Regulatory Story

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Hochschild Mining PLC - HOC Preliminary Results 2017
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Hochschild Mining PLC
21 February 2018

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Hochschild Mining plc
Preliminary Results for the year ended 31 December 2017

Financial highlights

- Revenue of $722.6 million (2016: $688.2 million)[1]
- Adjusted EBITDA of $300.8 million (2016: $329.0 million)[2]
- Profit before income tax of $64.1 million (2016: $108.3 million)
- Basic earnings per share of $0.08 (2016: $0.09)
- Adjusted basic earnings per share of $0.08 (2016: $0.11)[3]
- Cash and cash equivalent balance of $257.0 million as at 31 December 2017 (2016: $140.0 million)
- Net debt of $102.8 million as at 31 December 2016 (2016: $187.4 million)
- Final proposed dividend of 1.965 cents per share ($10 million) up 42% versus 2016 final dividend (1.38 cents per share)

2017 operational delivery exceeding guidance

- 2017 AISC per silver equivalent ounce from operations of $12.3 (2016: $11.2) in line with guidance of $12.2-12.7[4]
- Inmaculada AISC per gold equivalent ounce of $721 (2016: $646)
- Full year attributable production of 513,598 gold equivalent ounces (38.0 million silver equivalent ounces) exceeding guidance[5]
- Record production of 239,479 gold equivalent ounces at Inmaculada (2016: 229,033 ounces)
- First results from surface drilling confirming strong geological potential at Inmaculada

2018 Outlook

- Production target of 514,000 attributable gold equivalent ounces (38.0 million silver equivalent ounces)
- AISC expected to be $960-$990 per gold equivalent ounce ($13.0-13.4 per silver equivalent ounce)[6]

- Inmaculada costs expected to be $700-750 per gold equivalent ounce
- Total sustaining and development capital expenditure expected to be approximately $125-135 million including $14 million for hydraulic backfill project at San Jose
- $10million budget approved for greenfield exploration programme in 2018
  - 4-6 projects across three countries to be drilled in 2018
- 7.75% Senior Notes repaid on 23 January 2018 financed by cash resources and significantly lower rate short-to-medium term debt
- Reduction in Argentina corporate tax rates expected to be a significant positive impact on cash generation

$000 unless stated	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Attributable silver production (koz)	**19,141**	17,284	11
Attributable gold production (koz)	**255**	246	4
Revenue	**722,572**	688,242	5
Adjusted EBITDA	**300,750**	329,014	(9)
Profit from continuing operations (pre-exceptional)	**53,355**	69,306	(23)
Profit from continuing operations (post-exceptional)	**53,881**	62,862	(14)
Basic earnings per share (pre-exceptional) $	**0.08**	0.11	(27)
Basic earnings per share (post-exceptional) $	**0.08**	0.09	(11)

Commenting on the results, Ignacio Bustamante, CEO, said:

"We have delivered another set of solid results driven by record production and costs in line with expectations. We have completed a very successful refinancing and along with strong operational cashflow, we have consequently been able to reward shareholders for their support with a proposed increase in the final dividend for 2017. In 2018, we can look forward to the ramp up of production from the Pablo vein and continued investment in our brownfield exploration programme."

A presentation will be held for analysts and investors at 9.30am (UK time) on Wednesday 21 February 2018 at the offices of JP Morgan, 60 Victoria Embankment, London, EC4Y 0JP *(Entrance at 1 John Carpenter Street)*

The presentation and a link to the live audio webcast of the presentation can be found at the Hochschild website:

www.hochschildmining.com

To join the event via conference call, please see dial in details below:

UK: +44(0)330 336 9105 (Please quote confirmation code **7595580**)

Enquiries:

Hochschild Mining plc

Charles Gordon
+44 (0)20 3709 3264
Head of Investor Relations

Hudson Sandler

Charlie Jack
+44 (0)207 796 4133
Public Relations

Non-IFRS Financial Performance Measures

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

About Hochschild Mining plc:

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

CHAIRMAN'S STATEMENT

I am delighted with the progress made operationally and geologically in 2017 as well as with our long term goal of balance sheet optimisation. This has been demonstrated with our enviable track record of meeting our production and cost forecasts, as well as the delivery of our ambitious brownfield exploration programme which we believe is now starting to bear fruit. Whilst a complex permitting situation in Peru and unpredictable precious metal prices have at times impacted both the management of our core assets and our ability to execute our drilling campaigns, Hochschild Mining has maintained a consistent strategy over the last few years which places geological expertise at the heart of how we manage our deposits and how we generate further low cost organic growth in the long term. The Board is pleased, therefore, to be able to recommend an increased final dividend of $1.965 cents per share.

Operationally we were able to continue to grow our output reaching another Company record in 2017 with key contributions from Inmaculada and San Jose (both production records) and a vastly improved performance at Pallancata. With a positive gold price performance, we were still able to generate solid cashflow throughout the year despite a fall in profitability due to a rise in overall costs. With regards to our balance sheet, we took a decisive step in January 2018 with the early redemption of the high yield bonds, issued in 2014 to finance the construction of Inmaculada, using existing cash and lower cost local Peruvian debt. We are now in an advantageous financial position with a manageable debt profile and the firepower to meet the requirements of our brownfield and greenfield programmes, consider acquisitions and continue to return capital to shareholders.

Towards the end of the year we started to receive some positive results from our brownfield drilling campaigns. In particular, I would like to mention that geological developments at Inmaculada which have confirmed our long-held confidence in the prospectivity of the district and I look forward to the team continuing to add high quality resources in 2018 and beyond. The majority of our assets are still underexplored and following positive changes to the permitting process in Peru, I believe that our organic growth programme is beginning to gain real momentum. Furthermore, it is pleasing to see an increasing number of greenfield targets come through the pipeline as well as some earn-in joint venture opportunities being evaluated.

Safety and Environment

As mentioned in my statement last year, an accident at the Inmaculada mine early in 2017 resulted in two fatalities. With great regret, we disclosed that a second accident occurred at the Arcata mine in July 2017 which also claimed the lives of two colleagues. On behalf of the Board, I would like to again convey our deepest condolences to the families of the victims involved. Our resolve to make Hochschild Mining a safe place to work is as strong as ever and management has responded by instigating a wide-ranging programme to reinforce our safety culture which: includes senior management reviewing all high-risk activities; involves even more frequent training; focuses on initiatives to motivate and incentivise safe working; and implements the most up-to-date safety risk management information systems. Over the course of a mine's life, geological conditions and mining methods may change but our commitment to safety remains constant and is one of our values which we are not willing to compromise.

Our focus on environmental performance continues to be one of our key priorities. During 2017, we introduced a new environmental corporate objective as part of the Company's overall Performance Objectives Plan (the base for calculating employee bonuses), which has historically been only based on production, safety and financial indicators. We believe that this new objective will help us in further promoting a strong environmental culture, achieve our goal of operating with the least environmental footprint possible and generate long-term value for our stakeholders.

Our People

Our employees are pivotal to the Company's performance and, to them, I wish to express my gratitude for their contribution in making 2017 a record year of profitable production. I also wish to thank my fellow Board colleagues for their support over the year. I am delighted that Dionisio Romero Paoletti joined the Board at the start of the year as a Non-Executive Director, bringing a wealth of business experience in Peru and internationally. Finally, I wish to express the Board's utmost gratitude to Enrico Bombieri who, having served as a Non-Executive Director since 2012 and as Senior Independent Director for four years, retired at the end of 2017.

Outlook

After an encouraging year for metal prices in 2017, particularly for gold, the prospects for precious metals in 2018 remain strong with robust global equity markets and inflation on the rise. We are aiming to continue our long-term growth strategy based around low cost brownfield investment, selective greenfield exploration and a targeted approach to acquisitions. Safety, operational excellence and cost control will remain of paramount importance and we will also continue repaying debt as and when the opportunity arises.

Eduardo Hochschild, Chairman
20 February 2018

CHIEF EXECUTIVE OFFICER'S STATEMENT

Hochschild delivered another record year of production whilst maintaining cost increases within expectations, excellent environmental performance, advancing our brownfield programme and continuing our drive to repay debt and optimise our balance sheet. We have also begun to widen our exploration focus to include selected greenfield projects across the Americas as well as assessing a wide variety of joint ventures and acquisitions that could supplement our long-term growth profile at a low cost.

No less important and in response to the fatalities that occurred during the year, I would like to highlight that the management team has designed and is implementing the "Hochschild Safety Transformation" plan which will reinforce the entire Company's commitment to a safe working environment.

Operations

Our core operations produced over half a million attributable gold equivalent ounces (38.0 million silver equivalent ounces) for the first time since the IPO - achieving a fifth year of output increases and improving on our original 37.0 million ounce silver equivalent target. This, yet again, demonstrates the value of our long-term organic growth strategy. Inmaculada was a key driver, delivering another record year of almost 240,000 gold equivalent ounces at a competitive all-in sustaining cost of $721 per gold equivalent ounce ($9.7 per silver equivalent ounce). San Jose also achieved a record (7.1 million attributable silver equivalent ounces) and Pallancata moved strongly into a new phase with 7.7 million silver equivalent ounces at a cost of $10.7 per silver equivalent ounce. At our Arcata mine, the effects of a lengthy permit delay to brownfield exploration in 2016 began to be fully felt with the accessing of increasingly narrower veins and a reduced number of stopes lowering production to 5.5 million silver equivalent ounces. We remain optimistic that, despite the impairment recognised in 2017, there is still geological potential in the Arcata deposit area and expect that our current drilling programme will enable an improvement in resource quality and quantity in the future. Finally, I am pleased to report that, during 2017, we achieved an excellent score in our newly implemented environmental corporate objective at all our operations. We will continue to work to maintain and improve our environmental culture and performance based on a strong belief that responsible mining is fully compatible with respect for the environment.

Exploration

Our ambitious brownfield exploration programme in Peru started to gain momentum in the second half of 2017 when, with all requisite permits in place, we were able to commence our surface drilling programmes at Inmaculada and Arcata. Early results from the first campaign in six years at Inmaculada are very encouraging and confirmed the presence of the Millet vein as well as eight other structures close to our mining infrastructure at the Angela vein. In Argentina, we had some success in discovering new structures close to the San Jose mine and we also continued to drill in the Aguas Vivas area to the north-west where we are currently assessing the nature of this polymetallic orebody which has significant quantities of zinc and lead as well as precious metals. At Pallancata, the focus was on developing the Pablo vein in preparation for mining in 2018 whilst the discovery of the Marco vein nearby has added further resources and prompted a new regional geological hypothesis which we will be testing in 2018. Finally, at Arcata we were able to discover additional inferred resources and throughout 2018, an intensive campaign will continue to explore for resources with the goal of utilising the plant's significant spare capacity.

Financial position

Strong cashflow from our operations combined with some balance sheet management opportunities has left us in a healthy financial position. On 23 January 2018, we were able to redeem the remaining $295 million of our 7.75% Senior Notes. We replaced a portion of these bonds with short to medium term debt from local banks in Peru with an average rate of 2.2% and approximately $100 million was repaid from existing cash resources. Consequently, our cash balance after this transaction remains a healthy $85m and we expect our interest costs to fall by approximately $20 million per year from 2019 onwards.

Financial results

Whilst an increased average gold price received was offset by a moderate fall in the silver price received, record production once again ensured a rise in revenue of 5% to $723 million (2016: $688 million). The operational all-in sustaining cost of $12.3 per silver equivalent ounce (2016: $11.2 per ounce) was in line with forecasts although the increase reflected an increased investment in brownfield exploration as well as one-off project costs at Inmaculada and consequently this resulted in Adjusted EBITDA of $300 million (2016: $329 million). Finally, with finance costs reduced despite the high yield bonds (now repaid), basic earnings per share and adjusted earnings per share was $0.08 per share (2016: $0.11 and $0.09 per share respectively).

Outlook

We expect attributable production in 2018 to be 514,000 gold equivalent ounces (38 million silver equivalent ounces driven by another 240,000 gold equivalent ounces from Inmaculada, an increased contribution of 9.5 million silver equivalent ounces from the revitalised Pallancata mine and another 7.1 million silver equivalent ounces from the dependable San Jose mine. At Arcata, where we expect production of 4 million silver equivalent ounces, management will continue to closely monitor performance to ensure production is optimised whilst maintaining the asset´s optionality with regards to prices, exploration results and cost efficiencies. All in sustaining costs for operations are expected at between $960 to $990 per gold equivalent ounce ($13.0 to $13.4 per silver equivalent ounce) with the slight increase versus the $12.3 per ounce in 2017 resulting from further development costs of the Pablo vein and a one-off highly profitable investment in a hydraulic backfill project at San Jose. We are also pleased to note that the corporate tax rate in Argentina has been reduced from 35% to 30% from 2018 (and to 25% from 2020) and, hence we can look forward to a significant positive impact on San Jose's net profitability although taxes on dividends have also been reinstated to 7% through to 2020 and then to 13% thereafter.

A further $17 million is expected to be invested in our brownfield exploration in 2018 as we look to maintain the current momentum and an additional budget of $10 million is assigned to greenfield projects with some exciting prospects to be drilled in Peru, Chile, Canada and the United States. Low cost, early stage acquisition opportunities will continue to be pursued across the Americas and, in particular, earn-in joint ventures where operations can benefit from Hochschild's technical expertise. We are confident that our exploration-led growth strategy will continue to add high quality ounces to our existing assets, generate new early-stage projects and deliver long-term shareholder value.

Ignacio Bustamante, Chief Executive Officer
20 February 2018

OPERATING REVIEW

OPERATIONS

Note: silver/gold equivalent production and cost figures assume a gold/silver ratio of 74:1. Hochschild has increased the use of gold equivalent figures throughout the release to provide comparability to the gold industry peer group and due to the Company's Inmaculada mine being a majority gold producer.

Production

In 2017, Hochschild once again exceeded its full year production target, a record 513,598 gold equivalent ounces or 38.0 million silver equivalent ounces, comprising 254,932 ounces of gold and 19.1 million ounces of silver. The overall production target for 2018 is 514,000 gold equivalent ounces (38.0 million silver equivalent ounces).

Total group production

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Silver production (koz)	**22,301**	20,562
Gold production (koz)	**304.16**	292.63
Total silver equivalent (koz)	**44,809**	42,217
Total gold equivalent (koz)	**605.52**	570.50
Silver sold (koz)	**22,295**	21,088
Gold sold (koz)	**300.21**	298.96

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

Attributable group production

	Year ended 31 Dec 2017	Year ended 31 Dec 2016
Silver production (koz)	**19,141**	17,284
Gold production (koz)	**254.93**	246.08
Silver equivalent (koz)	**38,006**	35,493
Gold equivalent (koz)	**513.60**	479.64

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

2018 Production forecast split

Operation	**Gold production (oz approx)**	**Silver production (m oz approx)**
Inmaculada	160,000	5.6
Arcata	10,000	3.3
Pallancata	27,000	7.5

San Jose (100%)	100,000	6.5
Total	297,000	22.9

Costs

All-in sustaining costs from operations in 2017 was $910 per gold equivalent ounce or $12.3 per silver equivalent ounce (2016: $829 per gold equivalent ounce or $11.2 per silver equivalent ounce) driven by Inmaculada's very competitive $721 per gold equivalent ounce (2016: $644 per ounce) and Pallancata's low costs ($10.7 per silver equivalent ounce) driven by better than forecast tonnage and silver grades. Please see page 13 of the Financial Review for further details on costs.

