RNS Number : 8855W
Hochschild Mining PLC
20 April 2023

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Hochschild Mining PLC

Preliminary Results

Year ended 31 December 2022

HOCHSCHILD MINING PLC RESULTS FOR YEAR ENDED 31 DECEMBER 2022

2022 Financial performance

- Revenue of $735.6 million (2021: $811.4 million)[1]
- Adjusted EBITDA of $249.6 million (2021: $382.8 million)[2]
- Profit before income tax (pre-exceptional) of $24.3 million (2021: $148.7 million)
- Profit before income tax (post-exceptional) of $25.8 million (2021: $137.3 million)
- Basic earnings per share (pre-exceptional) of $0.01 (2021: $0.14)
- Basic earnings per share (post-exceptional) of $0.01 (2021: $0.15)
- Cash and cash equivalent balance of $143.8 million as at 31 December 2022 (2021: $386.8 million)
- Net debt of $175.1 million as at 31 December 2022 (2021: net cash of $86.3 million)

2022 Operational resilience[3]

- Peruvian government decision on Inmaculada Modified Environmental Impact Assessment expected during Q2 2023
- All-in sustaining costs (AISC) from operations of $1,364 per gold equivalent ounce (2021: $1,153) or $18.9 per silver equivalent ounce (2021: $16.0) in line with full year cost guidance of $1,330-$1,370 per gold equivalent ounce or $18.5-19.0 per silver equivalent ounce[4]
- Full year attributable production of 358,826 gold equivalent ounces (25.8 million silver equivalent ounces)
- Solid operational performance despite moderate impact in Q4 from Peru social disruptio

2022 Exploration & Project Highlights

- 2022 Attributable Reserve & Resource additions:
    - Reserves up 35%
    - Resources up 18%
- Inferred Mineral Resource of 51.2 million silver equivalent ounces announced at Royropata Zone, Pallancata
    - Average width of 5 metres at a combined Ag Eq grade of 848g/t
- Mara Rosa project in Brazil advancing on schedule and on budget - total project progress at over 70% with first production anticipated in H1 2024
    - 27,600oz of gold hedged from March to December 2024 at a price of $2,100 per ounce
- Option over Snip project in Canada recently terminated

2022 ESG KPIs

- Lost Time Injury Frequency Rate of 1.37 (2021: 1.26)[5]
- Accident Severity Index of 93 (2021: 676)[6]
- Water consumption of 171lt/person/day (2021: 193lt/person/day)
- Domestic waste generation of 1.05 kg/person/day (2021: 1.00kg/person/day)
- ECO score of 5.27 out of 6 (2021: 5.29)[7]

2023 Outlook

- Production target:
    - 301,000-314,0000 gold equivalent ounces (25.0-26.0 million silver equivalent ounces) using 83x gold silver ratio
- All-in sustaining costs target:
    - $1,370-$1,450 per gold equivalent ounce ($16.5-$17.5 per silver equivalent ounce) using 83x gold silver ratio
- Total sustaining and development capital expenditure expected to be approximately $125-135 million
- Mara Rosa project capital expenditure expected to be approximately $100-110 million
- 29,250 ounces of gold hedged for the remainder of 2023 at a price of $2,047 per ounce

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$000 unless stated	Year ended 31 Dec 2022	Year ended 31 Dec 2021	% change
Attributable silver production (koz)	**11,003**	12,174	(10)
Attributable gold production (koz)	**206**	221	(7)
Revenue	**735,643**	811,387	(9)
Adjusted EBITDA	**249,605**	382,837	(35)
Profit from continuing operations (pre-exceptional)	**6,745**	67,450	(90)
Profit from continuing operations (post-exceptional)	**4,832**	71,106	(93)
Basic earnings per share (pre-exceptional) $	**0.01**	0.14	(93)
Basic earnings per share (post-exceptional) $	**0.01**	0.15	(93)

A presentation will be held for analysts and investors at 9.30am (UK time) on Thursday 20 April 2023 at the offices of Hudson Sandler, 25 Charterhouse Square, London, EC1M 6AE

