Profit from continuing operations before income tax							**25,766**
Other segment information							
Depreciation[3]	(78,553)	(50,243)	(9,046)	(380)	(4,264)	–	**(142,486)**
Amortisation	(86)	(724)	–	39	(199)	–	**(970)**
Reversal of impairment/(impairment) and write-off of assets, net	(1)	–	15,476	(5,346)	(598)	–	**9,531**
Assets							
Capital expenditure	78,176	50,112	13,518	196,792	1,268	–	**339,866**
Current assets	19,872	62,796	16,965	–	4,171	–	**103,804**
Other non-current assets	508,768	159,617	21,345	337,654	42,319	–	**1,069,703**
Total segment assets	**528,640**	**222,413**	**38,310**	**337,654**	**46,490**	**–**	**1,173,507**
Not reportable assets[4]	–	–	–	–	243,777	–	**243,777**
Total assets	**528,640**	**222,413**	**38,310**	**337,654**	**290,267**	**–**	**1,417,284**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$54,158,000, other income of US$3,340,000, other expenses of US$39,302,000, write-off of assets (net) of US$1,832,000, reversal of impairment of non-current assets net of US$11,363,000, share of losses of an associate of US$11,600,000, finance income of US$5,211,000, finance expense of US$21,776,000, and foreign exchange loss of US$2,622,000.
3 Includes depreciation capitalised in the Crespo project (US$284,000), San Jose unit (US$2,508,000), Mara Rosa project (US$39,000), products in process (-US$403,000) and recognised against the mine rehabilitation provision (US$970,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$509,000, financial assets at fair value through profit and loss of US$1,015,000, other receivables of US$49,542,000, income tax receivable of US$9,226,000, deferred income tax asset of US$4,213,000, investment in associates US$33,242,000, derivative financial assets of US$2,186,000 and cash and cash equivalents of US$143,844,000.

	Inmaculada US$000	San Jose US$000	Pallancata US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	Total US$000
Year ended 31 December 2021							
Revenue from external customers	**452,849**	**260,879**	**103,809**	**–**	**464**	**–**	**818,001**
Inter-segment revenue	–	–	–	–	9,225	(9,225)	**–**
Total revenue from customers	**452,849**	**260,879**	**103,809**	**–**	**9,689**	**(9,225)**	**818,001**
Provisional pricing adjustment	(14)	(1,907)	(4,693)	–	–	–	**(6,614)**
Total revenue	**452,835**	**258,972**	**99,116**	**–**	**9,689**	**(9,225)**	**811,387**
Segment profit/(loss)	**226,727**	**52,614**	**343**	**(40,520)**	**7,345**	**(684)**	**245,825**
Others[2]							**(108,494)**
Profit from continuing operations before income tax							**137,331**
Other segment information							
Depreciation[3]	(75,524)	(51,217)	(22,618)	(396)	(5,795)	–	**(155,550)**
Amortisation	(108)	(852)	–	(107)	(51)	–	**(1,118)**
Impairment and write-off of assets, net	(326)	(354)	(24,940)	–	(89)		**(25,709)**
Assets							
Capital expenditure	76,512	43,666	14,250	15,896	3,537	–	**153,861**
Current assets	20,182	43,473	9,072	–	4,230	–	**76,957**
Other non-current assets	515,943	157,749	3,241	155,702	46,882	–	**879,517**
Total segment assets	**536,125**	**201,222**	**12,313**	**155,702**	**51,112**	**–**	**956,474**
Not reportable assets[4]	–	–	–	–	498,241	–	**498,241**
Total assets	**536,125**	**201,222**	**12,313**	**155,702**	**549,353**	**–**	**1,454,715**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$51,905,000, other income of US$45,896,000, other expenses of US$46,068,000, write-off of assets (net) of US$863,000, impairment of non-current assets of US$24,846,000, share of losses of an associate of US$169,000, finance income of US$3,946,000, finance expense of US$32,061,000, and foreign exchange loss of US$2,424,000.
3 Includes depreciation capitalised in the Crespo project (US$430,000), San Jose unit (US$2,341,000), products in process (US$509,000) and recognised against the mine rehabilitation provision (US$1,978,000).
4 Not reportable assets are comprised of financial assets at fair value through OCI of US$661,000, financial assets at fair value through profit and loss of US$3,155,000, other receivables of US$44,446,000, income tax receivable of US$32,000, deferred income tax asset of US$484,000, investment in associates US$43,559,000, derivative financial assets of US$19,115,000 and cash and cash equivalents of US$386,789,000.

3 Segment reporting continued

(b) Geographical information

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

	Year ended 31 December	
	2022 US$000	2021 US$000
External customer		
Switzerland	**350,898**	360,838
Canada	**143,216**	213,350
South Korea	**126,321**	135,162
Germany	**51,033**	47,014
Japan	**14,490**	26,151
Chile	**(88)**	13,184
United Kingdom	**20,428**	7,982
Bulgaria		4,703
USA	**27,481**	–
China	**1,167**	–
Peru	**697**	3,003
Total	**735,643**	811,387
Inter-segment		
Peru	**9,872**	9,225
Total	**745,515**	820,612

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 2022			Year ended 31 December 2021		
	US$000	**% Revenue**	**Segment**	US$000	% Revenue	Segment
Argor Heraus	**195,148**	**27%**	**Inmaculada and San Jose**	208,037	26%	Inmaculada and San Jose
LS MnM (formerly LS Nikko)	**126,321**	**17%**	**Pallancata and San Jose**	135,162	17%	Pallancata and San Jose
Asahi Refining Canada	**135,563**	**18%**	**Inmaculada**	198,254	24%	Inmaculada
MKS Switzerland S.A.	**155,750**	**21%**	**Inmaculada**	152,801	19%	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	
	2022 US$000	2021 US$000
Peru	**668,353**	665,839
Brazil	**184,811**	–
Argentina	**159,617**	157,750
Chile	**56,867**	55,922
Canada	**55**	6
Total non-current segment assets	**1,069,703**	879,517
Financial assets at fair value through OCI	**509**	661
Financial assets at fair value through profit and loss	**1,015**	3,155
Investment in associates	**33,242**	43,559
Trade and other receivables	**6,498**	2,470
Deferred income tax assets	**4,213**	484
Derivative financial instruments	**–**	5,042
Total non-current assets	**1,115,180**	934,888

4 Acquisitions and disposals

(a) Demerger of Aclara Resources Inc. ('Aclara')

Hochschild Mining Holdings Ltd ('HM Holdings'), a wholly owned subsidary of the Group, had interests over a Chilean company named REE UNO SpA. This entity holds the project Aclara (formerly named Biolantanidos), which is located in the south of Chile, and is currently focused on the development of the Penco module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits.

The Group separated the Aclara project from its other businesses dedicated to the extraction and production of gold and silver. For this purpose, a new company named Aclara Resources Inc. located in Canada (hereinafter, 'Aclara') was incorporated by the Group. The investment held in REE UNO SpA was then transferred to Aclara.

A distribution of 70,606,502 Aclara Shares, representing 80% of the Aclara Shares, was made to the holders of ordinary shares of the Group by way of a dividend in specie (the "Demerger Dividend"). The approval of the Group's shareholders in respect of the Demerger Dividend was granted at the Extraordinary General Meeting held on 5 November 2021. The Demerger Dividend was effected on 10 December 2021, shortly before the Aclara Initial Public Offering ('IPO') was completed later that day.

Once the Aclara IPO was completed, Aclara became an independent company listed on the Toronto Stock Exchange.

The ratio of Demerged Aclara Shares to the number of ordinary shares in the Group was 70,606,502 to 513,875,563. Therefore, the shareholders who were entitled to receive the Demerger Dividend received 0.1374 Aclara Shares for each ordinary share in the Group. The value of the Demerger Dividend was C$120,031,053 (equivalent to US$94,945,000) in aggregate based on the offering price of C$1.70 per Aclara Share (the Offering Price).

HM Holdings retained 20% of the Aclara Shares. The investment was recorded at initial recognition at fair value, based on the Offering Price.

The fair value of the Demerger Dividend at the date of the demerger and retained investment is therefore a level 1 fair value measurement.

Immediately following the Demerger Dividend and pursuant to the subscription agreement with Aclara dated 2 December 2021, HM Holdings purchased 14,870,397 Aclara Shares at the Offering Price for aggregate gross proceeds to Aclara of C$25,279,675 (equivalent to US$19,996,000).

The consolidated effect in the financial statements of the Group as at 31 December 2021 was an exceptional gain of US$37,461,000 presented within other income.

Details of the net gain on demerger of Aclara as at 31 December 2021 are shown below:

	US$000
Property, plant and equipment	507
Evaluation and exploration assets	70,311
Other non-current assets	2,668
Current assets	1,210
Current liabilities	(3,465)
Aclara net assets and liabilities demerged[1]	**71,231**
Net cash and cash equivalents demerged	(553)
Net cash outflow from demerger of Aclara	**(553)**
In specie dividends relating to Aclara demerger	94,945
Retained financial investments in associate	23,742
Net assets demerged	(71,231)
Reclassification of foreign currency translation reserve	(9,995)
Gain on demerger of Aclara	**37,461**

1 Considered in the exploration segment of the Group.

On completion of the demerger, the Group retained an 20% interest in Aclara through the Aclara Resources Inc. investment Company. An investment in associates of US$23,742,000 was recognised on the Group's consolidated balance sheet as at 31 December 2021 in respect of this interest.

4 Acquisitions and disposals continued

(b) Acquisition of Amarillo Gold Group ('Amarillo')

On 1 April 2022, the Group acquired a 100% interest in Amarillo Gold Corporation (Amarillo) flagship Mara Rosa ('Mara Rosa') project located in Goiás State, Brazil, which includes the construction stage Posse gold project as well as certain early-stage and pre resource stage exploration targets. Posse has a positive definitive feasibility study that shows it can be built into a profitable operation with low costs and a strong financial return. Mara Rosa also shows the potential for discovering additional near-surface deposits that will extend Posse's mine life beyond its initial ten years. Considering the significant experience in developing precious metal deposits in the Americas, the Group is ideally placed to take Posse to its next stage and generate strong sustainable value for the company and the project's stakeholders.

The Group has applied its judgement to weigh the characteristics of Amarillo´s acquisition and conclude whether it constitutes the acquisition of a business or a set of assets and activities. Since there are no outputs acquired, the Group based its conclusion on the fact that the processes acquired are not critical to the ability to develop or convert the actual inputs into outputs. In this context, and in application of IFRS 3, the Group concluded that the acquisition of Amarillo does not constitute the acquisition of a business but the acquisition of a set of assets.

The consideration paid for the transaction amounted to C$154,429,478 (US$123,420,039), and transaction costs amounted to US$4,830,000. In addition, a 2 per cent net smelter revenue royalty on certain exploration properties owned by Amarillo that are separate from Posse was granted.

Amarillo consolidates its financial information with the Group from 1 April 2022, being the date on which the Group obtained control.

The fair value of assets acquired and liabilities assumed as at 1 April 2022 comprise the following:

	US$000
Cash and cash equivalents	4,246
Other receivables	968
Intangibles (note 18)	21
Evaluation and exploration assets (note 17)	107,362
Property, plant and equipment (note 16)	15,078
Deferred income tax asset	3,775
Income tax receivable	36
Total assets	**131,486**
Accounts payable and other liabilities	(3,236)
Total liabilities	(3,236)
Net assets acquired	**128,250**
Consideration for the acquisition of Amarillo Gold Canada shares	123,420
Transaction costs	4,830
Total consideration	**128,250**
Cash paid	128,250
Less cash acquired with the subsidiary	(4,246)
Net cash flow on acquisition	**124,004**

The Group recognises individual identifiable assets (and liabilities) by allocating the cost of acquisition on the basis of the relative fair values at the date of purchase:

Step 1: Identify assets and liabilities acquired, adjusting them to the Group´s accounting policies and presentation;

Step 2: Determine the purchase consideration; and

Step 3: Purchase Price Allocation: The consideration paid is allocated to the fair value of the identifiable assets and liabilities assumed with the remainder allocated to the mineral property acquired.

The fair value at the time of acquisition is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

5 Revenue

	Year ended 31 December 2022					Year ended 31 December 2021				
	Revenue from customers					Revenue from customers				
	Goods sold US$000	Shipping services US$000	Total US$000	Provisional pricing US$000	Total US$000	Goods sold US$000	Shipping services US$000	Total US$000	Provisional pricing US$000	Total US$000
Gold (from dore bars)	**337,847**	**915**	**338,762**	**(11)**	**338,751**	353,258	914	354,172	40	354,212
Silver (from dore bars)	**183,381**	**696**	**184,077**	**57**	**184,134**	207,022	804	207,826	(52)	207,774
Gold (from concentrates)	**89,991**	**2,687**	**92,678**	**(1,628)**	**91,050**	100,233	2,462	102,695	912	103,607
Silver (from concentrates)	**117,534**	**3,235**	**120,769**	**259**	**121,028**	150,140	2,704	152,844	(7,514)	145,330
Services	**680**	**–**	**680**	**–**	**680**	464	–	464	–	464
Total	**729,433**	**7,533**	**736,966**	**(1,323)**	**735,643**	811,117	6,884	818,001	(6,614)	811,387

6 Cost of sales before exceptional items

Included in cost of sales are:

	Year ended 31 December	
	2022 US$000	2021 US$000
Depreciation and amortisation in cost of sales[1]	**136,427**	145,482
Personnel expenses (note 10)[2]	**121,203**	101,682
Mining royalty (note 37)	**6,307**	7,171
Change in products in process and finished goods	**(5,631)**	320
Fixed costs at the operations during stoppages, reduced capacity and excess absenteeism[3]	**8,023**	8,680

1 The depreciation and amortisation in production cost is US$137,747,000 (2021: US$148,842,000).
2 Includes workers profit sharing of US$3,321,000 (2021: US$6,512,000) and excludes personnel expenses of US$4,498,000 (2021: US$7,607,000) included within unallocated fixed cost at the operations (see below).
3 Corresponds to the unallocated fixed cost accumulated as a result of excess absenteeism and idle capacity. These costs mainly include personnel expenses of US$4,498,000 (2021: US$7,607,000), third party services of US$3,090,000 (2021: US$995,000), supplies of US$146,000 (2021: US$nil), depreciation and amortisation of US$2,000 (2021: US$nil) and other costs of US$287,000 (2021: US$78,000).

7 Administrative expenses

	Year ended 31 December	
	2022 US$000	2021 US$000
Personnel expenses (note 10)	**30,478**	29,832
Professional fees[1]	**9,206**	8,710
Donations	**445**	587
Lease rentals	**1,218**	1,301
Third-party services	**630**	302
Communications	**479**	473
Indirect taxes	**2,077**	2,057
Depreciation and amortisation	**1,844**	1,823
Depreciation of rights of use	**184**	226
Technology and systems	**1,391**	1,207
Security	**821**	956
Other[2]	**5,385**	4,431
Total	**54,158**	51,905

1 Corresponds to audit fees of US$1,813,000 (2021. US$1,373,000), legal fees of US$1,733,000 (2021: US$2,019,000), tax and advisory fees of US$3,954,000 (2021: US$3,373,000), and other professional fees of US$1,706,000 (2021: US$1,945,000).
2 Predominantly relates to advertising costs of US$376,000 (2021: US$372,000), insurance fees of US$888,000 (2021: US$837,000), repair and maintenance of US$489,000 (2021: US$326,000), supplies costs of US$237,000 (2021: US$102,000), tax penalties of -US$660,000 (2021: US$1,476,000), travel expenses of US$822,000 (2021: US$105,000) and personnel transportation of US$165,000 (2021: US$108,000).

8 Exploration expenses

	Year ended 31 December	
	2022 US$000	2021 US$000
Mine site exploration[1]		
Arcata	**877**	2,189
Ares	**366**	628
Inmaculada	**2,946**	3,276
Pallancata	**6,000**	5,993
San Jose	**7,700**	9,653
	17,889	21,739
Prospects[2]		
Peru	**772**	2,677
USA	**4,337**	3,731
Chile	**(77)**	(53)
Canada[4]	**19,632**	51
Brazil	**1**	–
	24,665	6,406
Generative[3]		
Peru	**783**	3,263
USA	**97**	11
Mexico	**313**	861
Brazil	**2,301**	–
Chile	**–**	177
	3,494	4,312
Personnel (note 10)	**7,535**	6,368
Others	**3,067**	731
Depreciation right-of-use assets	**176**	292
Total	**56,826**	39,848

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.
4 Corresponds to the SNIP project managed by Hochschild Mining Canada Corp.

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$26,318,000 in 2022 (2021: US$12,163,000).

9 Selling expenses

	Year ended 31 December	
	2022 US$000	2021 US$000
Personnel expenses (note 10)	**482**	304
Warehouse services	**1,328**	1,392
Taxes[1]	**10,344**	11,765
Other[2]	**1,878**	1,970
Total	**14,032**	15,431

1 Corresponds to the export duties in Argentina.
2 Mainly corresponds to insurance expenses of US$337,000 (2021: US$309,000), other professional fees of US$460,000 (2021: US$561,000), analysis services of US$516,000 (2021: US$564,000), and consumption of supplies of US$221,000 (US$212,000).

10 Personnel expenses

	Year ended 31 December	
	2022 US$000	2021 US$000
Salaries and wages	**121,999**	109,769
Workers' profit sharing (note 28)	**4,733**	11,018
Other legal contributions	**27,866**	23,792
Statutory holiday payments	**7,413**	7,237
Long-Term Incentive Plan	**3,002**	1,783
Termination benefits	**5,468**	6,470
Other[1]	**1,568**	1,101
Total[1]	**172,049**	161,170

1 Mainly includes training expenses of US$1,219,000 (2021: US$1,061,000).
2 Includes exceptional personnel expenses amounting to US$nil (2021: US$2,745,000) (refer to note 11(1)).

