HOCHSCHILD MINING

15 August 2018

Hochschild Mining plc
Interim Results for the six months ended 30 June 2018

2018 Interim Results Highlights

- Revenue of $372.3 million (H1 2017: $340.8 million)[1]
- Adjusted EBITDA of $161.9 million (H1 2017: $136.0 million)[2]
- Pre-exceptional profit before income tax of $54.9 million (H1 2017: $28.9 million)
- Post-exceptional profit before income tax of $38.6 million (H1 2017: $38.9 million)
- Adjusted basic earnings per share of $0.05 (H1 2017: $0.03)[3]
- Cash and cash equivalent balance of $141.7 million as at 30 June 2018 (31 December 2017: $257.0 million)
- Net debt of $67.3 million as at 30 June 2018 (31 December 2017: $102.8 million)
- Interim dividend up 42% at 1.965 cents per share totalling $10.0 million (H1 2017: 1.38 cents per share totalling $7.0 million)

Exploration programme delivering exciting results

- Inmaculada drilling programme has added 800,000 gold or 59.2 million silver equivalent ounces of inferred resources year-to-date
  - Further update in Q4 2018
- Encouraging results being delivered at Arcata – mine developments being prioritised over inferred resource additions
- San Jose drilling set to restart in September after poor seasonal weather conditions
- Good progress on permitting for 2019 drilling programme at Pallancata

H1 2018 operational delivery in line with guidance

- All-in sustaining costs from operations of $11.9 per silver or $880 per gold equivalent ounce (H1 2017: $12.0 per silver or $892 per gold equivalent ounce)
- Production of 19.9 million attributable silver or 268,237 attributable gold equivalent ounces (H1 2017: 17.9 million attributable silver or 242,208 attributable gold equivalent ounces)[4]
- Inmaculada AISC per gold equivalent ounce of $615 (H1 2017: $651)
- Record production of 138,427 gold equivalent ounces at Inmaculada (H1 2017: 115,547 ounces)

H2 2018 Outlook

- On track to deliver attributable production target of 38.0 million silver equivalent ounces for 2018 (514,000 gold equivalent ounces)
- All-in sustaining costs for 2018 expected to be in line with $13.0-13.4 per silver equivalent ounce ($960-$990 per gold equivalent ounce) target

$000 unless stated	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Attributable silver production (koz)	**9,674**	8,938	8
Attributable gold production (koz)	**138**	121	14
Revenue	**372,328**	340,796	9
Adjusted EBITDA	**161,906**	135,996	19
Profit from continuing operations (pre-exceptional)	**22,242**	18,246	22
Profit from continuing operations (post-exceptional)	**10,718**	27,543	(61)
Basic earnings per share (pre-exceptional) $	**0.05**	0.03	67
Basic earnings per share (post-exceptional) $	**0.03**	0.05	(40)

[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]Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs, foreign exchange loss/(gain) and income tax plus depreciation, and exploration expenses other than personnel and other exploration related fixed expenses and other non-cash (income)/expenses
[3]On a pre-exceptional basis
[4]All equivalent figures assume the average gold/silver ratio of 74:1

Ignacio Bustamante, Chief Executive Officer said:

"Hochschild Mining has delivered a strong first half performance with record production at Inmaculada and a very solid performance on the costs front leaving us on track to achieve our 2018 targets. Our brownfield programme has started to generate some exciting results with the key achievement of the addition of 800,000 gold equivalent ounces (59.2 million silver equivalent ounces) of resources at Inmaculada as well as good progress at Arcata. We have also been able to advance our debt repayment programme with the refinancing and repayment of our bond to put the Company in a strong financial position to execute the brownfield plan and growth strategy.

Safety

In my statement that accompanied the 2017 Full Year Results, I discussed the establishment of our Safety Culture Transformation Plan (Plan) which is a tailored, multi-faceted programme that includes a number of initiatives to reinforce our safety-first culture. Amidst this Company-wide effort, I am deeply saddened to report that two accidents occurred during the first half of 2018 which claimed the lives of three workers. In keeping with Company practice, detailed investigations were carried out and resulting recommendations have been incorporated into the Plan. These incidents serve to highlight the importance of our continuous efforts to prioritise safety in order to create a zero-harm working environment and I am therefore encouraged to report that in H1 2018, there have been significant reductions in the Lost Time Injury Frequency Rate and the number of high potential safety events when compared to the same period of 2017.

Operations

Hochschild's mines enjoyed a record half of production with Inmaculada and Pallancata demonstrating particularly strong results as the Company's output rose to 19.9 million silver equivalent ounces (268,237 gold equivalent ounces). Thies represents an 11% improvement on the first half of last year and puts us on track to meet our full year target of 38 million silver equivalent ounces (514,000 gold equivalent ounces). Inmaculada's output of 138,427 gold equivalent ounces was characterised by strong grades and boosted by inventory in process at the beginning of the year leaving the mine well ahead of the run rate to meet its forecasted 235,000 ounces. All-in sustaining costs at $615 per gold equivalent ounce were low reflecting the good operational performance but also some second-half phasing of capital expenditure which we expect will raise the number to the forecast full year levels ($700-$750 per gold equivalent ounce).

At Pallancata, better grades from developments, ancillary veins and from the new Pablo vein (currently in its ramp-up phase) have increased production and lowered costs allowing the operation to deliver 4.2 million silver equivalent ounces at an all-in sustaining cost of 12.0 per silver equivalent ounce. Finally, both San Jose and Arcata's output was in line with expectations in the first half with San Jose's unit costs helped by the significant Argentine peso devaluation (offsetting high local inflation), whilst Arcata remained in a transitional phase emphasising the need for our current brownfield programme to deliver high quality accessible new resources.

Exploration

The key achievement of our 2018 brownfield plan to date has been the successful start of the comprehensive exploration programme at Inmaculada. The Company has begun by drilling an area to the south east of the Angela vein and has confirmed the presence of a considerable number of structures including the Millet, Divina and Lola veins, all in close proximity to the current mine infrastructure. So far, approximately 800,000 gold equivalent ounces (59.2 million silver equivalent ounces) of inferred resources have been added, a highly encouraging result which confirms the strong early potential in this district. The current campaign is continuing with at least 10,000 metres still to be drilled in 2018 and we expect to provide a further update in the fourth quarter. In addition, several targets have been already identified to form the basis of the 2019 programme.

At Arcata, encouraging results have been achieved so far this year with drilling to the north of current mining infrastructure and we have therefore decided to prioritise underground development over inferred resource additions with the aim of rapid incorporation into the mine plan and an improvement in the mine's output and economic results. At San Jose, some positive drilling results were achieved close to the current deposit before severe winter weather disrupted the programme whilst at Pallancata, good progress has been made in permitting to prepare for the 2019 plan, which includes a number of highly promising targets to the south of the current mine.

Financial results

Production and the gold price achieved in the first half both increased versus H1 2017 and were offset only by a lower silver price and therefore revenue rose by 8% to $372 million (H1 2017: $341 million). This together with a small reduction achieved in the operational all-in sustaining cost to $11.9 per silver equivalent ounce (H1 2017: $12.0 per ounce) has led to Adjusted EBITDA rising in the period to $162 million (H1 2017: $136 million). Despite the increased tax charge and foreign exchange loss offsetting the effects of the reduction in interest costs, pre-exceptional earnings per share increased to $0.05 whilst the payment of the premium of $11 million to redeem the senior notes in January along with the payment reversal of capitalised bond issuance costs (both treated as exceptional) led to post-exceptional earnings per share of $0.03.

Financial position

Our balance sheet is now the strongest it has been in over four years with the repayment of our bonds in January and the refinancing of a portion of that debt at much lower rates. The first half cashflow from operations also continued to be strong with our net debt position falling still further. Cash and cash equivalents stood at approximately $142 million at the end of

June leading to a net debt position of $67 million (31 December 2017: $102.8 million) and a ratio of net debt to annual Adjusted EBITDA currently at 0.21x.

Outlook

Precious metal prices are currently nearing the bottom of their recent trading range. However, Hochschild's operational performance combined with a strong balance sheet, exciting early results from our brownfield programme, a significant recent devaluation in the Argentine peso and no current hedges in place leave us in a beneficial position. The Board has declared an interim dividend of 1.965 cents per share ($10 million) reflecting the ongoing progress in our long term growth strategy as well as the positive steps made in the year-to-date."

A live conference call & audio webcast will be held at 2.30pm (London time) on Wednesday 15 August 2018 for analysts and investors. For a live webcast of the presentation please click on the link below:
https://edge.media-server.com/m6/p/2kg5v937

Conference call dial in details:
UK: +44 (0)330 336 9125 (Please use the following confirmation code: **2785932**).

A recording of the conference call will be available for one week following its conclusion, accessible from the following telephone number:
UK: +44 (0)20 7660 0134(Passcode: **2785932**)
The On Demand version of the webcast will be available within two hours after the end of the presentation and is accessible using the same webcast link.

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OPERATING REVIEW

OPERATIONS

Note: silver/gold equivalent production figures assume a gold/silver ratio of 74:1.

Production

In H1 2017, Hochschild delivered a new record half of attributable production with 268,237 gold equivalent ounces or 19.9 million silver equivalent ounces primarily driven by significant increases at Inmaculada and Pallancata, as well as another consistent result from the 51% owned San Jose mine.

TOTAL GROUP PRODUCTION

	Six months to 30 June 2018	Six months to 30 June 2017	% change
Silver production (koz)	**11,135**	10,429	7
Gold production (koz)	**160.47**	144.27	11
Total silver equivalent (koz)	**23,010**	21,105	9
Total gold equivalent (koz)	**310.94**	285.21	9
Silver sold (koz)	**11,067**	10,508	5
Gold sold (koz)	**158.01**	143.42	10

Total production includes 100% of all production, including production attributable to Hochschild's joint venture partner at San Jose.

ATTRIBUTABLE GROUP PRODUCTION

	Six months to 30 June 2018	Six months to 30 June 2017	% change
Silver production (koz)	**9,674**	8,938	8
Gold production (koz)	**137.51**	121.43	13
Silver equivalent (koz)	**19,850**	17,923	11
Gold equivalent (koz)	**268.24**	242.21	11

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

Costs

All-in sustaining costs from operations in H1 2018 was $881 per gold equivalent ounce or $11.9 per silver equivalent ounce (H1 2017: $888 per gold equivalent ounce or $12.0 per silver equivalent ounce), driven by Inmaculada's 6% half-on-half decline in addition to a better than expected result from Pallancata.

The Company is maintaining its guidance of all-in sustaining cost from operations in 2018 at between $960 and $990 per gold equivalent ounce (or $13.0 and $13.4 per silver equivalent ounce). Inmaculada's costs are expected to rise in the second half due to increased development capital expenditure following a successful first half of exploration. At Pallancata, the ramp-up to full production of the Pablo vein will increase tonnage but will process lower grades which will raise all-in sustaining costs slightly to the forecasted levels.

