

Report on Payments to Governments 2016

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progress...*

HOCHSCHILD MINING PLC

## Introduction

This Report provides an overview of the payments to governments made by Hochschild Mining plc and its subsidiaries (hereinafter referred to as “Hochschild”) in 2016 as required under the UK’s Report on Payments to Governments Regulations 2014 (as amended) (the “UK Regulations”). The UK Regulations apply to large UK incorporated companies like Hochschild that are involved in the exploration, prospection, discovery, development and extraction of minerals. This Report is also intended to satisfy the requirements of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

## Basis for preparation

*Legislation:* This Report is prepared in accordance with the UK Regulations.

*Reporting entities:* This Report includes payments to governments made by Hochschild Mining plc and its subsidiary undertakings (“Hochschild”).

*Activities:* Payments made by Hochschild to governments arising from activities involving the exploration, prospection, discovery, development and extraction of minerals (“extractive activities”) are disclosed in this Report. For a fully integrated project, which does not have an interim contractual cut off point where a value can be attached or ascribed separately to the extractive activities and to other processing activities, payments to governments will not be artificially split but disclosed in full.

*Government:* Government includes any national, regional or local authority of a country, and includes a department, agency or entity that is a subsidiary of a government.

*Project:* Payments are reported at project level except that payments that are not attributable to a specific project or are in respect of obligations imposed at entity level are reported by entity. Project is defined as operational activities which are governed by a single contract, licence, lease, concession or similar legal agreement, and form the basis for payment liabilities with a government. If such agreements are substantially interconnected, those agreements are to be treated as a single project. “Substantially interconnected” means forming a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government giving rise to payment liabilities. Such agreements can be governed by a single contract, joint venture or other overarching legal agreement. Indicators of integration include, but are not limited to, geographic proximity, the use of shared infrastructure and common operational management.

*Payment:* Of the types of payments required to be reported on under the UK Regulations, the payments made by Hochschild in 2016 fall within the following categories:

- **Taxes:** These are taxes paid by Hochschild on its income, profits or production (which include resource severance tax), including those settled by a government on behalf of Hochschild under a tax-paid concession. Payments are reported net of refunds. Consumption taxes, personal income taxes, sales taxes, property and environmental taxes are excluded.

- **Royalties:** These are payments for the rights to extract mineral resources, typically at set percentage of revenue less any deductions that may be taken.
- **Licence fees, rental fees, entry fees and other considerations for licences and/or concessions (“Fees”):** These are fees and other sums paid as consideration for acquiring a licence for gaining access to an area where extractive activities are performed. Administrative government fees that are not specifically related to the extractive sector, or to access to extractive resources, are excluded. Also excluded are payments made in return for services provided by a government.

#### OTHER

**Operatorship:** When Hochschild makes a payment directly to a government arising from a project, regardless of whether Hochschild is the operator, the full amount paid is disclosed even where Hochschild as the operator is proportionally reimbursed by its non-operating venture partners through a partner billing process (cash-call).

**Cash and in-kind payments:** Payments are reported on a cash basis. There were no in-kind payments made in respect of the reporting year.

**Materiality Level:** For each payment type, total payments below £86,000 to a government are excluded from this Report.

**Exchange Rate:** Payments made in currencies other than US Dollars are translated for the purposes of this Report using the exchange rate on the date of payment.

## 1. SUMMARY OF PAYMENTS TO GOVERNMENT (Unaudited) (in USD)

Countries	Taxes	Royalties	Fees	Total
Peru	4,291,207	9,963,957	3,455,952	17,711,116
Argentina	3,047,544	5,754,601	1,228,229	10,030,374
Chile	-	-	203,940	203,940
<b>Totals</b>	<b>\$7,338,751</b>	<b>\$15,718,558</b>	<b>\$4,888,121</b>	<b>\$27,945,430</b>

## 2. PAYMENTS BY COUNTRY (Unaudited)

### (a) Peru

#### - By Government Department (in USD)

	Taxes	Royalties	Fees	Total
Superintendencia Nacional de Administración Tributaria	4,291,207	9,963,957	-	14,255,164
Instituto Geológico Minero y Metalúrgico	-	-	3,455,952	3,455,952
<b>Totals</b>	<b>\$4,291,207</b>	<b>\$9,963,957</b>	<b>\$3,455,952</b>	<b>\$17,711,116</b>

#### - By Entity/Project (in USD)

	Taxes	Royalties	Fees	Total
<b>Entity</b>				
Compañía Minera Ares S.A.C.	4,291,207	9,963,957	445,362	14,700,526
<b>Project</b>				
Arcata	-	-	146,611	146,611
Ares	-	-	453,718	453,718
Inmaculada	-	-	181,015	181,015
Selene	-	-	689,167	689,167
Pallancata	-	-	187,482	187,482
Azuca	-	-	1,062,204	1,062,204
Crespo	-	-	290,393	290,393
<b>Totals</b>	<b>\$4,291,207</b>	<b>\$9,963,957</b>	<b>\$3,455,952</b>	<b>\$17,711,116</b>

**(b) Argentina (in relation to the San Jose mine)**

- By Government Department (in USD)

	<b>Taxes</b>	<b>Royalties</b>	<b>Fees</b>	<b>Total</b>
Tesorería General de la Provincia de Santa Cruz	-	-	134,564	<b>134,564</b>
Consejo Agrario Provincial	-	-	1,093,665	<b>1,093,665</b>
Administración General de Ingresos Públicos	3,047,544	-	-	<b>3,047,544</b>
Rentas Generales de la Provincia de Santa Cruz	-	5,754,601	-	<b>5,754,601</b>
<b>Totals</b>	<b>\$3,047,544</b>	<b>\$5,754,601</b>	<b>\$1,228,229</b>	<b>\$10,030,374</b>

- By Entity (in USD)

	<b>Taxes</b>	<b>Royalties</b>	<b>Fees</b>	<b>Total</b>
Minera Santa Cruz S.A.	3,047,544	5,754,601	1,228,229	10,030,374
<b>Totals</b>	<b>\$3,047,544</b>	<b>\$5,754,601</b>	<b>\$1,228,229</b>	<b>\$10,030,374</b>

**(c) Chile (in relation to the Volcan Project)**

- By Government Department (in USD)

	<b>Taxes</b>	<b>Royalties</b>	<b>Fees</b>	<b>Total</b>
Tesorería General de la República	-	-	203,940	203,940
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>\$203,940</b>	<b>\$203,940</b>

- By Entity (in USD)

	<b>Taxes</b>	<b>Royalties</b>	<b>Fees</b>	<b>Total</b>
Andina Minerals Chile Ltd	-	-	203,940	203,940
<b>Totals</b>	<b>-</b>	<b>-</b>	<b>\$203,940</b>	<b>\$203,940</b>