10 Personnel expenses continued

Personnel expenses are distributed as follows:

	Year ended 31 December 2022 US$000	2021 US$000
Cost of sales[1]	**125,701**	111,613
Administrative expenses	**30,478**	29,832
Exploration expenses	**7,535**	6,368
Selling expenses	**482**	304
Other expenses[2]	**5,802**	11,579
Capitalised as property, plant and equipment	**2,051**	1,474
Total	**172,049**	161,170

1 Personnel expenses related to unallocated fixed cost accumulated as a result of excess absenteeism and idle capacity included in cost of sales amount to US$4,498,000. Exceptional personnel expenses included in cost of sales amount to US$nil (2021: US$2,324,000).
2 Exceptional personnel expenses included in other expenses amount to US$nil (2021: US$421,000).

The average numbers of employees for 2022 and 2021 were as follows:

	Year ended 31 December 2022	2021
Peru	**2,177**	2,057
Argentina	**1,407**	1,478
Chile	**4**	42
Brazil	**88**	–
Canada	**13**	–
United Kingdom	**11**	10
Total	**3,700**	3,587

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 2022 US$000	Year ended 31 December 2021 US$000
Cost of sales		
Incremental costs due to Covid-19 pandemic[1]	**–**	(22,511)
Total	**–**	(22,511)
Other income		
Demerger of Aclara (note 4(a))	**–**	37,461
Total	**–**	37,461
Other expenses		
Incremental costs due to Covid-19 pandemic[1]	**–**	(1,503)
Total	**–**	(1,503)
Share of loss on an associate		
Impairment of Aclara Resources Inc.[2]	**(9,923)**	–
Total	**(9,923)**	–
(Impairment)/impairment reversal of non-financial assets, net		
Impairment of non-financial assets[3]	**(4,199)**	(24,846)
Reversal of impairment of non-financial assets[4]	**15,562**	–
Total	**11,363**	(24,846)
Income tax (charge)/benefit[5]	**(3,353)**	15,055
Total	**(3,353)**	15,055

11 Exceptional items continued

The exceptional items for the years ended 31 December 2022 and 2021 correspond to:

	Year ended 31 December			
	2022		2021	
	Cost of sales US$000	**Other expenses US$000**	Cost of sales US$000	Other expenses US$000
Third-party services	–	–	16,032	873
Personnel expenses (note 10)	–	–	2,324	421
Consumption of medical supplies	–	–	1,327	120
Cleaning and food services	–	–	2,728	24
Depreciation and amortisation	–	–	37	29
Others	–	–	63	36
Total	–	–	22,511	1,503

These costs were incurred in respect of the implementation of the necessary protocols including incremental third party services mainly related to accommodation whilst testing all workers for active Covid-19 cases prior to travelling to mine units, medical tests and additional transportation costs to facilitate social distancing.

1 Incremental production costs incurred in the operating mine units to manage the Covid-19 pandemic have been presented within costs of sales and costs incurred by mine units in care and maintenance and those related to corporate activities have been presented within other expenses:
2 Corresponds to the impairment charge of US$9,923,000 based on the updated valuation of the investment in Aclara Resources Inc. as at 31 December 2022 (refer to note 19).
3 Corresponds to the impairment related to the Azuca project of US$4,199,000 (2021: corresponds to the impairment related to the Pallancata mine Unit of US$24,846,000) (refer to notes 16 and 17).
4 Reversals of impairment related to the Pallancata mine unit (refer to notes 16 and 17).
5 The current tax credit generated by the incremental costs arising from the Covid-19 pandemic of US$nil (2021: US$7,725,000) and the deferred tax credit generated by the impairment of the Azuca project of US$1,238,000 (2021: US$nil), net of the deferred tax charge generated by the reversal of the impairment of the Pallancata mine unit of US$4,591,000 (2021: deferred tax credit of US$7,330,000).

12 Other income and other expenses before exceptional items

	Year ended 31 December 2022	Year ended 31 December 2021
	Before exceptional items US$000	Before exceptional items US$000
Other income		
Gain on sale of property, plant and equipment	**294**	3,342
Logistic services	**218**	7
Income on recovery of expenses	**337**	418
Recovery of provision of obsolescence of supplies (note 23)	**–**	2,338
Recovery of previously written off account receivable	**546**	–
Other[1]	**1,945**	2,330
Total	**3,340**	8,435
Other expenses		
Increase in provision for mine closure (note 28(1))	**(17,797)**	(22,095)
Provision of obsolescence of supplies (note 23)	**(422)**	(559)
Care and maintenance expenses of Ares mine unit	**(3,291)**	(2,903)
Write off of value added tax	**(159)**	(188)
Corporate social responsibility contribution in Argentina[2]	**(3,360)**	(3,911)
Care and maintenance expenses of Arcata mine unit	**(4,207)**	(2,772)
Voluntary retirement plan in Argentina[3]	**(1,329)**	(8,263)
Damage Inmaculada machine belt	**(1,321)**	–
Depreciation right-of-use assets	**(105)**	(135)
Contingency[4]	**(3,098)**	(794)
Other[5]	**(4,213)**	(2,945)
Total	**(39,302)**	(44,565)

1 Mainly corresponds to the gain on sale of supplies of US$480,000 (2021: gain recognised for the Mosquito project of US$400,000).
2 Relates to a contribution in Argentina to the Santa Cruz province calculated as a proportion of sales.
3 Related to payments made and the provision recognised under voluntary retirement plan in Minera Santa Cruz.
4 Mainly related to contingencies in Minera Santa Cruz related to new labor lawsuits.
5 Mainly corresponds to the expenses due to concessions of US$nil (2021: US$179,000), loss on sale of supplies of US$nil (2021: US$2,027,000), insurance of Minera Santa Cruz of US$941,000 (2021: US$nil), termination benefits in Pallancata mine unit of US$987,000 (2021: US$nil).

13 Finance income and finance costs

	Year ended 31 December 2022 US$000	Year ended 31 December 2021 US$000
Finance income		
Interest on deposits and liquidity funds[1]	**2,553**	1,815
Interest on loans to related parties	**–**	11
Interest income	**2,553**	1,826
Unwind of discount on mine rehabilitation (note 28)	**1,931**	2,038
Other	**727**	82
Total	**5,211**	3,946
Finance costs		
Interest on secured bank loans (note 27)	**(10,360)**	(5,951)
Other interest	**(1,551)**	(1,332)
Interest expense	**(11,911)**	(7,283)
Fair value loss on interest rate swap reclassified from equity (note 38 (e))	**–**	(5,521)
Loss on discount of other receivables[2]	**(779)**	(632)
Loss from changes in the fair value of financial instruments[3]	**(7,096)**	(16,170)
Other	**(1,990)**	(2,455)
Total	**(21,776)**	(32,061)

1 Interest on deposits and liquidity funds of US$1,838,000 that is directly attributable to the construction of Mara Rosa has been recognised in property, plant and equipment as a reduction to construction in progress and capital advances and mining properties and development costs, and evaluation and exploration assets.
2 Mainly related to the effect of the discount of tax credits in Argentina and Peru.
3 Represents the fair value change of US$2,140,000 on the C3 Metals Inc shares (note 21) (2021: fair value change of US$834,000 on the AGSC and C3 Metals Inc shares) and the foreign exchange transaction costs of US$4,956,000 (2021: US$15,336,000) to acquire US$5,248,000 dollars through the sale of bonds in Argentina (2021: US$18,133,000).

14 Income tax expense

	Year ended 31 December 2022			Year ended 31 December 2021		
	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						
Corporate income tax charge	**18,253**	**–**	**18,253**	53,965	(7,725)	46,240
Prior year adjustment in Minera Santa Cruz	**(2,353)**		**(2,353)**			
Withholding tax	**276**	**–**	**276**	689	–	689
	16,176	**–**	**16,176**	54,654	(7,725)	46,929
Deferred taxation						
Origination and reversal of temporary differences (note 30)	**(5,376)**	**3,353**	**(2,023)**	26,885	(7,330)	19,555
Prior year adjustment in Amarillo	**(664)**	**–**	**(664)**			
Effect of change in income tax rates[1]	**–**	**–**	**–**	(12,501)	–	(12,501)
	(6,040)	**3,353**	**(2,687)**	14,384	(7,330)	7,054
Corporate income tax	**10,136**	**3,353**	**13,489**	69,038	(15,055)	53,983
Current mining royalties						
Mining royalty charge (note 37)	**4,787**	**–**	**4,787**	6,326	–	6,326
Special mining tax charge (note 37)	**2,658**	**–**	**2,658**	5,916	–	5,916
Total current mining royalties	**7,445**	**–**	**7,445**	12,242	–	12,242
Total taxation charge/(credit) in the income statement	**17,581**	**3,353**	**20,934**	81,280	(15,055)	66,225

1 On 16 June 2021, the Argentinian government published the Law 27630 that establishes taxable net income brackets: up to 5Mm pesos is 0%, more than 5Mm up to 50Mm pesos is 30%, and more than 50Mm pesos is 35%. with effect from 1 January 2021. The UK Government increased the rate of Corporation Tax to 25% on profits over £250,000 from April 2023. There is no impact on the deferred tax calculation of the Group arising from the change in the Corporation Tax in the UK.

The weighted average statutory income tax rate was 39.2% for 2022 and 27.7% for 2021. 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 were tax charges in relation to the cash flow hedge losses (2021: gains) recognised in equity during the year ended 31 December 2022 of US$4,994,000 (2021: US$7,383,000).

14 Income tax expense continued

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	
	2022 US$000	2021 US$000
Profit from operations before income tax	**25,766**	137,331
At average statutory income tax rate of 39.2% (2021: 27.7%)	**10,088**	37,996
Expenses not deductible for tax purposes	**2,239**	5,482
Change in statutory income tax rate	**–**	12,501
Non-taxable income resulted from Aclara demerger	**–**	(7,118)
Deferred tax recognised on special investment regime[1]	**(2,412)**	(3,561)
Movement in unrecognised deferred tax[2]	**14,047**	2,922
Special mining tax and mining royalty deductible for corporate income tax	**(2,196)**	(3,611)
Current income tax adjustment in Minera Santa Cruz	**(2,353)**	–
Tax credit adjustment from Amarillo	**(664)**	–
Other	**446**	2,176
Corporate income tax at average effective income tax rate of 74.5% (2021: 34.1%) before foreign exchange effect and withholding tax	**19,195**	46,787
Special mining tax and mining royalty[3]	**7,445**	12,242
Corporate income tax and mining royalties at average effective income tax rate of 103.4% (2021: 43.0%)	**26,640**	59,029
Foreign exchange rate effect[4]	**(5,982)**	6,507
Corporate income tax and mining royalties at average effective income tax rate of 80.2% (2021: 47.7%) before withholding tax	**20,658**	65,536
Withholding tax	**276**	689
Total taxation charge in the income statement at average effective tax rate 81.2% (2021: 48.2%) from operations	**20,934**	66,225

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$282,000 (2021: -US$1,325,000), the tax charge related to the Inmaculada mine unit depreciation of US$787,000 (2021: US$1,090,000), and the effect of not recognised tax losses of US$10,811,000 (2021: US$3,157,000).
3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 37).
4 The foreign exchange effect is composed of US$2,847,000 profit (2021: US$934,000 profit) from Argentina and a profit of US$1,816,000 (2021: US$7,441,000 loss) from Peru and a profit of US$1,315,000 from Brazil. 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 2022 is the devaluation of the Argentinian pesos (2021: Peruvian soles).

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

	As at 31 December	
	2022 US$000	2021 US$000
Current corporate income tax assets[1]	**9,226**	32
Current corporate income tax liabilities and mining royalties[2]	**(2,126)**	(22,354)
Total	**7,100**	(22,322)

1 Mainly corresponds to the tax credit of Compañia Minera Ares of US$5,643,000, Minera Santa Cruz of US$3,124,000 and Empresa de Transmisión Aymaraes S.A.C. of US$422,000 (2021: Mainly corresponds to the tax credit of Minera Hochschild Mexico of US$24,000)
2 Mainly corresponds to the mining royalties payables of Compañia Minera Ares of US$2,079,000 (2021: Mainly corresponds to the mining royalties payables of Compañia Minera Ares of US$2,223,000 and the current corporate income tax liability of Compañia Minera Ares of US$15,634,000, Minera Santa Cruz of US$3,556,000 and Empresa de Transmisión Aymaraes S.A.C. of US$872,000).

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 2022 and 2021, EPS has been calculated as follows:

	As at 31 December	
	2022	2021
Basic earnings per share		
Before exceptional items (US$)	**0.01**	0.14
Exceptional items (US$)	**–**	0.01
Total for the year (US$)	**0.01**	0.15
Diluted earnings per share		
Before exceptional items (US$)	**0.01**	0.13
Exceptional items (US$)	**–**	0.01
Total for the year (US$)	**0.01**	0.14

15 Basic and diluted earnings per share continued

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

	As at 31 December	
	2022	2021
Profit attributable to equity holders of the Parent (US$000)	**2,961**	76,934
Exceptional items after tax – attributable to equity holders of the Parent (US$000)	**1,913**	(7,367)
Profit before exceptional items attributable to equity holders of the Parent (US$000)	**4,874**	69,567
Profit before exceptional items attributable to equity holders of the Parent for the purpose of diluted earnings per share (US$000)	**4,874**	69,567

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

	As at 31 December	
	2022	2021
Basic weighted average number of ordinary shares in issue (thousands)	**513,876**	513,876
Effect of dilutive potential ordinary shares related to contingently issuable shares (thousands)	**8,387**	5,689
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	**522,263**	519,565

16 Property, plant and equipment

	Mining properties and development costs[1 and 4] US$000	Land and buildings US$000	Plant and equipment[1 and 2] US$000	Vehicles[5] US$000	Mine closure asset US$000	Construction in progress and capital advances[4 and 7] US$000	**Total US$000**
Year ended 31 December 2022							
Cost							
At 1 January 2022	**1,605,319**	**555,532**	**635,076**	**11,997**	**106,382**	**11,841**	**2,926,147**
Additions	113,127	1,211	19,815	–	–	67,294	**201,447**
Change in discount rate (note 28(1))	–	–	–	–	(13,490)	–	**(13,490)**
Change in mine closure estimate (note 28(1))	–	–	–	–	7,554	–	**7,554**
Disposals	–	–	(1,143)	(198)	–	(1)	**(1,342)**
Write-offs[8]	(1,524)	(10)	(9,805)	–	–	(122)	**(11,461)**
Acquisition of assets (note 4(b))	–	2,849	108	37	–	12,084	**15,078**
Foreign exchange effect	3,670	(293)	(13)	(4)	–	(1,725)	**1,635**
Transfers and other movements[3]	102,615	4,493	7,060	470	–	(12,517)	**102,121**
Initial recognition	–	–	–	–	4,414	–	**4,414**
At 31 December 2022	**1,823,207**	**563,782**	**651,098**	**12,302**	**104,860**	**76,854**	**3,232,103**
Accumulated depreciation and impairment							
At 1 January 2022	**1,300,392**	**377,712**	**421,067**	**6,713**	**80,901**	**1,243**	**2,188,028**
Depreciation for the year	93,518	20,005	26,053	1,760	1,150	–	**142,486**
Disposals	–	–	(350)	(197)	–	–	**(547)**
Write-offs[8]	(376)	(10)	(9,243)	–	–	–	**(9,629)**
Impairment/(reversal of impairment) net	(9,942)	(262)	(3,774)	(838)	(329)	–	**(15,145)**
Foreign exchange effect	–	–	(10)	–	–	–	**(10)**
Transfers and other movements[3]	8	86	(23)	22	–	(86)	**7**
At 31 December 2022	**1,383,600**	**397,531**	**433,720**	**7,460**	**81,722**	**1,157**	**2,305,190**
Net book amount at 31 December 2022	**439,607**	**166,251**	**217,378**	**4,842**	**23,138**	**75,697**	**926,913**

1 Within mining properties and development costs and plant and equipment there are US$29,259,000 and US$6,741,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project and considering that the depreciation method is units of production.
2 Within plant and equipment, costs of US$394,746,000 are subject to depreciation on a unit of production basis in line with accounting policy on note 2(f) for which the accumulated depreciation is US$255,508,000 and depreciation charge for the year is US$11,622,000.
3 Transfers and other movements include US$102,119,000 that was transferred from evaluation and exploration assets (Mara Rosa of US$101,897,000 and San José of US$222,000) (note 17) as they are related to convert resources in to reserves.
4 There were borrowing costs capitalised in property, plant and equipment amounting to US$1,974,000
5 Vehicles include US$2,900,000 of right of use assets (note 26).
6 Recognition of the mine closure provision of the Mara Rosa project located in Brazil.
7 Within construction in progress and capital advances there are capital advances amounting to US$33,466,000, mainly related to Mara Rosa project of US$31,889,000.
8 Corresponds to the write-off of property, plant and equipment as long as they will no longer be used in the Group due to obsolescence.

