

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your Hochschild Mining plc Ordinary Shares, please send this document, together with the accompanying form of proxy and other accompanying documents, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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## **Hochschild Mining plc**

*Incorporated and registered in England and Wales No. 05777693*

*(the "Company" or "Hochschild Mining")*

# **Proposed Restricted Share Plan and Notice of Extraordinary General Meeting**

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**This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Hochschild Mining's Remuneration Committee which is set out on pages 2 and 3 of this document and which recommends you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting ("EGM") referred to below.**

Notice of an EGM of Hochschild Mining to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom at 10 a.m. on 29 December 2014 is set out at the end of this document (the "Notice of EGM"). A form of proxy for use at the EGM is enclosed and, to be valid, should be completed, signed and returned so as to be received by the Company's registrars, Capita Asset Services, at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom as soon as possible but, in any event, so as to arrive no later than 10 a.m. on 27 December 2014. Completion and return of a form of proxy will not prevent shareholders from attending and voting in person should they wish to do so. A summary of the action to be taken by the shareholders is set out on page 3 of this document and in the Notice of EGM.

## TABLE OF CONTENTS

	<b>Page</b>
Letter from the Chairman of Hochschild Mining plc's Remuneration Committee (the "Remuneration Committee") . . . . .	2
Notice of EGM . . . . .	4
Appendix – Key Terms of the Hochschild Mining plc Restricted Share Plan . . . . .	7

**LETTER FROM THE  
CHAIRMAN OF THE REMUNERATION COMMITTEE**

**Hochschild Mining plc**

*(Incorporated and registered in England and Wales under number 05777693)*

*Directors:*

Eduardo Hochschild (*Executive Chairman*)  
Roberto Dañino (*Deputy Chairman & Special Adviser*)  
Ignacio Bustamante (*Chief Executive Officer*)  
Enrico Bombieri (*Senior Independent Director*)  
Sir Malcolm Field (*Non-Executive Director*)  
Nigel Moore (*Non-Executive Director*)  
Dr Graham Birch (*Non-Executive Director*)  
Jorge Born Jr. (*Non-Executive Director*)

*Registered Office:*

23 Hanover Square  
London  
W1S 1JB

10 December 2014

Dear Shareholder

**Hochschild Mining plc Restricted Share Plan (the “Restricted Share Plan” or the “Plan”)**

*Background*

Retention of senior personnel has become a matter of critical importance for Hochschild Mining due to the Company’s limited capacity to offer competitive remuneration packages as a result of its on-going cost-cutting programme.

The sudden and unprecedented falls in precious metal prices starting in April 2013 were largely unforeseen by the industry and necessitated the implementation of a cost-cutting programme of over US\$300 million, which, amongst other things, led to reductions in bonus awards and senior management salaries. Furthermore, based on current projections, the Company’s outstanding long-term incentive awards are tracking at nil vesting due to the fact that Hochschild Mining’s ordinary shares (“Shares”) are unlikely to outperform the larger and more diversified miners in a depressed precious metals’ cycle.

The Company is now facing the repercussions of this trading environment which is made all the more challenging from a retention perspective by the increased competition for mining professionals driven by those companies in the Americas which have not been as impacted by the downturn in prices, such as those producing base metals.

The members of the Remuneration Committee and the Chairman, our majority shareholder, believe that it is imperative to retain the current management team, who are best placed to ensure that long-term value is delivered to shareholders. The CEO and the wider senior management team have the in-depth sector knowledge, key relationships with business partners, communities and staff and the required skills to drive the Company forward at this critical time. The Remuneration Committee feels that the strength of the management team is ably demonstrated by the higher than anticipated level of savings achieved over the past 12 months and the additional savings expected to accrue in 2015.

The Remuneration Committee is acutely aware of the high costs of replacing senior managers in the current market, the paucity of talent at the executive level in the mining sector, and the associated risks of bringing new senior hires into a well-functioning management team.

