



14 August 2023

### Hochschild Provides Update on Volcan Gold Project

Hochschild Mining PLC (the "Company" or "Hochschild") (LSE: HOC) (OTCQX: HCHDF) today provides an update on its 100%-owned Volcan Gold Project ("Volcan" or the "Project") located in the Maricunga Region of Chile. Hochschild acquired the Volcan Project through its acquisition of Andina Minerals in 2012. The Project was dormant for many years until early 2022 when work was initiated to re-evaluate the Project scope and economics in the current gold price environment.

*Note: All currency figures are in US Dollars unless otherwise noted.*

During the last 18 months, a number of key milestones have been achieved:

#### Project highlights

- Created a new Canadian Company, Tiernan Gold Corp ("Tiernan"), as a subsidiary of Hochschild Mine Holdings UK
- Restructured the Project to be owned by Tiernan
- Completed an updated Mineral Resource Estimate<sup>[1]</sup> to Canadian NI 43-101 standards, which outlined:
  - 463.3 Mt of Measured and Indicated Resources at 0.66 g/t gold for 9.8 million ounces of gold contained
  - 75.0 Mt of Inferred Resources at 0.516 g/t gold for and additional 1.2 million ounces of gold contained
- Completed a positive Preliminary Economic Assessment<sup>[2]</sup> to Canadian NI 43-101 standards, which highlighted:
  - 22mtpa open-pit, heap leach operation with a 14 year mine life
  - Average of 332,000 ounces per year of gold production for first 10 years of operations with 3.8 million ounces produced over the estimated mine life
  - Initial capital cost of \$900 million, with life of mine sustaining capital an additional \$276 million
  - Cash costs<sup>[3]</sup> of \$921/oz and All-in-Sustaining-Costs<sup>[4]</sup> of \$1,002/oz, life-of-mine
  - NPV (5%) = \$826 million and IRR = 21% at \$1,800/oz gold price, after-tax
- Executed an agreement for a \$15 million financing with the sale of a new 1.5% NSR royalty on the Project to Franco-Nevada
- Engaged Canaccord Genuity to evaluate strategic alternatives for Tiernan

#### Ignacio Bustamante, Chief Executive Officer, said:

*"There has been a significant amount of work completed over the past eighteen months on the Volcan Project. The updated Mineral Resource Estimate and PEA confirm that Volcan is a large resource capable of generating significant annual gold production with substantial margins at today's gold prices. Furthermore, Tiernan is now fully funded independently to carry out the next phases of project de-risking and, with gold prices remaining strong, we believe there is significant value in this project.*

*By engaging a financial advisor, we are looking at a number of options to unlock this value for the Company while we focus our resources on the development of high-grade reserves and resources close to Immaculada, Mara Rosa construction in Brazil and the recent Royropata discovery near Pallancata."*

#### Mineral Resource Estimate ("MRE")

The updated MRE for Volcan was prepared by Micon International Limited ("Micon") of Toronto, Canada in accordance with the CIM definitions and standards for Mineral Resource Estimation. The tabulated mineral resources for the Volcan Project are set out in Table 1.

The mineral resources are considered as all potentially profitable blocks using the base case input parameters that are contained within the US\$1,800/oz Au optimized open pit shell and below the topographic surface. The mineral resources are stated using the gold grades estimated by the Ordinary Kriging interpolation method and using capped metal grades.

The MRE is effective as of 22 July 2022. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

Micon has considered the mineral resource estimates in light of known environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues and has no reason to believe at this time that the mineral resources will be materially affected by these items.

Table 1: Mineral Resource Estimate for the Volcan Project, Effective Date July 22, 2022

Category	Tonnage (kt)	Au Grade (g/t)	Au Content (k.oz)
Measured	123,979	0.700	2,792
Indicated	339,274	0.643	7,013
<b>M&amp;I</b>	<b>463,253</b>	<b>0.658</b>	<b>9,804</b>
Inferred	75,018	0.516	1,246

Notes on the MRE:

1. The updated mineral resources are reported at a cut-off grade of 0.29 g/t gold for the Dorado Oeste (DO) and Dorado Este (DE) and are reported at a cut-off of 0.75 g/t for Dorado Central.