16 Property, plant and equipment continued

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment[1 and 2] US$000	Vehicles[5] US$000	Mine closure asset US$000	Construction in progress and capital advances[4 and 6] US$000	**Total US$000**
Year ended 31 December 2021							
Cost							
At 1 January 2021	**1,514,704**	**530,784**	**612,620**	**10,654**	**107,740**	**33,320**	**2,809,822**
Additions	89,551	735	16,373	6,095	–	19,709	**132,463**
Change in discount rate (note 28(1))	–	–	–	–	(2,344)	–	**(2,344)**
Change in mine closure estimate (note 28(1))	–	–	–	–	986	–	**986**
Disposals	–	–	(1,430)	(5,654)	–	–	**(7,084)**
Write-offs	–	–	(7,529)	(419)	–	–	**(7,948)**
Demerger Aclara (note 4)	–	(201)	(432)	–	–	–	**(633)**
Foreign exchange effect	–	(21)	(158)	–	–	–	**(179)**
Transfers and other movements[3]	1,064	24,235	15,632	1,321	–	(41,188)	**1,064**
At 31 December 2021	**1,605,319**	**555,532**	**635,076**	**11,997**	**106,382**	**11,841**	**2,926,147**
Accumulated depreciation and impairment							
At 1 January 2021	**1,188,404**	**352,088**	**396,155**	**8,754**	**75,919**	**839**	**2,022,159**
Depreciation for the year	95,308	24,188	29,080	2,593	4,381	–	**155,550**
Disposals	–	–	(1,392)	(5,515)	–	–	**(6,907)**
Write-offs	–	–	(6,676)	(409)	–	–	**(7,085)**
Demerger Aclara (note 4)	–	–	(126)	–	–	–	**(126)**
Foreign exchange effect	–	–	(126)	–	–	–	**(126)**
Impairment	16,643	1,506	4,575	1,201	601	–	**24,526**
Transfers and other movements[3]	37	(70)	(423)	89	–	404	**37**
At 31 December 2021	**1,300,392**	**377,712**	**421,067**	**6,713**	**80,901**	**1,243**	**2,188,028**
Net book amount at 31 December 2021	**304,927**	**177,820**	**214,009**	**5,284**	**25,481**	**10,598**	**738,119**

1 Within mining properties and development costs and plant and equipment there are US$28,947,000 and US$6,742,000 related to the Crespo CGU that is not currently being depreciated as the unit is not operating pending the feasibility of the project and considering that the depreciation method is units of production.
2 Within plant and equipment, costs of US$391,152,000 are subject to depreciation on a unit of production basis in line with accounting policy on note 2(f) for which the accumulated depreciation is US$248,187,000 and depreciation charge for the year is US$15,377,000.
3 Transfers and other movements include US$1,027,000 that was transferred from evaluation and exploration assets (note 17), as they are related to convert resources in to reserves.
4 There were borrowing costs capitalised in property, plant and equipment amounting to US$37,000.
5 Vehicles include US$3,258,000 of right of use assets (note 26).
6 Within construction in progress and capital advances there are capital advances amounting to US$1,064,000.

The delay on the government decision on Inmaculada MEIA constitutes a trigger for impairment as at 31 December 2022.

The company used an expected cash flow approach, assigning probabilities to the following possible scenarios regarding the government decision on Inmaculada´s MEIA: (i) MEIA is approved, (ii) MEIA is denied, reapplication is needed and consequently Inmaculada is placed in care and maintenance by end of 2023, resuming operations in H2 2026. Management considers scenario (i) as the most likely one, and scenario (ii) to have a probability of less than 25% of occurrence. The valuation test performed over Inmaculada CGU, using a probability weighted approach, resulted in no impairment. If the probability of occurrence of scenario (ii) was higher than 25%, an impairment charge would be required for Inmaculada.

The recoverable value of the Inmaculada CGU was determined using a fair value less costs of disposal (FVLCD) methodology. FVLCD was determined using a combination of level 2 and level 3 inputs, which result in fair value measurements categorised in 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.

Real prices US$ per oz.	2023	2024	2025	2026	2027	2028-2038
Gold	1,716	1,711	1,603	1,545	1,466	1,561
Silver	20.3	20.7	19.6	20.6	23.3	20.8

	Inmaculada
Discount rate (post-tax)	5.2%

31 December 2022 (US$000)	Inmaculada
Current carrying value of CGU, net of deferred tax	443,447

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:

	Inmaculada	San Jose
Gold and silver prices (decrease by 10%)	(175,112)	(53,746)
Gold and silver prices (increase by 10%)	171,794	54,557
Production costs (increase by 10%)	(96,669)	(49,831)
Production costs (decrease by 10%)	94,693	49,831
Production volume (decrease by 10%)	(73,298)	(78,936)
Production volume (increase by 10%)	73,099	78,941
Post tax discount rate (increase by 3%)	(69,003)	(7,749)
Post tax discount rate (decrease by 3%)	91,717	8,793
Capital expenditure (increase by 10%)	(35,584)	(11,608)
Capital expenditure (decrease by 10%)	35,582	11,608

As at 31 December 2022, management determined that the newly discovered area Royropata, west of current operations at Pallancata, was a trigger for reversal of impairment. The new area is estimated to contain 51.2 million silver equivalent ("Ag Eq") ounces. These new resources, constitute a significant change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised as at 31 December 2021.

The valuation test performed over the Pallancata GCU resulted in a reversal of impairment recognised as at December 31, 2022 of US$15,145,000 in property, plant and equipment, and US$417,000 in evaluation and exploration assets).

The recoverable value of the Pallancata CGU was determined using a fair value less costs of disposal (FVLCD) methodology. FVLCD was determined using a combination of level 2 and level 3 inputs, which result in fair value measurements categorised in 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.

Real prices US$ per oz.	2026	2027	2028
Gold	1,545	1,466	1,561
Silver	20.6	23.3	20.8

	Pallancata
Discount rate (post-tax)	5.1%

31 December 2022 (US$000)	Pallancata
Current carrying value of CGU, net of deferred tax	21,345

Sensitivity analysis

Given that Pallancata´s recoverable value is significantly higher than the reversal of impairment amount recognised, there is no reasonably possible change in any of the key assumptions that would decrease the reversal of impairment amount recognised.

2021

As at 31 December 2021, management determined that there was a trigger of impairment in the Pallancata mine unit due to lower grades production and the need of an increase of capital expenditure to access new low grade areas and extend the life of mine by one year to 2023.

The impairment test performed over the Pallancata CGU resulted in an impairment charge recognised as at 31 December 2021 amounting to US$24,846,000 (US$24,526,000 in property, plant and equipment, and US$320,000 in evaluation and exploration assets).

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

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

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

Real prices US$ per oz.	2022	2023
Gold	1,764	1,669
Silver	23.5	22.3

	Pallancata
Discount rate (post-tax)	3.3%

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

17 Evaluation and exploration assets

	Azuca US$000	Crespo US$000	Mara Rosa US$000	Aclara (formerly Biolantanidos) US$000	Volcan US$000	Others US$000	**Total US$000**
Cost							
Balance at 1 January 2021	**83,264**	**28,926**	**–**	**68,804**	**96,520**	**19,983**	**297,497**
Additions	580	2,421	–	11,349	953	6,095	**21,398**
Demerger (note 4(a))	–	–	–	(70,311)	–	–	**(70,311)**
Disposals	–	–	–	(122)	–	–	**(122)**
Foreign exchange effect	–	–	–	(9,720)	(16,222)	–	**(25,942)**
Transfers to property plant and equipment (note 16)	–	–	–	–	–	(1,064)	**(1,064)**
Balance at 31 December 2021	83,844	31,347	–	–	81,251	25,014	**221,456**
Additions	506	1,086	11,733	–	1,607	694	**15,626**
Acquisition (note 4b)	–	–	107,362	–	–	–	**107,362**
Foreign exchange effect	–	–	(14,492)	–	(992)	–	**(15,484)**
Transfers to property plant and equipment (note 16)	–	–	(101,897)	–	–	(230)	**(102,127)**
Transfer to intangibles	–	–	(1,927)	–	–	–	**(1,927)**
Balance at 31 December 2022	**84,350**	**32,433**	**779**	**–**	**81,866**	**25,478**	**224,906**
Accumulated impairment							
Balance at 1 January 2021	**45,876**	**9,878**	**–**	**–**	**44,381**	**5,241**	**105,376**
Impairment	–	–	–	–	–	320	**320**
Foreign exchange effect	–	–	–	–	(7,507)	–	**(7,507)**
Transfers to property, plant and equipment (note 16)	–	–	–	–	–	(37)	**(37)**
Balance at 31 December 2021	45,876	9,878	–	–	36,874	5,524	**98,152**
Impairment/(reversal of impairment) net	4,199	–	–	–	–	(417)	**3,782**
Foreign exchange effect	–	–	–	–	(482)	–	**(482)**
Transfers to property, plant and equipment (note 16)				–		(8)	**(8)**
Balance at 31 December 2022	**50,075**	**9,878**	**–**	**–**	**36,392**	**5,099**	**101,444**
Net book value as at 31 December 2021	**37,968**	**21,469**	**–**	**–**	**44,377**	**20,517**	**123,304**
Net book value as at 31 December 2022	**34,275**	**22,555**	**779**	**–**	**45,474**	**20,379**	**123,462**

At 31 December 2022, the Group has recorded an reversal of impairment with respect to evaluation and exploration assets of the Pallancata mine unit of US$417,000 and an impairment of the Azuca project of US$4,199,000 (2021: impairment with respect to evaluation and exploration assets of the Pallancata mine unit of US$320,000). The calculation of the recoverable values of the Pallancata mine unit is detailed in note 16.

There were borrowing costs capitalised in evaluation and exploration assets of US$1,087,000 (2021: US$nil).

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 2021	**22,157**	**26,583**	**1,906**	**8,580**	**59,226**
Foreign exchange effect	–	(4,499)	–	–	**(4,499)**
Disposals	–	–	(17)	–	**(17)**
Balance at 31 December 2021	**22,157**	**22,084**	**1,889**	**8,580**	**54,710**
Foreign exchange effect	–	(289)	–	71	**(218)**
Additions	–	–	353	–	**353**
Transfers	–	–	6	1,927	**1,933**
Balance at 31 December 2022	**22,157**	**21,795**	**2,248**	**10,578**	**56,778**
Accumulated amortisation and impairment					
Balance at 1 January 2021	**16,708**	**12,686**	**1,890**	**6,378**	**37,662**
Amortisation for the year[4]	843	–	8	267	**1,118**
Disposals	–	–	(17)	–	**(17)**
Foreign exchange effect	–	(2,147)	–	–	**(2,147)**
Balance at 31 December 2021	**17,551**	**10,539**	**1,881**	**6,645**	**36,616**
Amortisation for the year[4]	719	–	164	87	**970**
Transfers	–	–	1	–	**1**
Foreign exchange effect	–	(137)	–	–	**(137)**
Balance at 31 December 2022	**18,270**	**10,402**	**2,046**	**6,732**	**37,450**
Net book value as at 31 December 2021	**4,606**	**11,545**	**8**	**1,935**	**18,094**
Net book value as at 31 December 2022	**3,887**	**11,393**	**202**	**3,846**	**19,328**

1 The transmission line is amortised using the units of production method. At 31 December 2022 the remaining amortisation period is approximately 7 years (2021: 7 years) in line with the life of the mine.
2 Corresponds to the acquisition of water permits of Andina Minerals Group ("Andina"). These permits have an indefinite life according to Chilean law. The Group used a discounted cash flow approach to determine the fair value less costs of disposal. The model is based on the Preliminary Economic Assessment (PEA) (2021: to determine the fair value less costs of disposal of the Volcan cash-generating unit, which includes the water permits held by the Group, the Group used the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources which was US$7.15 per gold equivalent ounce of resources at 31 December 2021. The risk adjusted enterprise value figure has been determined using a combination of level 2 (enterprise values and gold prices) and level 3 inputs (unprocessed mineral resources and risk factor) which result in a fair value measurement categorised in its entirety as level 3 in the fair value hierarchy, to estimate the amount that would be paid by a willing third party in an arm's length transaction, taking into account the water restrictions imposed by the Chilean government).
3 Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production. At 31 December 2022 the remaining amortisation period is from 2 to 14 years (2021: 1.5 to 11.5 years).
4 The amortisation for the period is included in cost of sales and administrative expenses in the income statement.

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually to determine whether it is in excess of its recoverable amount. No impairments were recognised in 2022 and 2021. The estimated recoverable amount is not materially different than its carrying value.

Key assumptions value per in-situ

	2021
Risk adjusted value per in-situ (gold equivalent ounce) US$	7.15

US$000	**2022**	2021
Current carrying value Volcan CGU	**56,867**	55,922

The estimated recoverable amount is not materially different from its carrying value.

Sensitivity analysis

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

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

Approximate (impairment)/reversal of impairment resulting from the following changes (US$000)	2021
Value per in-situ ounce (20% decrease)	(13,661)
Value per in-situ ounce (20% increase)	13,661
Risk factor (increase by 5%)	(5,254)
Risk factor (decrease by 5%)	5,254

19 Investment in an associate

The Group retains a 20.0% interest in Aclara Resources Inc. ("Aclara"), a listed company involved in the exploration of, rare-earth metals in Chile. The company was incorporated under the laws of British Columbia, Canada, where the principal executive offices are located. The operations are conducted through one wholly-owned subsidiary named REE UNO SpA, located in Chile.

Upon Aclara's Initial Public Offering ('IPO') on 10 December 2021, HM Holdings retained 20% of Aclara shares. The investment was recorded at initial recognition at fair value, based on the IPO's offering price, and is accounted for using the equity method in the consolidated financial statements.

The fair value of Aclara shares as at 31 December 2022 amounted to US$7,679,000 (31 December 2021: US$37,080,000).

The following table summarises the financial information of the Group's investment in Aclara Resources Inc:

	As at 31 December 2022 US$000	As at 31 December 2021 US$000
Current assets	**67,291**	91,320
Non-current assets	**90,271**	68,126
Current liabilities	**(3,674)**	(3,185)
Non-current liabilities	**(1)**	–
Equity	**153,887**	156,261
Group's share in equity (20%)	**30,777**	31,252
Fair value adjustment allocated to the evaluation and exploration assets on initial recognition[1]	**12,388**	12,307
Impairment[2]	**(9,923)**	–
Group's carrying amount of the investment 20%	**33,242**	43,559
Summarised consolidated statement of profit and loss		
Revenue	**–**	–
Administrative expenses	**(5,261)**	(324)
Exploration expenses	**(3,642)**	(510)
Finance income	**648**	–
Finance cost	**(18)**	(17)
Foreign exchange loss	**(111)**	(479)
Loss from operations for the period	**(8,384)**	(1,330)
Loss from operation for the period (2021: from incorporation)	**(8,384)**	(847)
Group's share of loss for the period	**(1,677)**	(169)
Other comprehensive profit/(loss) that may be reclassified to profit or loss in subsequent periods, net of tax		
Exchange differences on translating foreign operations	**6,417**	(4,526)
Total comprehensive profit/(loss) for the period	**6,417**	(4,526)
Total comprehensive profit/(loss) (2021: from incorporation)	**6,417**	(46)
Group's share of comprehensive profit/(loss) for the period	**1,283**	(9)

1 This represents the 20% of the fair value adjustment, estimated by the Group, to Aclara's exploration and evaluation assets on initial recognition, representing US$61,940,000 (2021:US$61,535,000).

2. This represents the 20% share in the total impairment, estimated by the Group, of Aclara´s exploration and evaluation assets of US$49,615,000 (2021:nil).

The movement of investment in associate is as follows:

	Year ended 31 December	
	2022 US$000	2021 US$000
Beginning balance	**43,559**	–
Initial recognition	**–**	43,737
Impairment	**(9,923)**	–
Share of loss for the period	**(1,677)**	(169)
Share of comprehensive profit/(loss) for the period	**1,283**	(9)
Ending balance	**33,242**	43,559

At the moment of the acquisition of the associate the loss of the period was US$483,000 and the comprehensive loss for the period was US$4,480,000.

The decrease in the fair value of Aclara's shares, and Aclara's withdrawal of the application for an environmental impact assessment ('EIA') of its flagship project 'Penco' (now planned to be filed by Q2 2023), which is expected to result in a two-year delay to anticipated first production date, were considered indications of impairment. Therefore, in compliance with IAS 36, the Group has performed a valuation on Aclara, and determined an impairment charge of US$9,923,000.

The recoverable value of Aclara was determined using a value in use methodology. The key assumptions on which management has based its valuation of Aclara´s shares are the independent technical report of Penco module issued in September 2021, forecast prices, a discount rate of 8.5%, and a 2-year delay in the first production date due to the withdrawal of the application for the EIA.

Sensitivity analysis

An increase of 1% in the discount rate and a delay of 1 additional year in the first production date would have the following impact in the Group´s investment in Aclara:

	US$000
Discount rate (increase by 1%)	(2,549)
Delay in first production date (1 additional year)	(3,682)

The carrying amount of the investment recognised the changes in the Group's share of net assets of the associate since the acquisition date. The balance as at 31 December 2022, after recognising the changes in the Group's share of net assets of the associate and the impairment charge is US$33,242,000 (31 December 2021: US$43,559,000).

No dividends were received from the associate during 2022 and 2021.

The associate had no contingent liabilities or capital commitments as at 31 December 2022 and 31 December 2021.

20 Financial assets at fair value through OCI

	Year ended 31 December	
	2022 US$000	2021 US$000
Beginning balance	**661**	402
Acquisitions[1]	**–**	7
Fair value change recorded in OCI	**(152)**	261
Disposals[2]	**–**	(9)
Ending balance	**509**	661

1 Corresponds to the purchase of 47,625 shares of Austral Gold (US$7,000).
2 Corresponds to the sale of 51,857 shares of Revelo Resources Corp. with a fair value at the date of sale of US$9,000 generating a loss on disposal of US$18,000 that was recycled to retained earnings.

The Group made the election at initial recognition to measure the below equity investments at fair value through OCI as they are not held for trading. The fair value at 31 December 2022 and 31 December 2021 is as follows:

	US$000	
	2022	2021
Listed equity investments:		
Power Group Projects Corp (formerly Cobalt Power Group)	**6**	12
Austral Gold	**1**	3
Skeena Resources Limited	**160**	312
Empire Petroleum Corp.	**342**	334
Total listed equity investments	**509**	661
Total non-listed equity investments	**–**	–
Total	**509**	661

Fair value of the listed shares is determined by reference to published price quotations in an active market and they are categorised as level 1. The fair value of non-listed equity investments is determined based on financial information available of the companies and they are categorised as level 3.

21 Financial assets at fair value through profit and loss

	Year ended 31 December	
	2022 US$000	2021 US$000
Beginning balance	**3,155**	5,407
Acquisitions[1]	**–**	3,308
Fair value change recorded in profit and loss (note 13(2))	**(2,140)**	(834)
Disposals[2]	**–**	(4,726)
Ending balance	**1,015**	3,155

1 Corresponds to 25,001,540 shares of C3 Metals Inc. received in payment of the sale of the Jasperoide property in Peru.
2 During 2021 the Group sold 1,687,401 shares of AGSC, classified as financial assets at fair value through profit and loss, with a fair value at the date of the sale of US$4,726,000, generating a loss on disposal of US$681,000 which was recognised within finance costs.