The presentation and a link to the live audio webcast of the presentation can be found at the Hochschild website:
www.hochschildmining.com
or:
https://stream.brrmedia.co.uk/broadcast/63c585b88b28b235f03655a4

To join the event via conference call, please see dial in details below:
UK Toll-Free Number: 0808 109 0700
International Dial in: +44 (0)330 551 0200
US/Canada Toll-Free Number: 866-580-3963
Password: Hochschild Full Year Results

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Public Relations

Non-IFRS Financial Performance Measures

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

About Hochschild Mining PLC

Hochschild Mining PLC is a leading precious metals company listed on the London Stock Exchange (HOCM.L / HOC LN) and crosstrades on the OTCQX Best Market in the U.S. (HCHDF), with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates three underground epithermal vein mines, two located in southern Peru and one in southern Argentina. Hochschild also owns the Mara Rosa Advanced Project in Brazil as well as numerous long-term projects throughout the Americas.

LEI: 549300JK10TVQ3CCJQ89

CHAIRMAN'S STATEMENT

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.

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

CHIEF EXECUTIVE OFFICER'S STATEMENT

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.

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 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

OPERATING REVIEW

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.

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**

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 was 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).

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**

Inmaculada

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

Inmaculada summary	Year ended 31 Dec 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

Production
The Inmaculada mine delivered Inmaculada has 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.

Pallancata

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

Pallancata summary	Year ended 31 Dec 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	36

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 at $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.

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

San Jose summary	Year ended 31 Dec 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

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.

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 2-year Environmental Baseline program 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 site in August.

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

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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 doré 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$346.5m and the life-of-mine sustaining cost is C$239.9m. 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/USD rate of 0.75 and a discount rate of 5%. Snip's valuation has been estimated at C$183m post-tax NPV, with an IRR of 17%. The payback period is expected to be 4 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;
- 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 announce 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 southwest 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
Royropata 2	80	495	1.48	606	1.6
Demian	27	444	1.55	560	0.5
Royropata 1	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 AgEq = (Au x 75) + Ag.
4 AgEq Cut-off: 99 g/t AgEq.
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 them 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	IMM22-139: 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.

FINANCIAL REVIEW

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

Revenue

Gross revenue [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)

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.

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.

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

(+) Royalties and special mining tax	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
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.

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).

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.

$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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Consolidated income statement

For the year ended 31 December 2022

	Notes	Year ended 31 December 2022 Before exceptional items US$000	Year ended 31 December 2022 Exceptional items (note 11) US$000	Year ended 31 December 2022 Total US$000	Year ended 31 December 2021 Before exceptional items US$000	Year ended 31 December 2021 Exceptional items (note 11) US$000	Year ended 31 December 2021 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	Year ended 31 December 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 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	To[t] other reserv[es] US$0[00]
Balance at 1 January 2021		**226,506**	**438,041**	**(205)**	**-**	**99**	**(13,876)**	**(4,169)**	**(210,046)**	**2,533**	**(225,664**
Other comprehensive income/(expense)		-	-	261	(9)	-	(11,287)	17,645	-	-	6,61
Profit for the year		-	-	-	-	-	-	-	-	-	
Total comprehensive income/ (expense) for the year		**-**	**-**	**261**	**(9)**	**-**	**(11,287)**	**17,645**	**-**	**-**	**6,61**
Sale of financial assets at fair value through OCI	20	-	-	18	-	-	-	-	-	-	1
Dividends	31	-	-	-	-	-	-	-	-	-	
In specie dividends		-	-	-	-	-	-	-	-	-	
Dividends to non - controlling interests	31	-	-	-		-	-	-	-	-	
Share-based payments	29(c)	-	-	-	-	-	-	-	-	2,442	2,44
Forfeiture of share options	29(c)	-	-	-	-	-	-	-	-	(1,063)	(1,063
Balance at 31 December 2021		**226,506**	**438,041**	**74**	**(9)**	**99**	**(25,163)**	**13,476**	**(210,046)**	**3,912**	**(217,65**
Other comprehensive income/(expense)		-	-	(152)	1,283	-	(12,739)	(11,935)	-	-	(23,543
Profit for the year		-	-	-	-	- -	-	-	-	-	
Total comprehensive income/ (expense) for the year		**-**	**-**	**(152)**	**1,283**	**- -**	**(12,739)**	**(11,935)**	**-**	**-**	**(23,543**
Dividends	31	-	-	-	-	- -	-	-	-	-	
Dividends paid to non - controlling interests	31	-	-	-	-	- -	-	-	-	-	
Issuance of deferred bonus shares	29	303,268	-	-	-	-	-	-	-	-	
Cancelation of deferred bonus shares	29	(303,268)	-	-	-	-	-	-	-	-	
Cancelation of share premium account	29	-	(438,041)	-	-	-	-	-	-	-	
Nominal value reduction	29	(217,445)	-	-	-	-	-	-	-	-	
Share-based payments	29(c)	-	-	-	-	-	-	-	-	4,286	4,28
Forfeiture of share options	29(c)	-	-	-	-	-	-	-	-	(1,886)	(1,886
Balance at 31 December 2022		**9,061**	**-**	**(78)**	**1,274**	**99**	**(37,902)**	**1,541**	**(210,046)**	**6,312**	**(238,80**