The all-in sustaining cost from operations in 2018 is expected to be between $960 and $990 per gold equivalent ounce (or $13.0 and $13.4 per silver equivalent ounce) which includes a full year of the new detoxification process at Inmaculada, further development costs at the Pablo vein and an investment of $14 million in a highly value accretive hydraulic backfill project at San Jose. Arcata´s costs are expected to be higher in line with its resource base and despite the implementation of significant cost control measures. An intense drilling campaign is expected to add higher quality resources during the year in order to provide continuity to the operation

2018 AISC forecast split

Operation	AISC ($/oz)
Inmaculada	700-750 Au Eq[7]
Arcata	18.0-18.5 Ag Eq
Pallancata	13.0-13.5 Ag Eq
San Jose	14.5-15.0 Ag Eq

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	Year ended 31 Dec 2017	Year ended 31 Dec 2016	% change
Ore production (tonnes)	**1,295,701**	1,306,606	(1)
Average silver grade (g/t)	**145**	133	9
Average gold grade (g/t)	**4.15**	4.21	(1)
Silver produced (koz)	**5,506**	4,908	12
Gold produced (koz)	**165.07**	162.71	1
Silver equivalent produced (koz)	**17,721**	16,948	5
Gold equivalent produced (koz)	**239.48**	229.03	5
Silver sold (koz)	**5,498**	5,004	10
Gold sold (koz)	**162.32**	164.75	(1)
Unit cost ($/t)	**85.4**	**64.4**	33
Total cash cost ($/oz Au co-product)	**486**	**370**	31
All-in sustaining cost ($/oz Au Eq)	**721**	**646**	12

Production

In 2017, Inmaculada delivered record gold equivalent production of 239,479 ounces, a 5% improvement on 2016 (2016: 229,033 ounces) and represents a very successful result following the unexpected stoppage at the operation in the first quarter of the year.

Costs

All-in sustaining costs were in line with expectations at $721 per gold equivalent ounce or $9.7 per silver equivalent ounce (2016: $646 per ounce). Costs rose versus 2016 due to the previously-disclosed investment in the expansion of the tailings dam and other infrastructure as well as reduced mined tonnage resulting from the stoppage in the first quarter and budgeted lower mined gold grades. These effects were partially offset by the processing of a high grade stockpile as well as operational efficiencies versus plan.

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	Year ended 31 Dec 2017	Year ended 31 Dec 2016	% change
Ore production (tonnes)	**499,385**	677,309	(26)

Average silver grade (g/t)	**308**	337	(9)
Average gold grade (g/t)	**1.07**	1.24	(14)
Silver produced (koz)	**4,391**	6,343	(31)
Gold produced (koz)	**15.15**	22.54	(33)
Silver equivalent produced (koz)	**5,512**	8,011	(31)
Gold equivalent produced (koz)	**74.49**	108.26	(31)
Silver sold (koz)	**4,357**	6,346	(31)
Gold sold (koz)	**14.96**	22.03	(32)
Unit cost ($/t)	**124.8**	101.1	23
Total cash cost ($/oz Ag co-product)	**14.5**	11.0	32
All-in sustaining cost ($/oz Ag Eq)	**18.4**	13.7	34

Production
Production for the year was 5.5 million silver equivalent ounces (2016: 8.0 million ounces) a result which reflected significantly reduced tonnage and lower grades following a revision of the mine plan to accommodate a lower number of available stopes and narrower veins.

Costs
In 2017, as expected, Arcata's all-in sustaining cost rose substantially versus 2016 to $18.4 per silver equivalent ounce (2016: $13.7 per ounce) reflecting the significantly reduced tonnage (affecting unit costs) and grades resulting from the above mentioned revised mine plan as well as the increased investment in the mine's brownfield exploration programme.

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	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Ore production (tonnes)	**470,903**	**244,765**	92
Average silver grade (g/t)	**442**	**381**	16
Average gold grade (g/t)	**1.78**	**1.86**	(4)
Silver produced (koz)	**5,956**	**2,620**	127
Gold produced (koz)	**23.47**	**12.37**	90
Silver equivalent produced (koz)	**7,693**	**3,536**	118
Gold equivalent produced (koz)	**103.95**	**47.78**	118
Silver sold (koz)	**5,940**	**2,660**	123
Gold sold (koz)	**23.29**	**12.41**	88
Unit cost ($/t)	**101.5**	**131.0**	(23)
Total cash cost ($/oz Ag co-product)	**7.8**	**12.4**	(37)
All-in sustaining cost ($/oz)	**10.7**	**16.3**	(34)

Production
The full year result was 7.7 million silver equivalent ounces, a 118% improvement on 2016 (2016: 3.5 million ounces) driven by better than forecast tonnage and silver grades.

Costs
All-in sustaining costs at Pallancata in 2017 fell by 34% versus the same period of 2016 to $10.7 per silver equivalent ounce (2016: $16.3 per ounce). The reduction was due to higher than expected tonnage and silver grades resulting from the accessing of high grade ancillary veins with the wider but lower grade Pablo vein forecast to provide the majority of the ore in 2018. Cost were also reduced due Pablo development capex being delayed into 2018 which is expected to increase all-in sustaining costs to be between $13.0 to $13.5 per silver equivalent ounce.

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*	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Ore production (tonnes)	**532,676**	536,024	(1)
Average silver grade (g/t)	**436**	444	(2)
Average gold grade (g/t)	**6.71**	6.28	7
Silver produced (koz)	**6,448**	6,691	(4)
Gold produced (koz)	**100.47**	95.01	6
Silver equivalent produced (koz)	**13,883**	13,721	1
Gold equivalent produced (koz)	**187.60**	185.42	1
Silver sold (koz)	**6,501**	7,081	(8)
Gold sold (koz)	**99.63**	99.76	-
Unit cost ($/t)	**240.1**	202.4	19
Total cash cost ($/oz Ag co-product)	**10.5**	9.7	8
All-in sustaining cost ($/oz)	**14.0**	11.5	22

**The Company has a 51% interest in San Jose*

Production
The overall production results for 2017 were 6.4 million ounces of silver and 100,474 ounces of gold which is 13.9 million silver equivalent ounces, a slight improvement on 2016.

Costs
At San Jose, all-in sustaining costs increased to $14.0 per silver equivalent ounce (2016: $11.5 per ounce) mainly due to the Q4 2016 elimination of the Patagonian port rebate which had lowered costs significantly. In addition, lower than expected currency devaluation in Argentina in 2017 only partially offset ongoing high local inflation.

In December 2017, the Argentine government sanctioned a series of fiscal measures that include a reduction in the 35% rate of corporate income tax, taking it to 30% for the years 2018 and 2019, and then to 25% for 2020 onwards. In addition, a withholding tax was imposed on dividends at a rate of 7% for 2018 and 2019, increasing to 13% from 2020. It is expected that the overall net effect on profitability will be positive.

EXPLORATION

Brownfield exploration

Arcata
27,662m of resource drilling and 11,200m of potential drilling was carried out at Arcata in 2017 and centred on the Tunel 3, Tunel 4, Paralela 3, Paralela Sur, Ramal Marion, Michele, Soledad, Baja, Ramal 4, Ruby 2 and Ruby 3 veins. In addition, long horizontal drilling for potential resources was also executed in the Pamela and Paralelas vein systems.

Selected results are provided in the table below:

Vein	**Results**
Ramal Marion	DDH-018-GE-17: 1.0m @ 1.0g/t Au & 326g/t Ag DDH-023-GE-17: 0.8m @ 0.6g/t Au & 154g/t Ag DDH-049-EX-17: 0.8m @ 0.6g/t Au & 146g/t Ag DDH-054-EX-17: 0.8m @ 0.4g/t Au & 201g/t Ag DDH-023-GE-17: 0.8m @ 0.9g/t Au & 246g/t Ag DDH-043-EX-17: 1.2m @ 0.3g/t Au & 159g/t Ag DDH-058-EX-17: 1.0m @ 2.1g/t Au & 712g/t Ag DDH-066-EX-17: 1.3m @ 0.4g/t Au & 167g/t Ag DDH-018-GE-17: 1.2m @ 2.6g/t Au & 1,229g/t Ag DDH-023-GE-17: 0.8m @ 1.0g/t Au & 227g/t Ag DDH-043-EX-17: 0.8m @ 0.2g/t Au & 477g/t Ag DDH-058-EX-17: 0.9m @ 0.5g/t Au & 309/t Ag DDH-043-EX-17: 0.8m @ 0.2g/t Au & 132g/t Ag DDH-052-EX-17: 0.8m @ 0.4g/t Au & 106g/t Ag DDH-066-EX-17: 1.2m @ 1.1g/t Au & 408g/t Ag DDH-018-GE-17: 0.8m @ 0.9g/t Au & 303g/t Ag DDH-023-GE-17: 1.1m @ 3.8g/t Au & 1,025g/t Ag
Paralela	DDH-036-GE-17: 0.8m @ 4.9g/t Au & 605g/t Ag DDH-038-GE-17: 0.8m @ 1.5g/t Au & 198g/t Ag DDH-048-DI-17: 0.4m @ 3.9g/t Au & 389g/t Ag DDH-074-DI-17: 1.2m @ 1.8g/t Au & 176g/t Ag DDH-056-DI-17: 0.8m @ 1.5g/t Au & 177g/t Ag
Paralela 1	DDH-036-GE-17: 0.8m @ 5.2g/t Au & 692g/t Ag DDH-038-GE-17: 0.8m @ 1.4g/t Au & 240g/t Ag DDH-048-DI-17: 0.8m @ 6.6g/t Au & 765g/t Ag

Paralela 2	DDH-057-DI-17: 1.1m @ 3.0g/t Au & 244g/t Ag DDH-028-GE-17: 0.9m @ 2.6g/t Au & 226g/t Ag
Paralela 3	DDH-056-DI-17: 1.1m @ 2.1g/t Au & 331g/t Ag DDH-074-DI-17: 1.8m @ 12.2g/t Au & 1,339g/t Ag DDH-041-DI-17: 1.3m @ 1.4g/t Au & 173g/t Ag DDH-038-GE-17: 0.8m @ 1.7g/t Au & 117g/t Ag DDH-107-DI-17: 1.3m @ 1.9g/t Au & 192g/t Ag
Socorro+800	DDH-074-DI-17: 2.5m @ 12.2g/t Au & 399g/t Ag
Tunel 4	DDH-087-GE-17: 0.8m @ 1.6g/t Au & 850g/t Ag DDH-097-DI-17: 1.8m @ 0.9g/t Au & 397g/t Ag DDH-103-DI-17: 0.8m @ 0.8g/t Au & 126g/t Ag DDH-109-DI-17: 1.3m @ 4.2g/t Au & 636g/t Ag DDH-555-S-17: 0.4m @ 1.6g/t Au & 516g/t Ag DDH-557-S-17: 1.9m @ 1.5g/t Au & 205g/t Ag DDH-576-S-17: 0.6m @ 1.0g/t Au & 268g/t Ag DDH-579-S-17: 2.8m @ 1.1g/t Au & 276g/t Ag
Alexia Techo 2	DDH-094-ST-17: 1.0m @ 1.4g/t Au & 454g/t Ag
Ruby 2	DDH-155-DI-17: 1.0m @ 0.4g/t Au & 241g/t Ag DDH-190-EX-17: 1.3m @ 1.2g/t Au & 551g/t Ag
Ruby 3	DDH-155-DI-17: 2.0m @ 0.7g/t Au & 250g/t Ag DDH-184-DI-17: 1.3m @ 0.3g/t Au & 207g/t Ag DDH-198-EX-17: 1.1m @ 0.5g/t Au & 407g/t Ag DDH-197-DI-17: 1.7m @ 1.3g/t Au & 735g/t Ag

In 2018, an intensive 32,000m resource drilling campaign is scheduled for all areas surrounding the main mining area.

Pallancata
At Pallancata, 1,000m of resource drilling was carried out in the Marco vein, a structure identified close to the Pablo vein with just over 1 million ounces of silver equivalent resources identified. Selected results are below:

Vein	**Results**
Marco	DLYU-A92A: 1.4m @ 0.7g/t Au & 235g/t Ag DLYU-A88: 1.1m @ 2.2g/t Au & 1,108g/t Ag DLNE-A05: 0.6m @ 1.1g/t Au & 470g/t Ag DLYU-A92A: 2.0m @ 0.7g/t Au & 169g/t Ag DLNE-A07: 0.6m @ 1.1g/t Au & 152g/t Ag

During 2018, mapping and geophysics will be carried out at the Pablo South area whilst an 8,400m potential drilling programme will be carried out to test continuity between the Marco and the Farallon veins to the North West of Pablo.

Inmaculada
At Inmaculada, following receipt of the requisite permits from the government in the fourth quarter, a 56,000 metre surface drilling programme began in early November with four drill rigs onsite. Results in the area to the south west of the Angela vein have so far confirmed the presence of nine new veins close to the existing mine infrastructure. The first results from almost 5,000 metres of drilling are detailed below and show, in particular, the potential of the Millet vein. The current campaign will continue throughout 2018 and will include further potential drilling as well as infill drilling and resource conversion. The Company expects to provide further updates on drill results throughout the year.

In addition, mine development during the third quarter allowed a reinterpretation of the geological model at the deposit and identified a further 9.7 million silver equivalent ounces of resources.

Vein	**Results**
Millet	MIL-17-002: 36.5m @ 3.3g/t Au & 73g/t Ag MIL-17-003: 3.8m @ 3.8g/t Au & 109g/t Ag MIL-17-004A: 3.0m @ 1.4g/t Au & 80g/t Ag MIL-17-005: 38.5m @ 4.4g/t Au & 96g/t Ag MIL-17-006: 1.2m @ 1.8g/t Au & 88g/t Ag MIL-17-007: 2.5m @ 2.0g/t Au & 19g/t Ag MIL-17-009: 13.0m @ 6.8g/t Au & 68g/t Ag
Thalia	MIL-17-001: 1.1m @ 3.0g/t Au & 125g/t Ag BAR17-017: 1.5m @ 11.0g/t Au & 67g/t Ag LIA17-001: 0.7m @ 2.3g/t Au & 174g/t Ag LIA17-002: 3.0m @ 5.1g/t Au & 60g/t Ag
Alessandra	MIL-17-001: 1.2m @ 2.9g/t Au & 227g/t Ag MIL-17-001: 1.5m @ 1.5g/t Au & 82g/t Ag MIL-17-002: 2.5m @ 2.2g/t Au & 122g/t Ag
Barbara	BAR17-001: 3.9m @ 1.6g/t Au & 119g/t Ag BAR17-003: 1.3m @ 2.4g/t Au & 419g/t Ag BAR17-004: 3.0m @ 2.6g/t Au & 175g/t Ag BAR17-008: 4.3m @ 10.0g/t Au & 751g/t Ag BAR17-009: 3.6m @ 1.9g/t Au & 348g/t Ag

	BAR17-010: 6.0m @ 15.2g/t Au & 3,042g/t Ag BAR17-011: 2.7m @ 6.6g/t Au & 780g/t Ag BAR17-012: 3.8m @ 6.5g/t Au & 692g/t Ag BAR17-013: 4.1m @ 11.1g/t Au & 1,449g/t Ag BAR17-014: 3.5m @ 16.2g/t Au & 1,227g/t Ag BAR17-017: 2.05m @ 1.38g/t Au & 82g/t Ag BAR17-018: 3.6m @ 3.5g/t Au & 132g/t Ag BAR17-019: 2.25m @ 3.55g/t Au & 242g/t Ag BAR17-020: 1.2m @ 7.9g/t Au & 665g/t Ag BAR17-021: 0.8m @ 1.1g/t Au & 92g/t Ag BAR17-022: 1.2m @ 1.7g/t Au & 720g/t Ag
Ramal Barbara	BAR 17-019: 1.0m @ 1.7g/t Au & 314g/t Ag
Xiomara	BAR17-017: 1.0m @ 1.0g/t Au & 45g/t Ag BAR17-018: 1.5m @ 2.1g/t Au & 76g/t Ag BAR17-019: 1.8m @ 3.6g/t Au & 242g/t Ag BAR17-020: 2.1m @ 2.5g/t Au & 123g/t Ag BAR17-021: 0.7m @ 0.6g/t Au & 16g/t Ag BAR17-022: 1.0m @ 5.7g/t Au & 122g/t Ag

During 2018, mapping and geophysics is planned for the Inmaculada East zone whilst a programme of 4,500 metres of drilling for potential as well as 53,000 metres of resource drilling is scheduled in the same area.

San Jose

At San Jose, 8,624 m of drilling for potential resources was carried out during the year at the Aguas Vivas zone with results indicating an intermediate sulphide deposit with associated zinc and lead mineralisation. A further 3,000 metres of drilling at Aguas Vivas is scheduled for Q1 2018. In addition, 5,000 metres of further resource and potential drilling was carried out during the year in the Molle, Odin, Ramal Ayelen and Frea E-W veins with selected results of both campaigns shown below.