Inmaculada (Peru)

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

Inmaculada summary	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Ore production (tonnes)	**670,713**	614,352	9
Average silver grade (g/t)	**153**	142	8
Average gold grade (g/t)	**4.58**	4.04	13
Silver produced (koz)	**3,115**	2,644	18
Gold produced (koz)	**96.33**	79.82	21
Silver equivalent produced (koz)	**10,244**	8,550	20
Gold equivalent produced (koz)	**138.43**	115.55	20
Silver sold (koz)	**3,108**	2,642	18
Gold sold (koz)	**95.35**	78.32	22
Unit cost ($/t)	**83.5**	84.8	(2)
Total cash cost ($/oz Ag co-product)	**5.7**	6.6	(14)
All-in sustaining cost ($/oz Au Eq)	**615**	651	(6)

Production
Inmaculada produced 138,427 gold equivalent ounces in the first half, a 20% improvement on H1 2017 (115,547 gold equivalent ounces), driven by better than expected grades and a contribution from inventory in process from Q4 2017.

Costs
All-in sustaining costs were lower than forecast at $615 per gold equivalent ounce (H1 2017: $651 per ounce) mostly due to the impact of higher grades as well as the effect of the inventory in process (mentioned above). However, in the second half, costs are expected to normalise with capital expenditure increasing to access the new veins.

Pallancata (Peru)

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

Pallancata summary	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Ore production (tonnes)	**285,568**	192,744	48
Average silver grade (g/t)	**399**	440	(9)
Average gold grade (g/t)	**1.47**	1.82	(19)
Silver produced (koz)	**3,278**	2,439	34
Gold produced (koz)	**11.86**	9.79	21
Silver equivalent produced (koz)	**4,155**	3,163	31
Gold equivalent produced (koz)	**56.15**	42.75	31
Silver sold (koz)	**3,256**	2,437	34
Gold sold (koz)	**11.58**	9.72	19
Unit cost ($/t)	**101.9**	106.3	(4)
Total cash cost ($/oz Ag co-product)	**8.1**	8.4	(4)
All-in sustaining cost ($/oz)	**12.0**	10.9	10

Production
Current mining operations at Pallancata saw average grades from the mix of material from the Pablo vein, mine developments and ancillary veins continuing to be better than planned in the first half. This is expected to be only a temporary effect and will not continue once Pablo is fully ramped up. The operation produced 4.2 million silver equivalent ounces (H1 2017: 3.2 million ounces).

The ramp up of tonnage from Pablo continued in the first half although a small delay in the installation of the ventilation systems resulted in tonnage reaching approximately 1,900 tonnes per day by the end of June, slightly lower than the forecast 2,200 tonnes per day. The Company expects to achieve a run-rate of around 2,800 tonnes per day in the fourth quarter.

Costs
All-in sustaining costs at Pallancata in the first half were $12.0 per silver equivalent ounce (H1 2017: $10.9 per ounce). This better-than-expected result was due to higher grades from the mix of material from the Pablo vein, developments and ancillary veins, as mentioned above. All-in sustaining cost for the full year is still expected to be between $13.0 to $13.5 per

silver equivalent ounce with the lower grade Pablo vein scheduled to ramp up to full production of 2,800 tonnes per day in the fourth quarter.

San Jose (Argentina)

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

San Jose summary	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Ore production (tonnes)	**264,341**	250,396	6
Average silver grade (g/t)	**407**	436	(7)
Average gold grade (g/t)	**6.34**	6.60	(4)
Silver produced (koz)	**2,982**	3,044	(2)
Gold produced (koz)	**46.86**	46.62	1
Silver equivalent produced (koz)	**6,450**	6,494	(1)
Gold equivalent produced (koz)	**87.16**	87.75	(1)
Silver sold (koz)	**2,955**	3,168	(7)
Gold sold (koz)	**46.00**	47.43	(3)
Unit cost ($/t)	**241.6**	251.6	(4)
Total cash cost ($/oz Ag co-product)	**10.6**	11.0	(4)
All-in sustaining cost ($/oz)	**15.0**	14.4	4

Production
San Jose has once again experienced a steady half with tonnage slightly higher than the corresponding period of 2017 but this was partially offset by lower grades resulting in production of 6.5 million silver equivalent ounces, in line with the same period of 2017 (H1 2017: 6.5 million ounces).

Work on the $14 million hydraulic backfill project has progressed steadily in the first half although poor seasonal weather conditions have recently affected deliveries of materials and equipment. Testing of the completed pumping process is scheduled for August with full operation due in October.

Costs
All-in sustaining costs were $15.0 per silver equivalent ounce (H1 2017: $14.4 per ounce) with the increase versus last year due to ongoing high cost inflation in Argentina in addition to seasonally lower grades and the backfill project. These were partially offset by increased tonnage. Overall 2018 all-in sustaining costs are still expected to be between $14.0 to $14.5 per silver equivalent ounce with the full effects of the recent accelerating devaluation of the Argentinian peso already reducing unit costs.

Arcata (Peru)

The 100% owned Arcata underground operation is located in the Department of Arequipa in southern Peru. It commenced production in 1964.

Arcata summary	**Six months to 30 June 2018**	Six months to 30 June 2017	**% change**
Ore production (tonnes)	**188,522**	261,643	(28)
Average silver grade (g/t)	**326**	309	6
Average gold grade (g/t)	**1.01**	1.09	(7)
Silver produced (koz)	**1,760**	2,303	(24)
Gold produced (koz)	**5.42**	8.04	(33)
Silver equivalent produced (koz)	**2,161**	2,898	(25)
Gold equivalent produced (koz)	**29.21**	39.16	(25)
Silver sold (koz)	**1,748**	2,261	(23)
Gold sold (koz)	**5.08**	7.94	(36)
Unit cost ($/t)	**146.1**	119.7	22
Total cash cost ($/oz Ag co-product)	**14.7**	14.1	4
All-in sustaining cost ($/oz)	**19.3**	17.6	10

Production
Tonnage and grades at Arcata remained consistent throughout the first half of the year with the focus still on improving the cost position and increasing the quality of resources through the 2018 exploration programme, as well as other efficiency

and productivity measures. Total production for the half was 2.2 million silver equivalent ounces, which places the mine on track to meet the 2018 forecast of just over 4 million ounces.

Costs
In H1 2018, Arcata's all-in sustaining costs were $19.3 per silver equivalent ounce (H1 2017: $17.6 per ounce) reflecting the reduced tonnage versus this time last year as well as the higher than expected investment in the mine's exploration in the first half due to the good progress made with the drilling programme.

EXPLORATION

Inmaculada
Hochschild has continued the comprehensive surface drilling programme begun in November 2017 with the campaign focusing on the area to the East of the Angela vein. Almost 28,000 metres of mostly resource drilling has been carried out and initial inferred resources have been achieved. Selected results are listed below:

Vein	**Results**
Millet	MIL-17-008: 5.1m @ 1.8g/t Au & 72g/t Ag MIL-17-010: 9.9m @ 2.0g/t Au & 61g/t Ag MIL-18-013: 5.0m @ 6.7g/t Au & 43g/t Ag MIL-18-014: 14.3m @ 4.0g/t Au & 205g/t Ag MIL-18-015: 8.0m @ 1.3g/t Au & 75g/t Ag MIL-18-015: 3.1m @ 2.0g/t Au & 127g/t Ag MIL-18-018: 7.8m @ 2.6g/t Au & 37g/t Ag MIL-18-018: 4.2m @ 3.9g/t Au & 27g/t Ag MIL-18-019: 7.7m @ 1.8g/t Au & 78g/t Ag MIL-18-019: 3.8m @ 3.2g/t Au & 108g/t Ag MIL-18-024: 7.0m @ 2.4g/t Au & 135g/t Ag MIL-18-028: 3.1m @ 1.8g/t Au & 64g/t Ag MIL-18-029: 3.9m @ 1.8g/t Au & 121g/t Ag MIL-18-030: 4.8m @ 1.7g/t Au & 80g/t Ag
Vero	MIL-17-010: 9.3m @ 3.3g/t Au & 24g/t Ag
Divina	LOL-18-003: 12.0m @ 6.2g/t Au & 46g/t Ag LOL-18-004: 3.0m @ 3.7g/t Au & 23g/t Ag LOL-18-005: 2.2m @ 4.2g/t Au & 5g/t Ag LOL-18-006: 7.0m @ 2.3g/t Au & 28g/t Ag LOL-18-008: 3.7m @ 2.2g/t Au & 66g/t Ag LOL-18-010: 3.8m @ 2.3g/t Au & 53g/t Ag LOL-18-014: 2.9m @ 1.9g/t Au & 256g/t Ag LOL-18-014: 8.7m @ 1.3g/t Au & 93g/t Ag LOL-18-014: 9.3m @ 3.1g/t Au & 258g/t Ag
Lola	LOL-18-005: 8.8m @ 5.1g/t Au & 356g/t Ag LOL-18-006: 3.3m @ 1.8g/t Au & 55g/t Ag LOL-18-008: 4.0m @ 4.1g/t Au & 82g/t Ag
Lizina	LOL-18-006: 6.2m @ 2.9g/t Au & 16g/t Ag LOL-18-011: 1.0m @ 8.6g/t Au & 135g/t Ag
Olinda	LOL-18-001: 2.2m @ 2.7g/t Au & 225g/t Ag
Veronica	MIL-18-028: 3.5m @ 2.0g/t Au & 91g/t Ag

Resources (unaudited) from the above zones are estimates using metal price assumptions of $1,200 for gold and $16.5 per ounce for silver. So far, approximately 59.2 million silver equivalent ounces (800,000 gold equivalent ounces) of the Inferred category have been added to the Inmaculada resource base (see below table), all of which are close to the existing Inmaculada infrastructure with good widths and therefore represent significant low cost additions to the future Inmaculada mine plan.

Inferred Resources[5]

Vein	**Tonnes (t)**	**Avg. width (m)**	**Ag (g/t)**	**Au (g/t)**	**Ag Eq (g/t)**	**Ag Eq (moz)**
Millet	2,480,626	10.11	79	3.25	319	25.5
Divina	1,783,759	8.24	81	2.79	288	16.5
Lola	567,083	2.56	71	2.62	265	4.8
Veronica	537,548	6.04	82	3.76	360	6.2
Lizina	333,685	2.89	49	2.90	264	2.8
Alessandra	244,573	1.66	121	2.56	310	2.4
Olga	127,910	1.78	94	1.76	225	0.9
Total	**6,075,185**	**7.58**	**79**	**3.02**	**303**	**59.2**

[5] *Based on a cut-off grade of 135g/t silver equivalent for Millet and Divina veins and 169g/t for the remaining veins*

The programme is continuing in Q3 and 10,000m of drilling is planned for the Millet West, Divina West and Misterio structures with a further update on resources expected in the fourth quarter.