NOTES TO THE CONDENSED 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:

	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.

- *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 be recognised 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 14 to 19 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.

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.

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.

(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.

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

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 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 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.

(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.

(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, will- ing 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)).

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 number 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

The exceptional items for the year ended 31 December 2022 and 2021 correspond to:

1 Incremental production costs incurred in the operating mine units to manage the Covid-19 pandemic have been presented within costs of sales and costs incurred by mine units in care and maintenance and those related to corporate activities have been presented within other expenses:

	Year ended 31 December			
	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.

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	Year ended 31 December 2021
	US$000	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).

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

Minera Ares of US$2,223,000 and the current corporate income tax liability of Compañía Minera Ares of US$15,634,000, Minera Santa Cruz of US$5,536,000 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

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[6]	-	-	-	-	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.

Construction in progress and capital

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	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%

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

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

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 4 b)	-	-	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 than its carrying value.

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

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

Approximate (impairment)/reversal of impairment resulting from the following changes (US$000)	2021
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´ 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

	As at 31 December 2022 US$000	As at 31 December 2021 US$000
Current liabilities	**(3,674)**	(3,185)
Non-current liabilities	**(4)**	-
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	[illegible]	[illegible]

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 valued at cost	**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

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.

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).

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**

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

1 Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted.
2 Salaries and wages payable relates to remuneration payable. At 31 December 2022, there were Board members remuneration payable of US$69,000 (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.

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 short-term leases (included in cost of sales, administrative, exploration and other expenses)	[illegible]	[illegible]
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).

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 US$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)

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.

The following tables list the inputs to the last Monte Carlo model used for the LTIPs as at 31 December 2021:

	LTIP 2020
For the period ended	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.

3 Mainly corresponds to contingencies in Minera Santa Cruz due to new labor lawsuits.

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:

	Issued	
Class of shares	Number	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:

	Issued	
Class of shares	Number	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 sumarising 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,

(d) (both (ii) and (iii) 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 24th 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.

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 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 charge	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	
2022	2021

	US$000	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
Short-term employee benefits	**7,121**	7,509
Long Term Incentive Plans	**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 ofbusiness, the Group enters into agreements to carry out exploration under concessions held by third parties. Generally, under the terms ofthese 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 termofthe 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 offinancial 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

(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 ofbusiness. No provision has been made in the financial statements and none ofthese 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 ofreview. 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 offiscal periods remain open to review by the tax authorities, coupled with the complexity ofthe 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 ofcertain expenses the Group reassess the case internally and externally, with the support ofa third-party professional to determine the probability ofsuccess 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 ofthe relevant legislation and assessment oftaxation is appropriate and that it is probable that the Group's tax and customs positions will be sustained in the event ofa challenge by the tax authorities. Consequently, the Directors consider that no tax liability is required to be recognised in respect ofthese claims or risks.