*Proposed Restricted Share Plan*

With this in mind, the Directors of the Company are seeking shareholder approval at an Extraordinary General Meeting (“EGM”) for a new share incentive plan, the Hochschild Mining plc Restricted Share Plan, to ensure key executives remain at the Company. Awards will be made under the Restricted Share Plan only once – shortly after obtaining shareholder approval at the EGM. It is intended that awards will be granted to the Chief Executive Officer (“CEO”) and 13 other selected senior individuals. The Executive Chairman will not participate in the Plan.

The proposal is to grant awards under the Plan of 500% of salary (equivalent to 100% p.a.) to the CEO and up to that amount to 13 other selected key executives, with awards settled through new-issue Shares. These awards will vest as to 20% after each of 2, 3 and 4 years and as to 40% after 5 years, and will be subject to continued employment and satisfactory performance of the individual.

The approximate total value of the Shares to be issued under the Plan is US\$12 million which, using the average Share price over the past three months and the exchange rate at the latest practicable date prior to publication of this document, equates to approximately 6.43 million Shares; the equivalent of approximately 1.75% of the Company's issued share capital (over the five year vesting period).

Provisions for leavers and on a change-of-control are aligned with best market practice. In addition, unvested awards will be subject to clawback, including potential reduction in the event that corporate or the participant's individual performance justifies such an adjustment at the Remuneration Committee's discretion.

The key terms of the Restricted Share Plan are set out in the appendix to this document.

In response to shareholder feedback, the Remuneration Committee is happy to confirm that on an improvement in market conditions, a review of the Company's shareholding guidelines will be commissioned. Under these guidelines, the CEO is currently required to retain an investment in the Company's Shares following the vesting of awards under the Long Term Incentive Plan and Enhanced Long Term Incentive Plan until a holding equivalent to two times' salary is reached.

#### *Recommendation*

The Directors (excluding, for the avoidance of doubt, the CEO) therefore believe the Restricted Share Plan and the proposed awards to be in the best interests of shareholders as a whole and, accordingly, recommend that shareholders vote in favour of the resolutions to be proposed at the EGM as they intend to do in respect of their own beneficial holdings which, as at 8 December 2014, being the latest practicable date prior to publication of this document, amounted in total to 199,584,557 Shares, representing 54.4% of the existing issued share capital of the Company.

In accordance with the Listing Rules of the UK Listing Authority, the Restricted Share Plan is subject to the approval of shareholders by the passing of an ordinary resolution (requiring a majority of the votes cast in favour) at the EGM. In addition, the Company's remuneration policy does not contemplate the proposed awards and so specific approval is also being sought for the proposed award to the CEO described above. A notice convening the EGM to be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom on 29 December 2014 at 10 a.m. is set out on the following page.

#### *Action to be Taken*

You will find enclosed with this document a form of proxy for use at the EGM. Whether or not you propose to be present at the EGM, you are requested to complete and sign the form of proxy, in accordance with the instructions printed thereon, and return it to the Company's Registrars, at the address shown on the form of proxy, to arrive as soon as possible and, in any event, not later than 10 a.m. on 27 December 2014. The return of a form of proxy will not prevent you from attending the meeting and voting in person if you wish.

CREST members may also choose to utilise the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of EGM.

#### *Further Reductions in Board Remuneration*

Finally, in recognition of the current weak precious metal environment and the Directors' continued wish to set an example with the cost initiatives, the Company has announced today further reductions in Board remuneration with effect from 1 January 2015. From that date, Non-Executive Directors' fees will be further reduced by almost 30%, and, Roberto Dañino, Deputy Chairman, has waived the fee payable to him as Special Adviser to the Group. The Company has also announced that Eduardo Hochschild will assume a Non-Executive role and, as a result, his fixed remuneration will be reduced by approximately 60%.

Yours sincerely

Jorge Born Jr.  
Chairman, Remuneration Committee

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### Hochschild Mining plc

*(Incorporated and registered in England and Wales No. 05777693)*

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of Hochschild Mining plc (the "Company") will be held at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ, United Kingdom on 29 December 2014 at 10 a.m. to consider and, if thought fit, pass the following ordinary resolutions. Capitalised terms not defined below are references to those terms as defined in the circular to shareholders dated 10 December 2014.