Arcata
At Arcata, an underground drilling programme for the year has been focused on areas close to the existing mine infrastructure with potential to be rapidly incorporated into the short-term Arcata mine plan. Such resources are being prioritised over inferred resource incorporation. Just over 13,000 metres of resource drilling was carried out in the Ruby 2, Ruby 3, Cristina, Rosalia, Pablito East, Veta X and Fryda veins whilst almost 9,000 metres of potential drilling was executed in the Tunel 4, Barbara, Tres Reyes, Silvia and Anomaly North structures. Selected results are listed below:

Vein	**Results**
Cristina	DDH-267-ST-18: 1.1m @ 1.3g/t Au & 454g/t Ag DDH-286-EX-18: 4.4m @ 0.4g/t Au & 145g/t Ag
Cristina Techo	DDH-279-ST-18: 1.0m @ 2.0g/t Au & 547g/t Ag
Fryda	DDH-267-ST-18: 1.2m @ 0.9g/t Au & 300g/t Ag
Pablito	DDH-239-DI-18: 1.0m @ 2.4g/t Au & 819g/t Ag DDH-267-ST-18: 1.2m @ 3.6g/t Au & 1,535g/t Ag DDH-279-ST-18: 1.4m @ 6.9g/t Au & 2,852g/t Ag
Pamela	DDH-286-EX-18: 1.3m @ 0.8g/t Au & 269g/t Ag
Rosalita	DDH-290-EX-18: 0.7m @ 1.2g/t Au & 372g/t Ag
Ruby 2	DDH-217-DI-18: 1.2m @ 0.7g/t Au & 236g/t Ag DDH-231-DI-18: 1.2m @ 0.7g/t Au & 317g/t Ag DDH-248-DI-18: 1.0m @ 2.3g/t Au & 1,003g/t Ag DDH-276-DI-18: 1.2m @ 1.4g/t Au & 547g/t Ag
Ruby 3	DDH-212-DI-18: 1.3m @ 0.7g/t Au & 396g/t Ag
Vein X	DDH-285-ST-18: 4.6m @ 3.0g/t Au & 2,714g/t Ag DDH-255-DI-18: 3.2m @ 1.3g/t Au & 447g/t Ag

In the third quarter, the programme will focus on 7,000m of drilling at the Ruby 2, Ruby 3 and Pamela (New) structures.

Pallancata
Approximately 1,000m of potential underground drilling was carried out in Pablo Sur structures with the campaign in this area continuing into the third quarter. Much of the focus for 2018 is currently on securing exploration permits for potential 2019 campaigns for the Pallancata East area, for the Cochaloma structures to the south east and for highly promising areas further to the south with good progress made to date.

San Jose
At San Jose, resources are expected to be added from the ongoing drilling campaign close to the mine infrastructure particularly from the Ayelen S.E., Molle and Odin veins. Almost 7,000 metres of drilling was executed before the winter weather disrupted progress. The targets were the Maia and Guadalupe structures in the south of the deposit. The team was also in the middle of executing a potential drilling campaign to the North West at the Aguas Vivas zone before the weather disruption. Selected results from the first half are provided below:

Vein	**Results**
Ayelen S.E. extension	SJD-1708: 2.4m @ 8.7g/t Au & 652g/t Ag SJD-1711: 4.9m @ 6.7g/t Au & 151g/t Ag
Odin	SJM-351: 1.1m @ 5.6g/t Au & 739g/t Ag
Perla	SJM-351: 0.3m @ 1.9g/t Au & 149g/t Ag
Molle	SJM-351: 2.6m @ 1.6g/t Au & 320g/t Ag
S.Odin	SJD-1737: 2.4m @ 6.8g/t Au & 778g/t Ag
Guadalupe	SJD-1737: 1.5m @ 5.4g/t Au & 525g/t Ag SJD-1725: 2.8m @ 6.0g/t Au & 13g/t Ag
Aguas Vivas	SJD-1703: 0.4m @ 0.3g/t Au, 7g/t Ag, 1.3% Pb & 2.8% Zn SJD-1704: 1.4m @ 0.5g/t Au, 32g/t Ag, 2.5% Pb & 1.6% Zn SJD-1704: 0.6m @ 3.4g/t Au, 14g/t Ag, 1.0% Pb & 0.6% Zn SJD-1704: 1.2m @ 2.3g/t Au, 13g/t Ag, 0.2% Pb & 0.3% Zn SJD-1705: 0.4m @ 0.2g/t Au, 3g/t Ag, 1.8% Pb & 3.5% Zn SJD-1705: 0.3m @ 0.3g/t Au, 12g/t Ag, 1.6% Pb & 1.7% Zn

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

Gross revenue from continuing operations increased by 7% to $386.4 million in H1 2018 (H1 2017: $359.5 million) due to an increase in sales of silver and gold in line with the increased production versus the same period of last year as well as a rise in the average gold price received.[6]

Silver

Gross revenue was flat in H1 2018 at $179.5 million (H1 2017: $180.1 million). The increase in the total amount of silver ounces sold to 11,067 koz (H1 2017:10,508 koz), which was driven by increases at Pallancata and Inmaculada, was offset by a decline at Arcata as well as a 5% decline in the average silver price received (see below).

Gold

Gross revenue from gold in H1 2018 increased to $206.9 million (H1 2017: $179.4 million) due to a 5% increase in the gold price received as well as a 10% rise in the total amount of gold ounces sold in H1 2018. The increase was due to higher production but also inventory in process relating to the prior year that was sold in 2018.

Gross average realised sales prices

The following table provides figures for average realised prices (before the deduction of commercial discounts) and ounces sold for H1 2018 and H1 2017:

Average realised prices	**Six months to 30 June 2018**	Six months to 30 June 2017
Silver ounces sold (koz)	**11,067**	10,508
Avg. realised silver price ($/oz)	**16.2**	17.1
Gold ounces sold (koz)	**158.01**	143.42
Avg. realised gold price ($/oz)	**1,309**	1,251

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 H1 2018, the Group recorded commercial discounts of $14.2 million (H1 2017: $18.9 million) with the decrease explained by the lower production from the concentrate-only Arcata mine. The ratio of commercial discounts to gross revenue in H1 2018 was 4% (H1 2017: 5%).

Net revenue

Net revenue was $372.3 million (H1 2017 $340.8 million), comprising net gold revenue of $203.4 million (H1 2017: $174.6 million) and net silver revenue of $168.8 million (H1 2017: $166.0 million). In H1 2018, gold accounted for 55% and silver 45% of the Company's consolidated net revenue (H1 2017: gold 51% and silver 49%) with the increase in the gold contribution due to an increase in sales from the Inmaculada mine and the rise in the average gold price received.

Revenue by mine[7]

$000	**Six months to 30 June 2018**	Six months to 30 June 2017	**% change**
Silver revenue			
Arcata	**28,550**	39,146	(27)
Inmaculada	**50,242**	44,880	12
Pallancata	**52,537**	40,928	28
San Jose	**48,186**	55,134	(13)
Commercial discounts	**(10,746)**	(14,078)	(24)
Net silver revenue	**168,769**	166,010	2
Gold revenue			
Arcata	**6,668**	10,088	(34)
Inmaculada	**125,432**	97,016	29
Pallancata	**14,962**	12,179	23
San Jose	**59,792**	60,091	-
Commercial discounts	**(3,499)**	(4,784)	(27)
Net gold revenue	**203,355**	174,590	16
Other revenue	**197**	196	1
Net revenue	**372,328**	340,796	9

[6] *Includes revenue from services*
[7] *Reconciliation of gross revenue by mine to Group net revenue*

Costs

Total cost of sales was $267.3 million in H1 2018 (H1 2017: $261.2 million). The direct production cost excluding depreciation was higher at $174.0 million (H1 2017: $157.2 million) in line with higher production volumes mainly due to the ramp up of the Pablo vein at Pallancata. Despite the production increases, the depreciation in production cost slightly decreased to $82.9 million (H1 2017: $83.8 million). Other items, which principally includes stoppage costs and personnel related provisions, declined to $0.9 million in H1 2018 (H1 2017: $2.6 million). Change in inventories was $ 9.4 million in H1 2018 (H1 2017: $17.6 million) due to a decrease in products in process and finished goods.

$000	**Six months to 30 June 2018**	Six months to 30 June 2017	**% Change**
Direct production cost excluding depreciation	**173,967**	**157,237**	11
Depreciation in production cost	**82,949**	**83,803**	(1)
Other items	**939**	**2,557**	(63)
Change in inventories	**9,404**	**17,601**	(47)
Pre-exceptional cost of sales	**267,259**	**261,198**	2

Unit cost per tonne

The Company reported unit cost per tonne at its operations of $124.5 per tonne in H1 2018, a 3% decrease versus H1 2017 ($127.8 per tonne) due to increased mined tonnage at Pallancata and the depreciation of the Argentine peso offsetting the decline in tonnage at Arcata.

Unit cost per tonne by operation (including royalties)[8]*:*

Operating unit ($/tonne)	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Peru	**98.7**	98.1	1
Arcata	**146.1**	119.7	22
Inmaculada	**83.5**	84.8	(2)
Pallancata	**101.9**	106.3	(4)
Argentina			
San Jose	**241.6**	251.6	(4)
Total	**124.5**	127.8	(3)

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[9]*:*

$000 unless otherwise indicated	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Group cash cost	**199,140**	196,415	1
(+) Cost of sales	**267,259**	261,198	2
(-) Depreciation and amortisation in cost of sales	**(86,579)**	(90,184)	(4)
(+) Selling expenses	**2,504**	5,194	(52)
(+) Commercial deductions[10]	**15,956**	20,207	(21)
Gold	***3,595***	*4,943*	*(27)*
Silver	***12,361***	*15,264*	(19)
Revenue	**372,328**	340,796	9
Gold	**203,355**	174,590	16
Silver	**168,769**	166,010	2
Others	**204**	196	4
Ounces sold			
Gold	**158.0**	143.4	10
Silver	**11,067**	10,508	5
Group cash cost ($/oz)			
Co product Au	**689**	702	(2)
Co product Ag	**8.2**	9.1	(10)
By product Au	**114**	106	8
By product Ag	**(0.7)**	1.6	(144)

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.