The below equity investments are classified at fair value through profit and loss as they are held for trading. The fair value at 31 December 2022 and 31 December 2021 is as follows:

	US$000	
	2022	2021
Listed equity investments:		
C3 Metals Inc.	**1,015**	3,155
	1,015	3,155

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

22 Trade and other receivables

	As at 31 December			
	2022		2021	
	Non-current US$000	Current US$000	Non-current US$000	Current US$000
Trade receivables[1]	–	41,031	–	26,496
Advances to suppliers	–	2,242	–	5,119
Duties recoverable from exports of Minera Santa Cruz[2]	224	–	184	–
Receivables from related parties (note 32(a))	–	774	–	224
Loans to employees	502	215	531	257
Interest receivable	–	238	–	95
Receivable from Kaupthing, Singer and Friedlander Bank[3]	–	–	–	3
Tax claims	130	6,442	47	2,103
Other[4]	1,520	11,294	1,493	5,963
Assets classified as receivables	**2,376**	**62,236**	2,255	40,260
Prepaid expenses	764	4,309	174	6,047
Value Added Tax (VAT)[5]	3,358	18,863	41	23,442
Total	**6,498**	**85,408**	2,470	69,749

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

1 Net of a provision for impairment of trade receivables from customers in Peru of US$1,333,000 (2021: US$1,277,000).
2 Relates to export benefits through the Patagonian Port and silver refunds in Minera Santa Cruz, discounted over 18 months (2021: 18 and 24 months) at a rate of 26.58% (2021: 15.55%) for dollars denominated amounts and 68.50% (2021: 40.17%) for Argentinian pesos. The loss on the unwinding of the discount is recognised within finance expense (2021: finance expense).
3 Net of a provision for impairment of receivables of US$176,000 (2021: US$197,000).
4 Mainly corresponds to account receivables from contractors for the sale of supplies of US$2,311,000 (2021: US$2,164,000), loan to third parties of US$772,000 (2021: US$790,000), and claim receivable of US$1,242,000 (2021: US$1,165,000), net of a provision for impairment of receivables of US$1,004,000 (2021: US$947,000).
5 Primarily relates to US$12,672,000 (2021: US$17,053,000) of VAT receivable related to the San Jose project that will be recovered through future sales of gold and silver and also through the sale of these credits to third-parties by Minera Santa Cruz. It also includes the VAT of Minera Ares of US$4,875,000 (2021: US$5,570,000), and Amarillo Mineracao do Brasil of US$3,360,000 (2021: US$nil). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

	Individually impaired US$000
At 1 January 2021	**7,111**
Write-off	(4,476)
Foreign exchange effect	(214)
At 31 December 2021	**2,421**
Change for the year	35
Foreign exchange effect	57
At 31 December 2022	**(2,513)**

As at 31 December 2022 and 2021, none of the financial assets classified as receivables (net of impairment) were past due.

23 Inventories

	As at 31 December	
	2022 US$000	2021 US$000
Finished goods valued at cost	446	220
Products in process valued at cost	8,952	3,547
Products in process accrual	7,272	7,534
Supplies and spare parts	47,358	41,021
	64,028	52,322
Provision for obsolescence of supplies	(2,588)	(3,138)
Total	**61,440**	49,184

Finished goods include concentrate. Products in process include stockpile and concentrate (2021: stockpile).

The Group either sells dore bars as a finished product or if it is commercially advantageous to do so, delivers the bars for refining into gold and silver ounces which are then sold. In the latter scenario, the dore bars are classified as products in process. At 31 December 2022 and 2021 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.

Products in process accrual valued at cost include stockpile (2021: stockpile).

As part of the Group's short-term financing policies, it acquires pre-shipment loans which are guaranteed by the sales contracts.

The Group has contracts as at 31 December 2022 of US$2,161,000 (2021: US$nil) (refer to note 27).

The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US$118,520,000 (2021: US$109,191,000).

Movements in the provision for obsolescence comprise an increase in the provision of US$422,000 (2021: US$559,000) and the reversal of US$nil related to supplies and spare parts, that had been provided for (2021: US$2,338,000).

24 Cash and cash equivalents

	As at 31 December	
	2022 US$000	2021 US$000
Cash in hand	**922**	1,065
Current demand deposit accounts[1]	**53,697**	86,058
Time deposits[2]	**89,225**	299,666
Cash and cash equivalents considered for the statement of cash flows (note 2(y))	**143,844**	386,789

1 Relates to bank accounts which are freely available and bear interest.
2 These deposits have an average maturity of 18 days (2021: average of 18 days).

Cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

The fair value of cash and cash equivalents approximates their book value. The Group has US$200,000,000 of undrawn medium-term debt facility that will become available on receipt of the Inmaculada MEIA approval.

25 Trade and other payables

	As at 31 December			
	2022		2021	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade payables[1]	**–**	**88,817**	–	78,695
Salaries and wages payable[2]	**–**	**28,755**	–	30,850
Dividends payable	**–**	**32**	–	31
Taxes and contributions	**–**	**10,287**	1	9,607
Guarantee deposits[3]	**–**	**8,623**	–	5,773
Mining royalties (note 37)	**–**	**1,211**	–	1,505
Accounts payable to related parties (note 32(a))	**–**	**622**	–	284
Lease liabilities (note 26)	**1,239**	**1,637**	2,814	1,597
Other[4]	**384**	**4,118**	–	5,140
Total	**1,623**	**144,102**	2,815	133,482

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 2022, there were Board members remuneration payable of US$72,000 (2021: US$170,000) and no long-term incentive plan payable (2021: US$nil).
3 Guarantee deposits made by the contractors of the Group to guarantee the fulfilment of their tasks. The guarantee will be returned to the contractor at the end of the service and when it is verified that it has been completed correctly.
4 Mainly due to the accrual of the 6 days of production from 26 to 31 December 2022.

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

26 Leases

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

The Group also has certain leases of assets with lease terms of 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 related to the leases according IFRS 16 and the other leases that the Group has not capitalised:

	As at 31 December	
	2022 US$000	2021 US$000
Depreciation expense for right-of-use assets	**(1,112)**	(1,969)
Interest expense on lease liabilities	**(104)**	(42)
Expense relating to short-term leases (included in cost of sales, administrative, exploration and other expenses)	**(1,679)**	(2,751)
Expense relating to leases of low-value assets (included in cost of sales, administrative, exploration and other expenses)	**(1,355)**	(1,031)
Variable lease payments (included in cost of sales and exploration expenses)	**(7,643)**	(5,643)
Total amount recognised in profit or loss	**(11,893)**	(11,436)

The Group had total cash outflows for leases of US$12,316,000 in 2022 (2021: US$11,606,000). There were additions to right-of-use assets and lease liabilities during the year of US$nil (2021: US$6,046,000). The future cash outflows relating to leases that have not yet commenced are US$2,950,000 (2021: US$ US$4,587,000).

26 Leases continued

The movement in IFRS 16 lease liabilities in the year is as follows:

	As at 1 January 2022 US$000	Additions US$000	Repayments US$000	Interest expense US$000	As at 31 December 2022 US$000
Lease liabilities	**4,411**	–	(1,639)	104	**2,876**
Less: current balance	**(1,597)**				**(1,637)**
Non-current balance	**2,814**				**1,239**

27 Borrowings

	As at 31 December					
	2022			2021		
	Effective interest rate	**Non-current US$000**	**Current US$000**	Effective interest rate	Non-current US$000	Current US$000
Secured bank loans (a)						
Pre-shipment loans in Minera Santa Cruz (note 23)	**47.25% and 48.00%**	**–**	**2,161**	–	–	–
Mid-term Bank loans	**7.74%**	**275,000**	**27,328**	2.17%	300,000	499
Other loans (b)						
Stock market promissory note in Minera Santa Cruz	**–**	**–**	**14,500**	–	–	–
Total		**275,000**	**43,989**		300,000	499

(a) Secured bank loans:

Medium-term bank loans:

In December 2019, a five-year credit agreement was signed between Minera Ares and Scotiabank Peru S.A.A., The Bank of Nova Scotia and BBVA Securities Inc, with Hochschild Mining PLC as guarantor. The US$200,000,000 medium term loan was payable on equal quarterly instalments from the second anniversary of the loan with an interest rate of Libor three months plus 1.15% payable quarterly until maturity on 13 December 2024. In September 2021, the Group negotiated with the same counterpart a US$200,000,0000 loan to replace the original loan, plus an additional US$100,000,000 optional loan. US$200,000,000 was withdrawn on 21 September 2021, and the optional US$100,000,000 loan was withdrawn on 1 December 2021. The maturity was extended until September 2026, and the interest rate increased to 3-month USD Libor plus a spread of 1.65%. A structuring fee of US$900,000 was paid to the lender and additional US$193,000 was incurred as transaction costs. In addition, a commitment fee of US$120,000 was paid for the period that the optional US$100,000,000 loan remained undrawn. This was considered a substantial modification to the terms of the loan, and consequently, it was treated as an extinguishment of the loan which resulted in the derecognition of the existing liability and recognition of a new liability. The associated costs and fees incurred have been recognised as part of the loss on the extinguishment.

The Group has US$200,000,000 of undrawn medium-term debt facility that will become available on receipt of the Inmaculada MEIA approval.

(b) Other loans:

Stock market promissory note:

From August to November 2022 Minera Santa Cruz signed 15 stock market promissory notes with Max Capital, a finance advisory company located in Argentina, amounting to US$15,500,000. The expiration date of the notes is from December 2022 to November 2023. During the year 2022 the Group repaid US$1,000,000. The balance as at 31 December 2022 is US$14,500,000.

(c) Capitalised borrowing costs:

Interest expense of US$4,899,000 that is directly attributable to the construction of Mara Rosa (US$4,786,000) and Compañía Minera Ares S.A.C. (US$113,000) has been capitalised and is included in property, plant and equipment within construction in progress and capital advances (US$1,140,000) and mining property and development costs (US$1,804,000), and exploration and evaluation assets (US$1,955,000).

The carrying value including accrued interests payable as at 31 December 2022 is US$302,328,000. The maturity of non-current borrowings is as follows:

	As at 31 December	
	2022 US$000	2021 US$000
Between 1 and 2 years	**100,000**	25,000
Between 2 and 5 years	**175,000**	275,000
Over 5 years	**–**	–
Total	**275,000**	300,000

The carrying amount of the pre-shipment loans approximates their fair value. The carrying amount and fair value of the mid-term loan are as follows:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2022 US$000	2021 US$000	**2022 US$000**	2021 US$000
Secured bank loans	**302,328**	300,499	**283,677**	296,122
Total	**302,328**	300,499	**283,677**	296,122

The movement in borrowings during the year is as follows:

	As at 1 January 2022 US$000	Additions US$000	Repayments US$000	Reclassifications US$000	As at 31 December 2022 US$000
Current					
Bank loans	**–**	13,411	(10,557)	23,839	**26,693**
Stock market promissory note	**–**	15,500	(1,000)	–	**14,500**
Accrued interest	**499**	10,360	(12,962)	4,899	**2,796**
	499	39,271	(24,519)	28,738	**43,989**
Non-current					
Bank loans	**300,000**	–	–	(25,000)	**275,000**
	300,000	–	–	(25,000)	**275,000**

28 Provisions

	Provision for mine closure[1] US$000	Long-Term Incentive Plan[2] US$000	Workers' profit sharing US$000	Contingencies[3] US$000	Total US$000
At 1 January 2021	**126,397**	**1,126**	**5,389**	**1,625**	**134,537**
Additions	–	(659)	11,018	2,164	12,523
Accretion (note 13)	(2,038)	–	–	–	(2,038)
Change in discount rate	(1,627)	–	–	–	(1,627)
Change in estimates	22,364	–	–	–	22,364
Foreign exchange effect	–	–	(525)	(290)	(815)
Utilisation	(1,978)	–	–	–	(1,978)
Payments	(9,083)	–	(4,990)	–	(14,073)
At 31 December 2021	**134,035**	**467**	**10,892**	**3,499**	**148,893**
Less: current portion	(19,670)	–	(10,892)	(1,496)	(32,058)
Non-current portion	**114,365**	**467**	**–**	**2,003**	**116,835**
At 1 January 2022	**134,035**	**467**	**10,892**	**3,499**	**148,893**
Additions	–	(467)	4,733	1,813	6,079
Accretion (note 13)	(1,931)	–	–	–	(1,931)
Change in discount rate	(17,849)	–	–	–	(17,849)
Change in estimates	34,124	–	–	–	34,124
Foreign exchange effect	–	–	322	434	756
Utilisation	(970)	–	–	–	(970)
Payments	(10,409)	–	(11,000)	(10)	(21,419)
At 31 December 2022	**137,000**	**–**	**4,947**	**5,736**	**147,683**
Less: current portion	(17,668)	–	(4,947)	(1,562)	(24,177)
Non-current portion	**119,332**	**–**	**–**	**4,174**	**123,506**

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of closure of each of the mines. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure adjusted for the impact of inflation as at 31 December 2022 and 2021 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 0.95% (2021: -2.09%). Expected cash flows will be over a period from one to 21 years (2021: over a period from one to 17 years).

Based on the internal and external reviews of mine rehabilitation estimates, the provision for mine closure increased by US$34,124,000 due to increase in the Ares mine unit of US$10,509,000, the Arcata mine unit of US$1,671,000, the San Jose mine unit of US$7,901,000, the Matarani unit of US$19,000, the Azuca project of US$1,000, the Crespo project of US$5,000, the Pallancata mine unit of US$58,000 and the Sipan mine unit of US$12,858,000, net of the decrease in the Selene mine unit of US$2,882,000 and the Inmaculada mine unit of US$430,000, and the initial recognition of the Mara Rosa project of USS$4,414,000 (2021: increase by US$22,364,000 due to increase in the Selene mine unit of US$14,032,000, the Sipan mine unit of US$3,103,000, the Arcata mine unit of US$2,620,000, the Ares mine unit of US$1,623,000, the Inmaculada mine unit of US$369,000 and the San José mine unit of US$640,000, net of the decrease of the Matarani unit of US$2,000, the Azuca project of US$9,000, the Crespo project of US$9,000 and the Pallancata mine unit of US$3,000).

A net charge of US$17,797,000 related to changes in estimates (US$22,156,000) and discount rates (-US$4,359,000) for mines already closed were recognised directly in the income statement (2021: net charge of US$22,095,000 related to changes in estimates (US$21,378,000) and discount rates (US$717,000) for mines already closed were recognised directly in the income statement).

A net credit of US$5,936,000 related to changes in estimates (US$7,554,000) and discount rates (-US$13,490,000) for mines, projects and units that are not already closed were recognised directly in the property, plant and equipment in the statement of financial position (2021: net credit of US$1,358,000 related to changes in estimates (US$986,000) and discount rates (US$2,344,000) for mines, projects and units that are not already closed were recognised directly in the property, plant and equipment in the statement of financial position).

Utilisation for the year corresponds to depreciation of certain assets which are used as part of mine rehabilitation. This has been recognised against the mine rehabilitation provision.

The decrease in the accretion from 2021 (US$2,038,000) to 2022 (US$1,931,000) is explained because the Group is closer to the budget execution periods and the discount rates used for 2021 were more negatives than those of 2022.

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

	US$000
Closure costs (increase by 10%) increase of provision	13,700
Discount rate (increase by 0.5%) (decrease of provision)	(8,137)

28 Provisions continued

An element of mine closure planning can be water management which relates to the treatment of contact water. The cost of this water processing could continue for a number of years after closure activities have been completed and is therefore, potentially, exposed to long-term climate change. Mine planning for Hochschild's operating assets takes into account mine-closure activities. In the case of the now-closed Sipan mine, due to the specific characteristics of the closed mine components, contact water treatment is ongoing. According to our most recent approved Mine Closure Plan (July 2021), Sipan will be the subject of ongoing treatment until 2030 or until baseline water quality conditions have been met. As at the date of approval of these financial statements, the impact of climate change on Sipan's mine closure planning is not expected to be material.

2 Corresponds to the provision related to awards granted under the Long-Term Incentive Plan ('LTIP') to designated personnel of the Group. Includes the 2020 awards, granted in February 2020, payable in February 2023, as 50% in cash (refer to note 29(c)). 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$467,000 (2021: US$659,000 net decrease) have been recorded as administrative expenses -US$442,000 (2021: -US$630,000) and exploration expenses -US$25,000 (2021: -US$29,000). The final result of the benefit was nil.

3 Mainly corresponds to contingencies in Minera Santa Cruz due to new labour lawsuits.

The following tables list the inputs to the Monte Carlo model used for the LTIPs as at 31 December 2021:

For the period ended	LTIP 2020 31 December 2021 US$000
Dividend yield (%)	2.37
Expected volatility (%)	3.70
Risk-free interest rate (%)	0.02
Expected life (years)	1
Weighted average share price (pence £)	179.61

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the awards and is indicative of future trends, which may not necessarily be the actual outcome. The outcome of the LTIP 2020 as at 31 December 2022 was US$nil.

29 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2022 is as follows:

Class of shares	Issued Number	Issued Amount
Ordinary shares (1 pence per share)	513,875,563	**£5,138,756**

The issued share capital of the Company as at 31 December 2021 is as follows:

Class of shares	Issued Number	Issued Amount
Ordinary shares (25 pence per share)	513,875,563	**£128,468,891**

At 31 December 2022 and 2021, all issued shares with a par value of 1 pence and 25 pence each respectively were fully paid (2022: weighted average of US$0.018 per share, 2021: weighted average of US$0.441 per share).

The movement in share capital of the Company from 1 January 2021 to 31 December 2022 is as follows:

	Number of ordinary shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2021	513,875,563	226,506	438,041
Shares issued as at 31 December 2021	513,875,563	226,506	438,041
Deferred bonus shares issued on 20 June 2022	513,875,563	303,268	–
Cancelation of deferred bonus shares on 22 June 2022	(513,875,563)	(303,268)	–
Cancelation of share premium account on 24 June 2022	–	–	(438,041)
Reduction of nominal value to 1 pence on 24 June 2022	–	(217,445)	–
Shares issued as at 31 December 2022	513,875,563	9,061	–

Following the passing of certain special resolutions at an Extraordinary General Meeting of shareholders held on 26th May 2022, the Company capitalised the Company's distributable merger reserve, within retained earnings, by applying its balance to the issuance of 513,875,563 bonus shares with a nominal value of US$0.59 each (the 'Bonus Shares').