#### Ordinary resolutions

1. THAT, the Hochschild Mining plc Restricted Share Plan (the main features of which are summarised in the appendix to the shareholders' circular dated 10 December 2014 and the rules of which, initialled by the Chairman of the Remuneration Committee for the purposes of identification, are produced to the meeting) (the "RSP") be approved and adopted.
2. THAT, the proposed RSP award to the Chief Executive Officer over Shares with a value equal to five times his basic salary be approved.

By order of the Board,

R.D. Bhasin  
Company Secretary

10 December 2014

Registered office:  
23 Hanover Square  
London  
W1S 1JB

#### Notes

1. A member is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the Extraordinary General Meeting ("EGM"). A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the EGM provided that each proxy is appointed to exercise the rights attached to a different Ordinary Share of the Company ("Share") or Shares held by that member. To appoint more than one proxy, please follow the notes contained in the proxy form.
2. The right to appoint a proxy does not apply to persons whose Shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the member who holds the Shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the Shares as to the exercise of voting rights.
3. A form of proxy is enclosed. Completion and return of a form of proxy will not prevent a member from subsequently attending the EGM and voting in person.
4. To appoint a proxy either (a) the form of proxy and any power of attorney or other authority under which it is signed (or a duly certified copy of any such power or authority) must be sent to the Company's Registrars, Capita Asset Services ("Capita"), at The Registry, 34 Beckenham Road, Beckenham, BR3 4TU, United Kingdom or (b) the proxy appointment must be lodged using the CREST Proxy Voting Service in accordance with notes 6-9 below, in both cases, not less than 48 hours before the time of the holding of the EGM or any adjournment thereof.

5. Entitlement to attend and vote at the EGM, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's register of members at 6.00 p.m. on 27 December 2014 or if the meeting is adjourned, at 6.00 p.m. on the day two days prior to the day fixed for the adjourned meeting (as the case may be). In each case, changes to the register of members after such time on the relevant date shall be disregarded in determining the rights of any person to attend and vote at the EGM.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the EGM and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message must, in order to be valid (regardless of whether it constitutes the appointment of a proxy, the revocation of a proxy appointment or an amendment to the instruction given to a previously appointed proxy), be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for receipt of proxy appointments specified in Note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy appointed through CREST should be communicated to him by other means.
8. CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same Shares.
11. Holders of Shares are entitled to attend and vote at general meetings of the Company. The total number of issued Shares in the Company on 8 December 2014, which is the latest practicable date before the publication of this Notice of EGM, is 367,101,352, carrying one vote each on a poll. Therefore, the total number of votes exercisable as at 8 December 2014 is 367,101,352.
12. Copies of the rules of the Restricted Share Plan may be inspected at the offices of Linklaters LLP, One Silk Street, London EC2Y 8HQ during usual business hours on weekdays (Saturdays and public holidays excluded) until the date of the EGM and also at the place of the EGM for at least 15 minutes prior to, and during, the meeting.
13. Any member with special needs wishing to attend the EGM should contact the Company's London office on +44 (0) 20 3714 9042, so that appropriate arrangements can be made.
14. Persons who are not members of the Company will not be admitted to the EGM unless prior arrangements have been made with the Company. Investors holding Shares through nominees are welcome to attend provided that they bring proof of their holding with them to the EGM (see notes 1 and 2 above).
15. Members should note that doors to the EGM will open at 9.45 a.m.