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

[9]*Cash costs are calculated to include cost of sales, treatment charges, and selling expenses before exceptional items less depreciation included in cost of sales*

[10]*Includes commercial discounts (from the sales of concentrate) and commercial discounts from the sale of dore*

All-in sustaining cost reconciliation

All-in sustaining cash costs per silver equivalent ounce

Six months to 30 June 2018

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San José	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	28,011	55,146	30,526	63,024	176,707	-	176,707
(+) Other items in cost of sales	-	-	-	939	939	-	939
(+) Operating and exploration capex for units	7,328	24,551	12,453	20,414	64,746	30	64,776
(+) Brownfield exploration expenses	1,126	314	645	1,962	4,047	1,340	5,387
(+) Administrative expenses (excl depreciation)	302	1,726	617	3,540	6,184	14,764	20,948
(+) Royalties and special mining tax[11]	-	1,755	627	-	2,383	1,771	4,154
Sub-total	**36,767**	**83,492**	**44,868**	**89,879**	**255,006**	**17,905**	**272,911**
Au ounces produced	5,418	96,329	11,862	46,859	160,468	-	160,468
Ag ounces produced (000s)	1,760	3,115	3,728	2,982	11,135	-	11,135
Ounces produced (Ag Eq 000s oz)	2,161	10,244	4,155	6,450	23,010	-	23,010
Sub-total ($/oz Ag Eq)	**17.0**	**8.2**	**10.8**	**13.9**	**11.1**	**-**	**11.9**
(+) Commercial deductions	4,493	1,442	4,709	5,312	15,956	-	15,956
(+) Selling expenses	465	252	376	1,411	2,504	-	2,504
Sub-total	**4,958**	**1,694**	**5,085**	**6,723**	**18,460**	**-**	**18,460**
Au ounces sold	5,080	95,354	11,582	45,997	158,013	-	158,013
Ag ounces sold (000s)	1,748	3,108	3,256	2,955	11,067	-	11,067
Ounces sold (Ag Eq 000s oz)	2,124	10,164	4,113	6,359	22,760	-	22,760
Sub-total ($/oz Ag Eq)	**2.3**	**0.2**	**1.2**	**1.1**	**0.8**	**-**	**0.8**
All-in sustaining costs ($/oz Ag Eq)	**19.3**	**8.3**	**12.0**	**15.0**	**11.9**		**12.7**
All-in sustaining costs ($/oz Au Eq)[12]	**1,432**	**615**	**891**	**1,109**	**880**	**-**	**938**

Six months to 30 June 2017

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San José	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	30,557	47,753	18,519	60,408	157,237	-	157,237
(+) Other items in cost of sales	-	-	1,461	1,096	2,557	-	2,557
(+) Operating and exploration capex for units	9,346	22,246	8,412	16,333	56,337	30	56,367
(+) Brownfield exploration expenses	1,156	145	414	2,044	3,759	2,118	5,877
(+) Administrative expenses (excl depreciation)	469	1,639	565	4,387	7,060	18,139	25,199
(+) Royalties and special mining tax	-	1,444	498	-	1,941	969	2,910
Sub-total	**41,528**	**73,227**	**29,868**	**84,268**	**228,891**	**21,256**	**250,147**
Au ounces produced	8,042	79,820	9,794	46,618	144,273	-	144,273
Ag ounces produced (000s)	2,303	2,644	2,439	3,044	10,429	-	10,429
Ounces produced (Ag Eq 000s oz)	2,898	8,550	3,163	6,494	21,105	-	21,105
Sub-total ($/oz Ag Eq)	**14.3**	**8.6**	**9.4**	**13.0**	**10.8**	**-**	**11.9**
(+) Commercial deductions	8,604	1,078	4,211	6,314	20,207	-	20,207
(+) Selling expenses	850	522	507	3,315	5,194	-	5,194
Sub-total	**9,454**	**1,600**	**4,718**	**9,629**	**25,401**	**-**	**25,401**
Au ounces sold	7,944	78,323	9,718	47,433	143,418	-	143,418
Ag ounces sold (000s)	2,261	2,642	2,437	3,168	10,508	-	10,508
Ounces sold (Ag Eq 000s oz)	2,849	8,438	3,156	6,678	21,121	-	21,121
Sub-total ($/oz Ag Eq)	**3.3**	**0.2**	**1.5**	**1.4**	**1.2**	**-**	**1.2**
All-in sustaining costs ($/oz Ag Eq)	**17.6**	**8.8**	**10.9**	**14.4**	**12.0**	**-**	**13.1**
All-in sustaining costs ($/oz Au Eq)	**1,306**	**648**	**809**	**1,067**	**892**	**-**	**966**

Administrative expenses

Administrative expenses before exceptional items decreased by 17% to $21.7 million (H1 2017: $26.0 million) primarily due to a decrease in personnel expenses.

Exploration expenses

In H1 2018, exploration expenses increased to $13.0 million (H1 2017: $7.1 million) in line with the overall rise in the Company's investment in brownfield and greenfield exploration. In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the Inferred or Measured and Indicated category. In H1 2018, the Company capitalised $4.9 million relating to brownfield exploration compared to $1.9 million in H1 2017, bringing the total investment in exploration for H1 2018 to $17.9 million (H1 2017: $9.0 million).

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[11] *Royalties arising from revised royalty tax schemes introduced in 2011 and included in income tax line*

[12] *Calculated using a gold silver ratio of 74:1*

Selling expenses

Selling expenses decreased by 52% versus H1 2017 to $2.5 million (H1 2017: $5.2 million) due to the reallocation of transportation costs of $2.7 million to pre-exceptional cost of sales (direct production cost excluding depreciation).

Other income/expenses

Other income before exceptional items was lower at $4.9 million (H1 2017: $5.2 million).

Other expenses before exceptional items were higher at $7.9 million (H1 2017: $6.2 million) mainly due to termination benefits of $1.3 million related to Arcata´s restructuring programme.

Adjusted EBITDA

Adjusted EBITDA increased by 19% to $161.9 million (H1 2017: $136.0 million) primarily due to the rise in production and partially offset by an increase in exploration expenses.

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

$000 unless otherwise indicated	**Six months to 30 June 2018**	Six months to 30 June 2017	% change
Profit from continuing operations before exceptional items, net finance cost, foreign exchange (loss)/gain and income tax	**64,628**	40,055	61
Depreciation and amortisation in cost of sales	**86,579**	90,184	(4)
Depreciation and amortisation in administrative expenses	**743**	806	(8)
Exploration expenses	**13,048**	7,122	83
Personnel and other exploration related fixed expenses	**(2,786)**	(2,567)	9
Other non-cash income, net [13]	**(306)**	396	(177)
Adjusted EBITDA	**161,906**	135,996	19
Adjusted EBITDA margin	***43%***	*40%*	

Finance income

Finance income before exceptional items of $1.1 million decreased from H1 2017 ($2.7 million) primarily due to the impact of a one-off gain from the discount of tax credits in Argentina ($1.9 million) in H1 2017.

Finance costs

Finance costs before exceptional items decreased from $13.3 million in H1 2017 to $6.5 million in H1 2018, principally due to the reduction of the interest rate from 7.75% (Senior Notes) to a 2.64% average (short and medium term loan rates) resulting from the repayment of the Company's Senior Notes. In addition, the gross debt was reduced from $353.8 million ($294.8 million of Senior Notes and $59.0 million of short term debt) to $207.5 million (medium-term loan of $100.0 million and short-term debt of $107.5 million).

Foreign exchange (losses)/gains

The Group recognised a foreign exchange loss of $4.3 million (H1 2017: $0.5 million loss) as a result of exposures in currencies other than the functional currency – primarily the Argentinean peso.

Income tax

The Company's pre-exceptional income tax charge was $32.7 million (H1 2017: $10.7 million). The substantial increase in the charge is mainly explained by the Company's increase in profitability in the period. In addition, the increase is also due to the negative income tax impact of $8 million resulting from converting local currency tax basis at a higher FX rate in Argentina thus reducing future tax shields in dollar terms.

Exceptional items

Exceptional items in H1 2018 totalled an $11.5 million loss after tax (H1 2017: $9.3 million gain after tax). Exceptional items principally included the payment of the premium of $11.4 million to redeem early the Senior Notes and the reversal of capitalised bond issuance costs of $4.9 million.

In addition to these items, the exceptional tax effect was a $4.8 million tax gain (H1 2017: $1.7 million tax charge).

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[13]*Adjusted EBITDA has been presented before the effect of significant non-cash (income)/expenses related to changes in mine closure provisions and the write-off of property, plant and equipment*

Cash flow and balance sheet review

Cash flow:

$000	Six months to 30 June 2018	Six months to 30 June 2017	Change
Net cash generated from operating activities	**117,176**	80,495	36,681
Net cash used in investing activities	**(64,050)**	(45,427)	(18,623)
Cash flows used in financing activities	**(164,639)**	(30,617)	(134,022)
Net increase in cash and cash equivalents during the period	**(111,513)**	4,451	(115,964)

Operating cash flow increased from $80.5 million in H1 2017 to $117.2 million in H1 2018 mainly due to higher EBITDA.

Net cash used in investing activities increased to $64.1 million in H1 2018 from $45.4 million in H1 2017 mainly due to the construction of the hydraulic backfill plant in Argentina, the development of the Pablo vein at Pallancata and higher capitalised exploration.

Finally, cash used in financing activities increased to $164.6 million from $30.6 million in H1 2017, primarily due the repayment of the Company's Senior Notes ($294.8 million) and $1.5 million of short term debt in Argentina. This was partially offset by new loans of $150.0 million raised to repurchase the Senior Notes. In addition, $10 million of dividends were paid to Hochschild Mining plc shareholders and $7.2 million to McEwen Mining shareholders.

As a result, total cash flows resulted in a net decrease of $111.5 million from an increase of $4.5 million in H1 2017 ($(116.0) million difference).

Working capital

$000	As at 30 June 2018	As at 31 December 2017
Trade and other receivables	**81,824**	88,553
Inventories	**45,997**	56,678
Other financial assets/(liability)	**385**	2,591
Income tax receivable/(payable)	**12,970**	15,442
Trade and other payables	**(104,270)**	(117,860)
Provisions	**(106,948)**	(110,310)
Working capital	**(70,042)**	(64,906)

The Group's working capital position improved by $(5.1) million from $(64.9) million to a $(70.0) million in H1 2018. The key drivers were: lower inventories of ($10.7) million due to a reduction in products in process; and lower trade and other receivables of $(6.8) million resulting from an improvement in commercial terms. Other positive contributions came from: the reduction in Other financial assets/(liability) of $(2.2) million resulting from the embedded derivative associated with provisional pricing; and the reduction in the Income tax receivable of ($2.5) million. These positive changes were partially offset by a temporary decrease in trade and other payables of $(13.6) million and a decrease in provisions ($3.4 million).

Net debt

$000 unless otherwise indicated	As at 30 June 2018	As at 31 December 2017
Cash and cash equivalents	**141,679**	256,988
Long term borrowings	**(100,000)**	(291,955)
Short term borrowings[14]	**(108,960)**	(67,863)
Net debt	**(67,281)**	(102,830)

The Group reported net debt position was $67.3 million as at 30 June 2018 (31 December 2017: $102.8 million). The reduction in H1 2018 includes the operating cash generated during the period and the net effect of: the repayment of the Company's Senior Notes of $294.8 million; the repayment of short term debt of $1.5 million in Argentina and the new loans raised to purchase the Senior Notes (a short-term loan with Nova Scotia Bank of $50.0 million and a medium term loan with Nova Scotia Bank and Citibank of $100.0 million).