Subsequently, the Company obtained, on 21 June 2022, the approval of the High Courts of Justice of England and Wales (the Companies Court (Ch D) of the Business and Property Courts) to:

(a) the cancellation of the Bonus Shares with the sum arising on the cancellation being credited to the Company's retained earnings reserve;

(b) the reduction of the Company's share premium account to nil and crediting the corresponding amount to the Company's retained earnings reserve; and

(c) the reduction in the nominal value of the Ordinary Shares from 25 pence per Ordinary Share to 1 pence per Ordinary Share,

(both (b) and (c) above collectively referred to as 'the Reductions').

The Reductions were effective on registration of the relevant court order by the Registrar of Companies, which took place on 24 June 2022.

Rights attached to ordinary shares
At general meetings of the Company, on a show of hands and on a poll, every member who is present in person or subject to the below, by proxy, has one vote for every share of which they are the holder/proxy. However, in the case of a vote on a show of hands where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

(b) Treasury shares

Treasury shares represent the cost of Hochschild Mining PLC shares purchased in the market and held by the trustee of the Hochschild Mining Employee Share Trust to satisfy the award of conditional shares under the Group's Enhanced Long Term Incentive Plan granted to the CEO (note 2(o)).

The movement in treasury shares are as follows:

- On 30 March 2020, the Group purchased 182,941 shares for a total consideration of £234,000 (equivalent to US$292,000).
- On 30 March 2020, 182,941 Treasury shares with a value of US$292,000 (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Enhanced Long term Incentive Plan.

At 31 December 2022 and 31 December 2021 the balance of treasury shares is nil.

(c) Other reserves

Fair value reserve of financial assets at fair value through OCI
In accordance with IFRS 9, the Group made the decision to classify its investments in listed and unlisted companies as financial assets at fair value through OCI. The increase/decrease in the fair value, net of the related deferred tax liability, is taken directly to this account where it will remain until disposal, when the cumulative unrealised gains and losses are recycled through retained earnings.

Cumulative translation adjustment
The cumulative translation adjustment account is used to record exchange differences arising from the translation of the financial statements of subsidiaries with a functional currency different to the reporting currency of the Group.

Merger reserve
The merger reserve represents the difference between the value of the net assets of the Cayman Holding Companies (Ardsley, Garrison, Larchmont and Hochschild Mining (Peru)) acquired under the Share Exchange Agreement and the nominal value of the shares issued in consideration of such acquisition. In addition a merger reserve was generated by certain share placing transactions made by the Group after the IPO. The merger reserve available for distribution is disclosed within retained earnings.

Cash flow hedges
Changes in the fair value of derivatives designated as cash flow hedges, which are held to hedge the exposure to variability in cash flows of the hedged items, are recognised in other components of equity until changes in the fair value of the hedged item are recognised in profit or loss. The Group uses cash flow hedges for hedging the exposure to variability in silver prices.

Share-based payment reserve
The share-based payment reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, as a part of their remuneration.

(i) Long-Term Incentive Plan ('LTIP')
On 11 February 2019 the Group approved the grant of 2019 LTIP awards, on 19 February 2020 the Group approved the grant of 2020 LTIP awards, on 26 May 2021 the Group approved the grant of 2021 LTIP awards and on 23 February 2022 the Group approved the grant of 2022 LTIP awards. The 2019 and 2020 awards give a right to receive a cash payment equivalent to the 50% of the prize (cash-settled transaction) (refer to note 28(2)), and the other 50% will be used to acquire shares of the Company (equity-settled transaction).

The vesting of the 2021 LTIP and 2022 LTIP awards are subject to the following performance conditions: 50% on Hochschild's 3-year total shareholder return ('TSR') and 50% on Internal Key Performance Indicators (KPIs) measured during the same period. The performance period will be from 1 January 2021 to 31 December 2023 and 1 January 2022 to 31 December 2024 respectively. The award will vest in May 2024 and in February 2025 respectively.

The whole of any vested LTIP award will be deferred in the Company shares for two years. The award will lapse if the beneficiary ceases to be an employee of the Group other than as a good leaver or on death.

Further details on the design of the LTIP award are included in the Directors' Remuneration Report.

The fair value of the option based on the TSR was determined using the Monte Carlo model. The following tables list the inputs to the Monte Carlo model used for the 2019 LTIP, 2020 LTIP, 2021 LTIP and 2022 LTIP:

	LTIP 2022	LTIP 2021	LTIP 2020	LTIP 2019
Dividend yield (%)	**5.73**	2.37	0.87	1.46
Expected volatility (%)	**3.97**	3.71	3.19	2.90
Risk–free interest rate (%)	**4.13**	0.23	0.51	0.42
Expected life (years)	**2.3**	2	2.5	2.4
Weighted average share price (pence £)	**141.46**	221.99	179.61	161.37

The 50% subject to internal KPIs is split equally between:

i) 3-year growth of the Company´s Measured and Indicated Resources (MIR) per share (excluding Volcan), The 3-year MIR growth was projected using a normal distribution based on historical data, and factoring in the additional growth expected from acquisitions, and

ii) average outcome of the annual bonus scorecard in respect of 2021, 2022 and 2023 for 2021 LTIP, and 2022, 2023 and 2024 for 2022 LTIP calculated as the simple mean of the three scorecard outcomes.

Probabilities assigned to each possible outcome, based on historical data and management judgement.

29 Equity continued

The remaining contract life is nil years (2021: 0.1 years), 0.1 years (2021: 1.1 years), 1.4 years (2021: 2.4 years) and 2.2 years for the 2019 LTIP, 2020 LTIP, 2021 LTIP and 2022 LTIP respectively.

The movement in other reserves is as follows:

	LTIP 2018 US$000	LTIP 2019 US$000	LTIP 2020 US$000	LTIP 2021 US$000	**LTIP 2022 US$000**
Balance at 1 January 2021	**920**	**1,175**	**438**	**–**	**–**
Expense recognised in the period	143	623	509	1,167	**–**
Forfeiture of share options	(1,063)	–	–	–	**–**
Balance at 31 December 2021	**–**	**1,798**	**947**	**1,167**	**–**
Expense recognised in the period	–	88	509	1,478	1,395
Forfeiture of share options	–	(1,886)	–	–	**–**
Balance at 31 December 2022	**–**	**–**	**1,456**	**2,645**	**1,395**

No shares vested during the period (2021: nil).

(ii) 2022 bonus of employees

The Group agreed to partially pay the 2022 bonus by an issuance of shares. The total amount that will be paid in shares is US$816,000.

30 Deferred income tax

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

	As at 31 December	
	2022 US$000	2021 US$000
Beginning of the year	**(86,744)**	(72,307)
Income statement credit/(charge) (note 14)	**2,687**	(7,054)
Equity credit/(charge)	**8,167**	(7,383)
Deferred tax recognised for payment	**58**	–
End of the year	**(75,832)**	(86,744)

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 2021	**39,521**	**84,952**	**696**	**3,647**	**128,816**
Income statement charge/(credit)	6,108	(67)	(752)	(495)	4,794
At 31 December 2021	**45,629**	**84,885**	**(56)**	**3,152**	**133,610**
Income statement charge	1,281	4,630	359	1,627	7,897
Equity credit	362	–	–	–	362
At 31 December 2022	**47,272**	**89,515**	**303**	**4,779**	**141,869**

	Differences in cost of PP&E US$000	Provision for mine closure US$000	Mine development US$000	Tax losses US$000	Others[1] US$000	Total US$000
Deferred income tax assets						
At 1 January 2021	**20,130**	**25,384**	**474**	**–**	**10,521**	**56,509**
Income statement (charge)/credit	(7,333)	5,082	(109)	–	100	(2,260)
Equity charge	–	–	–	–	(7,383)	(7,383)
At 31 December 2021	**12,797**	**30,466**	**365**	**–**	**3,238**	**46,866**
Income statement credit/(charge)	1,747	1,048	(1,021)	2,483	5,780	10,037
Equity credit	–	–	1,377	1,855	5,902	9,134
At 31 December 2022	**14,544**	**31,514**	**721**	**4,338**	**14,920**	**66,037**

1 Credit/(charge) in the year mainly related to silver forward of US$645,000 (2021: silver forward of US$5,634,000), statutory holiday provision of US$1,157,000 (2021: US$1,121,000) and long term incentive plan of US$1,512,000 (2021: US$746,000).

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

	As at 31 December	
	2022 US$000	2021 US$000
Deferred income tax assets	**4,213**	484
Deferred income tax liabilities	**(80,045)**	(87,228)
Total	**(75,832)**	(86,744)

Unrecognised tax losses expire in the following years:

	As at 31 December	
	2022 US$000	2021 US$000
Recognised		
Expire after four years	**12,759**	–
	12,759	–
Unrecognised		
Expire after four years	**191,051**	167,273
	191,051	167,273
Total	**203,810**	167,273

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

	As at 31 December	
	2022 US$000	2021 US$000
Provision for mine closure[1]	**8,191**	7,887

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 2022 and 2021, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the intention is that these amounts are permanently reinvested.

31 Dividends

	2022 US$000	2021 US$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2021: 2.335 US cents per share (2020: 2.335 US cents per share)	**11,998**	12,002
Interim dividend for 2022: 1.95 US cents per share (2021: 1.95 US cents per share)	**10,019**	10,020
Total dividends paid in cash	**22,017**	22,022
Dividends in specie paid with Aclara shares (note 4(a))	**–**	94,945
Total dividends paid on ordinary shares	**22,017**	**116,967**
Proposed dividends on ordinary shares:		
Final dividend for 2022: nil US cents per share (2021: 2.335 US cents per share)	**–**	11,998
Dividends declared to non-controlling interests: 0.002 US$ per share (2021: 0.058 US$ per share)	**286**	9,832
Total dividends declared to non-controlling interests	**286**	**9,832**

Dividends paid in 2022 to non-controlling interests amounted to US$286,000 (2021: US$9,832,000).

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

Significant corrective transactions (namely, a capital reduction and dividend distribution by the Company's wholly-owned subsidiary, Hochschild Mining Holdings Limited) were implemented by the Company in September 2021, shortly after discovery of the issue. Had these internal corporate transactions been implemented prior to the payment of the 2017 final dividend, adequate distributable reserves would have been available to the Company.

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

Dividends per share
The interim dividend paid in September 2022 was US$10,019,000 (1.95 US cents per share). There is no proposed final dividend in respect of the year ending 31 December 2022.

32 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 2022 and 2021. 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	
	2022 US$000	2021 US$000	**2022 US$000**	2021 US$000
Current related party balances				
Cementos Pacasmayo S.A.A.[1]	**733**	217	**249**	152
Tecsup[2]	**–**	1	**352**	115
Universidad UTEC[2]	**–**	–	**5**	5
REE UNO SpA[3]	**30**	6	**–**	–
Aclara Resources Inc[3]	**9**	–	**–**	12
Aclara Resources Peru S.A.C.[3]	**2**	–	**16**	–
Total	**774**	**224**	**622**	**284**

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo S.A.A, an entity controlled by Eduardo Hochschild. The account payable relates to the payment of rentals.
2 Peruvian not-for-profit educational institutions controlled by Eduardo Hochschild.
3 Associated companies of the Aclara Group (refer to notes 4(a) and 19).

As at 31 December 2022 and 2021, all accounts are, or were, non-interest bearing.

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

Principal transactions between affiliates are as follows:

	Year ended 31 December	
	2022 US$000	2021 US$000
Expenses		
Expense recognised for the rental paid to Cementos Pacasmayo S.A.A.	**(376)**	(403)
Expense technical services from Tecsup	**(418)**	(292)
Income from reimbursement of expenses of Cementos Pacasmayo S.A.A.	**494**	729
Income from administrative services to REE UNO SpA	**248**	–

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

(b) Compensation of key management personnel of the Group

	Year ended 31 December	
Compensation of key management personnel (including Directors)	**2022 US$000**	2021 US$000
Long Term Incentive Plans	**7,121**	7,509
Total compensation paid to key management personnel	**1,174**	776
Total compensation paid to key management personnel	**8,295**	8,285

This amount includes the remuneration paid to the Directors of the Parent Company of the Group of US$4,228,000 (2021: US$3,967,000).

(c) Related party transaction

Participation of Pelham Investment Corporation in the IPO of Aclara

As announced by the Company on 3rd December 2021, Pelham Investment Corporation ('Pelham'), a company controlled by the Chairman, Eduardo Hochschild, entered into a subscription agreement with Aclara on 2 December 2021 pursuant to which Pelham agreed to purchase, on a prospectus exempt basis in Canada, 22,791,399 Aclara shares at a price of C$1.70 per share (the 'Offering Price'). In addition, Pelham subscribed for 9,855,660 Aclara shares at the Offering Price as part of the IPO. These share acquisitions, which are in addition to the Aclara shares acquired by Pelham as part of the demerger dividend, constitute a smaller related party transaction for the purposes of the UK Listing Rules. Accordingly, as also announced, the Company obtained a written confirmation from a sponsor that the terms of the smaller related party transaction were fair and reasonable as far as the shareholders of the Company are concerned.

33 Auditor's remuneration

The auditor's remuneration for services provided to the Group during the years ended 31 December 2022 and 2021 is as follows:

	Amounts paid to Ernst & Young in the year ended 31 December	
	2022 US$000	2021 US$000
Audit fees pursuant to legislation[1]	**1,181**	1,206
Audit-related assurance services	**95**	130
Other assurance services[2]	**–**	176
Total	**1,276**	1,512

1 The total fee includes statutory audit fee of US$416,000 in respect of local statutory audits of subsidiaries (2021: US$417,000).
2 Includes US$164,000 for assurance services (including comfort letters) in relation to the spin-off of Aclara and US$12,000 for assurance services over the Group's environmental ECO score.

In 2022 and 2021, all fees are included in administrative expenses.

34 Notes to the statement of cash flows

	As at 31 December	
	2022 US$000	2021 US$000
Reconciliation of loss for the year to net cash generated from operating activities		
Profit for the year	**4,832**	71,106
Adjustments to reconcile Group loss to net cash inflows from operating activities		
Depreciation (note 3(a))	**139,088**	150,292
Amortisation of intangibles (note 18)	**970**	1,118
Write-off of assets (note 16)	**1,832**	863
Provision of doubtful receivable	**35**	–
Impairment /(reversal of impairment) of assets (note 11)	**(11,363)**	24,846
Gain on demerger of Aclara (note 4 (a))		(37,461)
Loss from changes in the fair value of financial assets at fair value through profit and loss (note 21)	**2,140**	834
Share of post-tax losses of associates	**11,600**	169
Gain on sale of property, plant and equipment	**(294)**	(3,342)
Provision and recovery for obsolescence of supplies (note 12 and 23)	**422**	(1,779)
Increase of provision for mine closure (note 12)	**17,797**	22,095
Finance income (note 13)	**(5,211)**	(3,946)
Finance costs (note 13)	**21,776**	32,061
Income tax expense (note 14)	**20,934**	66,225
Other	**12,507**	7,742
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	**(52,972)**	(13,734)
Income tax receivable	**(5)**	(3,501)
Other financial assets and liabilities	**4,956**	15,336
Inventories	**(13,081)**	(4,534)
Trade and other payables	**(6,632)**	(9,542)
Provisions	**(5,060)**	4,740
Cash generated from operations	**144,271**	319,588

35 Commitments

(a) Mining rights purchase options

During the ordinary course of business, the Group enters into agreements to carry out exploration under concessions held by third parties. Generally, under the terms of these agreements, the Group has the option to acquire the concession or invest in the entity holding the concession. In order to exercise these options the Group must satisfy certain financial and other obligations during the term of the agreement. The options lapse in the event that the Group does not meet its financial obligations. At any point in time, the Group may cancel the agreements without penalty, except where specified below. These agreements are not under non-cancellable/irrevocable clauses.

The Group continually reviews its requirements under the agreements and determines, on an annual basis, whether to proceed with its financial commitment. Based on management's current intention regarding these projects, the commitments at the statement of financial position date are as follows:

	As at 31 December	
	2022 US$000	2021 US$000
Commitment for the subsequent twelve months	**–**	12,583
More than one year	**4,747**	66,218

35 Commitments continued

(b) Capital commitments

	For the year ended 31 December	
	2022 US$000	2021 US$000
Peru	**1,563**	24,946
Argentina	**3,687**	13,812
Brazil	**13,412**	–
	18,662	38,758

36 Contingencies

As at 31 December 2022 the Group is subject to various claims which arise in the ordinary course of business. No provision has been made in the financial statements and none of these claims are currently expected to result in any material loss to the Group.

(a) Taxation

Fiscal periods remain open to review by the tax authorities for four years in Peru, five years in Argentina and Mexico, ten years in Brazil and three years in Chile, preceding the year of review. During this time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, reviews may cover longer periods.

Because a number of fiscal periods remain open to review by the tax authorities, coupled with the complexity of the Group and the transactions undertaken by it, there remains a risk that significant additional tax liabilities may arise. As at 31 December 2022, the Group had exposures totalling US$20,713,000 (2021: US$20,622,000).

When the Tax authority challenges the deductibility of certain expenses the Group reassess the case internally and externally, with the support of a third-party professional to determine the probability of success and, depending on the result, makes the decision whether or not to continue with the claim. Notwithstanding this risk, the Directors believe that management's interpretation of the relevant legislation and assessment of taxation is appropriate and that it is probable that the Group's tax and customs positions will be sustained in the event of a challenge by the tax authorities. Consequently, the Directors consider that no tax liability is required to be recognised in respect of these claims or risks.

(b) Guarantees

The Group is required to provide guarantees in Peru in respect of environmental restoration and decommissioning obligations. The Group has provided for the estimated cost of these activities (see note 28(1)).