Vein	**Results**
Aguas Vivas NW	SJD-1627: 2.6m @ 0.1g/t Au, 43g/t Ag, 8.2% Pb & 5.5% Zn SJD-1616: 2.8m @ 0.3g/t Au, 40g/t Ag, 7.0% Pb & 6.0% Zn SJD-1686: 1.1m @ 3.6g/t Au, 86g/t Ag, 19.0% Pb & 10.3% Zn SJD-1686: 1.5m @ 1.0g/t Au, 29g/t Ag, 1.1% Pb & 2.9% Zn SJD-1687: 0.4m @ 0.2g/t Au, 65g/t Ag, 3.1% Pb & 7.2% Zn SJD-1687: 1.0m @ 6.5g/t Au, 14g/t Ag
Molle	SJD-1651: 0.8m @ 8.4g/t Au & 141g/t Ag SJM-320: 2.5m @ 5.2g/t Au & 427g/t Ag SJM-321: 1.2m @ 46.7g/t Au & 2,256g/t Ag SJD-1696: 2.9m @ 3.8g/t Au & 913g/t Ag SJD-1697: 1.3m @ 92.3g/t Au & 2,429g/t Ag SJM-340: 0.6m @ 5.5g/t Au & 316g/t Ag SJM-341: 0.6m @ 0.6g/t Au & 31g/t Ag SJM-342: 1.1m @ 9.9g/t Au & 496g/t Ag
Odin	SJM-338: 1.4m @ 1.0g/t Au & 472g/t Ag
Ramal Ayelen	SJM-339: 0.6m @ 0.7g/t Au & 329g/t Ag SJM-339: 1.0m @ 0.8g/t Au & 461g/t Ag
Ramal Ayelen SE	SJD-1689: 0.6m @ 1.2g/t Au & 49g/t Ag SJD-1690: 0.5m @ 0.8g/t Au & 225g/t Ag
Frea (E-W)	SJM-331: 0.6m @ 15.9g/t Au & 405g/t Ag SJM-333: 1.2m @ 3.3g/t Au & 262g/t Ag SJD-1693: 1.6m @ 13.8g/t Au & 184g/t Ag

In 2018, mapping and geophysics will continue on the Aguas Vivas zone as well as approximately 3,000m of both potential and resource drilling.

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 when indicated. 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 5% to $759.1 million in 2017 (2016: $722.0 million) driven by an increase in sales resulting from increases in production from the Company's Inmaculada and Pallancata mines as well as a rise in gold prices.[8]

Gold
Gross revenue from gold increased 5% in 2017 to $381.3 million (2016: $363.4 million) mainly as a result of a 4% rise in the average gold price as well as a small increase in the total amount of gold ounces sold in 2017. The increase in gold sales came from the recovery in the Pallancata mine offsetting a fall in gold sales from the Arcata mine.

Silver
Gross revenue from silver increased by 5% in 2017 to $377.8 million (2016: $358.7 million) as a result of a 6% increase in the total amount of silver ounces sold to 22,295 koz (2016: 21,088 koz) driven by a recovery at the primarily silver mine of Pallancata as well as increased sales from Inmaculada . This was partially offset by a 31% decrease in the silver sales from the Arcata operation.

Gross average realised sales prices
The following table provides figures for average realised prices (which are reported before the deduction of commercial discounts and include the effects of the hedging agreements in place during the prior year) and ounces sold for 2017 and 2016:

Average realised prices	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Silver ounces sold (koz)	**22,295**	21,088
Avg. realised silver price ($/oz)	**16.9**	17.0
Gold ounces sold (koz)	**300.21**	298.95
Avg. realised gold price ($/oz)	**1,270**	1,215

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 2017, the Group recorded commercial discounts of $36.9 million (2016: $34.1 million). The increase is explained by the higher production of concentrate mainly from the Pallancata mine. The ratio of commercial discounts to gross revenue in 2017 was 5% (2016: 5%).

Net revenue
Net revenue increased by 5% to $722.6 million (2016: $688.2 million), comprising net gold revenue of $372.3 million and net silver revenue of $349.8 million. In 2017, gold accounted for 52% and silver 48% of the Company's consolidated net revenue (2016: gold 51% and silver 49%) with the increase in the gold contribution mainly due to the increase in the gold price received.

Revenue by mine[9]

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	**% change**
Silver revenue			
Arcata	**74,452**	106,206	(30)
Inmaculada	**91,943**	83,642	10
Pallancata	**100,285**	44,500	125
San Jose	**111,088**	124,316	(11)
Commercial discounts	**(27,926)**	(25,139)	11
Net silver revenue	**349,842**	333,525	5
Gold revenue			
Arcata	**19,183**	25,717	(25)
Inmaculada	**204,651**	196,466	4
Pallancata	**29,877**	14,994	99
San Jose	**127,602**	126,174	1
Commercial discounts	**(8,998)**	(8,993)	-
Net gold revenue	**372,315**	354,358	5
Other revenue	**415**	359	16
Net revenue	**722,572**	688,242	5

Costs
Total cost of sales was $549.0 million in 2017 (2016: $487.7 million). The direct production cost excluding depreciation was higher at $345.4 million (2016: $293.8 million) explained by higher backfill and detoxification costs at Inmaculada and the impact of the net inflation in Argentina. Depreciation in 2017 was $195.7 million

(2016: $185.7 million) with the increase due to Pallancata's higher tonnage extraction. Other items was higher at $3.2 million in 2017 (2016: $1.8 million) due to costs related to the community stoppage at Pallancata in January. Change in inventories was $4.7 million in 2017 (2016: $6.5 million).

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	**% Change**
Direct production cost excluding depreciation	**345,436**	293,810	18
Depreciation in production cost	**195,699**	185,655	5
Other items	**3,241**	1,750	85
Change in inventories	**4,673**	6,487	(28)
Cost of sales	**549,049**	487,702	13

Unit cost per tonne

The Group reported unit cost per tonne at its operations of $125.0 per tonne in 2017, an 18% increase versus 2016 ($106.2 per tonne) mainly as a result of new detoxification and backfill processes at Inmaculada, stoppages at Pallancata and Inmaculada, local inflation in Argentina and higher costs at Arcata, partially offset by reduced costs at Pallancata.

Unit cost per tonne by operation (including royalties)[10]*:*

Operating unit ($/tonne)	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Peru	**97.7**	83.2	17
Arcata	**124.8**	101.1	23
Inmaculada	**85.4**	64.4	33
Pallancata	**101.5**	131.0	(23)
Argentina			
San Jose	**240.1**	202.4	19
Total	**125.0**	106.2	18

Cash costs

Cash cost reconciliation[11]*:*

$000 unless otherwise indicated	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Group cash cost	**403,552**	358,800	12
(+) Cost of sales	**549,049**	487,702	13
(-) Depreciation and amortisation in cost of sales	**(196,150)**	(180,317)	9
(+) Selling expenses	**11,024**	14,175	(22)
(+) Commercial deductions[12]	**39,629**	37,240	6
Gold	***9,256***	*11,486*	*(19)*
Silver	***30,373***	*25,754*	*18*
Revenue	**722,572**	688,242	5
Gold	**372,315**	354,358	5
Silver	**349,842**	333,525	5
Others	**415**	359	16
Ounces sold			
Gold	**300.2**	298.9	-
Silver	**22,295**	21,088	6
Group cash cost ($/oz)			
Co product Au	**693**	618	12
Co product Ag	**8.8**	8.2	7
By product Au	**78**	(2)	(4,000)
By product Ag	**1.0**	(0.3)	(430)

Co-product cash cost per ounce is the cash cost allocated to the primary metal (allocation based on proportion of revenue), divided by the ounces sold of the primary metal. By-product cash cost per ounce is the total cash cost minus revenue and commercial discounts of the by-product divided by the ounces sold of the primary metal.

All-in sustaining cost reconciliation

Year ended 31 Dec 2017

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San José	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	62,340	109,005	46,874	127,217	345,436	-	345,436
(+) Other items in cost of sales	-	-	1,461	1,780	3,241	-	3,241
(+) Operating and exploration capex for units	17,557	52,903	19,186	33,998	123,644	453	124,097
(+) Brownfield exploration expenses	3,029	1,127	1,279	3,407	8,842	4,041	12,883
(+) Administrative expenses (excl depreciation)	880	3,351	1,362	8,701	14,294	35,425	49,719
(+) Royalties and special mining tax[14]	-	2,987	1,214	-	4,201	2,229	6,430
Sub-total	**83,806**	**169,373**	**71,376**	**175,103**	**499,658**	**42,148**	**541,806**
Au ounces produced	15,146	165,074	23,471	100,474	304,165	-	304,165
Ag ounces produced (000s)	4,391	5,506	5,956	6,448	22,301	-	22,301
Ounces produced (Ag Eq 000s oz)	5,512	17,721	7,693	13,883	44,809	-	44,809
Sub-total ($/oz Ag Eq)	**15.2**	**9.6**	**9.3**	**12.6**	**11.2**	**-**	**12.1**
(+) Commercial deductions	15,695	2,134	9,633	12,167	39,629	-	39,629
(+) Selling expenses	1,931	1,118	1,298	6,677	11,024	-	11,024
Sub-total	**17,626**	**3,252**	**10,931**	**18,844**	**50,653**	**-**	**50,653**
Au ounces sold	14,963	162,323	23,287	99,634	300,207	-	300,207
Ag ounces sold (000s)	4,357	5,498	5,940	6,501	22,296	-	22,296
Ounces sold (Ag Eq 000s oz)	5,464	17,510	7,663	13,874	44,511	-	44,511
Sub-total ($/oz Ag Eq)	**3.2**	**0.2**	**1.4**	**1.4**	**1.1**		**1.1**
All-in sustaining costs ($/oz Ag Eq)	**18.4**	**9.7**	**10.7**	**14.0**	**12.3**		**13.2**
All-in sustaining costs ($/oz Au Eq)[13]	**1,362**	**721**	**792**	**1,036**	**910**	**-**	**977**

Year ended 31 Dec 2016

$000 unless otherwise indicated	Arcata	Inmaculada	Pallancata	San José	Main operations	Corporate & others	Total
(+) Production cost excluding depreciation	68,155	83,796	33,650	108,209	293,810	-	293,810
(+) Other items in cost of sales	462	506	241	541	1,750	-	1,750
(+) Operating and exploration capex for units	20,819	54,199	16,130	32,670	123,818	255	124,073
(+) Brownfield exploration expenses	1,305	1	733	1691	3,730	2,806	6,536
(+) Administrative expenses (excl depreciation)	1,441	3,420	674	8,180	13,715	32,932	46,647
(+) Royalties and special mining tax[14]	-	3,243	639	-	3,882	3,869	7,751
Sub-total	**92,182**	**145,165**	**52,067**	**151,291**	**440,705**	**39,862**	**480,567**
Au ounces produced	22,541	162,710	12,374	95,006	292,631	-	292,631
Ag ounces produced (000s)	6,343	4,908	2,620	6,691	20,562	-	20,562
Ounces produced (Ag Eq 000s oz)	8,011	16,948	3,536	13,721	42,216	-	42,216
Sub-total ($/oz Ag Eq)	**11.5**	**8.6**	**14.7**	**11.0**	**10.4**	**-**	**11.4**
(+) Commercial deductions	15,383	1,650	5,038	15,169	37,240	-	37,240
(+) Selling expenses	1,973	1,130	721	10,351	14,175	-	14,175
(-) Export credits	-	-	-	(19,029)	(19,029)		(19,029)
Sub-total	**17,356**	**2,780**	**5,759**	**6,491**	**32,386**	**-**	**32,386**
Au ounces sold	22,043	164,754	12,407	99,761	298,965	-	298,965
Ag ounces sold (000s)	6,343	5,004	2,660	7,081	21,088	-	21,088
Ounces sold (Ag Eq 000s oz)	7,977	17,196	3,578	14,463	43,214	-	43,214
Sub-total ($/oz Ag Eq)	**2.2**	**0.2**	**1.6**	**0.4**	**0.7**	**-**	**0.7**
All-in sustaining costs ($/oz Ag Eq)	**13.7**	**8.7**	**16.3**	**11.5**	**11.2**	**-**	**12.1**
All-in sustaining costs ($/oz Au Eq)	**1,014**	**644**	**1,206**	**851**	**829**	**-**	**895**

Administrative expenses

Administrative expenses increased by 7% to $51.3 million (2016: $48.0 million) primarily due to increased share-based compensation affecting personnel expenses.

Exploration expenses

In 2017, exploration expenses increased to $17.2 million (2016: $9.2 million) in line with the overall rise in the Company's investment in brownfield 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 2017, the Group capitalised $2.3 million relating to brownfield exploration compared to $1.3 million in 2016, bringing the total investment in exploration for 2017 to $19.5 million (2016: $10.5 million).

Selling expenses

Selling expenses decreased by 22% versus 2016 to $11.0 million (2016: $14.2 million) mainly due to the elimination of export duties at San Jose. Selling expenses in 2017 consisted mainly of logistic costs for the sale of concentrate whilst 2016 expenses also included approximately 1.5 months of export duties on concentrate until their elimination on 12 February 2016. Previously, export duties in Argentina were levied at 10% of revenue for concentrate.

Other income/expenses

Other income before exceptional items was $10.2 million (2016: $33.1 million). The reduction is mainly due to the elimination of the Patagonian port rebate (2016: $16.7 million) in the fourth quarter of 2016.

Other expenses before exceptional items were reduced to $11.5 million (2015: $13.9 million).

Adjusted EBITDA

Adjusted EBITDA decreased by 9% over the period to $300.8 million (2016: $329.0 million) driven primarily by production costs.

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	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	% change
Profit from continuing operations before exceptional items, net finance cost, foreign exchange loss and income tax	**92,255**	148,188	(38)
Depreciation and amortisation in cost of sales	**196,150**	180,317	9
Depreciation and amortisation in administrative expenses	**1,564**	1,331	18
Exploration expenses	**17,199**	9,193	87
Personnel and other exploration related fixed expenses	**(5,395)**	(3,947)	37
Other non-cash income[15]	**(1,023)**	(6,068)	(83)
Adjusted EBITDA	**300,750**	329,014	(9)
Adjusted EBITDA margin	***42%***	*48%*	

Finance income

Finance income before exceptional items of $5.9 million increased from 2016 ($1.1 million) primarily due to the impact of a higher net present value of the Patagonian port rebate ($1.9 million) which was discounted in 2016 but collected in 2017. The remainder consists of interest received on deposits ($1.6 million) and other financial income ($2.4 million) which included a gain on sale of shares ($1.4 million) and a gain on derivative instruments ($0.6 million).

Finance costs

Finance costs decreased from $30.5 million in 2016 to $26.1 million in 2017, principally due to the reduction of interest resulting from the repayment of Scotiabank medium term loan in H1 2016 and from lower average short-term borrowings.

Foreign exchange losses

The Group recognised a foreign exchange loss of $5.3 million (2016: $1.8 million loss) as a result of exposures in currencies other than the functional currency - primarily the Argentinean Peso.

Income tax

The Group's pre-exceptional income tax charge was $13.5 million (2016: $47.6 million). The substantial decrease in the charge is explained by the Group's decrease in profitability in the year in addition to a deferred tax credit recognised as a result of a progressive tax rate reduction in Argentina from 35% to 30%.

The effective tax rate for the period was 20.2% (2016: 40.7%). The reduction in the effective tax rate is mainly due to the positive deferred tax impact of the Argentina tax rate reduction which is non-recurring.

Exceptional items

Exceptional items in 2017 totalled a $0.5 million gain after tax (2016: $6.4 million loss). Exceptional items principally included impairment reversals of $31.9 million for Pallancata and $8.4 million at San Felipe partially offset by a $43.0 million impairment of Arcata.

The tax effect of exceptional items amounted to a $3.3 million tax charge (2016: $2.2 million tax credit) although this did not include the impairment reversal at San Felipe which did not attract a deferred tax liability as no tax asset arose when the impairment was originally carried out.