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

Capital expenditure[15]

$000	Six months to 30 June 2018	Six months to 30 June 2017
Arcata	**7,328**	9,346
Pallancata	**12,453**	8,412
San Jose	**21,279**	17,493
Inmaculada	**24,551**	22,246
Operations	**64,792**	57,464
Other	**1,645**	1,265
Total	**67,256**	58,762

H1 2018 capital expenditure of $67.3 million (H1 2017: $58.8 million) mainly comprised of operational capex of $64.8 million (H1 2017: $57.5 million) with the small increase versus H1 2017 comprising increases in capital expenditure at Inmaculada (capitalised exploration), Pallancata (development of the Pablo vein) and San Jose (the hydraulic backfill project) partially offset by a decrease at Arcata.

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.

Forward looking Statements

This announcement contains certain forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, such forward looking statements may relate to matters such as the business, strategy, investments, production, major projects and their contribution to expected production and other plans of Hochschild Mining plc and its current goals, assumptions and expectations relating to its future financial condition, performance and results.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining plc may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause or contribute to differences between the actual results, performance or achievements of Hochschild Mining plc and current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

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

[15] *Includes additions in property, plant and equipment and evaluation and exploration assets (confirmation of resources) and excludes increases in the expected closure costs of mine asset*

RISKS

The principal risks and uncertainties facing the Company in respect of the year ended 31 December 2017 are set out in detail in the Risk Management & Viability section of the 2017 Annual Report and in Note 36 to the 2017 Consolidated Financial Statements.

The key risks disclosed in the 2017 Annual Report (available at www.hochschildmining.com) are categorised as:

- Financial risks comprising commodity price risk;
- Operational risks including the risks associated with operational performance, business interruption, information security and cybersecurity, exploration & reserve and resource replacement and personnel risks;
- Macro-economic risks which include political, legal and regulatory risks; and
- Sustainability risks including risks associated with health and safety, environmental and community relations.

These risks continue to apply to the Company in respect of the remaining six months of the financial year.

RELATED PARTY TRANSACTIONS

There were no significant related parties transactions during the six month period ended 30 June 2018.

GOING CONCERN

The Company's business activities, together with the factors likely to affect future development, performance and position are set out in the Operating Review on pages 4 to 8. The financial position of the Company, its cash flow and liquidity position are described in the Financial Review on pages 9 to 14.

The Directors believe that the financial resources available at the date of the issue of these condensed interim financial statements are sufficient for the Company to manage its business risks successfully.

The Company's forecasts and projections, taking into account reasonably possible changes in operational performance and in particular the price of gold and silver, and other mitigating actions described in the Risks section above, show that there are reasonable expectations that the Company will be able to operate on funds currently held and those generated internally, for the foreseeable future.

After making enquiries and considering the above, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis of accounting to be appropriate. As a result they continue to adopt the going concern basis of accounting in preparing the condensed interim financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that, to the best of their knowledge, the interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7R and 4.2.8R.

A list of current Directors and their functions is maintained on the Company's website.

For and on behalf of the Board

Ignacio Bustamante
Chief Executive Officer
14 August 2018

INDEPENDENT REVIEW REPORT TO HOCHSCHILD MINING PLC

Introduction

We have been engaged by Hochschild Mining plc (the 'Company') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the Interim condensed consolidated income statement, the Interim condensed consolidated statement of comprehensive income, the Interim condensed consolidated statement of financial position, the Interim condensed consolidated statement of cash flows, the Interim condensed consolidated statement of changes in equity and the related notes 1 to 20. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
14 August 2018

Interim condensed consolidated income statement

	Notes	Six-months ended 30 June 2018 (Unaudited)			Six-months ended 30 June 2017 (Unaudited)		
		Before exceptional items US$000	Exceptional items Note 7 US$000	Total US$000	Before exceptional items US$000	Exceptional items Note 7 US$000	Total US$000
Continuing operations							
Revenue	4	372,328	—	**372,328**	340,796	—	**340,796**
Cost of sales	5	(267,259)	—	**(267,259)**	(261,198)	—	**(261,198)**
Gross profit		105,069	—	**105,069**	79,598	—	**79,598**
Administrative expenses		(21,691)	—	**(21,691)**	(26,004)	—	**(26,004)**
Exploration expenses		(13,048)	—	**(13,048)**	(7,122)	—	**(7,122)**
Selling expenses		(2,504)	—	**(2,504)**	(5,194)	—	**(5,194)**
Other income	6	4,949	—	**4,949**	5,186	—	**5,186**
Other expenses		(7,946)	—	**(7,946)**	(6,188)	—	**(6,188)**
(Impairment)/impairment reversal and write-off of non-financial assets, net		(201)	—	**(201)**	(221)	10,952	**10,731**
Profit from continuing operations before net finance income/(cost), foreign exchange loss and income tax		64,628	—	**64,628**	40,055	10,952	**51,007**
Finance income	8	1,088	—	**1,088**	2,700	—	**2,700**
Finance costs	8	(6,482)	(16,346)	**(22,828)**	(13,288)	—	**(13,288)**
Foreign exchange loss		(4,334)	—	**(4,334)**	(547)	—	**(547)**
Profit from continuing operations before income tax		54,900	(16,346)	**38,554**	28,920	10,952	**39,872**
Income tax expense	9	(32,658)	4,822	**(27,836)**	(10,674)	(1,655)	**(12,329)**
Profit for the period from continuing operations		22,242	(11,524)	**10,718**	18,246	9,297	**27,543**
Attributable to:							
Equity shareholders of the Company		24,438	(11,524)	**12,914**	14,064	9,297	**23,361**
Non-controlling interests		(2,196)	—	**(2,196)**	4,182	—	**4,182**
		22,242	(11,524)	**10,718**	18,246	9,297	**27,543**
Basic earnings per ordinary share from continuing operations and for the period (expressed in U.S. dollars per share)		0.05	(0.02)	**0.03**	0.03	0.02	**0.05**
Diluted earnings per ordinary share from continuing operations and for the period (expressed in U.S. dollars per share)		0.05	(0.02)	**0.03**	0.03	0.02	**0.05**

Interim condensed consolidated statement of comprehensive income

	Note	Six-months ended 30 June	
		2018 (Unaudited) US$000	2017 (Unaudited) US$000
Profit for the period		**10,718**	**27,543**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		39	90
Change in fair value of financial assets at fair value through OCI		(1,647)	—
Change in fair value of available-for-sale financial assets		—	(415)
Other comprehensive loss for the period, net of tax		(1,608)	(325)
Total comprehensive income for the period		9,110	27,218
Total comprehensive income attributable to:			
Equity shareholders of the Company		11,306	23,036
Non-controlling interests		(2,196)	4,182
		9,110	27,218

Interim condensed consolidated statement of financial position

	Notes	As at 30 June 2018 (Unaudited) US$000	As at 31 December 2017 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	10	868,505	895,666
Evaluation and exploration assets	11	153,402	147,399
Intangible assets		25,402	24,544
Financial assets at fair value to OCI		4,703	—
Available-for-sale financial assets		—	6,264
Trade and other receivables		6,203	7,487
Other financial assets	12	385	1,333
Deferred income tax assets	14	2,719	2,400
		1,061,319	1,085,093
Current assets			
Inventories		45,997	56,678
Trade and other receivables	13	75,621	81,066
Income tax receivable		17,995	21,241
Other financial assets	12	—	1,258
Cash and cash equivalents	15	141,679	256,988
		281,292	417,231
Total assets		1,342,611	1,502,324
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital	18	224,878	224,315
Share premium	18	438,041	438,041
Treasury shares		—	(140)
Other reserves		(220,410)	(217,061)
Retained earnings		290,582	286,356
		733,091	731,511
Non-controlling interests		78,158	90,177
Total equity		811,249	821,688
Non-current liabilities			
Trade and other payables		940	1,081
Borrowings	16	100,000	291,955
Provisions		96,431	104,107
Deferred income	17	31,171	30,409
Deferred income tax liabilities	14	74,588	56,040
		303,130	483,592
Current liabilities			
Trade and other payables		103,330	116,779
Borrowings	16	108,960	67,863
Provisions		10,517	6,203
Deferred income	17	400	400
Income tax payable		5,025	5,799
		228,232	197,044
Total liabilities		531,362	680,636
Total equity and liabilities		1,342,611	1,502,324

Interim condensed consolidated statement of cash flows

		Six-months ended 30 June	
	Notes	2018 (Unaudited) US$000	2017 (Unaudited) US$000
Cash flows from operating activities			
Cash generated from operations	21	141,411	110,153
Interest received		1,343	451
Interest paid	16	(24,751)	(11,992)
Payment of mine closure costs		(1,422)	(1,899)
Income tax (paid)/received		595	(16,218)
Net cash generated from operating activities		117,176	80,495
Cash flows from investing activities			
Purchase of property, plant and equipment		(57,120)	(49,019)
Purchase of evaluation and exploration assets		(6,003)	(2,552)
Purchase of intangibles		(1,897)	(8)
Purchase of financial assets at fair value to OCI		(120)	—
Proceeds from sale of other assets		—	1,556
Proceeds from deferred income		1,000	4,000
Proceeds from sale of financial assets at fair value to OCI		32	—
Proceeds from sale of property, plant and equipment	10	58	596
Net cash used in investing activities		(64,050)	(45,427)
Cash flows from financing activities			
Proceeds from borrowings	16	157,500	10,500
Repayment of borrowings	16	(303,775)	(29,000)
Purchase of treasury shares		(579)	—
Dividends paid to shareholders		(10,000)	(6,997)
Dividends paid to non-controlling interests	19	(7,785)	(5,120)
Cash flows used in financing activities		(164,639)	(30,617)
Net (decrease)/increase in cash and cash equivalents during the period		(111,513)	4,451
Impact of foreign exchange		(3,796)	67
Cash and cash equivalents at beginning of period		256,988	139,979
Cash and cash equivalents at end of period	15	141,679	144,497