37 Mining royalties

Peru

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

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

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

b) Modification of the mining royalty calculation, which consists of applying a progressive scale of rates ranging from 1% to 12%, of the quarterly operating profit. The former royalty was calculated on the basis of monthly sales value of mineral concentrates. The SMT and modified mining royalty are accounted for as an income tax in accordance with IAS 12 "Income Taxes".

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

As at 31 December 2022, the amount payable as under the new mining royalty and the SMT amounted to US$1,234,000 (2021: US$1,341,000) and US$845,000 (2021: US$882,000) respectively. The new mining royalty and SMT are reported as 'Income tax payable' in the Statement of Financial Position. The amount recorded in the income statement was US$4,787,000 (2021: US$6,326,000) of new mining royalty and US$2,658,000 (2021: US$5,916,000) 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 2022, the amount payable as mining royalties amounted to US$1,211,000 (2021: US$1,505,000). The amount recorded in the income statement as cost of sales was US$6,307,000 (2021: US$7,171,000).

38 Financial risk management

The Group is exposed to a variety of risks and uncertainties which may have a financial impact on the Group and which also impact the achievement of social, economic and environmental objectives. These risks include strategic, commercial, operational and financial risks and are further categorised into risk areas to facilitate consolidated risk reporting across the Group.

The Group has made significant developments in the management of the Group's risk environment which seeks to identify and, where appropriate, implement the controls to mitigate the impact of the Group's significant risks. This effort is supported by a Risk Committee with the participation of the CEO, the Vice Presidents, and the head of the internal audit function. The Risk Committee is responsible for implementing the Group's policy on risk management and internal control in support of the Company's business objectives, and monitoring the effectiveness of risk management within the organisation.

(a) Commodity price risk

Silver and gold prices have a material impact on the Group's results of operations. Prices are significantly affected by changes in global economic conditions and related industry cycles. Generally, producers of silver and gold are unable to influence prices directly; therefore, the Group's profitability is ensured through the control of its cost base and the efficiency of its operations.

The Group´s policy is generally to remain hedge-free. However, management continuously monitors silver and gold prices and reserves the right to take the necessary action, where appropriate and within Board approved parameters, to mitigate the impact of this risk.

Derivative financial assets – Silver forward

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

On 10 November 2021, the Group signed agreements with JP Morgan to hedge the sale of 3,300,000 ounces of silver at US$25.0 per ounce for 2023.

The silver forwards are being used to hedge exposure to changes in cashflows from silver commodity prices. There is an economic relationship between the hedged item and the hedging instruments due to a common underlying. In accordance with IFRS 9, the derivative instruments are categorised as cash flow hedges at the inception of the hedging relationship and, on an ongoing basis, the Group assesses whether a hedging relationship meets the hedge effectiveness requirements. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the silver forwards is identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the silver forwards against the changes in fair value of the hedged item attributable to the hedged risk. That said, it is observed that the effectiveness tests comply with the requirements of IFRS 9 and that the hedging strategy is highly effective.

The fair values of the silver forwards were calculated using a discounted cash flow model applying a combination of level 1 (USD quoted market commodity prices) and level 2 inputs. The models used to value the commodity forward contracts are standard models, that calculate the present value of the fixed-legs (the fixed silver leg) and compare them with the present value of the expected cash flows of the flowing legs (the London metal exchange 'LME' silver fixing). In the case of the commodity forward contracts, the models use the LME AG forward curve and the US LIBOR swap curve for discounting.

This approach results in the fair value measurement categorised in its entirety as level 2 in the fair value hierarchy. The fair values of the silver forwards as at 31 December 2022 and 31 December 2021 are as follows:

31 December 2022	US$000
Current assets	2,186
Non-current assets	–
	2,186

The effect recorded is as follows:

	US$000
Income statement – revenue	20,428
Equity – Unrealised gain on hedges	16,929

31 December 2021	US$000
Current assets	5,042
Non-current assets	14,073
	19,115

The effect recorded is as follows:

	US$000
Income statement – revenue	7,982
Equity – Unrealised gain on hedges	19,115

The sensitivity to a reasonable movement in the commodity prices, with all other variables held constant, determined as a +/-10% change in prices -US$5,475,000/ US$9,848,000 effect on OCI.

38 Financial risk management continued

The Group has price adjustments arising from the sale of concentrate and dore which were provisionally priced at the time the sale was recorded (refer to note 5). The sensitivity of the fair value to an immediate 10% favourable or adverse change in the price of gold and silver (assuming all other variables remain constant), is as follows:

Year	Increase/ decrease in price of ounces of:	Effect on profit before tax US$000
2022	**Gold +/-10%**	**+/-165**
	Silver+/-10%	**+/-138**
2021	Gold +/-10%	+/-95
	Silver+/-10%	+/-757

(b) Foreign currency risk

The Group produces silver and gold which are typically priced in US dollars. A proportion of the Group's costs are incurred in Peruvian nuevos soles, Argentinian pesos, Brazilian reais, sterling pounds, Canadian dollars, Chilean pesos, and Mexican pesos. Accordingly, the Group's financial results may be affected by exchange rate fluctuations between the US dollar and the local currency. The long-term relationship between commodity prices and currencies in the countries in which the Group operates provides a certain degree of natural protection. The Group does not use derivative instruments to manage its foreign currency risks.

The following table demonstrates the sensitivity of financial assets and liabilities, at the reporting date, denominated in their respective currencies, to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

Year	Increase/ decrease in US$/other currencies' rate	Effect on profit before tax US$000	Effect on equity US$000
2022			
Pounds sterling	**+/-10%**	**-/+155**	**–**
Argentinian pesos	**+/-10%**	**-/+3,775**	**–**
Mexican pesos	**+/-10%**	**+/-1,821**	**–**
Peruvian nuevos soles	**+/-10%**	**-/+15,326**	**–**
Reais	**+/-10%**	**-/+7,230**	**–**
Canadian dollars	**+/-10%**	**-/+461**	**+/-17**
Chilean pesos	**+/-10%**	**+/-763**	**–**
2021			
Pounds sterling	+/-10%	-/+248	–
Argentinian pesos	+/-10%	-/+3,084	–
Mexican pesos	+/-10%	+/-1,879	–
Peruvian nuevos soles	+/-10%	-/+3,663	–
Canadian dollars	+/-10%	-/+270	+/-32
Chilean pesos	+/-10%	-/+82	–

(c) Credit risk

Credit risk arises from debtors' inability to make payment of their obligations to the Group as they become due (without taking into account the fair value of any guarantee or pledged assets). The Group is primarily exposed to credit risk as a result of commercial activities and non compliance, by counterparties, in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date.

Counterparty credit exposure based on commercial activities, including trade and other receivables, embedded derivatives, hedge instruments and cash balances in banks as at 31 December 2022 and 31 December 2021:

Summary commercial partners	As at 31 December 2022 US$000	% collected as at 20 April 2023	As at 31 December 2021 US$000	% collected as at 21 February 2022
Trade receivables	**42,364**	**73%**	27,773	74%

Other receivables include advances to suppliers and receivables from contractors for the sale of supplies. There is no credit risk on these amounts as the Group can withhold the balances that it owes the suppliers or contractors for their services.

Cash and cash equivalents – Credit rating[1]	As at 31 December 2022 US$000	As at 31 December 2021 US$000
A+	**55,847**	60,000
A	**1,066**	–
A-	**2,436**	142,740
A2	**42,091**	–
AA2	**8**	–
Aa3	**8,000**	–
Baa1	**109**	–
BB-	**10,505**	–
BBB+	**60**	171,328
BBB	**5,210**	–
BBB-	**4,419**	–
Caa1	**1**	–
NA	**14,092**	12,721
Total	**143,844**	386,789

1 Represents the long-term credit rating as at 3 January 2023 (2021: 3 January 2022).

As at 31 December 2022, the credit rating of the counterparty of the silver forward hedges is A- (31 December 2021 is A-).

To manage the credit risk associated with commercial activities, the Group took the following steps:

– Active use of prepayment/advance clauses in sales contracts.

– Delaying delivery of title and/or requiring advance payments to reduce exposure timeframe (potential delay in sales recognition).

– Maintaining as diversified a portfolio of clients as possible.

To manage credit risk associated with cash balances deposited in banks, the Group took the following steps:

– Increasing banking relationships with large, established and well-capitalised institutions in order to secure access to credit and to diversify credit risk.

– Limiting exposure to financial counterparties according to Board approved limits.

– Investing cash in short-term, highly liquid and low risk instruments (term deposits mainly).

– Increase the utilisation of UK bank accounts.

Receivable balances are monitored on an ongoing basis and the result of the Group's exposure to bad debts is recognised in the consolidated income statement. The maximum exposure is the carrying amount as disclosed in notes 22, 24 and 38(e).

The Group's risk assessment procedures includes customer analysis and reviewing financial counterparties. For further details refer to the Commentary section of the Commercial Counterparty risk in the Risk management and Viability Report.

(d) Equity risk on financial instruments

The Group acquires financial instruments in connection with strategic alliances with third parties. The Group constantly monitors the fair value of these instruments in order to decide whether or not it is convenient to dispose of these investments. The disposal decision is also based on management's intention to continue with the strategic alliance, the tax implications and changes in the share price of the investee.

At 31 December 2022 the sensitivity to reasonable movements in the share price of financial assets at fair value through OCI of +/- 25% with all other variables held constant is +/-US$127,000 (2021: +/-US$165,000) recognised in equity. The sensitivity to reasonable movements in the share price of financial assets at fair value through profit and loss of +/- 25% with all other variables held constant is +/-US$254,000 (2021: +/-US$789,000) recognised in the consolidated statement of profit and loss.

(e) Fair value hierarchy

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

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

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

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

38 Financial risk management continued

As at 31 December 2022 and 2021, the Group held the following financial instruments measured at fair value:

Assets measured at fair value	31 December 2022 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (notes 20 and 21)	**1,524**	1,524		
Trade receivables (note 22)	**42,364**			42,364
Derivative financial assets	**2,186**		2,186	

Assets measured at fair value	31 December 2021 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Equity shares (notes 20 and 21)	3,816	3,816		
Trade receivables (note 22)	27,773			27,773
Derivative financial assets	19,115		19,115	

During the period ending 31 December 2022 and 2021, there were no transfers between these levels.

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

	Trade receivables/ price adjustments US$000
Balance at 1 January 2021	45,353
Net change in trade receivables from goods sold	(12,969)
Changes in fair value of price adjustments (note 5)	(6,614)
Realised price adjustments during the year	2,003
Balance at 31 December 2021	**27,773**
Net change in trade receivables from goods sold	8,063
Changes in fair value of price adjustments (note 5)	(1,323)
Realised price adjustments during the year	7,851
Balance at 31 December 2022	**42,364**

The impact of the hedging instrument and hedge item on the statement of financial position is, as follows:

	Silver ounces	Average price US$/ounce	Line item in the statement of financial position	Carrying amount of hedging instrument US$000	Change in fair value of hedging instrument used for measuring ineffectiveness for the period US$000	Change in fair value of hedged item used for measuring ineffectiveness for the period US$000
2022						
Silver forward contracts	3.3 million	25.00	Derivative financial asset	2,186	1,541	1,541
2021						
Silver forward contracts	7.5 million	26.03	Derivative financial asset	19,115	13,476	13,476

The hedging gain recognised in OCI before tax on silver forward hedges is equal to the change in fair value of the hedged item attributable to the hedged risk used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Interest rate swap US$000	Silver forward US$000	Total US$000
Balance at 1 January 2021	(4,169)	–	(4,169)
Reclassification adjustments for items included in the income statement on realisation:			
Transfer to silver sales (revenue)	–	(7,982)	(7,982)
Transfer to finance costs	5,521	–	5,521
Revaluation arising on the year	392	27,097	27,489
Movement in deferred tax	(1,744)	(5,639)	(7,383)
Balance at 31 December 2021	–	13,476	13,476
Reclassification adjustments for items included in the income statement on realisation:			
Transfer to silver sales (revenue)	–	(20,428)	(20,428)
Revaluation arising on the year	–	3,499	3,499
Movement in deferred tax	–	4,994	4,994
Balance at 31 December 2022	–	1,541	1,541

(f) Liquidity risk

Liquidity risk arises from the Group's inability to obtain the funds it requires to comply with its commitments, including the inability to sell a financial asset quickly enough and at a price close to its fair value. Management constantly monitors the Group's level of short- and medium-term liquidity, and their access to credit lines, in order to ensure appropriate financing is available for its operations.

The table below categorises the undiscounted cash flows of Group's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position to the contractual maturity date. Interest cash flows have been calculated using the spot rate at year end.

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2022					
Trade and other payables	**125,192**	**1,623**	**–**	**–**	**126,815**
Borrowings	**61,133**	**116,729**	**193,885**	**–**	**371,747**
Total	**186,325**	**118,352**	**193,885**	**–**	**498,562**
At 31 December 2021					
Trade and other payables	**118,110**	**1,637**	**1,177**	**–**	**120,924**
Borrowings	**5,644**	**30,597**	**285,387**	**–**	**321,628**
Total	**123,754**	**32,234**	**286,564**	**–**	**442,552**

1 The interest rate swap settles the difference between the fixed and floating interest rate on a net basis on a quarterly basis.

(g) Interest rate risk

The Group has financial assets and liabilities which are exposed to interest rate risk. Changes in interest rates primarily impact loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). The Group does not have a formal policy of determining how much of its exposure should be at fixed or at variable rates. However, at the time of taking new loans or borrowings, management applies its judgement to decide whether it believes that a fixed or variable rate borrowing would be more favourable to the Group over the expected period until maturity.

	As at 31 December 2022				
	Within 1 year US$000	**Between 1 and 2 years US$000**	**Between 2 and 5 years US$000**	**Over 5 years US$000**	**Total US$000**
Fixed rate					
Assets	**89,225**	**–**	**–**	**–**	**89,225**
Liabilities	**(16,661)**	**–**	**–**	**–**	**(16,661)**
Floating rate					
Liabilities	**(27,328)**	**(100,00)**	**(175,000)**	**–**	**(302,328)**

	As at 31 December 2021				
	Within 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
Fixed rate					
Assets	299,666	–	–	–	299,666
Floating rate					
Liabilities	(499)	(25,000)	(275,000)	–	300,499

Interest on financial instruments classified as floating rate is re-priced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

The sensitivity to a reasonable movement in the interest rate, with all other variables held constant, of the financial instruments with a floating rate, determined as a +/-20bps change in interest rates has a -/+US$600,000 effect on profit before tax (2021: -/+US$600,000). The Group is exposed to fluctuations in market interest rates.

This assumes that the amount remains unchanged from that in place at 31 December 2022 and 2021 and that the change in interest rates is effective from the beginning of the year. In reality, the floating rate will fluctuate over the year and interest rates will change accordingly.

38 Financial risk management continued

Derivative financial liabilities – Interest rate swap

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

The Group has established a ratio of 1:1 for the hedging relationship as the underlying risk of the interest rate swap is identical to the hedged risk component. The hedging instrument and the hedged item have values move in the opposite direction due to the same risk and, therefore, that there is an economic relationship between the hedged item and the instrument coverage as the terms of the interest rate swap match the terms of the fixed rate loan (i.e., notional amount, maturity and payment dates). That said, it is observed that the effectiveness tests comply with the requirements of IFRS 9 and conclude that the hedging strategy is highly effective. There is no ineffectiveness recognised in profit or loss.

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

The Group repaid the interest rate swap on 21 September 2021 paying US$3,774,000. The Group do not have any interest rate swap in 2022.

The effect recorded was as follows:

	US$000
Income statement – Finance costs	5,521
Equity – Cash flow hedge reserve	5,913

(h) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. Management considers as part of its capital, the financial sources of funding from shareholders and third parties (notes 27 and 29).

In 2022 the Group received proceeds from borrowings of US$28,911,000 (2021: US$105,954,000) whilst US$11,557,000 (2021: US$14,793,000) was repaid. In addition, in 2022 the Group closed a US$200,000,000 medium term committed debt facility with Scotiabank and BBVA. The facility is available and subject to obtaining Inmaculada's MEIA

Management also retains the right to fund operations (fully owned and with joint venture partners) with a mix of equity and joint venture partners' debt.

39 Subsequent events

(a) Hedges

In April 2023, the Group entered into the following hedges to increase cash flow certainty for the rest of the year and during the construction of Mara Rosa and its first year of production:

- 29,250 ounces of 2023 gold production at $2,047 per ounce; and
- 27,600 ounces of 2024 gold production at $2,100.

(b) Termination of Snip Option

On 4 April 2023, the Company terminated the option to earn-in a 60% interest in the Snip project. Termination of the option became effective immediately and, as a result, the Company has no liability to complete the Aggregate Expenditure Requirement.

In addition, the Company provided confirmation to Skeena that it had satisfied the Minimum Annual Expenditure Requirement in respect of the 12-month period that commenced on 14 October 2022. Accordingly, no cash payment is due under the terms of the option agreement.

Parent company statement of financial position

As at 31 December 2022

	Notes	As at 31 December 2022 US$000	2021 US$000
ASSETS			
Non-current assets			
Investments in subsidiaries	5	**587,083**	1,138,762
		587,083	1,138,762
Current assets			
Other receivables	6	**10,629**	5,211
Cash and cash equivalents	7	**662**	528
		11,291	5,739
Total assets		**598,374**	1,144,501
EQUITY AND LIABILITIES			
Equity share capital	8	**9,061**	226,506
Share premium	8	**–**	458,267
Other reserves		**6,312**	3,912
Retained earnings		**529,486**	435,136
Total equity		**544,859**	1,123,821
Non-current liabilities			
Trade and other payables	9	**2,073**	1,837
Provisions	10	**–**	37
		2,073	1,874
Current liabilities			
Trade and other payables	9	**51,442**	18,806
		51,442	18,806
Total liabilities		**53,515**	20,680
Total equity and liabilities		**598,374**	1,144,501

The loss of the Company after tax amounted to US$559,481,000 (2021: loss of US$576,381,000).