(b) Guarantees

The Group is required to provide guarantees in Peru in respect ofenvironmental restoration and decommissioning obligations. The Group has provided for the estimated cost ofthese 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 from1%to 3%ofthe value ofmineral 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 ofrates ranging from2%to 8.4%, ofthe quarterly operating profit.

b) Modification ofthe mining royalty calculation, which consists ofapplying a progressive scale ofrates ranging from1%to 12%, ofthe quarterly operating profit. The former royalty was calculated on the basis ofmonthly sales value ofmineral 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 fromtax 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 from4%to 13.12%ofquarterly 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 ofFinancial Position. The amount recorded in the income statement was US$4,787,000 (2021: US$6,326,000) ofnew mining royalty and US$2,658,000 (2021: US$5,916,000) ofSMT, both classified as income tax.

Argentina

In accordance with Argentinian legislation, Provinces (being the legal owners ofthe mineral resources) are entitled to collect royalties frommine operators. For San Jose, the mining royalty applicable to dore and concentrate is 3%ofthe 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 ofsales was US$6,307,000 (2021: US$7,171,000).

38 Financial risk management

The Group is exposed to a variety ofrisks and uncertainties which may have a financial impact on the Group and which also impact the achievement ofsocial, 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 ofthe Group's risk environment which seeks to identify and, where appropriate, implement the controls to mitigate the impact ofthe Group's significant risks. This effort is supported by a Risk Committee with the participation ofthe CEO, the Vice Presidents, and the head ofthe internal audit function. The Risk Committee is responsible for implementing the Group's policy on risk management and internal control in support ofthe Company's business objectives, and monitoring the effectiveness ofrisk management within the organisation.

(a) Commodity price risk

Silver and gold prices have a material impact on the Group's results ofoperations. Prices are significantly affected by changes in global economic conditions and related industry cycles. Generally, producers ofsilver and gold are unable to influence prices directly; therefore, the Group's profitability is ensured through the control ofits cost base and the efficiency ofits 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 ofthis 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 ofsilver at US$26.86 per ounce for 2022.

On 10 November 2021, the Group signed agreements with JP Morgan to hedge the sale of3,300,000 ounces ofsilver 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 loss 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.

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 19 April 2023 US$000**	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.

As at 31 December 2022 and 2021, the Group held the following financial instruments measured at fair value:

	31 December 2022 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Assets measured at fair value				
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	

	31 December 2021 US$000	**Level 1 US$000**	**Level 2 US$000**	**Level 3 US$000**
Assets measured at fair value				
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 fromgoods sold	8,063
Changes in fair value ofprice adjustments (note 5)	(1,323)
Realised price adjustments during the year	7,851
Balance at 31 December 2022	**42,364**

The impact ofthe hedging instrument and hedge itemon the statement offinancial 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 ofthe hedged itemattributable 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 ofeach component ofequity and the analysis ofother 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 fromthe 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 ofshort- and medium-termliquidity, 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 ofGroup'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 ofdetermining how much ofits exposure should be at fixed or at variable rates. However, at the time oftaking 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total

	US$000	US$000	US$000	US$000	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.

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.

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**

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 89 to 91 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						
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

Indicated	[illegible]		[illegible]	[illegible]		[illegible]	[illegible]
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, and dividends and to report changes in personal details:

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

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

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

17 Cavendish Square
London
W1G 0PH
United Kingdom

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

[2] Please see the Financial Review page 17 for a definition of Adjusted EBITDA

[3] 2022 and 2021 equivalent figures calculated using the previous Company gold/silver ratio of 72x. All 2022 forecasts assume the average 2022 gold/silver ratio of 83x.

[4] All-in sustaining cost per (AISC) silver equivalent ounce: Calculated before exceptional items and includes production cost excluding depreciation, other items and workers profit sharing in cost of sales, administrative expenses (excl depreciation), brownfield exploration, operating and exploration capex and royalties and special mining tax (presented with income tax) divided by silver or gold equivalent ounces produced, plus commercial deductions and selling expenses divided by silver or gold equivalent ounces sold using a gold/silver ratio of 72:1.

[5] Calculated as total number of accidents per million labour hours

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

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

[8] Includes revenue from services

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

[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

[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

[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

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

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