Cash flow and balance sheet review

Cash flow:

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016	Change
Net cash generated from operating activities	**233,919**	316,073	(82,154)
Net cash used in investing activities	**(121,054)**	(127,364)	6,310
Cash flows generated/(used in) in financing activities	**4,919**	(132,165)	137,084
Net increase in cash and cash equivalents during the year	**117,784**	56,544	61,240

Operating cash flow decreased from $316.1 million in 2016 to $233.9 million in 2017. Lower operating cash flow is mainly due to: (i) income tax payments in 2017 of $26 million in Argentina of which $17 million corresponded to income tax from 2016 and the rest to income tax advances for the 2017 period; (ii) the reduction of working capital achieved in 2016 (excluding the income tax effect) of $37 million and maintained during 2017; (iii) higher production costs and exploration expenses partially offset by stronger revenue.

Net cash used in investing activities decreased to $121.1 million in 2017 from $127.4 million in 2016 mainly due to reduced capital expenditure at Arcata, Inmaculada and care and maintenance expenditure at the Azuca and Crespo projects, partially offset by an increase in Pallancata investment.

Finally, cash flows generated from financing activities resulted in a net inflow of $4.9 million in 2017 from $132.2 million used in 2016. In 2016, the $132.2 million used was due to $107.4 million of debt repayment and the remainder by equity dividends of $7.0 million paid to Hochschild shareholders and also $13.0 million to McEwen Mining. The change in 2017 is primarily due to the net increase in short term credit lines of $31.5 million ($25 million repaid in January 2017 in Peru, $50 million raised in December 2017 in Peru to re-purchase the bonds and $6.5 million raised in Argentina during the year). This was partially offset by dividends paid to Hochschild's shareholders of $14.0 million and to minority shareholders in Argentina of $12.3 million. As a result, total cash flows resulted in a net increase of $117.8 million from $56.5 million in 2015 ($61.2 million improvement).

Working capital

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Trade and other receivables	**88,553**	93,837
Inventories	**56,678**	57,056
Other financial assets/(liability)	**2,591**	(1,726)
Income tax receivable/(payable)	**15,442**	(9,025)
Trade and other payables and provisions	**(228,170)**	(211,277)

Working capital	**(64,906)**	(71,135)

The Group's working capital position changed by $6.2 million to $64.9 million in 2017 from $71.1 million in 2016. Key drivers were: higher income tax receivable ($24.5 million) resulting from $24.2 million of tax payments in Argentina; a negative movement in other financial assets/(liability) of $4.3 million from a liability position in 2016, to an asset position in 2017 resulting from the embedded derivative associated with provisional pricing and higher trade. These were partially offset by: an increase in trade and other payables and provisions of $(16.9) million mainly due to Pallancata's trade payables in line with its higher production.

Net debt

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Cash and cash equivalents	**256,988**	139,979
Long term borrowings	**(291,955)**	(291,073)
Short term borrowings[16]	**(67,863)**	(36,312)
Net debt	**(102,830)**	(187,406)

The Group reported net debt position was $102.8 million as at 31 December 2017 (2016: $187.4 million). The reduction in 2017 is mainly due to the operating cash generated mainly in Inmaculada and Pallancata.

Capital expenditure[17]

$000	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
Arcata	**17,557**	20,819
Pallancata	**19,186**	16,130
San Jose	**36,288**	35,311
Inmaculada	**52,903**	54,199
Operations	**125,934**	126,459
Other	**2,614**	5,186
Total	**128,548**	131,645

2017 capital expenditure of $128.5 million (2016: $131.6 million) mainly comprised of operational capex of $125.9 million (2016: $126.5 million) with the small decrease versus 2016 comprising decreases at Inmaculada and Arcata partially offset by an increase in capital expenditure at Pallancata.

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.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2017

		Year ended 31 December 2017			Year ended 31 December 2016		
	Notes	Before exceptional items US$000	Exceptional items (note 11) US$000	Total US$000	Before exceptional items US$000	Exceptional items (note 11) US$000	Total US$000
Continuing operations							
Revenue	3,5	**722,572**	-	**722,572**	688,242	-	688,242
Cost of sales	6	**(549,049)**	-	**(549,049)**	(487,702)	-	(487,702)
Gross profit		**173,523**	-	**173,523**	200,540	-	200,540
Administrative expenses	7	**(51,283)**	**-**	**(51,283)**	(47,979)	-	(47,979)
Exploration expenses	8	**(17,199)**	**-**	**(17,199)**	(9,193)	-	(9,193)
Selling expenses	9	**(11,024)**	**-**	**(11,024)**	(14,175)	-	(14,175)
Other income	12	**10,192**	**-**	**10,192**	33,131	2,667	35,798
Other expenses	12	**(11,549)**	**-**	**(11,549)**	(13,858)	(10,675)	(24,533)
Impairment and write-off of non-current assets, net	11	**(405)**	**(2,753)**	**(3,158)**	(278)	(1,634)	(1,912)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange loss and income tax		**92,255**	**(2,753)**	**89,502**	148,188	(9,642)	138,546
Finance income	13	**5,927**	**-**	**5,927**	1,100	974	2,074
Finance costs	13	**(26,095)**	**-**	**(26,095)**	(30,541)	-	(30,541)
Foreign exchange loss		**(5,257)**	**-**	**(5,257)**	(1,800)	-	(1,800)
Profit/(loss) from continuing operations before income tax		**66,830**	**(2,753)**	**64,077**	116,947	(8,668)	108,279
Income tax (expense)/benefit	14	**(13,475)**	**3,279**	**(10,196)**	(47,641)	2,224	(45,417)
Profit/(loss) for the year from continuing operations		**53,355**	**526**	**53,881**	69,306	(6,444)	62,862

Attributable to:							
Equity shareholders of the Company		**41,035**	**526**	**41,561**	53,154	(7,604)	45,550
Non-controlling interests		**12,320**	**-**	**12,320**	16,152	1,160	17,312
		53,355	**526**	**53,881**	69,306	(6,444)	62,862
Basic earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	**0.08**	**-**	**0.08**	0.11	(0.02)	0.09
Diluted earnings/(loss) per ordinary share from continuing operations for the year (expressed in US dollars per share)	15	**0.08**	**-**	**0.08**	0.10	(0.01)	0.09

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

		Year ended 31 December	
	Notes	**2017 US$000**	2016 US$000
Profit for the year		**53,881**	62,862
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**139**	(249)
Change in fair value of available-for-sale financial assets	19	**(323)**	774
Recycling of the gain on available-for-sale financial assets		**(1,354)**	(66)
Change in fair value of cash flow hedges		**-**	(39,989)
Recycling of the loss on cash flow hedges		**-**	18,722
Deferred income tax relating to components of other comprehensive income	14	**-**	5,955
Other comprehensive loss for the year, net of tax		**(1,538)**	(14,853)
Total comprehensive income for the year		**52,343**	48,009
Total comprehensive income attributable to:			
Equity shareholders of the Company		**40,023**	30,697
Non-controlling interests		**12,320**	17,312
		52,343	48,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	As at 31 December 2017 US$000	As at 31 December 2016 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**895,666**	975,483
Evaluation and exploration assets	17	**147,399**	138,985
Intangible assets	18	**24,544**	26,379
Available-for-sale financial assets	19	**6,264**	991
Trade and other receivables	20	**7,487**	25,717
Other financial assets		**1,333**	-
Deferred income tax assets	27	**2,400**	1,027
		1,085,093	1,168,582
Current assets			
Inventories	21	**56,678**	57,056
Trade and other receivables	20	**81,066**	68,120
Income tax receivable		**21,241**	20,988
Other financial assets		**1,258**	-
Cash and cash equivalents	22	**256,988**	139,979
		417,231	286,143
Total assets		**1,502,324**	1,454,725
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital		**224,315**	224,315
Share premium		**438,041**	438,041
Treasury shares		**(140)**	(426)
Other reserves		**(217,061)**	(217,288)
Retained earnings		**286,356**	258,269
		731,511	702,911
Non-controlling interests		**90,177**	90,442
Total equity		**821,688**	793,353
Non-current liabilities			
Trade and other payables	24	**1,081**	1,266
Borrowings	25	**291,955**	291,073
Provisions	26	**104,107**	106,121
Deferred income	23	**30,409**	25,000
Deferred income tax liabilities	27	**56,040**	65,971
		483,592	489,431
Current liabilities			
Trade and other payables	24	**116,779**	98,484
Other financial liabilities		**-**	1,726
Borrowings	25	**67,863**	36,312
Provisions	26	**6,203**	5,406
Deferred income	23	**400**	-
Income tax payable		**5,799**	30,013
		197,044	171,941
Total liabilities		**680,636**	661,372
Total equity and liabilities		**1,502,324**	1,454,725

These financial statements were approved by the Board of Directors on 20 February 2018 and signed on its behalf by:
Ignacio Bustamante
Chief Executive Officer

20 February 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Notes	Year ended 31 December 2017 US$000	2016 US$000
Cash flows from operating activities			
Cash generated from operations		**287,799**	345,856
Interest received		**1,445**	860
Interest paid		**(23,942)**	(27,074)
Payment of mine closure costs	26	**(4,359)**	(3,355)
Income tax paid		**(27,024)**	(214)
Net cash generated from operating activities		**233,919**	316,073
Cash flows from investing activities			
Purchase of property, plant and equipment		**(119,630)**	(126,495)
Purchase of evaluation and exploration assets	17	**(4,878)**	(3,478)
Purchase of intangibles	18	**(16)**	(14)
Purchase of available-for-sale financial assets	19	**(4,383)**	-
Net proceeds from sale of subsidiary	4	**-**	807
Proceeds from sale of available-for-sale financial assets	19	**1,567**	149
Proceeds from sale of other assets		**1,570**	1,550
Proceeds from deferred income	23	**4,000**	-
Proceeds from sale of property, plant and equipment		**716**	117
Net cash used in investing activities		**(121,054)**	(127,364)
Cash flows from financing activities			
Proceeds of borrowings	25	**69,500**	70,000
Repayment of borrowings	25	**(38,000)**	(177,431)
Dividends paid to non-controlling interests	28	**(12,585)**	(17,736)
Dividends paid	28	**(13,996)**	(6,998)
Cash flows generated from/(used in) financing activities		**4,919**	(132,165)
Net increase in cash and cash equivalents during the year		**117,784**	56,544
Exchange difference		**(775)**	(582)
Cash and cash equivalents at beginning of year		**139,979**	84,017
Cash and cash equivalents at end of year	22	**256,988**	139,979

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year 31 December 2017

Notes	Equity share	Share premium US$000	Treasury shares US$000	Other reserves: Unrealised gain on available-	Unrealised gain/ (loss) on	Cumulative translation	Merger reserve US$000	Share-based payment	Total other	Retained earnings US$000	Capital and reserves attributable to	Non-controlling	Total equity US$000

		capital US$000			for-sale financial assets US$000	hedges US$000	adjustment US$000		reserve US$000	reserves US$000		shareholders of the Parent US$000	interests US$000	
Balance at 1 January 2016		223,805	438,041	(898)	32	15,312	(13,602)	(210,046)	4,655	(203,649)	218,093	675,392	90,113	765,505
Other comprehensive income/(expense)		-	-	-	708	(15,312)	(249)	-	-	(14,853)	-	(14,853)	-	(14,853)
Profit for the year		-	-	-	-	-	-	-	-	-	45,550	45,550	17,312	62,862
Total comprehensive income/ (expense) for the year		**-**	**-**	**-**	**708**	**(15,312)**	**(249)**	**-**	**-**	**(14,853)**	**45,550**	**30,697**	**17,312**	**48,009**
Exercise of share options		510	-	472	-	-	-	-	(2,223)	(2,223)	1,241	-	-	-
Dividends	28	-	-	-	-	-	-	-	-	-	(6,998)	(6,998)	-	(6,998)
Dividends to non - controlling interests	28	-	-	-	-	-	-	-	-	-	-	-	(16,983)	(16,983)
Share-based payments		-	-		-	-	-	-	3,437	3,437	383	3,820	-	3,820
Balance at 31 December 2016		**224,315**	**438,041**	**(426)**	**740**	**-**	**(13,851)**	**(210,046)**	**5,869**	**(217,288)**	**258,269**	**702,911**	**90,442**	**793,353**
Other comprehensive income/(expense)		-	-	-	(1,677)	-	139	-	-	(1,538)	-	(1,538)	-	(1,538)
Profit for the year		-	-	-	-	-	-	-	-	-	41,561	41,561	12,320	53,881
Total comprehensive income/ (expense) for the year		**-**	**-**	**-**	**(1,677)**	**-**	**139**	**-**	**-**	**(1,538)**	**41,561**	**40,023**	**12,320**	**52,343**
Exercise of share options		-	-	286	-	-	-	-	(48)	(48)	(238)	-	-	-
Dividends	28	-	-	-	-	-	-	-	-	-	(13,996)	(13,996)	-	(13,996)
Dividends to non - controlling interests	28	-	-	-	-	-	-	-	-	-	-	-	(12,585)	(12,585)
Share-based payments		-	-		-	-	-	-	1,813	1,813	760	2,573	-	2,573
Balance at 31 December 2017		224,315	438,041	(140)	(937)	-	(13,712)	(210,046)	7,634	(217,061)	286,356	731,511	90,177	821,688

1 Notes to the consolidated financial statements

For the year ended 31 December 2017

The financial information for the year ended 31 December 2017 and 2016 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2017 and 2016 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2017 which have been approved by the directors on 20 February 2018 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2 Significant accounting policies

Basis of preparation
Having considered financial forecasts and projections which take into account (i) possible changes in commodity price scenarios; and (ii) the contingency measures that could be taken to alleviate pressure on the balance sheet in the event of a fall in prices, the Directors have a reasonable expectation that the Group have adequate resources, including access to contingent resources, that would see it continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statement for the year ended 31 December 2016. Amendments to standards and interpretations which came into force during the year did not have a significant impact on the Group's financial statements.

Standards, interpretations and amendments to existing standards that are not yet effective and have not been previously adopted by the Group

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods but which the Group has not previously adopted. Those that are applicable to the Group are as follows:

- IFRS 15 Revenue from Contracts with Customers, applicable for annual periods beginning on or after 1 January 2018. The IASB has issued a new standard for the recognition of revenue arising from contracts with customers. The new revenue standard will supersede all current revenue recognition requirements under IFRS. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The Group has evaluated recognition and measurement of revenue based on the five-step model in IFRS 15 and has not identified significant financial impacts, hence no adjustments will be recorded derived from the adoption of IFRS 15 other than certain reclassifications as explained below. The Group will adopt the new standard from 1 January 2018 applying the simplified transition method and modified retrospective approach. Certain disclosures will change as a result of the requirements of IFRS 15. The key issues identified, and the Group's views and perspective are set below. These are based on the Group's current interpretation of IFRS 15 and may be subject to changes as interpretations evolve more generally. Furthermore, the Group is considering and will continue to monitor any further development.

  Embedded derivatives arising from the sales: some of the Group's sales of gold and silver contain provisional pricing features which are currently considered to be embedded derivatives recorded within sales. Under IAS 18, revenue is recognised at the estimated fair value of the total consideration received or receivable when the gold and silver is delivered, which is usually when title has passed to the customer. The fair value is based on the most recent determined estimate of metal content and the estimated forward price that the entity expects to receive at the end of the quotational period stipulated in the contract. The revaluation of provisionally priced contracts is recorded as an adjustment to revenue. IFRS 15 will not change the assessment of the provisional price adjustment, however as they are not considered within the scope of IFRS 15, the Group will account for these in accordance with IFRS 9. Therefore, subsequent changes in fair value will be recognised in the statement of profit or loss and other comprehensive income as part of "other income/other expenses".

  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 should reclassify the portion of those selling expenses relating to transport of gold and silver from the Group's production plants to the ports and reclassify those costs to cost of sales. The Group estimates that US$4,800,000 would be reclassified from selling expenses to cost of sales, based on 2017 figures. In addition, the Group needs to assess the amount of remaining costs related to shipping services which are considered a separate performance obligation under IFRS 15 and therefore, a portion of the revenue currently recognised when the tittle has passed to the customer will need to be deferred and recognised as the shipping services are subsequently provided. Based on the analysis performed during 2017, the Group determined that the overall impact on the timing of revenue recognition related to these shipping services will not be material and consequently such revenue will not be disclosed separately.