The financial statements were approved by the Board of Directors on 19 April 2023 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer
19 April 2023

Parent company statement of cash flows

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 US$000	2021 US$000
Reconciliation of loss for the year to net cash used in operating activities			
Loss for the year		**(559,481)**	(576,381)
Adjustments to reconcile Company profit to net cash outflows from operating activities			
Impairment on investment in subsidiary	5	**551,679**	966,933
Share-based payments		**4,286**	2,442
Finance income	13	**(507)**	(397,380)
Finance costs		**13**	13
Income tax		**–**	2
Decrease of cash flows from operations due to changes in assets and liabilities			
Other receivables		**(5,418)**	(2,637)
Trade and other payables		**(1,396)**	824
Provision for Long-Term Incentive Plan	10	**(37)**	(44)
Cash used in operating activities		**(10,861)**	(6,228)
Interest received		**12**	1
Net cash used in operating activities		**(10,849)**	(6,227)
Cash flows from investing activities			
Dividends collected		**–**	29
Net cash generated from investing activities		**–**	29
Cash flows from financing activities			
Dividends paid	12	**(22,017)**	(22,022)
Loans from subsidiaries	11(a)	**33,000**	28,000
Cash flows generated from financing activities		**10,983**	5,978
Net increase/(decrease) in cash and cash equivalents during the year		**134**	(220)
Cash and cash equivalents at beginning of year		**528**	748
Cash and cash equivalents at end of year	7	**662**	528

Parent company statement of changes in equity

For the year ended 31 December 2022

	Notes	Equity share capital US$000	Share premium US$000	Other reserves: Share-based payment reserve US$000	Other reserves: Total other reserves US$000	Retained earnings US$000	Total equity US$000
Balance at 1 January 2021		**226,506**	**458,267**	**2,533**	**2,533**	**1,127,421**	**1,814,727**
Other comprehensive income		–	–	–	–	–	–
Loss for the year		–	–	–	–	(576,381)	(576,381)
Total comprehensive profit for the year		–	–	–	–	(576,381)	(576,381)
Forfeiture of share options	8(c)	–	–	(1,063)	(1,063)	1,063	–
Dividends	12	–	–	–	–	(22,022)	(22,022)
Dividends in specie	12	–	–	–	–	(94,945)	(94,945)
Share- based payments	8(c)	–	–	2,442	2,442	–	2,442
Balance at 31 December 2021		**226,506**	**458,267**	**3,912**	**3,912**	**435,136**	**1,123,821**
Other comprehensive income		–	–	–	–	–	–
Loss for the year		–	–	–	–	(559,481)	(559,481)
Total comprehensive profit for the year		–	–	–	–	(559,481)	(559,481)
Forfeiture of share options	8(c)			(1,886)	(1,886)	136	(1,750)
Issuance of deferred bonus shares	8(a)	303,268				(303,268)	–
Cancelation of deferred bonus shares	8(a)	(303,268)				303,268	–
Cancelation of share premium account	8(a)		(458,267)			458,267	–
Nominal value reduction	8(a)	(217,445)				217,445	–
Dividends	12					(22,017)	(22,017)
Share- based payments	8(c)			4,286	4,286	–	4,286
Balance at 31 December 2022		**9,061**	**–**	**6,312**	**6,312**	**529,486**	**544,859**

1 Corporate information

Hochschild Mining PLC (hereinafter 'the Company') is a public limited company incorporated on 11 April 2006 under the Companies Act 1985 as a Limited Company and registered in England and Wales with registered number 05777693.

The Company's registered office is located at 17 Cavendish Square, London W1G 0PH, United Kingdom. The Company was incorporated to serve as a holding company to be listed on the London Stock Exchange. The Company acquired its interest in a group of companies to constitute the Hochschild Mining Group ('the Group') pursuant to a share exchange agreement ('Share Exchange Agreement') dated 2 November 2006.

The ultimate controlling party of the Company is Mr Eduardo Hochschild whose beneficial interest in the Company and its subsidiaries (together 'the Group' or 'Hochschild Mining Group') is 38.32% and it is held through Pelham Investment Corporation, a Cayman Islands company.

On 8 November 2006, the Company's shares were admitted to the Official List of the UKLA (United Kingdom Listing Authority) and to trading on the London Stock Exchange.

2 Significant accounting policies

(a) Basis of preparation

The Company's financial statements have been prepared in accordance with UK adopted International Accounting Standards. The Company applies the same Group policies, unless there is an exception in its financial statements.

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in US dollars (US$) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

(b) Going concern

The financial position of the Company is set out in the Statement of Financial Position. The Company has received a support letter from its wholly owned subsidiary, Hochschild Mining Holdings Limited ("HM Holdings), indicating that it will not request a repayment of the interest free loan of US$45,000,000 for the period to 30 May 2024.

The ability for the Company to continue as a going concern is dependent on Compañía Minera Ares S.A.C. ('Minera Ares'), another wholly owned subsidiary of the Company, providing additional funding to the extent that the operating inflows of the Company are insufficient to meet future cash requirements. The Company has obtained a letter of support from Minera Ares indicating that the financial support will continue until 30 May 2024.

Considering the support available from the subsidiaries described above and other matters, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation until 30 May 2024, being a period of at least twelve months from the date of these financial statements. The other matters considered include the Hochschild group´s directors' assessment of going concern. Accordingly, the financial statements have been prepared on the going concern basis.

(c) Exemptions

The Company's financial statements are included in the Hochschild Mining Group consolidated financial statements for the years ended 31 December 2022 and 31 December 2021. As permitted by section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

(d) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those applied in the preparation of the Company financial statement for the year ended 31 December 2021. Amendments to standards and interpretations which came into force during the year did not have a significant impact on the financial statements.

(e) Investments in subsidiaries

Subsidiaries are entities over which the Company controls operating and financial policies, generally by owning more than 50% of voting rights. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(f) Dividends receivable

Dividends are recognised when the Company's right to receive payments is established. Dividends received are recorded in the income statement.

Dividends distributions of non-cash assets are recognised at fair value.

(g) Judgements in applying accounting policies and key sources of estimation uncertainty

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

Significant estimates:

– *Impairment in subsidiaries – notes 2(e) and 5*

Estimates are required to be made by management in determining the recoverable value of the investments in subsidiaries.. The Company tested its investment in subsidiary determining the recoverable value using a fair value less cost of disposal, that was determined with reference to the market capitalisation of the Company, to which a control premium is applied. Judgement is involved in determining the control premium rate to be paid by market participants in an arm's length transaction.

Critical judgements:

– *Income tax – note 2(n)*

The Company analyses the possibility of generation of profit and determined the recognition of deferred tax. No deferred tax asset is being recognised by the Company as it does not expect to generate any profit to settle the temporary difference.

(h) Other receivables
Other receivables are initially recognised at fair value less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established using the expected credit loss impairment model according IFRS 9. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

(i) Currency translation
The functional currency of the Company is the US dollar and is determined by the currency of the primary economic environment in which its subsidiaries operates and therefore drives their ability to pay dividends.

Transactions denominated in currencies other than the functional currency of the Company are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the statement of financial position date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction.

(j) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash in hand and deposits held with banks that are readily convertible into known amounts of cash within three months or less and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(k) Share capital
Ordinary shares are classified as equity. Any excess above the par value of shares received upon issuance of those shares is classified as share premium. In the case the excess above par value is available for distribution, it is classified as merger reserve and then transferred to retained earnings.

(l) Share-based payments
Cash-settled transactions
The fair value of cash-settled share plans is recognised as a liability over the vesting period of the awards. Movements in that liability between reporting dates are recognised as personnel expenses. The fair value of the awards is taken to be the market value of the shares at the date of award adjusted by a factor for anticipated relative TSR performance. Fair values are subsequently remeasured at each reporting date to reflect the number of awards expected to vest based on the current and anticipated TSR performance.

Equity-settled transactions
The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model and is recognised, together with a corresponding increase in other reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that vest. The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in personnel expenses.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions. No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

(m) Finance income and costs
Finance income and costs mainly comprise interest income on funds invested, interest expense on borrowings and foreign exchange gains and losses. Interest income and costs are recognised as they accrue, taking into account the effective yield on the asset and liability, respectively.

(n) Income tax
Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes with the following exemptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

2 Significant accounting policies continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

The Company measures financial assets at amortised cost (debt instruments) if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

For other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and financial guarantee liabilities.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(p) Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value at the time the guarantee is issued. The Company estimates the fair value of the financial guarantee contract as the difference between the net present value of the contractual cashflows required under a debt instrument, and the net present value of the net contractual cashflows that would have been required without the guarantee. The present value is calculated using a risk-free interest rate.

Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in profit and loss, and the amount of ECL. Financial guarantee ECL reflect the cash shortfalls adjusted by the risks that are specific to the cashflows. If the ECL exceeds the initially recognised guarantee amount less cumulative amortisation the difference is taken to profit and loss.

A financial guarantee liability is derecognised when the liability underlying the guarantee is discharged or cancelled or expires, or if the guarantee is withdrawn or cancelled. The carrying amount of the financial guarantee is taken to the statement of profit or loss.

(q) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

The Company measures a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed.

3 Profit and loss account

The Company made a loss attributable to equity shareholders of US$559,481,000 (2021: loss of US$576,381,000).

4 Property, plant and equipment

At 31 December 2022 and 2021 the Company has property, plant and equipment with cost of equipment of US$265,000 which is fully depreciated.

There were no additions during 2021 and 2022.

5 Investments in subsidiaries

	Total US$000
Year ended 31 December 2021	
Cost	
At 1 January 2021	2,337,482
Additions	95,160
Disposals	(93,684)
At 31 December 2021	2,338,958
Accumulated impairment	
At 1 January 2021	233,263
Impairment	966,933
At 31 December 2021	1,200,196
Net book value at 31 December 2021	1,138,762
Year ended 31 December 2022	
Cost	
At 1 January 2022	2,338,958
At 31 December 2022	2,338,958
Accumulated impairment	
At 1 January 2022	1,200,196
Impairment	551,679
At 31 December 2022	1,751,875
Net book value at 31 December 2022	**587,083**

HM Holdings had interests over a Chilean company named REE UNO SpA. This entity holds the project Aclara (formerly named Biolantanidos), which is located in the south of Chile, and is currently focused on the development of the Penco module, which will aim to produce a rare earth concentrate through a processing plant that will be fed by clays from nearby deposits.

In 2021 the Hochschild Group separated the Aclara project from their other businesses dedicated to the extraction and production of gold and silver. For this purpose, a new company named Aclara Resources Inc. located in Canada (hereinafter, 'Aclara') was incorporated by HM Holdings. The investment held in REE UNO SpA was then transferred to Aclara.

A distribution of 70,606,502 Aclara shares, representing 80% of the Aclara shares, was made to the Company by HM Holdings on 3 December 2021 by way of a dividend in specie. The value of the dividend received was C$120,031,053 in aggregate (equivalent to US$93,684,000 at that date). The dividend distribution was recognised by the Company at fair value, based on the offering price of C$1.70 per Aclara Share (the Offering Price).

On 10 December 2021, a distribution of the Aclara shares held by the Company was made to the holders of ordinary shares of the Company by way of a dividend in specie (the "Demerger Dividend"), The approval of the Group's shareholders in respect of the Demerger Dividend was granted at the Extraordinary General Meeting held on 5 November 2021. The Aclara Inicial Public Offering ("IPO") was completed later that day. Once the Aclara IPO was completed, Aclara became an independent company listed on the Toronto Stock Exchange.

The ratio of Demerged Aclara Shares to the number of ordinary shares in the Company was 70,606,502 to 513,875,563. Therefore, the shareholders who were entitled to receive the Demerger Dividend received 0.1374 Aclara shares for each ordinary share in the Group. The value of the Demerger Dividend is C$120,031,053 (equivalent to US$94,945,000) in aggregate based on the Offering Price.

The fair value of the dividends received and paid is therefore a level 1 fair value measurement.

The Company tested its investment in subsidiary for impairment in light of decreases in the Company's publicly listed share price. As a result of this test, the Company recognised an impairment of the investment in HM Holdings of US$551,679,000 (2021: US$966,933,000).

5 Investments in subsidiaries continued

The recoverable value of the investment in HM Holdings was determined using a fair value less costs of disposal. The fair value less costs of disposal was determined with reference to the market capitalisation of the Company at 31 December 2022 translated from Pounds Sterling into U.S. Dollars using the year-end exchange rate (both Level 1 inputs), to which a control premium was added based on recent market transactions (a Level 2 input), and subsequently adjusted for the assets and liabilities held directly by the Company, which result in fair value measurements categorised in its entirety as level 3 in the fair value hierarchy. A Level 1 input refers to quoted prices in active markets, while a Level 2 input corresponds to other information that can be observed directly or indirectly.

A positive/ adverse change of 10% of the market capitalisation would result in an additional decrease/increase to the impairment recognised by US$54,326,000 (2021: additional decrease/increase to the impairment recognised by US$112,810,000). A change in the control premium would have the following impact over the impairment recognised in 2022 and 2021 as follows:

	As at 31 December 2022 US$000	As at 31 December 2021 US$000
Control premium (increase by 5%)	**(21,730)**	(45,124)
Control premium (decrease by 5%)	**21,730**	45,124

The breakdown of the investments in subsidiaries is as follows:

	As at 31 December 2022			As at 31 December 2021		
Name	**Country of incorporation**	**Equity interest %**	**Carrying value US$000**	Country of incorporation	Equity interest %	Carrying value US$000
Hochschild Mining Holdings Ltd	**England and Wales**	**100%**	**587,083**	England and Wales	100%	1,138,762
Total			**587,083**			1,138,762

The list of indirectly held subsidiaries of the Company is presented in note 1 (Corporate information) of the notes to the consolidated financial statements.

During 2021 the Company recorded a capital contribution of $1,476,000 related to the financial guarantee granted over some borrowings entered into by Minera Ares, one of its indirectly held subsidiaries (note 9).

6 Other receivables

	Year ended 31 December	
	2022 US$000	2021 US$000
Amounts receivable from subsidiaries (note 11)	**6,636**	4,640
Prepayments	**3,992**	567
Receivable from Kaupthing, Singer and Friedlander[1]	**–**	3
Other receivable	**1**	1
Total	**10,629**	5,211
Less current balance	**(10,629)**	(5,211)

1 Net of the impairment of receivable of US$176,000 (2021: US$197,000).

The fair values of other receivables approximate their book values.

Movements in the provision for impairment of receivables:

	Total US$000
At 1 January 2021	201
Provided during the year	(4)
At 31 December 2021	197
Provided during the year	(21)
At 31 December 2022	**176**

As at 31 December 2022 and 2021, none of the financial assets classified as receivables (net of impairment) were past due.

7 Cash and cash equivalents

	Year ended 31 December	
	2022 US$000	2021 US$000
Bank current account[1]	**397**	319
Time deposits[2]	**265**	209
Cash and cash equivalents considered for the cash flow statement	**662**	528

1 Relates to bank accounts which are freely available and bear interest.
2 These deposits have an average maturity of nil days (2021: nil days).

8 Equity

(a) Share capital and share premium

Issued share capital

The issued share capital of the Company as at 31 December 2022 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	513,875,563	£5,138,756

The issued share capital of the Company as at 31 December 2021 is as follows:

	Issued	
Class of shares	Number	Amount
Ordinary shares	513,875,563	£128,468,891

At 31 December 2022 and 2021, all issued shares with a par value of 1 pence and 25 pence each respectively were fully paid (2022: weighted average of US$0.018 per share, 2021: weighted average of US$0.441 per share).

The movement in share capital of the Company from 1 January 2021 to 31 December 2022 is as follows:

	Number of ordinary shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2021	513,875,563	226,506	438,041
Shares issued as at 31 December 2021	513,875,563	226,506	438,041
Deferred bonus shares issued on 20 June 2022	513,875,563	303,268	–
Cancelation of deferred bonus shares on 22 June 2022	(513,875,563)	(303,268)	–
Cancelation of share premium account on 24 June 2022	–	–	(438,041)
Reduction of nominal value to 1 pence on 24 June 2022	–	(217,445)	–
Shares issued as at 31 December 2022	513,875,563	9,061	–

Following the passing of certain special resolutions at an Extraordinary General Meeting of shareholders held on 26th May 2022, the Company capitalised the Company's merger reserve by applying its balance to the issuance of 513,875,563 bonus shares with a nominal value of US$0.59 each (the "Bonus Shares").

Subsequently, the Company obtained, on 21 June 2022, the approval of the High Courts of Justice of England and Wales (the Companies Court (Ch D) of the Business and Property Courts) to:

1. the cancellation of the Bonus Shares with the sum arising on the cancellation being credited to the Company's retained earnings reserve;
2. the reduction of the Company's share premium account to nil and crediting the corresponding amount to the Company's retained earnings reserve; and
3. the reduction in the nominal value of the Ordinary Shares from 25 pence per Ordinary Share to 1 pence per Ordinary Share,

(both (2) and (3) above collectively referred to as "the Reductions").

Rights attached to ordinary shares

At general meetings of the Company, on a show of hands and on a poll, every member who is present in person or subject to the below by proxy, has one vote for every share of which they are the holder/proxy. However, in the case of a vote on a show of hands where a proxy has been appointed by more than one member, the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution.

(b) Treasury shares

Treasury shares represent the cost of Hochschild Mining plc shares purchased in the market.

At 31 December 2022 the balance of Treasury shares is nil (31 December 2021: nil)..

8 Equity continued

(c) Other reserves

Share-based payment reserve

Share-based payment reserve is used to recognise the value of equity-settled share-based payment transactions provided to employees, as a part of their remuneration.

Refer to note 29(c) to the consolidated financial statements for details of the share-based payment reserve at 31 December 2022 and 2021.

(d) Retained earnings

Merger reserve

The merger reserve represents the difference between the value of the net assets of the Cayman Holding Companies (Ardsley, Garrison, Larchmont and Hochschild Mining (Peru)) acquired under the Share Exchange Agreement and the nominal value of the shares issued in consideration of such acquisition. In addition a merger reserve was generated by certain share placing transactions made by the Company after the IPO. The merger reserve available for distribution is disclosed within retained earnings.