Interim condensed consolidated statement of changes in equity

					Other reserves									
	Note	Equity share capital US$000	Share premium US$000	Treasury shares US$000	Unrealised gain/(loss) on available-for-sale financial assets US$000	Unrealised gain/(loss) on financial assets at fair value through OCI US$000	Cumulative translation adjustment US$000	Merger reserve US$000	Share-based payment reserve US$000	Total other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2018		224,315	438,041	(140)	—	(937)	(13,712)	(210,046)	7,634	(217,061)	286,356	731,511	90,177	821,688
Other comprehensive gain/(loss)		—	—	—	—	(1,633)	39	—	—	(1,594)	(14)	(1,608)	—	(1,608)
Profit/(loss) for the period		—	—	—	—	—	—	—	—	—	12,914	12,914	(2,196)	10,718
Total comprehensive (loss)/income for the period		—	—	—	—	(1,633)	39	—	—	(1,594)	12,900	11,306	(2,196)	9,110
Dividends	19	—	—	—	—	—	—	—	—	—	(10,000)	(10,000)	—	(10,000)
Dividends declared to non-controlling interests	19	—	—	—	—	—	—	—	—	—	—	—	(9,823)	(9,823)
Treasury shares		—	—	(579)	—	—	—	—	—	—	—	(579)	—	(579)
Share-based payments		—	—	—	—	—	—	—	853	853	—	853	—	853
Exercise of share options	18	563	—	719	—	—	—	—	(2,608)	(2,608)	1,326	—	—	—
Balance at 30 June 2018 (unaudited)		224,878	438,041	—	—	(2,570)	(13,673)	(210,046)	5,879	(220,410)	290,582	733,091	78,158	811,249
Balance at 1 January 2017		224,315	438,041	(426)	740	—	(13,851)	(210,046)	5,869	(217,288)	258,269	702,911	90,442	793,353
Other comprehensive gain/(loss)		—	—	—	(415)	—	90	—	—	(325)	—	(325)	—	(325)
Profit for the period		—	—	—	—	—	—	—	—	—	23,361	23,361	4,182	27,543
Total comprehensive (loss)/income for the period		—	—	—	(415)	—	90	—	—	(325)	23,361	23,036	4,182	27,218
Dividends	19	—	—	—	—	—	—	—	—	—	(6,997)	(6,997)	—	(6,997)
Dividends declared to non-controlling interests	19	—	—	—	—	—	—	—	—	—	—	—	(8,066)	(8,066)
Share-based payments									541	541	760	1,301	—	1,301
Exercise of share options	18	—	—	286	—	—	—	—	(48)	(48)	(238)	—	—	—
Balance at 30 June 2017 (unaudited)		224,315	438,041	(140)	325	—	(13,761)	(210,046)	6,362	(217,120)	275,155	720,251	86,558	806,809

Notes to the interim condensed consolidated financial statement

1 Corporate Information

Hochschild Mining plc (hereinafter the "Company" and together with its subsidiaries, the "Group") 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. Its ordinary shares are traded on the London Stock Exchange.

The Group's principal business is the mining, processing and sale of silver and gold. The Group has three operating mines (Arcata, 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 and Chile at various stages of development.

These interim condensed consolidated financial statements were approved for issue on behalf of the Board of Directors on 14 August 2018.

2 Significant Accounting Policies

(a) Basis of preparation

These interim condensed consolidated financial statements set out the Group's financial position as at 30 June 2018 and 31 December 2017 and its financial performance and cash flows for the six months ended 30 June 2018 and 30 June 2017.

They have been prepared in accordance with IAS 34 Interim Financial Reporting in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Accordingly, the interim condensed consolidated financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the Group's 2017 annual consolidated financial statements as published in the 2017 Annual Report.

The interim condensed consolidated financial statements do not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2017. A copy of the statutory accounts for that year, which were prepared in accordance with IFRS as adopted by the European Union has been delivered to the Registrar of Companies. The auditor's report under section 495 of the Companies Act 2006 in relation to those accounts was unmodified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

The impact of the seasonality or cyclicality of operations is not regarded as significant on the interim condensed consolidated financial statements.

The interim condensed consolidated financial statements are presented in US dollars ($) and all monetary amounts are rounded to the nearest thousand ($000) except when otherwise indicated.

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim condensed 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 2017, except for the adoption of new standards and interpretations effective for the Group from 1 January 2018, which have not had a material impact on the annual consolidated financial statements or the interim condensed 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.

New international financial reporting standards adopted:

• IFRS 15 Revenue from Contracts with Customers.

The Group adopted the new standard from 1 January 2018 applying the simplified transition method and modified retrospective approach, under which comparative financial information is not restated. The standard did not have a material effect on the Group´s financial statements as at 1 January 2018 and so no transition adjustment has been made.

The main change identified in the application of IFRS 15 is set below:

- Impact of shipping terms: The Group sells a portion of its production on CIF Incoterms and therefore the Group is responsible for shipping services after the date at which control of the gold and silver passes to the customer. Under IAS 18, these shipping services are currently not considered to be part of the revenue transaction and thus the Group has disclosed them as selling expenses. However, under IFRS 15 the group has reclassified the portion of those selling expenses relating to transport of gold and silver from the Group's production plants to the ports to cost of sales. The amount reclassified during the period is US$2,740,000.

• IFRS 9 Financial Instruments.

The Group adopted the new standard from 1 January 2018. The main changes identifies in the application of IFRS 8 are set below:

- Classification and measurement of the embedded derivatives arising from sales: Under IFRS 9, the embedded derivative is no longer separated from the host contract and therefore the revaluation of provisionally priced contracts are disclosed within the receivable of the host contract in "trade and other receivables". Trade receivables at 30 June 2018 are netted of the negative effect of embedded derivatives of US$2,990,000.

- Available-for sale financial assets: The equity instruments that are currently classified as available-for-sale financial assets satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and therefore there is no impact in classification. Under IFRS 9 gains and losses accumulated in other comprehensive income are not recycled to the income statement.

-Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL). The Group applied the simplified approach and record lifetime expected losses on all trade receivables. However, given the short term nature of the Groups receivables, there is not significant impact in the financial statements.

New international standards issued but not yet effective.

• IFRS 16 Leases, applicable for annual periods beginning on or after 1 January 2019.

The Group is yet to estimate the impact of the new rules on the Group's financial statements.

(c) Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This is considering reasonably possible changes in operational performance and in particular the price of gold and silver, and other mitigating actions. Accordingly, they continue to adopt the going concern basis in preparing the condensed set of financial statements. For further detail refer to the detailed discussion of the assumptions outlined in the Going Concern section of the announcement.

3 Segment reporting

The following tables present revenue and profit/(loss) information for the Group's operating segments for the six months ended 30 June 2018 and 2017 and asset information as at 30 June 2018 and 31 December 2017 respectively:

Six months ended 30 June 2018 (unaudited)	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other US$000	Adjustments and eliminations US$000	Total US$000
Revenue from external customers	30,732	62,790	102,935	175,674	—	197	—	372,328
Inter segment revenue	—	—	—	—	—	1,092	(1,092)	—
Total revenue	**30,732**	**62,790**	**102,935**	**175,674**	—	**1,289**	**(1,092)**	**372,328**
Segment profit/(loss)	(1,305)	19,082	13,315	72,840	(13,048)	4,054	(5,421)	89,517
Others(1)								(50,963)
Profit from continuing operations before income tax								38,554
As at 30 June 2018 (unaudited)								
Assets								
Capital expenditure	7,328	11,634	21,279	24,551	1,488	976	—	67,256
Current assets	7.906	20,220	33,342	15,049	8	2,715	—	79,240
Other non-current assets	8,709	88,623	178,418	521,504	195,676	54,379	—	1,047,309
Total segment assets	16,615	108,843	211,760	536,553	195,684	57,094	—	1,126,549
Not reportable assets(2)	—	—	—	—	—	216,062	—	216,062
Total assets	**16,615**	**108,843**	**211,760**	**536,553**	**195,684**	**273,156**	—	**1,342,611**

1 Comprised of administrative expenses of US$21,691,000, other income of US$4,949,000, other expenses of US$7,946,000, write off of assets of US$201,000, finance income of US$1,088,000, finance costs of US$22,828,000 and foreign exchange loss of US$4,334,000.

2 Not reportable assets are comprised of other financial assets of US$385,000, financial assets at fair value through OCI of US$4,703,000, other receivables of US$48,581,000, income tax receivable of US$17,995,000, deferred income tax assets of US$2,719,000, and cash and cash equivalents of US$141,679,000.

Six months ended 30 June 2017 (unaudited)	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other US$000	Adjustments and eliminations US$000	Total US$000
Revenue from external customers	40,630	48,896	109,178	141,896	—	196	—	340,796
Inter segment revenue	—	—	—	—	—	862	(862)	—
Total revenue	**40,630**	**48,896**	**109,178**	**141,896**	—	**1,058**	**(862)**	**340,796**
Segment profit/(loss)	(1,132)	20,329	18,355	37,715	(7,122)	(937)	74	67,282
Others[(1)]								(27,410)
Profit from continuing operations before income tax								39,872
As at 31 December 2017								
Assets								
Capital expenditure	17,557	18,906	36,288	52,903	2,026	868	—	128,548
Current assets	5,483	21,699	47,398	22,707	30	2,570	—	99,887
Other non-current assets	5,859	91,065	182,138	535,840	194,777	57,930	—	1,067,609
Total segment assets	11,342	112,764	229,536	558,547	194,807	60,500	—	1,167,496
Not reportable assets[(2)]	—	—	—	—	—	334,828	—	334,828
Total assets	**11,342**	**112,764**	**229,536**	**558,547**	**194,807**	**395,328**	**—**	**1,502,324**

1 Comprised of administrative expenses of US$26,004,000, other income of US$5,186,000, other expenses of US$6,188,000, write off of assets of US$221,000, impairment of assets of US$26,281,000, reversal of impairment of assets of US$37,233,000, finance income of US$2,700,000, finance costs of US$13,288,000 and foreign exchange loss of US$547,000.

2 Not reportable assets are comprised of available-for-sale financial assets of US$6,264,000, other receivables of US$45,344,000, other financial assets of US$2,591,000, income tax receivable of US$21,241,000, deferred income tax assets of US$2,400,000 and cash and cash equivalents of US$256,988,000.

4 Revenue

	Six-months ended 30 June	
	2018 (Unaudited) US$000	**2017 (Unaudited) US$000**
Gold (from dore bars)	154,804	124,230
Silver (from dore bars)	73,819	69,824
Gold (from concentrate)	48,551	50,360
Silver (from concentrate)	94,950	96,186
Other minerals	7	—
Services	197	196
	372,328	340,796

Included within revenue is a loss of US$4,248,000 relating to provisional pricing adjustments representing the change in the fair value of embedded derivatives (2017: loss of US$1,046,000) arising on sales of concentrates and dore.

5 Cost of sales before exceptional items

Included in cost of sales are:

	Six-months ended 30 June	
	2018 (Unaudited) US$000	2017 (Unaudited) US$000
Depreciation and amortisation in cost of sales[1]	86,579	90,184
Personnel expenses	61,901	61,615
Mining royalty	3,094	3,113
Change in products in process and finished goods	9,404	17,601

1 The depreciation and amortisation in production cost is US$82,949,000 (2017: US$83,803,000).

6 Other income before exceptional items

Included in other income are:

	Six-months ended 30 June	
	2018 (Unaudited) US$000	2017 (Unaudited) US$000
Export credit	956	587
Logistic services	1,997	1,808
Gain on sale of other assets	—	1,556
Decrease on mine closure provision	507	—
Others	1,489	1,235
	4,949	**5,186**

7 Exceptional items

Exceptional items relate to:

	Six-months ended 30 June	
	2018 (Unaudited) US$000	2017 (Unaudited) US$000
(Impairment)/impairment reversal and write-off of non-financial assets, net		
Impairment of assets[3]	—	(26,281)
Reversal of impairment of assets[3]	—	37,233
Total	—	**10,952**
Finance cost		
Expenses related to the repayment of the bond[1]	(16,346)	—
Total	**(16,346)**	—
Income tax expense		
Income tax credit/(charge)[2 and 4]	4,822	(1,655)
Total	**4,822**	**(1,655)**

The exceptional items for the period ended 30 June 2018 are as follows:

1. Corresponds to the premium and other finance expenses related to the redemption of Compañia Minera Ares' ("CMA") bond (refer to note 16 (2)).
2. Corresponds to the current tax credit generated by the premium and other finance expenses related to the redemption of CMA's bond.