- IFRS 9 Financial Instruments, applicable for annual periods beginning on or after 1 January 2018. IFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Based on the assessment performed, the group expect the new guidance to have the following impacts on the classification and measurement of its financial instruments:

  Classification and measurement of the embedded derivatives arising from sales: The financial assets and liabilities arising from the revaluation provisional priced contracts is currently disclosed separately in the balance sheet as part of "other financial assets/liabilities". Under IFRS 9, the embedded derivative will no longer be separated from the host contract and therefore the revaluation of provisionally priced contracts will be disclosed within the receivable of the host contract in "trade and other receivables".
  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. However, as opposed to the current IFRSs, under IFRS 9 gains and losses accumulated in other comprehensive income are not recycled to the income statement. Furthermore, under IFRS 9 there is no exception to carry investments in entities at costs less any recognised impairment and therefore, fair value will need to be calculated. There are no other significant changes to the accounting treatment of these assets.

  Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. However, given the short term nature of the Groups receivables, these are not expected to have a significant impact in the financial statements.
  Disclosures: The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

  The Group has also assessed other changes introduced by IFRS 9 that will have no impacts in the financial statements as explained below: The Group does not expect any impact on the accounting for financial liabilities, as the new requirements of IFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group does not currently apply hedge accounting and therefore there are no impacts in the financial statements. No impacts are expected in relation to derecognition of financial instruments as the same rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement.

- IFRS 16 Leases, applicable for annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.The Group is analysing the adoption of this new standard and expected not to have a significant impact on the Group´s financial position or performance.

- IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2, applicable for annual periods beginning on or after 1 January 2018.The amendments are related to the classification and measurement of share-based payment transactions and it does not require to restate prior periods. The adoption of these amendments would not have impact on the Group´s financial position or performance.

- IFRIC 23 Uncertainty over income tax treatments, applicable for annual periods beginning on or after 1 January 2019. IFRIC 23 clarifies the accounting for uncertainties in income taxes. This interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Group will adopt. The Interpretation specifically addresses the following: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances

  The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date, however we do not expect significant impacts on the financial statements on the implementation as the Group's current treatment is in line with the requirements of the interpretation.

The Group is analysing the effect of the standards and plans to adopt the new standards on the required effective date.

3 Segment reporting

The Group's activities are principally related to mining operations which involve the exploration, production and sale of gold and silver. Products are subject to the same risks and returns and are sold through similar distribution channels. The Group undertakes a number of activities solely to support mining operations including power generation and services. Transfer prices between segments are set on an arm's length basis in a manner similar to that used for third parties. Segment revenue, segment expense and segment results include transfers between segments at market prices. Those transfers are eliminated on consolidation.

For internal reporting purposes, management takes decisions and assesses the performance of the Group through consideration of the following reporting segments:

- Operating units - Arcata and San Jose, which generate revenue from the sale of gold, silver, dore and concentrate.
- Operating unit - Pallancata, which generates revenue from the sale of concentrate.
- Operating unit - Inmaculada, which generates revenue from the sale of gold, silver and dore.
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the aim of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes costs charged to the profit and loss and capitalised as assets.
- Other - includes the profit or loss generated by Empresa de Transmisión Aymaraes S.A.C. (a power transmission company that absorbed Empresa de Transmisión Callalli S.A.C. on 1 June 2016).

The Group's administration, financing, other activities (including other income and expense), and income taxes are managed at a corporate level and are not allocated to operating segments.

Segment information is consistent with the accounting policies adopted by the Group. Management evaluates the financial information based on International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The Group measures the performance of its operating units by the segment profit or loss that comprises gross profit, selling expenses and exploration expenses.

Segment assets include items that could be allocated directly to the segment.

(a) Reportable segment information

	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Year ended 31 December 2017								
Revenue from external customers	77,940	120,529	227,094	296,594	-	415	-	**722,572**
Inter segment revenue	-	-	-	-	-	5,712	(5,712)	**-**
Total revenue	77,940	120,529	227,094	296,594	-	6,127	(5,712)	**722,572**
Segment profit/(loss)	(4,212)	48,926	43,162	73,737	(17,393)	10,832	(9,752)	**145,300**
Others[2]								**(81,223)**

Profit from continuing operations before income tax								**64,077**
Other segment information								
Depreciation[3]	(17,447)	(19,479)	(49,019)	(107,489)	(413)	(5,228)	-	**(199,075)**
Amortisation	-	-	(1,247)	-	(462)	(142)	-	**(1,851)**
Impairment and write-off of assets,net	(43,135)	31,872	(205)	(31)	8,364	(23)	-	**(3,158)**
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[4]	-	-	-	-	-	334,828	-	**334,828**
Total assets	11,342	112,764	229,536	558,547	194,807	395,328	-	**1,502,324**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Aymaraes S.A.C.
2 Comprised of administrative expenses of US$51,283,000, other income of US$10,192,000, other expenses of US$11,549,000, impairment and write-off of assets (net) of US$3,158,000, finance income of US$5,927,000, finance expense of US$26,095,000, and foreign exchange loss of US$5,257,000.
3 Includes depreciation capitalised in the Crespo project (US$831,000), and San Jose unit (US$2,290,000).
4 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 asset of US$2,400,000 and cash and cash equivalents of US$256,988,000.

	Arcata US$000	Pallancata US$000	San Jose US$000	Inmaculada US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Year ended 31 December 2016								
Revenue from external customers	117,358	54,456	235,961	280,108	-	359	-	**688,242**
Inter segment revenue	-	-	-	-	-	2,062	(2,062)	**-**
Total revenue	117,358	54,456	235,961	280,108	-	2,421	(2,062)	**688,242**
Segment profit/(loss)	22,924	11,284	57,259	97,595	(9,155)	(2,273)	(462)	**177,172**
Others[2]								**(68,893)**
Profit from continuing operations before income tax								**108,279**
Other segment information								
Depreciation[3]	(22,196)	(10,606)	(53,012)	(98,243)	(1,834)	(4,877)	-	**(190,768)**
Amortisation	-	-	(1,060)	-	(462)	(138)	-	**(1,660)**
Impairment and write-off of assets	(87)	(885)	(278)	(414)	(2)	(246)	-	**(1,912)**
Assets								
Capital expenditure	20,819	16,105	35,311	54,199	4,910	301	-	**131,645**
Current assets	6,721	7,017	53,299	22,899	30	3,911	-	**93,877**
Other non-current assets	48,843	55,380	196,056	589,666	185,825	65,077	-	**1,140,847**

Total segment assets	55,564	62,397	249,355	612,565	185,855	68,988	-	**1,234,724**
Not reportable assets[4]	-	-	-	-	-	220,001	-	**220,001**
Total assets	55,564	62,397	249,355	612,565	185,855	288,989	-	**1,454,725**

1 'Other' revenue relates to revenues earned by Empresa de Transmisión Callalli S.A.C.and Empresa de Transmisión Aymaraes S.A.C.

2 Comprised of administrative expenses of US$47,979,000, other income of US$35,798,000, other expenses of US$24,533,000, impairment and write-off of assets of US$1,912,000, finance income of US$2,074,000, finance expense of US$30,541,000, and foreign exchange loss of US$1,800,000.

3 Includes depreciation capitalised in the Crespo project (US$2,215,000), San Jose unit (US$2,640,000), Arcata unit (US$117,000) and the Pallancata unit (US$3,000).

4 Not reportable assets are comprised of available-for-sale financial assets of US$991,000, other receivables of US$57,016,000, income tax receivable of US$20,988,000, deferred income tax asset of US$1,027,000 and cash and cash equivalents of US$139,979,000.

(b) Geographical information

The revenue for the period based on the country in which the customer is located is as follows:

	Year ended 31 December	
	2017 US$000	2016 US$000
External customer		
USA	**370,035**	225,073
Peru	**45,274**	78,248
Canada	**60,991**	181,569
Germany	**34,777**	4,506
Switzerland	**73,186**	89,838
United Kingdom[1]	**-**	(1,689)
Korea	**102,596**	92,769
Bulgaria	**27,211**	16,334
Japan	**8,502**	1,594
Total	**722,572**	688,242
Inter-segment		
Peru	**5,712**	2,062
Total	**728,284**	690,304

1 Corresponds to the realised loss on the silver zero cost collar contract with JP Morgan Chase Bank, National Association, London Branch, settled on 30 December 2016 (refer to note 5).

In the periods set out below, certain customers accounted for greater than 10% of the Group's total revenues as detailed in the following table:

	Year ended 31 December 2017			Year ended 31 December 2016		
	US$000	**% Revenue**	**Segment**	US$000	% Revenue	Segment
Asahi Refining USA	**130,024**	**18%**	**Inmaculada**	30,304	4%	Arcata
Republic Metals Corporation	**116,274**	**16%**	**Inmaculada and San Jose**	103,405	15%	Arcata, Inmaculada and San Jose
LS Nikko	**102,596**	**14%**	**Pallancata and San Jose**	92,769	14%	Pallancata and San Jose
Asahi Refining Canada Ltd.	**17,492**	**2%**	**Inmaculada**	160,312	23%	Arcata and Inmaculada
Auramet Trading Llc.	**53,585**	**7%**	**Inmaculada**	97,616	14%	Arcata and Inmaculada

Non-current assets, excluding financial instruments and deferred income tax assets, were allocated to the geographical areas in which the assets are located as follows:

	As at 31 December	
	2017 US$000	2016 US$000
Peru	**782,659**	850,605
Argentina	**182,139**	196,056
Mexico	**38,841**	30,990
Chile	**63,970**	63,196
Total non-current segment assets	**1,067,609**	1,140,847

Available-for-sale financial assets	**6,264**	991
Trade and other receivables	**7,487**	25,717
Other financial assets	**1,333**	-
Deferred income tax assets	**2,400**	1,027
Total non-current assets	**1,085,093**	1,168,582

4 Disposals of subsidiaries

HMX S.A. de C.V.
On 22 February 2016 the Group sold its Mexican subsidiary HMX S.A. de C.V. to Sergio Salinas and Servicios de Integración Fiscal S.A. de C.V., for nil consideration. The carrying value of the net assets disposed was US$60,000 and the transaction resulted in a loss of US$60,000.

Asociación Sumac Tarpuy
On 17 May 2016 the Group transferred all its rights over its non-for-profit subsidiary Asociación Sumac Tarpuy to Inversiones ASPI S.A. ("ASPI"), recognising a gain on disposal of US$811,000. The gain on disposal was determined as follows:

	US$000
Cash consideration	1,100
Assets and liabilities disposed:	
Cash and cash equivalents	293
Other payables	(4)
Net assets disposed	289
Gain on disposal	**811**

	US$000
Net cash inflow arising on disposal	
Consideration received in cash and cash equivalents	1,100
Less: cash and cash equivalents disposed of:	(293)
	807

5 Revenue

	Year ended 31 December	
	2017 US$000	2016 US$000
Gold (from dore bars)	**266,214**	263,010
Silver (from dore bars)	**144,762**	177,450
Gold (from concentrate)	**106,101**	91,348
Silver (from concentrate)	**205,080**	156,075
Services	**415**	359
Total	**722,572**	688,242

Included within revenue is a gain of US$2,578,000 relating to provisional pricing adjustments representing the change in the fair value of embedded derivatives (2016: loss of US$6,667,000) arising on sales of concentrates and dore.

In 2016, revenue includes realised loss on gold and silver swaps and zero cost collar contracts of US$18,722,000 (gold: US$10,030,000, silver: US$8,692,000).

Other sources of revenue are disclosed at note 13.

6 Cost of sales

Included in cost of sales are:

	Year ended 31 December	
	2017 US$000	2016 US$000
Depreciation and amortisation in cost of sales[1]	**196,150**	180,317
Personnel expenses (note 10)	**124,507**	103,130
Mining royalty (note 30)	**6,677**	7,506

Change in products in process and finished goods	**4,131**	6,487
Other items[2]	**3,241**	1,750

1 The depreciation and amortisation in production cost is US$196,241,000 (2016: US$185,655,000)
2 Other items includes costs related to the stoppage at Pallancata and San Jose mine units (2016: Personnel related provisions in Arcata, Pallancata, Inmaculada and San Jose mining units).

7 Administrative expenses

	Year ended 31 December	
	2017 US$000	2016 US$000
Personnel expenses (note 10)	**34,775**	33,028
Professional fees	**3,233**	3,075
Social and community welfare expenses[1]	**586**	384
Lease rentals	**1,474**	1,455
Travel expenses	**1,020**	598
Communications	**415**	438
Indirect taxes	**2,173**	2,057
Depreciation and amortisation	**1,564**	1,798
Technology and systems	**686**	678
Security	**773**	656
Supplies	**123**	109
Other[2]	**4,461**	3,703
Total	**51,283**	47,979

1 Represents amounts expended by the Group on social and community welfare activities surrounding its mining units.
2 Predominantly related to third party services of US$1,273,000 (2016: US$972,000), technical services of US$553,000 (2016: US$533,000), repair and maintenance of US$388,000 (2016: US$492,000) and impairment of receivables of US$79,000 (2016: US$312,000).

8 Exploration expenses

	Year ended 31 December	
	2017 US$000	2016 US$000
Mine site exploration[1]		
Arcata	**3,029**	1,305
Ares	**69**	297
Inmaculada	**1,127**	1
Pallancata	**1,279**	733
San Jose	**3,407**	1,691
	8,911	4,027
Prospects[2]		
Peru	**336**	316
Argentina	**30**	11
Chile	**267**	26
	633	353
Generative[3]		
Peru	**1,862**	866
USA	**398**	-
	2,260	866
Personnel (notes 10)	**4,646**	3,476
Others	**749**	471
Total	**17,199**	9,193

1 Mine-site exploration is performed with the purpose of identifying potential minerals within an existing mine-site, with the goal of maintaining or extending the mine's life.

2 Prospects expenditure relates to detailed geological evaluations in order to determine zones which have mineralisation potential that is economically viable
for exploration. Exploration expenses are generally incurred in the following areas: mapping, sampling, geophysics, identification of local targets and reconnaissance drilling.
3 Generative expenditure is early stage exploration expenditure related to the basic evaluation of the region to identify prospects areas that have the geological conditions necessary to contain mineral deposits. Related activities include regional and field reconnaissance, satellite images, compilation of public information and identification of exploration targets.

The Group determines the cash flows which relate to the exploration activities of the companies engaged only in exploration. Exploration activities incurred by Group operating companies are not included since it is not practicable to separate the liabilities related to the exploration activities of these companies from their operating liabilities.

Cash outflows on exploration activities were US$2,600,000 in 2017 (2016: US$1,168,000).

9 Selling expenses

	Year ended 31 December	
	2017 US$000	2016 US$000
Transportation of dore, concentrate and maritime freight	**6,477**	8,250
Personnel expenses (note 10)	**296**	254
Warehouse services	**1,742**	1,861
Taxes[1]	**16**	1,495
Other	**2,493**	2,315
Total	**11,024**	14,175

1 The export tax on concentrates in Argentina was reduced to zero percent on 12 February 2016.

10 Personnel expenses[1]

	Year ended 31 December	
	2017 US$000	2016 US$000
Salaries and wages	**116,597**	98,741
Other legal contributions	**26,937**	20,552
Statutory holiday payments	**7,124**	6,361
Long Term Incentive Plan	**9,348**	10,528
Restricted share plan	**2,090**	3,181
Termination benefits	**2,228**	2,577
Other	**2,670**	1,951
Total	**166,994**	143,891

1 Personnel expenses are distributed in cost of sales, administrative expenses, exploration expenses, selling expenses, other expenses and capitalised as property plant and equipment amounting to US$124,507,000 (2016: US$103,130,000), US$34,775,000 (2016: US$33,028,000), US$4,646,000 (2016: US$3,476,000), US$296,000 (2016: US$254,000), US$1,621,000 (2016: US$2,406,000) and US$1,149,000 (2016: US$1,597,000) respectively.