16. Please note that, for security reasons, all hand luggage may be subject to examination prior to entry being granted to the EGM. Cameras, tape recorders, laptop computers and similar equipment may not be taken into the EGM.
17. We ask all those present at the EGM to facilitate the orderly conduct of the meeting and the Company reserves the right, if orderly conduct is threatened by a person's behaviour, to require that person to leave.
18. Members may not use any electronic address provided in either this Notice of EGM or any related documents (including the Remuneration Committee Chairman's letter and form of proxy) to communicate with the Company for any purposes other than those expressly stated.
19. Any member attending the EGM has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
20. A copy of this Notice of EGM, and other information required by Section 311A of the Companies Act 2006, can be found at [www.hochschildmining.com](http://www.hochschildmining.com) and is available for inspection by shareholders at the company's registered office until the next annual general meeting and at the EGM.
21. The resolutions to be put to the meeting will be voted on by poll and not by show of hands. A poll reflects the number of voting rights exercisable by each member and so the Board considers it a more democratic method of voting. Members and proxies will be asked to complete a poll card to indicate how they wish to cast their votes. These cards will be collected at the end of the meeting. The results of the poll will be published on the Company's website and notified to the UK Listing Authority once the votes have been counted and verified.

**APPENDIX**  
**KEY TERMS OF THE RESTRICTED SHARE PLAN**

**1 Granting awards**

The rules allow the Company to grant awards to any employee (including an executive director) of the Company or any of its subsidiaries. However, it is intended that awards will be granted only to the CEO and 13 other selected key executives. The Executive Chairman will not participate.

The award to the CEO will be over Ordinary Shares of the Company (“Shares”) with a market value equal to five times his basic salary at around the date of award. Grants to other executives will be over the same or a lower multiple of their base salary.

Awards can only be granted within 42 days of the date of the EGM, though that period may be extended if legal restrictions prevent the grant of awards during that period.

**2 Performance Conditions**

Awards will vest subject to continued employment of the participant on the relevant vesting dates and his/her satisfactory performance.

**3 Vesting**

Subject to the performance conditions outlined above and clawback, awards will vest as to 20% of the Shares on each of the second, third and fourth anniversaries of grant and as to the remaining 40% on the fifth anniversary.

To the extent that an award vests, the Shares are issued or transferred to the participant for free.

**4 Clawback**

The number of Shares in respect of which an award can vest on any date may be reduced (including to nil) if the Remuneration Committee considers that corporate or the participant’s individual performance justifies such an adjustment.

**5 Leaving employment**

If a participant leaves employment before vesting, his award will normally lapse. However, if he leaves in special circumstances such as death, injury, ill-health or disability, redundancy, sale of his employer or in other circumstances if the Remuneration Committee so decides, the award will vest on leaving but the number of Shares will be reduced on a pro-rata basis to reflect the fact that the award is vesting early.

**6 Takeovers, mergers and other re-organisations**

Awards will normally vest on a change of control but the number of Shares will be reduced on a pro-rata basis to reflect the fact that the award is vesting early. Alternatively, the Remuneration Committee can allow or require awards to be exchanged for equivalent awards in any company which acquires the Company.

Awards can also vest or be exchanged on the same basis if there is a scheme of arrangement, general offer, demerger, delisting, special distribution or similar transaction.

**7 Plan limits**

In any ten year period, the number of Shares which may be issued under the Restricted Share Plan and under any other discretionary share plan adopted by the Company may not exceed five per cent of the issued ordinary share capital of the Company from time to time.

For the purposes of these limits, treasury Shares will be treated as newly issued until such time as guidelines published by institutional investor representative bodies determine otherwise.



## **8 Changes to the Restricted Share Plan**

The Directors can amend the Restricted Share Plan in any way but shareholder approval will be required to amend certain provisions to the advantage of participants. These provisions relate to: eligibility; individual and plan limits; rights attaching to awards; adjustments on variation in the Company's share capital; and the amendment power.

The Directors can, without shareholder approval, change the Restricted Share Plan to obtain or maintain favourable tax treatment; make certain minor amendments e.g. to benefit the administration of the Restricted Share Plan.

## **9 General**

Awards may be satisfied using newly issued Shares, treasury Shares or Shares purchased in the market.

Any Shares issued pursuant to awards will rank equally with Shares in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

The number or kind of shares subject to awards may be adjusted following a rights issue, demerger, delisting, special dividend or other variation in the share capital of the Company or other similar event.

Awards are not pensionable or transferable.