During the period ended 31 December 2021, US$966,933,000 was realised as a result of the impairment of the investment in subsidiary recorded in the period (note 5). As at 31 December 2021 US$198,398,000 of the merger reserve remained within retained earnings, which balance was unrealised and not available for distribution. As at 31 December 2022 the balance of the merger reserve was capitalised. The movement of the merger reserve is as follows:

	US$000
As at 1 January 2021	1,165,331
Impairment of investment in subsidiary (note 5)	(966,933)
As at 31 December 2021	198,398
Capitalisation of merger reserve	(198,398)
As at 31 December 2022	**–**

9 Trade and other payables

	As at 31 December			
	2022		2021	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade payables	**–**	**928**	–	1,922
Payables to subsidiaries (note 11 (a))	**731**	**49,579**	–	15,930
Remuneration payable	**–**	**270**	–	251
Taxes and contributions	**–**	**170**	–	177
Financial guarantees[1]	**1,342**	**495**	1,837	495
Others	**–**	**–**	–	31
Total	**2,073**	**51,442**	1,837	18,806

1 The Company provided financial guarantee to the banks loan entered into by its subsidiary Minera Ares. The financial guarantee was recognised at its fair value at initial recognition of US$2,948,000 (US$1,472,000 recognised in 2019 and additional US$1,476,000 recognised in 2021). This fair value was determined through the use of certain level 3 estimates, the most significant of which being the estimated rate of interest Minera Ares would have been charged were it not for the guarantee provided by the Company.

Trade payables mainly relate to the purchase of third-party services. These payables do not accrue interest and no guarantees have been granted in relation to these payables. The fair value of trade and other payables approximate their book values.

10 Provisions

	As at 31 December	
	2022 US$000	2021 US$000
Beginning balance	**37**	81
(Decrease)/increase in provision, net	**(37)**	(44)
At 31 December	**–**	37
Less: current portion	**–**	–
Non-current portion	**–**	37

Corresponds to the provision related to awards granted under the Long-Term Incentive Plan ('LTIP') to designated personnel of the Company. Includes the following benefits:(i) 2020 awards, granted in February 2020, payable in February 2023, as 50% in cash, with a result of US$nil (ii) 2019 awards, granted in July 2019, payable in February 2022, as 50% in cash with a result of US$nil. Only employees who remain in the Group's employment on the vesting date will be entitled to vested awards, subject to exceptions approved by the Remuneration Committee of the Board. Refer to footnote 2 of note 28 to the consolidated financial statements for details of the LTIP awards and assumptions used for the valuation as at 31 December 2022 and 2021.

11 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Company had the following related-party balances and transactions during the years ended 31 December 2022 and 31 December 2021.

	As at 31 December 2022		As at 31 December 2021	
	Accounts receivable US$000	Accounts payable US$000	Accounts receivable US$000	Accounts payable US$000
Subsidiaries				
Compañía Minera Ares S.A.C.[1]	**5,123**	**5,286**	3,413	3,906
Hochschild Mining Holdings Ltd[2]	**–**	**45,000**	–	12,000
Other subsidiaries	**1,513**	**24**	1,227	24
Total	**6,636**	**50,310**	4,640	15,930

1 The account receivable mainly relates to the LTIP 2022, LTIP 2021, LTIP 2020 and LTIP 2019 (paid in shares that are going to be paid by Hochschild Mining PLC in shares on behalf of Minera Ares). The account payable mainly relates to the services performed by Minera Ares to the Company, which during 2022 amounts to US$649,000 (2021: US$361,000). The Company provided certain financial guarantees on behalf of Minera Ares (note 9).

2 Relates to loans receivable by and payable to HM Holdings. The loan payable is repayable on demand and is free of interest. During the year the Company received cash proceeds from loans of US$45,000,000 (2021: US$28,000,000). A dividend of US$303,385,000 was received in September 2021 offsetting against amounts payable to HM Holdings (refer to note 13). In February 2023, the Company received a support letter from HM Holdings indicating that it will not request a repayment of the interest free loan of US$45,000,000 for the period to 30 May 2024.

The fair values of the receivables and payables approximate their book values. Transactions between the Company and these companies are on an arm's length basis.

(b) Compensation of key management personnel of the Company

Key management personnel include the Directors who receive remuneration. The amount of this remuneration totals US$1,140,000 (2021: US$1,149,000).

12 Dividends paid and proposed

	2022 US$000	2021 US$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2021: 2.335 US cents per share (2020: 2.335 US cents per share)	**11,998**	12,002
Interim dividend for 2022: 1.95 US cents per share (2021: 1.95 US cents per share)	**10,019**	10,020
Total dividends paid in cash	**22,017**	22,022
Dividends in specie paid with Aclara shares (note 5)	**–**	94,945
Total dividends paid on ordinary shares	**22,017**	116,967
Proposed dividends on ordinary shares:		
Final dividend for 2022: nil US cents per share (2021: 2.335 US cents per share)	**–**	12,000

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

Significant corrective transactions (namely, a capital reduction and dividend distribution by HM Holdings) were implemented by the Company in September 2021, shortly after discovery of the issue. Had these internal corporate transactions been implemented prior to the payment of the 2017 final dividend, adequate distributable reserves would have been available to the Company.

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

Dividends per share

The interim dividend paid in September 2022 was US$10,019,000 (1.95 US cents per share). There is no proposed final dividend in respect of the year ending 31 December 2022.

13 Finance income

	2022 US$000	2021 US$000
Dividends received from Hochschild Mining Holdings Ltd	–	397,069
Other dividends	–	29
Interests on deposits	12	1
Income from guarantee	495	310
Total	**507**	397,409

Dividends received

During 2021 HM Holdings declared total dividends amounting to US$397,069,000 as follows:

- On 28 September 2021, a dividend of US$303,385,000 which was offset against amounts payable to HM Holdings for the same amount.
- On 3 December 2021, a dividend in specie with fair value of US$93,684,000 was received, representing 70,606,502 shares in Aclara (refer to note 5).

14 Financial risk management

The Company is exposed to a variety of risks and uncertainties which may have an impact on the achievement of financial and economic objectives. These risks include strategic, operational and financial risk and are further categorised into risk areas to facilitate risk assessment. The Company is not exposed to significant sources of commodity price, equity or interest rate risk.

(a) Foreign currency risk

Due to the operations of the Company, it has cash and cash equivalents and trade payables denominated in pounds sterling. Accordingly, the financial results of the Company may be affected by exchange rate fluctuations. The Company does not use derivative instruments to manage its foreign currency risks. The following table demonstrates the sensitivity of financial assets and liabilities, at the reporting date denominated in their respective currencies, to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

Year	Increase/ decrease in US$/other currencies rate	Effect on profit before tax US$000	Effect on equity US$000
2022			
Pounds sterling	**+/-10%**	**-/+40**	**–**
2021			
Pounds sterling	+/-10%	-/+49	–

(b) Credit risk

The Company is primarily exposed to credit risk in transactions in cash which are primarily limited to cash balances deposited in banks and accounts receivable at the statement of financial position date. The Company has evaluated and introduced efforts to try to mitigate credit risk exposure.

To manage credit risk associated with cash balances deposited in banks, the Company is:

- increasing banking relationships with large, established and well-capitalised institutions in order to secure access to credit and to diversify credit risk;
- investing cash in short-term, highly liquid and low-risk instruments (term deposits);
- maintaining excess cash abroad in hard currency.

Credit risk concentrations exist when changes in economic, industrial or geographic factors take place, affecting in the same manner the Company's counterparties whose added risk exposure is significant to the Company's total credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 6.

(c) Liquidity risk

Liquidity risk arises from the Company's inability to obtain the funds it requires to comply with its commitments. Management constantly monitors the Company's level of short- and medium-term liquidity in order to ensure appropriate financing is available for its operations.

The Company is funded by HM Holdings through loans in order to meet its obligations. Liquidity is supported by the balance of cash and cash equivalent held by the Company of US$662,000 (2021: US$528,000) and the financial support provided by Minera Ares (see note 2(b). The Company also serves as principal funding conduit for the Group's capital raising activities such as equity issuances.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date:

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2022					
Trade and other payables	**51,509**	**–**	**–**	**–**	**51,509**
At 31 December 2021					
Trade and other payables	18,134	–	–	–	18,134

The table below analyses the maximum amounts payable under financial guarantees provided to Minera Ares (note 9), considering that if the guarantees were to be called, the guaranteed amounts would be due immediately:

	Less than 1 year US$000	Between 1 and 2 years US$000	Between 2 and 5 years US$000	Over 5 years US$000	Total US$000
At 31 December 2022					
Financial guarantees[1]	**300,000,000**	**–**	**–**	**–**	**300,000,000**
At 31 December 2021					
Financial guarantees[1]	300,000,000	–	–	–	300,000,000

1 Not including any accumulated interest that may be payable at the call date.

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management considers as part of its capital the financial sources of funding from shareholders and third-parties (notes 8 and 9). In order to ensure an appropriate return for shareholders' capital invested in the Company, management monitors capital thoroughly and evaluates all material projects and potential acquisitions before submission to the Board for ultimate approval, where applicable.

PROFIT BY OPERATION[1] (SEGMENT REPORT RECONCILIATION) AS AT 31 DECEMBER 2022

Group (US$000)	Inmaculada	San Jose	Pallancata	Consolidation adjustment and others	Total/HOC
Revenue	**413,928**	**243,469**	**77,566**	**680**	**735,643**
Cost of sales (pre consolidation)	(249,623)	(199,343)	(85,733)	7,056	**(527,643)**
Consolidation adjustment	6,732	(243)	567	(7,056)	**–**
Cost of sales (post consolidation)	**(242,891)**	**(199,586)**	**(85,166)**	**–**	**(527,643)**
Production cost excluding depreciation	(156,551)	(152,160)	(75,472)	–	**(384,183)**
Depreciation in production cost	(79,760)	(48,484)	(9,503)	–	**(137,747)**
Workers' profit sharing	(1,777)	–	(1,544)	–	**(3,321)**
Other items	(2,525)	(5,003)	(495)	–	**(8,023)**
Change in inventories	(2,278)	6,061	1,848	–	**5,631**
Gross profit	**164,305**	**44,126**	**(8,167)**	**7,736**	**208,000**
Administrative expenses	–	–	–	(54,158)	**(54,158)**
Exploration expenses	–	–	–	(56,826)	**(56,826)**
Selling expenses	(796)	(12,614)	(622)	–	**(14,032)**
Other income/(expenses)	–	–	–	(35,962)	**(35,962)**
Operating profit before impairment	**163,509**	**31,512**	**(8,789)**	**(139,210)**	**47,022**
Reversal impairment/(impairment) and write-off of non-current assets, net	–	–	–	9,531	**9,531**
Share of post-tax losses from associate	–	–	–	(11,600)	**(11,600)**
Finance income	–	–	–	5,211	**5,211**
Finance costs	–	–	–	(21,776)	**(21,776)**
Foreign exchange loss	–	–	–	(2,622)	**(2,622)**
Profit/(loss) from operations before income tax	**163,509**	**31,512**	**(8,789)**	**(160,466)**	**25,766**
Income tax expense	–	–	–	(20,934)	**(20,934)**
Profit/(loss) for the year from operations	**163,509**	**31,512**	**(8,789)**	**(181,400)**	**4,832**

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 207 to 209 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 2022, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US$1,800 per ounce and Ag Price: US$24.0 per ounce.

Attributable metal reserves as at 31 December 2022

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS[1]						
Inmaculada						
Proved	1,150,208	178	4.1	6.6	152.2	18.0
Probable	4,061,192	149	3.5	19.4	456.6	53.7
Total	**5,211,400**	**155**	**3.6**	**26.0**	**608.8**	**71.7**
Pallancata						
Proved	260,868	236	1.1	2.0	9.0	2.7
Probable	83,149	199	1.2	0.5	3.2	0.8
Total	**344,017**	**227**	**1.1**	**2.5**	**12.1**	**3.4**
San Jose						
Proved	261,412	337	5.9	2.8	50.0	6.6
Probable	218,141	346	6.9	2.4	48.2	6.0
Total	**479,553**	**341**	**6.4**	**5.3**	**98.2**	**12.6**
Mara Rosa						
Proved	11,791,000	–	1.2	–	455.8	34.2
Probable	12,014,000	–	1.2	–	446.2	33.5
Total	**23,805,000**	**–**	**1.2**	**–**	**902.0**	**67.6**
GRAND TOTAL						
Proved	**13,463,488**	**26**	**1.5**	**11.4**	**666.9**	**61.4**
Probable	**16,376,482**	**43**	**1.8**	**22.4**	**954.3**	**94.0**
TOTAL	**29,839,970**	**35**	**1.7**	**33.8**	**1,621.2**	**155.4**

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 2022[1,2]

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS							
Inmaculada							
Measured	1,942,000	184	4.39	514	11.5	274.2	32.1
Indicated	5,651,000	158	3.79	442	28.6	688.2	80.2
Total	**7,593,000**	**164**	**3.94**	**460**	**40.1**	**962.3**	**112.3**
Inferred	11,272,000	96	2.49	283	34.9	902.2	102.5
Pallancata							
Measured	1,409,000	296	1.36	398	13.4	61.5	18.0
Indicated	706,000	238	1.11	321	5.4	25.1	7.3
Total	**2,115,000**	**277**	**1.27**	**372**	**18.8**	**86.6**	**25.3**
Inferred	3,702,000	452	1.70	579	53.8	202.7	69.0
San Jose							
Measured	701,760	483	8.07	1,088	10.9	182.0	24.6
Indicated	467,160	386	6.66	885	5.8	100.0	13.3
Total	**1,168,920**	**444**	**7.50**	**1,007**	**16.7**	**282.0**	**37.9**
Inferred	1,051,110	404	5.99	854	13.7	202.5	28.8
Mara Rosa							
Measured	13,600,000	–	1.20	90	–	510.0	38.3
Indicated	18,700,000	–	1.10	83	–	640.0	48.0
Total	**32,300,000**	**–**	**1.10**	**83**	**–**	**1,150.0**	**86.3**
Inferred	100,000	–	0.52	39	–	1.7	0.1
GROWTH PROJECTS							
Crespo							
Measured	5,211,000	47	0.47	82	7.9	78.6	13.8
Indicated	17,298,000	38	0.40	68	20.9	222.5	37.6
Total	**22,509,000**	**40**	**0.42**	**71**	**28.8**	**301.0**	**51.4**
Inferred	775,000	46	0.57	88	1.1	14.2	2.2
Azuca							
Measured	191,000	244	0.77	302	1.5	4.7	1.9
Indicated	6,859,000	187	0.77	244	41.2	168.8	53.8
Total	**7,050,000**	**188**	**0.77**	**246**	**42.7**	**173.5**	**55.7**
Inferred	6,946,000	170	0.89	237	37.9	199.5	52.9
Volcan							
Measured	123,979,000	–	0.700	53	–	2,792.0	209.4
Indicated	339,274,000	–	0.643	48	–	7,013.0	526.0
Total	**463,253,000**	**–**	**0.658**	**49**	**–**	**9,804.0**	**735.3**
Inferred	75,018,000	–	0.516	39	–	1,246.0	93.5
Arcata							
Measured	834,000	438	1.35	539	11.7	36.1	14.4
Indicated	1,304,000	411	1.36	512	17.2	56.9	21.5
Total	**2,138,000**	**421**	**1.35**	**523**	**29.0**	**93.0**	**35.9**
Inferred	3,533,000	371	1.26	465	42.1	142.6	52.8
GRAND TOTAL							
Measured	**147,867,760**	**12**	**0.83**	**74**	**57.0**	**3,939.1**	**352.4**
Indicated	**390,259,160**	**9**	**0.71**	**63**	**119.2**	**8,914.4**	**787.7**
Total	**538,126,920**	**10**	**0.74**	**66**	**176.1**	**12,852.5**	**1,140.1**
Inferred	**102,397,110**	**56**	**0.88**	**122**	**183.4**	**2,911.4**	**401.8**

1 Prices used for resources calculation: Au: $1,800/oz and Ag: $24.0/oz and Ag/Au ratio of 75x.
2 Tables represents 100 % of the Mineral Resource. Resources are inclusive of Reserves.

Change in attributable reserves and resources

Ag equivalent content (million ounces)	Category	Percentage attributable December 2022	December 2021 Att.[1]	December 2022 Att.[1]	Net difference	% change
Inmaculada	Resource	**100%**	235.4	**214.8**	(20.6)	(8.7%)
	Reserve		87.0	**71.7**	(15.3)	(17.6%)
Pallancata	Resource	**100%**	45.2	**94.3**	49.0	108.4%
	Reserve		9.2	**3.4**	(5.7)	(62.6%)
San Jose	Resource	**51%**	64.9	**66.7**	1.8	2.8%
	Reserve		18.8	**12.6**	(6.2)	(33.0%)
Mara Rosa	Resource	**100%**	–	**86.4**	86.4	–
	Reserve		–	**67.6**	67.6	–
Crespo	Resource	**100%**	53.6	**53.6**	–	–
	Reserve		–	**–**	–	–
Azuca	Resource	**100%**	108.6	**108.6**	–	–
	Reserve		–	**–**	–	–
Volcan	Resource	**100%**	716.2	**828.8**	112.6	15.7%
	Reserve		–	**–**	–	–
Arcata	Resource	**100%**	88.7	**88.7**	–	–
	Reserve		–	**–**	–	–
Total	**Resource**		**1,312.6**	**1,541.9**	**229.3**	**17.5%**
	Reserve		**115.0**	**155.4**	**40.4**	**35.1%**

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, dividends and to report changes in personal details:

By post

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

By email

Email: shareholderenquiries@linkgroup.co.uk

By telephone

Telephone: (+44 (0)) 371 664 0300

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

17 Cavendish Square
London
W1G 0PH
United Kingdom

FORWARD LOOKING STATEMENTS

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

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

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

Notes

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Hochschild Mining PLC
17 Cavendish Square
London W1G 0PH
United Kingdom

+44 (0) 203 709 3260
info@hocplc.com
www.hochschildmining.com