Average number of employees for 2017 and 2016 were as follows:

	Year ended 31 December	
	2017	2016
Peru	**2,920**	2,825
Argentina	**1,175**	1,125
Chile	**3**	3
United Kingdom	**10**	11
Total	**4,108**	3,964

11 Exceptional items

Exceptional items are those significant items which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior years. Unless stated, exceptional items do not correspond to a reporting segment of the Group.

	Year ended 31 December 2017 US$000	Year ended 31 December 2016 US$000
Other income		
Reversal of reserves tax[3]	**-**	2,667
Total	**-**	2,667

Other expenses		
Work stoppage at Pallancata mine unit[4]	**-**	(2,474)
Penalty for termination of agreement[5]	**-**	(4,254)
Damage of tailing dump in Ares mine unit[6]	**-**	(2,150)
Provision for impairment of other receivables[7]	**-**	(1,797)
Total	**-**	(10,675)
(Impairment)/impairment reversal and write-off of non-financial assets, net		
Impairment of assets[1]	**(43,009)**	-
Reversal of impairment of assets[1]	**40,256**	-
Write-off of non-current assets[8]	**-**	(1,634)
Total	**(2,753)**	(1,634)
Finance income		
Reversal of interests on reserves tax[3]	**-**	974
Total	**-**	974
Income tax benefit[2, 9]	**3,279**	2,224
Total	**3,279**	2,224

The exceptional items for the year ended 31 December 2017 are as follows:

1 Corresponds to the impairment of the Arcata mine unit of US$43,009,000, and the reversal of impairment related to the Pallancata mine unit of US$31,892,000 and the San Felipe project of US$8,364,000.

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

The exceptional items for the year ended 31 December 2016 are as follows:

3 Corresponds to the reversal of the reserves tax liability recorded in previous periods and their associated interests as a result of the settlement agreed between Minera Santa Cruz S.A.C. and the Fiscal Authority in Argentina.

4 From 16 November 2016 until the end of the year, due to actions by the communities surrounding the Pallancata mine unit, the extracting and treatment operations were temporarily suspended. At 31 December 2016 the fixed indirect costs related to abnormal decrease in production from the work stoppage amounted to US$2,474,000, corresponding to the Pallancata reporting segment.

5 Penalty for early termination of the energy supply contract between Compañia Minera Ares S.A.C. and SDF Energia.

6 A section of the Ares tailings dam lateral walls showed unusual decay. A comprehensive study was conducted to determine long-term stability and the conclusion was that certain areas needed to be repaired. This failure was not anticipated and required works aimed at repairing and reinforcing the walls and ensuring the long term sustainability of the dam had to be conducted. The expenditure incurred was not part of our mine closure provision and reflects an unexpected, one-off event.

7 Provision for impairment of the account receivable with a third party due to the uncertainty surrounding the outcome of the legal dispute and hence its recoverability.

8 As at 31 December 2016 corresponds to the write-off of non-current assets of Compañia Minera Ares S.A.C. of US$1,634,000 arising from events falling outside the entity's ordinary activities. The charge was generated by the change of the exploitation method in the Pallancata mine unit, from mechanised to conventional.

9 Mainly corresponds to the current tax credit arising from the costs of the work stoppage at Pallancata mine unit, the penalty for early termination of agreement in Compañia Minera Ares S.A.C., the costs incurred due to the damage of the tailings dam in Ares mine unit and the reversal of reserves tax in Argentina (US$1,212,000) and the deferred tax credit arising from the write-off of non-current assets and the account receivable (US$1,012,000).

12 Other income and other expenses before exceptional items

	Year ended 31 December 2017	Year ended 31 December 2016
	Before exceptional items US$000	Before exceptional items US$000
Other Income		
Decrease in provision for mine closure (note 26(3))	**1,428**	6,346
Export credits[1]	**1,613**	19,029
Lease rentals	**253**	391
Gain on sale of other assets[2]	**1,495**	1,550
Gain on sale of subsidiaries (note 4)	**-**	751
Logistic services	**3,552**	4,288
Other	**1,851**	776
Total	**10,192**	33,131
Other expenses		
Provision of obsolescence of supplies	**(542)**	(2,162)
Contingencies	**(347)**	(570)
Donations (note 29)	**(754)**	(1,000)
Write off of value added tax	**(221)**	(1,208)

Corporate social responsibility contribution in Argentina[3]	**(3,063)**	(3,146)
Other[4]	**(6,622)**	(5,772)
Total	**(11,549)**	(13,858)

1 Corresponds to the benefit of the silver refund in Argentina. In 2016, the amount includes income recognised with respect to the Patagonian port rebate of US$16,900,000. This benefit was eliminated in December 2016.
2 Corresponds to the gain generated by the sale of mining rights of the Ricky project (2016: Corresponds to a gain generated by the sale of a royalty purchase agreement signed with Minera Bateas S.A.C. to Lemuria Royalties Corp).
3 Relates to a new contribution in Argentina to the Santa Cruz province, effective since January 2016 and calculated as a proportion of sales.
4 Mainly corresponds to the expenses in Ares mine unit of US$4,369,000 (2016: US$1,910,000), concessions of US$491,000 (2016: US$1,210,000) and rentals of US$205,000 (2016: US$440,000)

13 Finance income and finance costs before exceptional items

	Year ended 31 December 2017	Year ended 31 December 2016
	Before exceptional items US$000	Before exceptional items US$000
Finance income		
Interest on deposits and liquidity funds	**1,696**	1,011
Interest income	**1,696**	1,011
Gain from changes in the fair value of financial instruments	**647**	-
Gain on exchange of available-for-sale financial assets	**1,386**	-
Gain on discount of other receivables	**1,946**	-
Other	**252**	89
Total	**5,927**	1,100
Finance costs		
Interest on secured bank loans (note 25)	**(185)**	(2,602)
Other interest	**(813)**	(1,106)
Interest on bond (note 25)	**(24,088)**	(23,925)
Interest expense	**(25,086)**	(27,633)
Unwind of discount on mine rehabilitation (note 26)	**(280)**	(46)
Loss on discount of other receivables	**-**	(2,257)
Loss on sale of available-for-sale financial assets	**(32)**	
Other	**(697)**	(605)
Total	**(26,095)**	(30,541)

14 Income tax expense

	Year ended 31 December 2017			Year ended 31 December 2016		
	Before exceptional items US$000	**Exceptional items US$000**	**Total US$000**	Before exceptional items US$000	Exceptional items US$000	Total US$000
Current corporate income tax from continuing operations						
Current corporate income tax charge	**15,070**	-	**15,070**	31,701	(1,212)	30,489
Current mining royalty charge (note 30)	**4,201**	-	**4,201**	3,882	-	3,882
Current special mining tax charge (note 30)	**2,229**	-	**2,229**	3,869	-	3,869
Withholding taxes	**-**	-	**-**	552	-	552
	21,500	-	**21,500**	40,004	(1,212)	38,792
Deferred taxation						
Origination and reversal of temporary differences from continuing operations	**2,755**	**(3,279)**	**(524)**	6,364	(961)	5,403
Effect of change in tax rate[1]	**(10,780)**	**-**	**(10,780)**	1,273	(51)	1,222
	(8,025)	**(3,279)**	**(11,304)**	7,637	(1,012)	6,625
Total taxation charge/(credit) in the income statement	**13,475**	**(3,279)**	**10,196**	47,641	(2,224)	45,417

1 On 29 December 2017, the Argentinian government enacted the tax reforms. The main change is the decrease of the statutory income tax rate, from its current level of 35% to 30% with effect from 1 January 2018 and to 25% with effect from 1 January 2020 (2016: In December

2016, the Peruvian government approved an increase of the statutory income tax rate, from its current level of 28% to 29.5% with effect from 1 January 2017).

The weighted average statutory income tax rate was 29.0% for 2017 and 30.1% for 2016. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

The change in the weighted average statutory income tax rate is due to a change in the weighting of profit/(loss) before tax in the various jurisdictions in which the Group operates.

The tax related to items charged or credited to equity is as follows:

	As at 31 December	
	2017 US$000	2016 US$000
Deferred taxation:		
Deferred income tax relating to fair value losses on cash flow hedges	**-**	(5,955)
Total tax credit in the statement of other comprehensive income	**-**	(5,955)

The total taxation charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated profits of the Group companies as follows:

	As at 31 December	
	2017 US$000	2016 US$000
Profit from continuing operations before income tax	**64,077**	108,279
At average statutory income tax rate of 29.0% (2016: 30.1%)	**18,562**	32,570
Expenses not deductible for tax purposes	**776**	1,051
Deferred tax recognised on special investment regime	**(1,819)**	(1,715)
Movement in unrecognised deferred tax[1]	**(1,324)**	2,705
Change in statutory income tax rate[2]	**(10,780)**	1,222
Withholding tax	**-**	552
Special mining tax and mining royalty[3]	**6,430**	7,751
Derecognition of deferred tax asset	**-**	316
Foreign exchange rate effect[4]	**(1,043)**	2,383
Utilisation of losses not previously recognised	**(1,618)**	-
Other	**1,012**	(1,418)
At average effective income tax rate of 15.9% (2016: 41.9%)	**10,196**	45,417
Taxation charge attributable to continuing operations	**10,196**	45,417
Total taxation charge in the income statement	**10,196**	45,417

1 Includes the income tax credit on mine closure provision of US$3,010,000 (2016: US$1,925,000).
2 The Argentinian government approved a decrease of the statutory income tax rate, from its current level of 35% to 30% with effect from the 1 January 2018 and 25% with effect from 1 January 2020 (2016: Peruvian government approved an increase of the statutory income tax rate, from its current level of 28% to 29.5% with effect from the 1 January 2017).
3 Corresponds to the impact of a mining royalty and special mining tax in Peru (note 30).
4 Mainly corresponds to the foreign exchange effect of converting tax bases and monetary items from local currency to the functional currency.

The effective tax rate for corporate income tax for the period ended 31 December 2017 is 15.9% (2016: 41.9%), compared to the weighted average statutory tax rate of 29.0% (2016: 30.1%), and 39.0% (2016: 37.3%) taking into account the mining royalty and the special mining tax which are income taxes under IAS 12. The main factor that reduced the effective tax rate for corporate income tax is the deferred tax impact of the reduction of the Argentina tax rate and the reversal of San Felipe impairment, which does not attract a deferred tax liability, on the basis that no deferred tax asset arose when the impairment was originally recognised.

15 Basic and diluted earnings per share

Earnings per share ('EPS') is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued during the year.

The Company has dilutive potential ordinary shares.

As at 31 December 2017 and 2016, EPS has been calculated as follows:

	As at 31 December	
	2017	2016
Basic earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.08**	0.11
Exceptional items (US$)	**-**	(0.02)
Total for the year and from continuing operations (US$)	**0.08**	0.09

Diluted earnings/(loss) per share from continuing operations		
Before exceptional items (US$)	**0.08**	0.10
Exceptional items (US$)	**-**	(0.01)
Total for the year and from continuing operations (US$)	**0.08**	0.09

Profit from continuing operations before exceptional items and attributable to equity holders of the parent is derived as follows:

	As at 31 December	
	2017	2016
Profit attributable to equity holders of the parent - continuing operations (US$000)	**41,561**	45,550
Exceptional items after tax - attributable to equity holders of the parent (US$000)	**(526)**	7,604
Profit from continuing operations before exceptional items attributable to equity holders of the parent (US$000)	**41,035**	53,154
Profit from continuing operations before exceptional items attributable to equity holders of the parent for the purpose of diluted earnings per share (US$000)	**41,035**	53,154

The following reflects the share data used in the basic and diluted earnings per share computations:

	As at 31 December	
	2017	2016
Basic weighted average number of ordinary shares in issue (thousands)	**507,204**	505,521
Effect of dilutive potential ordinary shares related to contingently issuable shares (thousands)	**7,768**	9,435
Weighted average number of ordinary shares in issue for the purpose of diluted earnings per share (thousands)	**514,972**	514,956

16 Property, plant and equipment

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2017							
Cost							
At 1 January 2017	**1,180,904**	**488,486**	**536,929**	**6,210**	**95,390**	**24,943**	**2,332,862**
Additions	79,054	187	16,339	29	-	28,045	123,654
Change in discount rate	-	-	-	-	575	-	575
Change in mine closure estimate	-	-	-	-	2,572	-	2,572
Disposals	-	-	(2,927)	(3)	-	-	(2,930)
Write-offs	-	(127)	(3,492)	(172)	-	(19)	(3,810)
Transfers and other movements[2]	(56)	8,378	10,633	547	-	(19,560)	(58)
At 31 December 2017	**1,259,902**	**496,924**	**557,482**	**6,611**	**98,537**	**33,409**	**2,452,865**
Accumulated depreciation and impairment							
At 1 January 2017	**791,641**	**218,123**	**277,692**	**4,554**	**64,480**	**889**	**1,357,379**
Depreciation for the year	109,642	44,431	40,356	325	4,321	-	199,075
Disposals	-	-	(2,564)	(3)	-	-	(2,567)
Write-offs	-	(98)	(3,152)	(155)	-	-	(3,405)
Impairment/(reversal of impairment), net	(2,369)	3,613	8,631	24	(1,646)	143	8,396
Transfers and other movements[2]	467	-	(2,146)	-	-	-	(1,679)
At 31 December 2017	**899,381**	**266,069**	**318,817**	**4,745**	**67,155**	**1,032**	**1,557,199**
Net book amount at 31 December 2017	**360,521**	**230,855**	**238,665**	**1,866**	**31,382**	**32,377**	**895,666**

There were borrowing costs capitalised in property, plant and equipment amounting to US$601,000 (2016: US$825,000). The capitalisation rate used was 8.27% (2016: 7.23%).

1 Mining properties and development costs related to Crespo project (US$26,016,000) are not currently being depreciated.
2 Net of transfers and other movements of US$1,607,000 were transferred from evaluation and exploration assets (note 17).

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, and there was a significant decrease in production during the year. An impairment test was carried out resulting in an impairment charge of US$43,009,000 (US$39,905,000 in property, plant and equipment and US$3,104,000 and evaluation and exploration assets).

In the case of the Pallancata mine unit, there was an increase in terms of tonnage, grades and resources and reserves due to the Pablo vein. The Group is currently operating the vein, converting inferred resources into reserves, and the process is showing better results than expected in terms of tonnage and grades. 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, management evaluated the carrying value of the San Felipe Project, recognising an impairment reversal of US$8,364,000 (all in evaluation and exploration assets) due to the proceeds received in the year (refer to note 23) and the significant increase in zinc market prices over the year resulting in an increase of the in-situ value (refer to notes 11 and 17).

No indicators of impairment or reversal of impairment were identified in the other CGUs, which includes other exploration projects.

The recoverable values of the Arcata and Pallancata CGUs were determined using a fair value less costs of disposal (FVLCD) methodology with the exception of San Felipe, where the recoverable value was determined using a value in use (VIU). 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.

In assessing the recoverable value of the San Felipe CGU, given the early stage of the project, 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. Together with the US$29,396,000 recognised as a deferred income (refer to note 23) that will be realised once the option is exercised or terminated; the total recoverable value of the project under a value in use approach amounts to $37,081.

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.

US$ per oz.	2018	2019	2020	Long-term
Gold	1,298	1,300	1,303	1,300
Silver	18	18	19	19

	Arcata	Pallancata[1]	San Felipe
Discount rate (post tax)	4.3%	5.4%	n/a
Value per in-situ per zinc equivalent tonne (US$)	n/a	n/a	29.53

1 The Pallancata CGU was assessed for impairment reversal at 30 June 2017 and therefore the above reflects the relevant assumption at that date.

Current carrying value of CGU, net of deferred tax (US$000)	Arcata	Pallancata	San Felipe
31 December 2017	5,859	91,065	37,081

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.