2. The effective date of the updated mineral resource estimate is July 22, 2022. Tonnages and metal content in the table are rounded to the nearest thousand, thus, numbers may not total precisely due to rounding.
3. The mineral resources are reported according to the latest edition of the CIM definitions and standards which was adopted by the CIM council on May 10, 2014.
4. Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal title, market conditions and other modifying factors. At the time of this report, Micon's QPs have not been able to determine any factors that would adversely impact the current mineral resource estimate.

The updated MRE was used as a basis for a Preliminary Economic Assessment of the Project.

### **Preliminary Economic Assessment ("PEA")**

Tieman commissioned Ausenco Chile ("Ausenco") to compile a PEA of the Volcan Project with an overall effective date of 15 March 2023. The PEA was prepared in accordance with the Canadian disclosure requirements of National Instrument 43-101 (NI 43-101) and in accordance with the requirements of Form 43-101 F1.

The responsibilities of the engineering companies who were contracted by Tieman to prepare this report are as follows:

- Ausenco managed and coordinated the work related to the report, reviewed the metallurgical test results and developed PEA-level design and cost estimate for the process plant, general site infrastructure, environmental and economic analysis
- Deswik Brazil ("Deswik") designed the mine pit, mine production schedule, and mine capital and operating costs
- Micon International Limited ("Micon") completed the work related to geological setting, deposit type, exploration work, drilling, exploration works, sample preparation and analysis, data verification and developed the mineral resource estimate for the Project
- Gestión Ambiental Consultores ("GAC") conducted a review of the environmental studies of the Project

Readers are cautioned that the PEA is preliminary in nature. It includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Commodity prices can be volatile, and there is the potential for deviation from the forecast.

The Volcan property is located approximately 700km north of Santiago, the capital of Chile, approximately 170km by road east of the mining and agricultural city of Copiapo and approximately 40km west of the border with Argentina. The property is located in Region III of northern Chile in the Province of Copiapo and political subdivision of Comuna Tierra Amarilla.

The total area controlled comprising the Volcan Project is 45,289ha, corresponding to the actual property boundaries. However, a title and claim search indicates that Tieman, through its subsidiary Andina Chile, holds 55,172ha because several areas have duplicate (overlapping) registered concessions under the various Chilean categories of mineral rights holdings. The 55,172ha are made up of 55 mining properties, 139 exploration concessions and one exploration application owned by Andina.

Andina Chile owns water rights which have been developed in two wells located approximately 21km from the resource area and 5km east of the northern end corner of the Volcan concessions.

### *Mining Methods*

The mine layout and operation are based on the following criteria:

- Two independent open-pit areas named Dorado Oeste/Central and Dorado Este, each one with a dedicated Non-Economic Rock Storage Facility
- Independent access from both pits to the mine run of mine (ROM)/crushing pad
- Low-grade stockpiling near the ROM/crushing pad
- 20m height benches

The life of mine (LOM) runs for 14 years. The basis for the scheduling includes:

- Plant feed of 60 ktpd.
- Maximum 85 Mt of material movement per year.
- Low-grade stockpiling to increase head grade for initial years.

### *Metallurgical Testwork*

Three major phases of test work were conducted. The first consisted of initial leach, flotation tests, and comminution tests to assess the potential of the Volcan Project. This early phase of work culminated in the last published NI 43-101 Technical Report entitled "Technical Report on the Results of the Pre-Feasibility Study on the Dorado Deposits, Volcan Gold Project, Region III, Chile" dated January 31, 2011 (the "PFS") and published on SEDAR by Andina Minerals Inc.

This was followed by more detailed work to optimize process conditions and considerations, Andina carried out a further phase of test work in 2010, 2011 and 2012 to support a potential feasibility study for the Project.

### *Recovery Methods*

The plant is designed to process material at a rate of 60,000 t/d with an average head grade of 0.63 g/t of Au. The plant is designed to be operated 24 hours per day, 365 days per year.

The process plant includes the following units, processes, and facilities:

- primary crushing of ROM
- overland conveyor system to transport coarse material
- coarse material stockpile
- secondary crushing and screening in closed circuit
- tertiary crushing (HPGR)
- agglomeration and heap stacking
- heap leach pad and ponds
- sulphidisation, acidification, recycling and thickening (SART) plant
- Adsorption, Desorption, and Recovery (ADR) - carbon-in-column (CIC), Desorption and Regeneration, and Refinery.