For the six months period ended 30 June 2017, the exceptional items are as follows:

3. Corresponds to the impairment of the Arcata mine unit of US$26,281,000, and the reversal of impairment related to the Pallancata mine unit of US$31,892,000 and the San Felipe project of US$5,341,000.

4. Corresponds to the deferred tax charge generated by the reversal on impairment of the Pallancata mine unit, net by the impairment of the Arcata mine unit.

8 Finance income and finance cost before exceptional items

The Group recognised the following finance income and finance costs before exceptional items:

	Six-months ended 30 June	
	2018 (Unaudited) US$000	**2017 (Unaudited) US$000**
Finance income:		
Interest on deposits and liquidity funds	991	420
Interest on loans	59	74
Gain on discount of other receivables[1]	—	1,940
Gain on discount of deferred income	38	203
Others	—	63
Total	1,088	2,700
Finance cost:		
Interest on bank loans	(2,335)	(70)
Interest on bond	(1,487)	(12,132)
Other interest	(473)	(537)
Total interest expense	(4,295)	(12,739)
Unwind of discount rate	(771)	(184)
Loss from changes in the fair value of financial instruments	(946)	—
Others	(470)	(365)
Total	(6,482)	(13,288)

1. Mainly corresponds to the gain on discount of tax credits in Argentina.

Finance costs above are presented net of borrowing costs capitalised in property, plant and equipment amounting to US$Nil (2017: US$100,000).

9 Income tax expense

	Six-months ended 30 June	
	2018 (Unaudited) US$000	**2017 (Unaudited) US$000**
Current tax		
Current income tax expense	5,453	5,501
Current mining royalty charge	2,383	1,941
Current special mining tax charge	1,771	969
Withholding taxes	—	—
Total	9,607	8,411
Deferred tax		
Origination and reversal of temporary differences	18,229	3,918
Total	18,229	3,918
Total taxation charge in the income statement	27,836	12,329

The pre-exceptional tax charge for the period was US$32,658,000 (2017: US$10,674,000).

The effective tax rate for corporate income tax for the six months ended 30 June 2018 is 61.4% (30 June 2017: 23.6%), compared to the weighted average statutory tax rate of 31.2%, and 72.2% including the mining royalty and the special mining tax (30 June 2017: 32.1% and 30.9% including the mining royalty and the special mining tax).

Increase in the effective tax rate from 23.6% to 61.4% is mainly explained by the foreign exchange effect in tax bases due to the devaluation of the Argentinian peso. As of 30 June 2018, the effect was a loss of US$8,733,000 (2017: gain of US$1,813,000).

10 Property, plant and equipment

During the six months ended 30 June 2018, the Group acquired and developed assets with a cost of US$59,356,000 (30 June 2017: US$56,202,000). The additions for the six months ended 30 June 2018 relate to:

	Mining properties and development US$000	Other property plant and equipment US$000	Total additions of property plant and equipment US$000
San Jose	11,590	9,634	21,224
Pallancata	9,650	1,983	11,633
Inmaculada	16,185	2,949	19,134
Arcata	5,642	325	5,967
Crespo	422	—	422
Others	—	976	976
	43,489	15,867	59,356

Assets with a net book value of US$20,000 were disposed of by the Group during the six month period ended 30 June 2018 (30 June 2017: US$674,000) resulting in a net gain on disposal of US$38,000 (30 June 2017: loss of US$78,000).

For the six months ended 30 June 2018, the depreciation charge on property, plant and equipment was US$83,908,000 (30 June 2017: US$85,293,000).

There are no indicators of impairment for the six months ended 30 June 2018.

Impairment test as at 30 June 2017:

- Management determined there were triggers of impairment in the Arcata mine unit as it has experienced difficulties to replace production with incremental resources and to convert resources into reserves. An impairment test was carried out resulting in an impairment charge of US$26,281,000 (US$25,344,000 in property, plant and equipment and US$937,000 and evaluation and exploration assets).

- In the case of the Pallancata mine unit, there was an improvement in terms of tonnage and grades of its resources and reserves due to the Pablo vein. An impairment test was carried out resulting in an impairment reversal of US$31,892,000 (US$31,509,000 in property, plant and equipment and US$383,000 and evaluation and exploration assets).

- In addition, as a result of the proceeds received in the period, management evaluated the value of the San Felipe Project, recognising an impairment reversal of US$5,341,000 (all in evaluation and exploration assets) (refer to notes 7, 11 and 16).

The recoverable values of these CGUs were determined using a fair value less costs of disposal (FVLCD) methodology. FVLCD was determined using a combination of level 2 and level 3 inputs 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. With respect to the San Felipe CGU, given the early stage of the project, to determine the FVLCD, the Group applied a value in-situ methodology which applies a realisable 'enterprise value' to unprocessed mineral resources. The enterprise value used is based on observable external market information.

The key assumptions on which management has based its determination of FVLCD and the associated recoverable values calculated are gold and silver prices, production costs, the discount rate and the value per in-situ regarding the San Felipe project. Gold and silver prices used, discount rate applied and value per in-situ per zinc equivalent tonne are presented below.

Gold and silver prices

US$ per oz.	2017	2018	2019	2020	Long-term
Gold	1,250	1,295	1,300	1,300	1,300
Silver	18	19	19	19	20

Other key assumptions

	Arcata	Pallancata	San Felipe
Discount rate (post tax)	5.4%	5.4%	n/a
Value per in-situ per zinc equivalent tonne (US$)	n/a	n/a	17.92

Current carrying value of CGU, net of deferred tax (US$000)	Arcata	Pallancata	San Felipe
30 June 2017	21,871	91,357	4,662

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.

The estimated recoverable amounts of the following of the Group's CGUs are equal to, or not materially greater than, their carrying values; consequently, any adverse change in the following key assumptions would, in isolation, cause an impairment loss to be recognised:

Approximate impairment resulting from the following changes (US$000)	Arcata	Pallancata	San Felipe
Prices (10% decrease)	(19,068)	—	n/a
Post tax discount rate (3% increase)	(889)	—	n/a
Production costs (10% increase)	(12,480)	—	n/a
Value per in-situ tonne (10% decrease)	n/a	n/a	(1,145)

11 Evaluation and exploration assets

During the six months ended 30 June 2018, the Group capitalised evaluation and exploration costs of US$6,003,000 (30 June 2017: US$2,552,000). The additions correspond to the following properties:

	US$000
Inmaculada	3,520
Arcata	1,361
Volcan	448
Others	674
	6,003

There were no transfers from evaluation and exploration assets to property, plant and equipment during the period (2017: US$nil).

At 30 June 2017, the Group has recorded an impairment charge with respect to evaluation and exploration assets of the Arcata mine unit of US$937,000, and a reversal of impairment with respect to the Pallancata mine unit of US$383,000 and the San Felipe project of US$5,341,000. The FVLCD calculation is detailed in note 10.

12 Other financial assets

	As at 30 June 2018 (unaudited) US$000	**As at 31 December 2017 US$000**
Other financial assets		
Warrants	385	1,333
Embedded derivatives[1]	—	1,258
Other financial assets	**385**	**2,591**

1 Sales of concentrate and certain gold and silver volumes are provisionally priced at the time the sale is recorded (note 13). As a result of adopted IFRS 15, as at 30 June 2018 the balance is presented within trade receivables.

13 Financial instruments

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.

At 30 June 2018 and 31 December 2017, the Group held the following financial instruments measured at fair value:

	As at 30 June 2018 (unaudited) US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Assets measured at fair value				
Equity shares	3,418	3,418	—	—
Warrants (note 12)	385	385	—	—
Trade and other receivables	75,621	—	—	75,621
	79,424	3,803	—	75,621

	As at 31 December 2017 US$000	Level 1 US$000	Level 2 US$000	Level 3 US$000
Assets measured at fair value				
Equity shares	5,683	5,683	—	—
Warrants (note 12)	1,333	1,333	—	—
Embedded derivatives (note 12)	1,258	—	—	1,258
	8,274	7,016	—	1,258

During the six months ended 30 June 2018 and the year ended 31 December 2017, there were no transfers between these levels.

The reconciliation of the financial instruments categorised as Level 3 is as follows:

	As at 30 June 2018 (unaudited) US$000	As at 31 December 2017 US$000
Beginning balance	**81,066**	**(1,726)**
Net change in trade and other receivable	(1,197)	—
Changes in fair value	(3,302)	2,160
Realised embedded derivatives during the period	(946)	824
Ending balance	**75,621**	**1,258**

Valuation techniques:

Level 3: Embedded derivatives and equity shares

Embedded derivatives: Sales of concentrate and certain gold and silver volumes are provisionally priced at the time the sale is recorded. The price is then adjusted after an agreed period of time (usually linked to the length of time it takes for the smelter to refine and sell the concentrate or for the refiner to process the dore into gold and silver), with the Group either paying or receiving the difference between the provisional price and the final price. This price exposure is considered to be an embedded derivative and in accordance of IFRS 9, will no longer be separated from the host contract and therefore the revaluation of provisionally priced contracts are disclosed within the receivable of the host contract in “trade and other receivables. The gain or loss that arises on the fair value of the embedded derivative is recorded in ‘Revenue’ (note 4). The selling price of metals can be reliably measured as these are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

14 Deferred income tax assets and liabilities

The changes in the net deferred income tax assets/(liabilities) are as follows:

	As at 30 June 2018 (unaudited) US$000	As at 31 December 2017 US$000
Beginning of the period	(53,640)	(64,944)
Income statement (charge)/credit	(18,229)	11,304
End of the period	(71,869)	(53,640)

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 amounts after offset, as presented on the face of the Statement of financial position, are as follows:

	As at 30 June 2018 (unaudited) US$000	As at 31 December 2017 US$000
Deferred income tax assets	2,719	2,400
Deferred income tax liabilities	(74,588)	(56,040)
Net deferred income tax assets/(liabilities)	(71,869)	(53,640)

The variance during the period is mainly explained by the foreign exchange effect of the devaluation of the Argentinian peso.

15 Cash and cash equivalents

	As at 30 June 2018 (unaudited) US$000	As at 31 December 2017 US$000
Cash at bank	379	335
Liquidity funds[1]	—	2,869
Current demand deposit accounts[2]	49,162	61,612
Time deposits[3]	92,138	192,172
Cash and cash equivalents	141,679	256,988

1 The liquidity funds are mainly invested in certificate of deposits, commercial papers and floating rate notes with a weighted average maturity of 29 days as at 31 December 2017: 29 days.
2 Relates to bank accounts which are readily accessible to the Group and bear interest.
3 These deposits have an average maturity of 14 days (as at 31 December 2017: 32 days).