As the Arcata CGU was fully impaired at 31 December 2017, a negative change in any of the key assumptions would not have an impact on the impairment charge recognised. However a positive change in the following key assumptions would, in isolation, decrease the impairment charge recorded by:

	US$000
Prices (increase by 10%)	11,696
Post tax discount rate (decrease by 3%)	30
Production costs (decrease by 10%)	9,535

As the impairment charge previously recognised at the Pallancata CGU was fully reversed at 30 June 2017, a positive change in any of the key assumptions would not have an impact on the impairment reversal recognised. Similarly, an adverse change in the key assumptions (10% decrease in price, 3% increase in post tax discount rate and 10% increase in production costs), in isolation, would still result in a full reversal of the impairment previously recognised.

With respect to the impairment assessment performed at the San Felipe CGU, a decrease of 10% in the value in-situ per tonne would result in a reversal of impairment of US$7,595,000, whilst an increase of 10% would result in a reversal of previously recognised impairment of US$9,132,000.

	Mining properties and development costs[1] US$000	Land and buildings US$000	Plant and equipment US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2016							
Cost							
At 1 January 2016	**1,097,107**	**472,093**	**480,747**	**6,151**	**103,386**	**62,392**	**2,221,876**
Additions	80,565	6,695	15,379	-	-	25,514	128,153
Change in discount rate	-	-	-	-	(2,367)	-	(2,367)
Change in mine closure estimate	-	-	-	-	(5,629)	-	(5,629)
Disposals	-	-	(3,420)	(298)	-	(56)	(3,774)
Write-offs	-	-	(8,500)	(85)	-	-	(8,585)
Transfer to intangibles	-	-	-	-	-	(44)	(44)
Transfers and other movements[2]	3,232	9,698	52,723	442	-	(62,863)	3,232
At 31 December 2016	**1,180,904**	**488,486**	**536,929**	**6,210**	**95,390**	**24,943**	**2,332,862**
Accumulated depreciation and impairment							
At 1 January 2016	**678,547**	**179,036**	**253,388**	**4,447**	**59,790**	**1,152**	**1,176,360**
Depreciation for the year	112,526	39,243	33,921	462	4,616	-	190,768
Disposals	-	-	(3,361)	(283)	-	-	(3,644)
Write-offs	-	-	(6,591)	(82)	-	-	(6,673)
Transfers and other movements[2]	568	(156)	335	10	74	(263)	568
At 31 December 2016	**791,641**	**218,123**	**277,692**	**4,554**	**64,480**	**889**	**1,357,379**
Net book amount at 31 December 2016	**389,263**	**270,363**	**259,237**	**1,656**	**30,910**	**24,054**	**975,483**

1 Mining properties and development costs related to Crespo project (US$27,321,000) are not currently being depreciated.
2 Net of transfers and other movements of US$2,664,000 were transferred from evaluation and exploration assets (note 17).

17 Evaluation and exploration assets

	Azuca US$000	Crespo US$000	San Felipe US$000	Volcan US$000	Others US$000	Total US$000
Cost						
Balance at 1 January 2016	80,165	25,780	55,950	92,993	12,970	267,858
Additions	1,237	251	-	691	1,299	3,478
Transfers to property, plant and equipment	-	-	-	-	(3,232)	(3,232)
Balance at 31 December 2016	**81,402**	**26,031**	**55,950**	**93,684**	**11,037**	**268,104**
Additions	197	208	-	768	3,705	4,878
Disposals	-	-	(500)	-	-	(500)
Transfers to property plant and equipment	-	-	-	-	(2,074)	(2,074)
Balance at 31 December 2017	**81,599**	**26,239**	**55,450**	**94,452**	**12,668**	**270,408**
Accumulated impairment						
Balance at 1 January 2016	45,876	9,878	25,834	44,381	3,718	129,687
Transfers to property, plant and equipment	-	-	-	-	(568)	(568)
Balance at 31 December 2016	**45,876**	**9,878**	**25,834**	**44,381**	**3,150**	**129,119**
Transfers to property, plant and equipment	-	-	-	-	(467)	(467)
Impairment/(reversal of impairment) [1]	-	-	(8,364)	-	2,721	(5,643)
Balance at 31 December 2017	**45,876**	**9,878**	**17,470**	**44,381**	**5,404**	**123,009**
Net book value as at 31 December 2016	**35,526**	**16,153**	**30,116**	**49,303**	**7,887**	**138,985**
Net book value as at 31 December 2017	**35,723**	**16,361**	**37,980**	**50,071**	**7,264**	**147,399**

There were no borrowing costs capitalised in evaluation and exploration assets.

1 At 31 December 2017, the Group has recorded an impairment charge with respect to evaluation and exploration assets of the Arcata mine unit of US$3,104,000, and reversals of impairment with respect to the Pallancata mine unit of US$383,000 and the San Felipe project of US$8,364,000. The calculation of recoverable values is detailed in note 16.

18 Intangible assets

	Transmission line[1] US$000	Water permits[2] US$000	Software licences US$000	Legal rights[3] US$000	Total US$000
Cost					
Balance at 1 January 2016	22,157	26,583	1,798	6,686	57,224
Additions	-	-	14	-	14
Transfer	-	-	44	-	44
Balance at 31 December 2016	**22,157**	**26,583**	**1,856**	**6,686**	**57,282**
Additions	-	-	16	-	16
Balance at 31 December 2017	**22,157**	**26,583**	**1,872**	**6,686**	**57,298**
Accumulated amortisation and impairment					
Balance at 1 January 2016	12,070	12,686	1,315	3,172	29,243
Amortisation for the year[4]	1,004	-	56	600	1,660
Balance at 31 December 2016	**13,074**	**12,686**	**1,371**	**3,772**	**30,903**
Amortisation for the year[4]	1,089	-	158	604	1,851
Balance at 31 December 2017	**14,163**	**12,686**	**1,529**	**4,376**	**32,754**
Net book value as at 31 December 2016	**9,083**	**13,897**	**485**	**2,914**	**26,379**
Net book value as at 31 December 2017	**7,994**	**13,897**	**343**	**2,310**	**24,544**

1 The transmission line is amortised using the units of production method. At 31 December 2017 the remaining amortisation period is approximately 8 years (2016: 9 years).
2 Corresponds to the acquisition of water permits of Andina Minerals Group ("Andina"). They have an indefinite life according to Chilean law. To determine the fair value less costs of disposal of the Volcan cash-generating unit, which includes the water permits held by the Group, the Group used the value-in-situ methodology. This methodology applies a realisable 'enterprise value' to unprocessed mineral resources which was US$7.10 per gold equivalent ounce of resources at 31 December 2017 (2016: US$6.90). The risk adjusted enterprise value figure has been determined using a combination of level 2 and level 3 inputs to estimate the amount that would be paid by a willing third party in an arm's length transaction, taking into account the water restrictions imposed by the Chile government.
3 Legal rights correspond to expenditures required to give the Group the right to use a property for the surface exploration work, development and production.
At 31 December 2017 the remaining amortisation period is from 10 to 20 years (2016: 8 to 20 years).
4 The amortisation for the period is included in cost of sales and administrative expenses in the income statement.

The carrying amount of the Volcan CGU, which includes the water permits, is reviewed annually to determine whether it is in excess of its recoverable amount.

Key assumptions

	2017	2016
Risk adjusted value per in-situ (gold equivalent ounce) US$	**7.10**	6.90

(US$000)	2017	2016
Current carrying value of Volcan CGU	**63,968**	63,187

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

The estimated recoverable amount is not materially greater than its carrying value. A change in the value in situ assumption could cause an impairment loss or reversal of impairment to be recognised as follows:

Approximate impairment/reversal of impairment resulting from the following changes (US$000)	2017	2016
Value per in-situ ounce (10% decrease)	**(2,667)**	(3,896)
Risk factor (increase by 5%)	**(1,095)**	(2,376)
Risk factor (decrease by 5%)	**9,384**	7,760

19 Available-for-sale financial assets

	Year ended 31 December	
	2017 US$000	2016 US$000
Beginning balance	**991**	366
Acquisitions[1]	**7,163**	-

Fair value change recorded in equity	**(323)**	774
Disposals[2]	**(1,160)**	(149)
Exchange of shares[2]	**(407)**	-
Ending balance	**6,264**	991

1 Corresponds to the purchase of 4,886,538 shares of Cobalt Power Group (Cobalt) (US$500,000), 14,545,454 shares of Red Eagle Mining Corporation (Red Eagle) (US$3,314,000), and 153,616 shares of Goldspot Discoveries Inc. (US$569,000). In addition, 13,415,000 shares of Santa Cruz Silver Mining were received in payment (US$2,780,000) of the option for the San Felipe project (refer note 23) and thus no cash consideration was received.

With the acquisition of the shares, the Group also acquired 14,545,454 warrants of Red Eagle and 2,443,269 warrants of Cobalt respectively, The warrants were recognised at fair value on acquisition and presented as other financial assets.

2 As at 31 December 2016 the Group held an investment in Mariana Resources Ltd which was acquired by Sandstorm Gold on 12 July 2017. In consideration for the exchange of shares the Group received cash proceeds of $407,000 and shares of Sandstorm Gold generating a gain of US$1,386,000. On 17 July 2017 the Group disposed its investment in Sandstorm Gold realising a loss on sale of available-for-sale-financial assets of US$32,000.

The fair value of the listed shares is determined by reference to published price quotations in an active market.

Investments held in Pembrook Mining Corp. (US$11,745,000), ECI Exploration and Mining Inc.(US$2,639,000) and Goldspot Discoveries Inc. (US$581,000) are unlisted and recognised at cost less any recognised impairment loss as there is no active market for these investments. The investments in Pembrook Mining Corp and ECI Exploration and Mining Inc. are fully impaired as at 31 December 2016 and 2017.

20 Trade and other receivables

	As at 31 December			
	2017		2016	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade receivables	-	**43,209**	-	36,821
Advances to suppliers	-	**4,482**	-	2,458
Duties recoverable from exports of Minera Santa Cruz [1]	**1,570**	**2,681**	19,065	-
Receivables from related parties (note 29(a))	-	**160**	-	71
Loans to employees	**877**	**353**	856	230
Interest receivable	-	**402**	-	151
Receivable from Kaupthing, Singer and Friedlander Bank	-	**208**	-	198
Other[2]	**1,810**	**9,397**	2,188	10,205
Provision for impairment[3]	-	**(4,594)**	-	(6,342)
Assets classified as receivables	**4,257**	**56,298**	22,109	43,792
Prepaid expenses	**91**	**3,720**	44	2,590
Value Added Tax (VAT)[4]	**3,139**	**21,048**	3,564	21,738
Total	**7,487**	**81,066**	25,717	68,120

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

1 Relates to export benefits through Port Patagonico and silver refunds in Minera Santa Cruz, discounted over 19 months (2016: 24 months) at a rate of 5.40% (2016: 6.39%) for dollars denominated amounts and 29.60% (2016: 23.31%) for Argentinian pesos. The gain on the unwinding of the discount is recognised within finance income (2016: loss on discount is recognised within finance costs).
2 Mainly corresponds to account receivables from contractors for the sale of supplies of US$4,773,000 (2016: US$3,968,000), and other tax claims of US3,903,000 (2016: US$5,333,000).
3 Includes the provision for impairment of trade receivable from a customer in Peru of US$1,080,000 (2016: US$1,043,000), the impairment of deposits in Kaupthing, Singer and Friedlander of US$208,000 (2016: US$198,000), the impairment of the account receivable from a third party of US$2,501,000 (2016: US$1,797,000) and other receivables of US$805,000 (2016: US$3,304,000) that mainly relates to an exploration project that would be recovered through an ownership interest if it succeeds.
4 Primarily relates to US$12,829,000 (2016: US$16,030,000) of VAT receivable related to the San Jose project that will be recovered through future sales of gold and silver and also through the sale of these credits to third parties by Minera Santa Cruz S.A. It also includes the VAT of Compañía Minera Ares S.A.C. of US$6,519,000 (2016: US$4,776,000) and Empresa de Transmisión Aymaraes S.A.C. of US$4,034,000 (2016: US$3,665,000). The VAT is valued at its recoverable amount.

Movements in the provision for impairment of receivables:

	Individually impaired US$000
At 1 January 2016	**5,327**
Provided for during the year	2,061
Released during the year	(1,046)
At 31 December 2016	**6,342**
Provided for during the year	1,065

Released during the year[1]	(2,813)
At 31 December 2017	**4,594**

1 Corresponds to the reversal of the provision of US$9,000 (2016: US$1,046,000) and write-off of US$2,804,000 (2016: US$nil)

As at 31 December 2017 and 2016, none of the financial assets classified as receivables (net of impairment) were past due.

21 Inventories

	As at 31 December	
	2017 US$000	2016 US$000
Finished goods valued at cost	**3,011**	3,515
Products in process valued at cost	**17,099**	20,727
Raw materials	**-**	33
Supplies and spare parts	**41,572**	40,241
	61,682	64,516
Provision for obsolescence of supplies	**(5,004)**	(7,460)
Total	**56,678**	57,056

Finished goods include ounces of gold and silver, dore and concentrate.

Products in process include stockpile and precipitates.

The Group either sells dore bars as a finished product or if it is commercially advantageous to do so, delivers the bars for refining into gold and silver ounces which are then sold. In the latter scenario, the dore bars are classified as products in process. At 31 December 2017 and 2016 the Group had no dore on hand included in products in process.

Concentrate is sold to smelters, but in addition could be used as a product in process to produce dore.

As part of the Group's short-term financing policies, it acquires pre-shipment loans which are guaranteed by the sales contracts.
The amount of expense recognised in profit and loss related to the consumption of inventory of supplies, spare parts and raw materials is US$104,689,000 (2016: US$86,754,000).

Movements in the provision for obsolescence comprise an increase in the provision of US$542,000 (2016: US$2,162,000) and the reversal of US$2,997,000 relating to the sale of supplies and spare parts, that had been provided for (2016: US$nil).

22 Cash and cash equivalents

	As at 31 December	
	2017 US$000	2016 US$000
Cash at bank	**335**	353
Liquidity funds[1]	**2,869**	203
Current demand deposit accounts[2]	**61,612**	68,643
Time deposits[3]	**192,172**	70,780
Cash and cash equivalents considered for the statement of cash flows	**256,988**	139,979

The fair value of cash and cash equivalents approximates their book value. The Group does not have undrawn borrowing facilities available in the future for operating activities or capital commitments.

1 The liquidity funds are mainly invested in certificates of deposit, commercial papers and floating rate notes with a weighted average maturity of 29 days as at 31 December 2017 (2016: average of 16 days).
2 Relates to bank accounts which are freely available and bear interest.
3 These deposits have an average maturity of 32 days (2016: Average of 3 days).

23 Deferred income

	As at 31 December	
	2017 US$000	2016 US$000
San Felipe contract[1]	**29,396**	25,000
El Mosquito contract[2]	**1,413**	-

	30,809	25,000
Current balance	**(400)**	-
Non-current	**30,409**	25,000

1. On 3 August 2011, the Group entered into an agreement with Impulsora Minera Santa Cruz ("IMSC") whereby IMSC acquired the right to explore the San Felipe properties and an option to purchase the related concessions. Under the terms of this agreement the Group has received US$29,396,000 as non-refundable payments at 31 December 2017 (2016: US$25,000,000).

   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, they were recorded as deferred income.

   On 30 November 2016, IMSC renegotiated terms of the agreement, extending the validity of the agreement to 1 December 2017. As a result of this extension, on 9 March 2017 the Group received in payment 13,415,000 ordinary shares of Santa Cruz Silver Mining ("SCSM") quoted in the Toronto Stock Exchange, at the unit price of CAD 0.28 amounting to CAD 3,756,000 equivalent to US$2,780,000. The amount received included valued added taxes of US$384,000 and part consideration of US$2,396,000 recognised as deferred income.

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

   In March 2017, IMSC entered into an agreement with Americas Silver Corporation ('ASC') to assign 100% of its interest in the San Felipe Project.

   On 1 December 2017, the option to sell the San Felipe property to IMSC was extended to 31 December 2018 based on an amendment to the payment terms and an additional US$8,000,000 is payable by IMSC at 31 December 2017.