### *Environmental, Permitting and Social Considerations*

The Project is in the Andean highlands area of the Atacama Region, which is characterised by extreme environmental conditions for biotic development. In this area, hyper-arid conditions, intense solar radiation, high wind speeds and daily surface freezing of watercourses constitute adverse conditions for ecosystems. Human settlements are also scarce, due to the lack of available water resources and the hostile climatic conditions during the winter, with the exception of lands used by Indigenous communities, some tourism and conservation activities.

### *Capital Cost Estimates*

The cost estimates were developed according to the requirements for a AACE Class 5 Estimate, with an expected accuracy range of -30% to +50%.

The total initial capital cost estimate for the Volcan Project is \$900.1 million; sustaining capital cost is \$276.4 million; and the total project cost is \$1,176.5 million. Table 2 provides the Project cost summary for initial and sustaining capital cost.

Table 2: Summary of Capital Costs

Description	Initial Capital	Sustaining Capital	Total Capital
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Description	Initial Capital	Sustaining Capital	Total Capital
Mining	71.0	16.0	87.0
Process	331.7	146.2	477.9
Infrastructure - On site	58.1	-	58.1
Infrastructure - Offsite	75.9	-	75.9
<b>Total Direct (\$m)</b>	<b>536.8</b>	<b>162.2</b>	<b>699.0</b>
Project Indirect Cost	143.4	52.4	195.7
Owner Cost	38.8	13.2	52.0
Contingency	181.1	48.7	229.8
<b>Total Capex Class 5 (\$m)</b>	<b>900.1</b>	<b>276.4</b>	<b>1,176.5</b>

#### Operating Cost Estimates

A summary of the individual components that make up the LOM operating costs is presented in Table 3. Mine operating cost weighted averages are indicated separately for the Years 1-10 which correspond to the active mining period and Years 11-14 which corresponds to low grade stockpile rehandle only.

Table 3: Summary of Operating Cost Estimate

Area	Units	Avg. Y1 - Y10 Mining	Avg. Y11 - Y14 Stockpile Rehandle Only	Avg. LOM
Mining	\$/t moved	1.88	0.66	1.76
Mining	\$/t processed	6.48	0.66	4.94
Processing	\$/t processed	6.61	6.60	6.61
G&A	\$/t processed	0.99	0.59	0.88
<b>Total Operating Cost</b>	<b>\$/t processed</b>	<b>14.08</b>	<b>7.86</b>	<b>12.44</b>

#### Economic Analysis

The economic analysis was performed assuming an 5% discount rate. Cash flows have been discounted to the beginning of construction on 1 January 2028, assuming that the Project execution decision will be made and major project financing will be carried out at this time.

The pre-tax net present value (NPV) discounted at 5% (NPV5%) is US\$1,254 M, the internal rate of return (IRR) is 25.0%, and payback is 3.4 years. On an after-tax basis, the NPV5% is US\$826 million, the IRR is 20.5% and the payback period is 3.6 years. A summary of the Project economics is included in Table 4.

Table 4: Economic Analysis Summary

General	LOMTot / Avg
Gold Price (\$/oz)	1,800
Mine Life (years)	13.6
Production	LOMTot / Avg
Total Plant Feed Tonnes (kt)	293,165
Plant Feed Head Grade Au (g/t)	0.63
Leach Recovery Rate Au (%)	64.2%
Total Gold Ounces Recovered (koz)	3,820
Total Average Annual Gold Production (koz)	281
Average Year 1 to 10 Annual Gold Production (koz)	332
Operating Costs	LOMTot / Avg
Total Operating Costs (\$/t Processed)	12.44
Cash Costs* (\$/oz Au)	921
AISC** (\$/oz Au)	1,002
Capital Costs	LOMTot / Avg
Initial Capital (\$m)	900
Sustaining Capital (\$m)	276
Closure Costs (\$m)	30
Financials - Pre-Tax	LOMTot / Avg
NPV (5%) (\$m)	1,254
IRR (%)	25.0%
Payback (years)	3.4
Financials - Post-Tax	LOMTot Avg
NPV (5%) (US\$m)	\$826
IRR (%)	20.5%
Payback (years)	3.6

\* Cash costs consist of mining costs, processing costs, mine-level G&A, copper revenue credit, refining charges and royalties over payable gold ounces

\*\* AISC includes cash costs plus sustaining capital and closure cost over payable gold ounces

#### Sensitivity Analysis

A sensitivity analysis was conducted on the base case pre-tax and after-tax NPV, IRR, and Payback of the Project, using the following variables: metal price, discount rate, leach recovery, initial capital costs, and operating costs. Analysis revealed that the Project is most sensitive to changes in metal price, leach recovery, then, to a lesser extent, to operating costs and initial capital costs.