16 Borrowings

The movement in borrowings during the six month period to 30 June 2018 is as follows:

	As at 1 January 2018 US$000	Additions US$000	Repayments US$000	Reclassifications US$000	As at 30 June 2018 (Unaudited) US$000
Current					
Bank loans[1]	59,084	59,835	(9,959)	—	**108,960**
Bond payable[2]	8,779	17,833	(23,792)	(2,820)	**—**
	67,863	77,668	(33,751)	(2,820)	**108,960**
Non-current					
Bank loans[1]	—	100,000	—	—	**100,000**
Bond payable[2]	291,955	—	(294,775)	2,820	—
	291,955	100,000	(294,775)	2,820	**100,000**
Accrued interest:	(8,863)	(20,168)	24,751	2,820	**(1,460)**
Before accrued interest	350,955	157,500	(303,775)	2,820	**207,500**

1 Relates to pre-shipment loans for a total amount of US$7,561,000 (2017: US$9,043,000) which are credit lines given by banks to meet payment obligations arising from the exports of the Group. In addition the balance at 30 June 2018 includes US$201,399,000 credit lines with the BBVA Bank, Nova Scotia Bank and Citibank.

2 Relates to the issuance of US$350,000,000 7.75% Senior Unsecured Notes on 23 January 2014, fully redeemed on 23 January 2018. The Group repaid capital of US$294,775,000, plus interest of US$11,423,000, premium of US$11,423,000 and their corresponding withholding tax of US$946,000. The charge in profit and loss during the period is US$17,833,000, of which US$1,487,000 corresponds to the interest and its corresponding withholding tax generated in the period, and the balance of US$16,346,000, recognised as an exceptional item, includes the premium of US$11,423,000, its corresponding withholding tax of US$473,000 and the recognition of capitalised expenses related to obtaining the bond of US$4,450,000.

The carrying amount of current borrowings approximates their fair value. The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
	As at 30 June 2018 (Unaudited) US$000	As at 31 December 2017 US$000	As at 30 June 2018 (Unaudited) US$000	As at 31 December 2017 US$000
Bank loans	100,000	—	95,570	—
Bond payable	—	291,955	—	306,566
Total	**100,000**	**291,955**	**95,570**	**306,566**

17 Deferred income

	As at 30 June 2018 (unaudited) US$000	As at 31 December 2017 US$000
San Felipe contract[1]	30,396	29,396
El Mosquito contract[2]	1,175	1,413
	31,571	30,809
Less current balance	(400)	(400)
Non-current balance	31,171	30,409

1 On 3 August 2011, the Group entered into an agreement with Impulsora Minera Santa Cruz ("IMSC") whereby IMSC acquired (a) the right to explore the San Felipe properties and (b) an option to purchase the related concessions (the "2011 Agreement"). Under the terms of the 2011 Agreement the Group has received US$29,396,000 as non-refundable payments as at 31 December 2017.

These payments will reduce the total consideration that IMSC will be required to pay upon exercise of the option and constitute an advance of the final purchase price (rather than an option premium) and, as such, have been recorded as deferred income.

On 30 November 2016, IMSC renegotiated certain terms of the 2011 Agreement including an extension of the validity of the agreement to 1 December 2017. In exchange for this extension, the Group received, on 9 March 2017, 13,415,000 ordinary shares of Santa Cruz Silver Mining ("SCSM") quoted on the Toronto Stock Exchange, at a unit price of CAD 0.28 amounting to CAD 3,756,000 (equivalent to US$2,780,000). The amount received included valued added tax of US$384,000 and part consideration of US$2,396,000 which has been recognised as deferred income.

On 28 February 2017, the Group signed a new option agreement with IMSC for the San Felipe properties (the "2017 Agreement") for total consideration of US$10,000,000. An initial payment of US$2,000,000 was received in cash on 7 March 2017 (the "Initial Payment").

In March 2017, IMSC assigned its interest in the 2017 Agreement to Americas Silver Corporation ('ASC').

On 29 November 2017 the Group, IMSC and ASC signed an amendment to the 2017 Agreement so as to extend the period over which the option to purchase San Felipe could be exercised (to 15 December 2018)..

In addition to the Initial Payment, the Group collected US$500,000 on 1 January 2018, US$500,000 on 1 April 2018 and US$1,000,000 on 16 July 2018 (all exclusive of value added tax).

2 On 25 April 2017 the Group signed a five year option agreement with Minas Argentinas S.A. ("MASA") giving MASA the right to explore and the option to purchase the Mosquito property, located in Argentina. The Group received in cash US$2,000,000, recognising US$1,175,000 as deferred income at 30 June 2018 (31 December 2017 US$1,413,000).

18 Equity

Share capital and share premium

The movement in share capital of the Company from 31 December 2017 to 30 June 2018 is as follows:

	Number of ordinary shares	Share capital US$000	Share premium US$000
Shares issued as at 1 January 2018	507,232,310	224,315	438,041
Shares issued as at 30 June 2018	508,893,115	224,878	438,041

At 30 June 2018 and 31 December 2017 all issued shares with a par value of 25 pence each were fully paid (30 June 2018: weighted average of US$0.442 per share, 31 December 2017: weighted average of US$0.442 per share).

On 2 January 2018 the Group issued 1,660,805 ordinary shares under the Restricted Share Plan, to certain employees of the Group, including the CEO.

On 20 March 2018, 40,383 Treasury shares (31 December 2017: 40,383) with a value of US$84,000 (31 December 2017: US$286,000) (being the cost incurred to acquire the shares) were transferred to the CEO of the Group with respect to the Deferred Bonus Plan benefit.

On 5 April 2018, the Group purchased 205,400 shares for a total consideration of £414,000 (equivalent to US$579,000).

On 5 April 2018, 232,172 Treasury shares with a value of US$635,000 (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 30 June 2018 the balance of Treasury shares is 42 (31 December 2017: 67,197) ordinary shares with a value of US$115 (31 December 2017: US$140,000).

19 Dividends paid and declared

Dividends declared and paid to non-controlling interests in the six months ended 30 June 2018 were US$9,823,000 (30 June 2017: US$8,066,000) and US$7,785,000 (30 June 2017: US$5,120,000) respectively.

A final dividend for 2017 of US$10,000,000 was paid in the six months ended 30 June 2018 (30 June 2017: US$6,997,000). The Directors of the Company have declared an interim dividend in respect of the six months ended 30 June 2018 of US$1.965 cents per share (totalling US$10,000,000) (30 June 2017: US$6,999,000) which will be paid to shareholders on 20 September 2018 to those shareholders appearing on the register on 31 August 2018. These financial statements do not reflect this dividend payable.

20 Related party transactions

There were no significant related parties transactions during the six month period ended 30 June 2018.

21 Notes to the statement of cash flows

	Six- months ended 30 June	
	2018 (Unaudited) US$000	2017 (Unaudited) US$000
Reconciliation of gain/(loss) for the period to net cash generated from operating activities		
Profit for the period	**10,718**	**27,543**
Adjustments to reconcile Group loss to net cash inflows from operating activities		
Depreciation	**82,649**	**83,721**
Amortisation of intangibles	**1,039**	**888**
Write-off of assets (net)	**201**	**221**
Impairment of assets	**—**	**26,281**
Reversal of impairment of assets	**—**	**(37,233)**
Loss/(gain) on sale of property, plant and equipment	**(38)**	**78**
Provision for obsolescence of supplies	**519**	**289**
Finance income	**(1,088)**	**(2,700)**
Finance costs	**22,828**	**13,288**
Income tax expense	**27,836**	**12,329**
Other	**4,274**	**(75)**
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities		
Trade and other receivables	**(2,352)**	**(31,917)**
Income tax receivable	**—**	**(750)**
Other financial assets and liabilities	**2,207**	**1,046**
Inventories	**10,163**	**13,847**
Trade and other payables	**(18,390)**	**(870)**
Provisions	**845**	**4,167**
Cash generated from operations	**141,411**	**110,153**

22 Subsequent events

On 30 July 2018 the Group signed a short term loan with BBVA Bank of US$50,000,000 (2.7%) due on 27 July 2019. The proceeds were employed to repay the short term loan with Nova Scotia Bank of US$50,000,000 on 30 July 2018.

Profit by operation[1]

(Segment report reconciliation) as at 30 June 2018

Company (US$000)	Arcata	Pallancata	San Jose	Inmaculada	Consolidation adjustment and others	Total/HOC
Revenue	30,732	62,790	102,935	175,674	197	372,328
Cost of sales (pre-consolidation)	(31,171)	(42,893)	(86,516)	(102,375)	(4,304)	(267,259)
Consolidation adjustment	(295)	(958)	(1,693)	(1,358)	4,304	–
Cost of sales (post-consolidation)	(31,466)	(43,851)	(88,209)	(103,733)	–	(267,259)
Production cost excluding Depreciation	(27,610)	(30,087)	(61,331)	(54,939)	–	(173,967)
Depreciation in production cost	(4,485)	(15,681)	(23,283)	(39,500)	–	(82,949)
Other items	–	–	(939)	–	–	(939)
Change in inventories	629	1,917	(2,656)	(9,294)	–	(9,404)
Gross profit	(439)	19,897	16,419	73,299	(4,107)	105,069
Administrative expenses	–	–	–	–	(21,691)	(21,691)
Exploration expenses	–	–	–	–	(13,048)	(13,048)
Selling expenses	(866)	(815)	(3,104)	(459)	2,740	(2,504)
Other income/(expenses)	–	–	–	–	(2,997)	(2,997)
Operating profit/(loss) before impairment	(1,305)	19,082	13,315	72,840	(39,103)	64,829
(Impairment)/impairment reversal and write-off of non-financial assets	–	–	–	–	(201)	(201)
Finance income	–	–	–	–	1,088	1,088
Finance costs	–	–	–	–	(22,828)	(22,828)
Foreign exchange	–	–	–	–	(4,334)	(4,334)
Profit/(loss) from continuing operations before income tax	(1,305)	19,082	13,315	72,840	(65,378)	38,554
Income tax	–	–	–	–	(27,836)	(27,836)
Profit/(loss) for the period from continuing operations	(1,305)	19,082	13,315	72,840	(93,214)	10,718

1 On a post exceptional basis.

SHAREHOLDER INFORMATION

Company website

Hochschild Mining plc Interim and Annual Reports and results announcements are available via the internet on our website at www.hochschildmining.com. Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and how to obtain further information.

Registrars

The Registrars can be contacted as follows for information about the AGM, shareholdings, dividends and to report changes in personal details:

BY POST
Link 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).

Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 4 September 2018 in respect of the 2018 interim dividend.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility in respect of the 2018 interim dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 4 September 2018. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

Financial Calendar

Dividend dates	2018
Ex-dividend date	30 August
Record date	31 August
Deadline for return of currency election forms	4 September
Payment date	20 September

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Registered in England and Wales with Company Number 5777693