Table 5 and Table 6 presents a summary of the Sensitivity Analysis.

Table 5: Sensitivity Analysis Pre-Tax Summary

Gold Price	Base Case		Total Capex		Total Opex	
NPV(5%)	IRR	-30%	30%	-30%	30%	
\$1,100	\$707	\$506	\$571	\$419	\$647	\$543

\$1,400	\$202	Base Case	0.07%	\$221	(\$116)	\$747	(\$543)
<b>Gold Price</b>	<b>\$728</b>	<b>Base Case</b>	<b>17.4%</b>	<b>\$1,047</b>	<b>Total Capex</b>	<b>\$408</b>	<b>Total Opex</b>
\$1,600	\$1,254		25.0%	\$1,573	\$934	\$1,999	\$508
\$1,800	\$1,780		31.9%	\$2,099	\$1,460	\$2,525	\$1,034
\$2,000	\$2,305		38.4%	\$2,625	\$1,986	\$3,051	\$1,560

Table 6: Sensitivity Analysis Post-Tax Summary

Gold Price	Base Case		Total Capex		Total Opex	
NPV(5%)	IRR	-30%	30%	-30%	30%	
\$1,400	\$82	6.7%	\$330	(\$175)	\$609	(\$551)
\$1,600	\$459	14.1%	\$697	\$213	\$972	(\$81)
\$1,800	\$826	20.5%	\$1,058	\$587	\$1,328	\$305
\$2,000	\$1,188	26.3%	\$1,415	\$954	\$1,678	\$676
\$2,200	\$1,544	31.5%	\$1,767	\$1,316	\$2,023	\$1,041

#### PEA Interpretations and Conclusions

Based on the assumptions and parameters presented, the PEA shows positive economics (i.e. \$826 million post-tax NPV (5%) and 20.5% post-tax IRR). The PEA supports a decision to carry out additional detailed studies.

#### Royalty Financing

In July 2023, Tiernan entered into a Royalty Agreement (the "Agreement") with a subsidiary of Franco-Nevada Corporation ("Franco-Nevada"). The key terms of the Agreement are, as follows:

- \$15 million cash payment by Franco-Nevada to a subsidiary of Tiernan
- Creation of a new 1.5% net smelter return royalty on gold and copper production from Volcan in favour of Franco-Nevada
- Franco-Nevada retains a right of first refusal for any future royalty or stream financings for the Project
- Franco-Nevada holds an option to acquire a further 1% royalty on the Project at the time of a board-approved construction decision based on a feasibility study and consensus metal prices at the time
- Funds can be utilised for advancing the Project and business expenses for Tiernan

The \$15 million payment was funded into escrow, subject to customary closing conditions, with the execution of the Agreement and upon funding (anticipated to occur in August 2023), Tiernan will be fully funded for the next phases of work on the Project.

#### Engagement of Canaccord Genuity Corp.

Tiernan has engaged Canaccord Genuity Corp. ("Canaccord Genuity") as exclusive financial advisor to evaluate a range of alternatives to maximize the value of Tiernan and the Project for Hochschild, which could include a sale of the Company or its assets, merger or business combination with another party or other strategic alternatives.

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#### About Hochschild Mining PLC

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

#### Forward looking statements

This announcement may contain forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining PLC may, for various reasons, be materially different from any future results, performance or achievements expressed or implied by such forward looking statements.

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

<sup>[1]</sup> For further information refer to Hochschild's Ore Reserves and Mineral Resource Estimates as at 31 December 2022 on page 207 of the Hochschild Mining PLC Annual Report & Accounts 2022.

<sup>[2]</sup> For further information refer to the report entitled "Volcan Project - NI 43-101 Technical Report on Preliminary Economic Assessment" with an effective date of March 15, 2023. The report can be found on the website of Tiernan Gold at [www.tiernangold.com](http://www.tiernangold.com)

<sup>[3]</sup> Cash Costs are defined as mining costs + processing costs - mineral G&A - corporate income credit - refining charges and royalties over taxable gold ounces

Cash Costs are defined as mining costs, processing costs, maintenance costs, copper revenue costs, refining charges and royalties over payable gold ounces  
14 All-in-Sustaining Costs are defined as Cash Costs plus sustaining capital and closure costs over payable gold ounces

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