2. On 25 April 2017 the Group signed a five year option agreement with Minas Argentinas S.A. ("MASA") giving MASA the right ot explore and the option to purchase the Mosquito property, located in Argentina. The Group has received in cash US$2,000,000, recognising US$1,813,000 as deferred income at 31 December 2017.

24 Trade and other payables

	As at 31 December			
	2017		2016	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Trade payables[1]	**-**	**63,038**	-	55,381
Salaries and wages payable[2]	**-**	**36,143**	-	28,500
Dividends payable	**-**	**107**	-	75
Taxes and contributions	**32**	**6,425**	43	4,962
Guarantee deposits	**-**	**6,946**	-	5,073
Mining royalty (note 30)	**-**	**684**	-	679
Accounts payable to related parties (note 29)	**-**	**149**	-	94
Other	**1,049**	**3,287**	1,223	3,720
Total	**1,081**	**116,779**	1,266	98,484

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

1 Trade payables relate mainly to the acquisition of materials, supplies and contractors' services. These payables do not accrue interest and no guarantees have been granted.
2 Salaries and wages payable relates to remuneration payable. There were Board members remuneration payable of US$nil (2016: US$2,000) and long term incentive plan payable of US$7,520,000 (2016: US$6,279,000) at 31 December 2017.

25 Borrowings

	As at 31 December					
	2017			2016		
	Effective interest rate	**Non-current US$000**	**Current US$000**	Effective interest rate	Non-current US$000	Current US$000
Bond payable (a)	**8.56%**	**291,955**	**8,779**	8.56%	291,073	8,778
Secured bank loans (b)						
• Pre-shipment loans in Minera Santa Cruz (note 21)	**1.80% to 2.85%**	**-**	**9,043**	2.70% to 3.00%	-	2,524
• Short-term bank loans	**1.75%**	**-**	**50,041**	0.65%	-	25,010

Total			**291,955**	**67,863**		291,073	36,312

(a) Bond payable
On 23 January 2014 the Group issued US$350,000,000 7.75% Senior Unsecured Notes of Compañía Minera Ares S.A.C. guaranteed by Hochschild Mining plc and Hochschild Mining (Argentina) Corporation S.A. The interest is paid semi-annually, until maturity in 23 January 2021. During November and December 2015, the Group repurchased bonds amounting to US$55,225,000 for US$54,369,000, giving rise to a gain on repurchase of US$856,000. The balance at 31 December 2017 comprises the carrying value, including accrued interest payable, of US$300,734,000 (2016: US$299,851,000) determined in accordance with the effective interest method.

The following options could be taken before the maturity:

- Optional Redemption without Make-Whole Premium: The issuer may redeem all or part of the notes on or after 23 January 2018 at
 the redemption prices specified plus accrued and unpaid interest and additional amounts, if any, to the redemption date. The Make
 Whole Premium requires repayment of 103.875%, 101.938% or 100% of the outstanding principal balance if exercised in 2018, 2019
 or 2020 respectively.
- Optional Redemption Upon Tax Event: 100% of the outstanding principal amount plus accrued and unpaid interest and additional amounts, if any.
- Change of Control Offer: 101% of principal amount plus accrued and unpaid interest.

(b) Secured bank loans:
Short-term bank loans:
One credit agreement signed by Compañía Minera Ares S.A.C. with BBVA Continental (2016: two credit agreements signed by Compañía Minera Ares S.A.C. with BBVA Continental). The loan has an interest rate of 1.75% (2016: 0.65%). The carrying value including accrued interest payable at 31 December 2017 is US$50,041,000 (2016: US$25,010,000). The due date is 15 December 2018 (2016: Repaid on due date 7 February 2017).

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2017 US$000	2016 US$000
Between 1 and 2 years	**-**	**-**
Between 2 and 5 years	**291,955**	291,073
Over 5 years	**-**	-
Total	**291,955**	291,073

The carrying amount of current borrowings differs their fair value only with respect to differences arising under the effective interest rate calculations described above. The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount as at 31 December		Fair value as at 31 December	
	2017 US$000	2016 US$000	**2017 US$000**	2016 US$000
Secured bank loans	**-**	**-**	**-**	**-**
Bond payable	**291,955**	291,073	**306,566**	318,062
Total	**291,955**	291,073	**306,566**	318,062

In the case of the bond payable, the fair value was determined with reference to the quoted price of these bonds in an active market, it is Level 1 input.

The movement in borrowings during the year is as follows:

	As at 1 January 2017 US$000	Additions US$000	Repayments US$000	Reclassifications US$000	As at 31 December 2017 US$000
Current					
Bank loans	27,534	69,686	(38,136)	-	59,084
Bond payable	8,778	24,688	(23,805)	(882)	8,779
	36,312	94,374	(61,941)	(882)	67,863
Non-current					
Bond payable	291,073	-	-	882	291,955
	291,073	-	-	882	291,955
Accrued interest	(8,812)	(24,874)	23,941	-	(9,745)
Before accrued interest	318,573	69,500	(38,000)	-	350,073

26 Provisions

	Provision for mine closure[1] US$000	Long Term Incentive Plan2 US$000	Other US$000	Total US$000
At 1 January 2016	120,080	963	6,474	127,517
Additions	-	9,965	570	10,535
Accretion	46	-	-	46
Change in discount rate[4]	(2,367)	-	-	(2,367)
Change in estimates[4]	(11,975)[3]	-	-	(11,975)
Foreign exchange effect	-	-	(547)	(547)
Transfer to trade and other payables	-	(6,279)	(2,048)	(8,327)
Payments	(3,355)	-	-	(3,355)
At 31 December 2016	**102,429**	**4,649**	**4,449**	**111,527**
Less: current portion	3,580	-	1,826	5,406
Non-current portion	98,849	4,649	2,623	106,121
At 1 January 2017	**102,429**	**4,649**	**4,449**	**111,527**
Additions	-	8,702	347	9,049
Accretion	280	-	-	280
Change in discount rate[4]	863	-	-	863
Change in estimates[4]	856[3]	-	-	856
Foreign exchange effect	-	-	(352)	(352)
Transfer to trade and other payables	-	(7,520)	-	(7,520)
Payments	(4,359)	-	(34)	(4,393)
At 31 December 2017	**100,069**	**5,831**	**4,410**	**110,310**
Less: current portion	4,562	-	1,641	6,203
Non-current portion	95,507	5,831	2,769	104,107

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of closure of each of the mines. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure adjusted for the impact of quantitative easing as at 31 December 2017 and 2016 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties on the timing for use of this provision include changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. The discount rate used was 0.14% (2016: 0.25%). Expected cash flows will be over a period from one to sixteen years.

2 Corresponds to the provision related to awards granted under the Long Term Incentive Plan ('LTIP') to designated personnel of the Group. Includes the following benefits: (i) 2017 awards, granted in March 2017, payable in March 2020 (ii) 2016 awards, granted in March 2016, payable in March 2019. Only employees who remain in the Group's employment on the vesting date will be entitled to a cash payment, subject to exceptions approved by the Remuneration Committee of the Board. The percentage of the award granted is determined 70% by the Company's TSR ranking relative to a tailored peer group of mining companies, and 30% by the Company's TSR ranking relative to a peer group of FTSE 350 companies. The liability for the LTIP is measured, initially and at the end of each reporting period until settled, at the fair value of the awards, by applying the Monte Carlo pricing model, taking into account the terms and conditions on which the awards were granted, and the extent to which the employees have rendered services to date. Changes to the provision of US$8,702,000 (2016: US$9,965,000) have been recorded as administrative expenses US$8,215,000 (2016: US$9,298,000) and exploration expenses US$487,000 (2016: US$667,000).

The following tables list the inputs to the Monte Carlo model used for the LTIPs as at 31 December 2016 and 2017, respectively:

	LTIP 2015		LTIP 2016		LTIP 2017	
For the period ended	**31 December 2017 US$000**	31 December 2016 US$000	**31 December 2017 US$000**	31 December 2016 US$000	**31 December 2017 US$000**	31 December 2016 US$000
Dividend yield (%)	**-**	0.49	**0.81**	0.49	**0.81**	-
Expected volatility (%)	**-**	3.89	**4.02**	3.89	**4.02**	-
Risk-free interest rate (%)	**-**	0.12	**0.25**	0.12	**0.25**	-
Expected life (years)	**-**	1	**1**	2	**2**	-
Weighted average share price (pence £)	**-**	100.68	**63.07**	**63.49**	**239.22**	**-**

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the awards and is indicative of future trends, which may not necessarily be the actual outcome.

3 Based on the 2017 internal and external review of mine rehabilitation estimates, the provision for mine closure increased by US$856,000 (2016: US$11,975,000 decrease). The net increase (2016: net decrease) mainly corresponds to the Pallancata mine unit of US$1,385,000 (2016: US$447,000 decrease), the Inmaculada mine unit of US$1,191,000 (2016: US$1,651,000 increase), the Crespo project of US$43,000 (2016: US$37,000 decrease), the Ares mine unit of US$22,000 (2016: US$1,622,000 decrease) and the Azuca project of US$7,000 (2016: US$8,000 decrease), net of the decrease in Arcata mine unit of US$1,131,000 (2016: US$6,648,000 decrease), the Selene mine unit of US$607,000 (2016: US$698,000 decrease) and San José mine unit of US$54,000 (US$4,166,000 decrease).

4 US$1,428,000 (2016: US$6,346,000) related to changes in estimate and discount rates for mines already closed and the Arcata mine unit which reduction of the estimated costs exceeded the carrying value of the mine asset, , therefore the effect has been recognised directly in the income statement.

27 Deferred income tax

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

	As at 31 December	
	2017 US$000	2016 US$000
Beginning of the year	**(64,944)**	(64,274)
Income statement (credit)/charge (note 14)	**11,304**	(6,625)
Deferred income tax arising on net unrealised gains on cash flow hedges recognised in equity (note 14)	**-**	5,955
End of the year	**(53,640)**	(64,944)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against
current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

The movement in deferred income tax assets and liabilities before offset during the year is as follows:

	Differences in cost of PP&E US$000	Mine development US$000	Financial instruments US$000	Others US$000	Total US$000
Deferred income tax liabilities					
At 1 January 2016	**47,967**	**60,107**	**8,064**	**4,762**	**120,900**
Income statement (credit)/charge	(6,319)	8,235	-	(1,938)	(22)
Deferred income tax arising on net unrealised gains on cash flow hedges recognised in equity	-	-	(5,955)	-	(5,955)
Transfer	-	-	(2,109)	-	(2,109)
At 31 December 2016	**41,648**	**68,342**	**-**	**2,824**	**112,814**
Income statement (credit)/charge	2,474	991	201	(1,197)	2,469
At 31 December 2017	**44,122**	**69,333**	**201**	**1,627**	**115,283**

	Differences in cost of PP&E US$000	Provision for mine closure US$000	Tax losses US$000	Mine development US$000	Financial instruments US$000	Others US$000	Total US$000
Deferred income tax assets							
At 1 January 2016	7,862	22,853	16,814	954	2,253	5,890	56,626
Income statement credit/(charge)	8,463	(3,319)	(15,868)	**(42)**	160	3,959	(6,647)
Transfer	-	-	-	**-**	(2,109)	-	(2,109)
At 31 December 2016	**16,325**	**19,534**	**946**	**912**	**304**	**9,849**	**47,870**
Income statement credit/(charge)	14,347	(51)	893	(110)	(304)	(1,002)	13,773
At 31 December 2017	**30,672**	**19,483**	**1,839**	**802**	**-**	**8,847**	**61,643**

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

	As at 31 December	
	2017 US$000	2016 US$000
Deferred income tax assets	**2400**	1,027
Deferred income tax liabilities	**(56,040)**	(65,971)

Tax losses expire in the following years:

	As at 31 December	
	2017 US$000	2016 US$000

Unrecognised		
Expire in one year	**3,517**	2,268
Expire in two years	**493**	3,231
Expire in three years	**42**	4,594
Expire in four years	**4,320**	2,295
Expire after four years	**119,461**	111,630
	127,833	124,018

Other unrecognised deferred income tax assets comprise (gross amounts):

	As at 31 December	
	2017 US$000	2016 US$000
Provision for mine closure[1]	**7,287**	9,971
Impairments of assets[2]	**2,509**	14,692

1 This relates to provision for mine closure expenditure which is expected to be incurred in periods in which taxable profits are not expected against which the expenditure can be offset.
2 Related to the reversal of impairment of San Felipe project (2016: Related to the impairment of San Felipe and Volcan project) (note 17).

Unrecognised deferred tax liability on retained earnings
At 31 December 2017 and 2016, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the intention is that these amounts are permanently reinvested.

28 Dividends

	2017 US$000	2016 US$000
Dividends paid and proposed during the year		
Equity dividends on ordinary shares:		
Final dividend for 2016: 1.38 US cent per share (2015: nil US cent per share)	**6,997**	**-**
Interim dividend for 2017: 1.38 US cent per share (2016: 1.38 US cent per share)	**6,999**	**6,998**
Total dividends paid on ordinary shares	**13,996**	**6,998**
Proposed dividends on ordinary shares:		
Final dividend for 2017: 1.965 US cent per share (2016: 1.38 US cent per share)	**9,967**	**6,997**
Dividends paid to non-controlling interests: 1.80 US$ per share (2016: 10.05 US cent per share)	**12,585**	**16,983**
Dividends paid to non-controlling interest related to 2014 and previous periods	**-**	**753**
Total dividends paid to non-controlling interests	**12,585**	**17,736**

Dividends per share
The interim dividend paid in September 2017 was US$6,999,000 (1.38 US cents per share). A proposed dividend in respect of the year ending 31 December 2017 of 1.965 US cent per share, amounting to a total dividend of US$9,967,000, is subject to approval at the Annual General Meeting on 25 May 2018 and is not recognised as a liability as at 31 December 2017.

29 Related-party balances and transactions

(a) Related-party accounts receivable and payable
The Group had the following related-party balances and transactions during the years ended 31 December 2017 and 2016. The related parties are companies owned or controlled by the main shareholder of the parent company or associates.

	Accounts receivable as at 31 December		Accounts payable as at 31 December	
	2017 US$000	2016 US$000	**2017 US$000**	2016 US$000
Current related party balances				
Cementos Pacasmayo S.A.A.[1]	**160**	71	**149**	94
Total	**160**	71	**149**	94

1 The account receivable relates to reimbursement of expenses paid by the Group on behalf of Cementos Pacasmayo S.A.A. The account payable relates to the payment of rentals.

As at 31 December 2017 and 2016, all accounts are, or were, non-interest bearing.

No security has been granted or guarantees given by the Group in respect of these related party balances.

Principal transactions between affiliates are as follows:

Year ended

	2017 US$000	2016 US$000
Income		
Gain on sale of Asociacion Sumac Tarpuy to Inversiones ASPI S.A.	**-**	811
Expenses		
Donation to the Universidad de Ingenieria y Tecnologia "UTEC"	**-**	(1,000)
Expense recognised for the rental paid to Cementos Pacasmayo S.A.A.	**(200)**	(200)

Transactions between the Group and these companies are on an arm's length basis.

(b) Compensation of key management personnel of the Group

	As at 31 December	
Compensation of key management personnel (including Directors)	**2017 US$000**	2016 US$000
Short-term employee benefits	**6,086**	5,459
Long Term Incentive Plan, Deferred Bonus Plan and Restricted Share Plan	**5,446**	6,622
Total compensation paid to key management personnel	**11,532**	12,081

This amount includes the remuneration paid to the Directors of the Parent Company of the Group of US$5,438,873 (2016: US$5,487,769).

30 Mining royalties

Peru
In accordance with Peruvian legislation, owners of mining concessions must pay a mining royalty for the exploitation of metallic and non-metallic resources. Mining royalties have been calculated with rates ranging from 1% to 3% of the value of mineral concentrate
or equivalent sold, based on quoted market prices.

In October 2011 changes came into effect for mining companies, with the following features:

a) Introduction of a Special Mining Tax ('SMT'), levied on mining companies at the stage of exploiting mineral resources. The
additional tax is calculated by applying a progressive scale of rates ranging from 2% to 8.4%, of the quarterly operating profit.
b) Modification of the mining royalty calculation, which consists of applying a progressive scale of rates ranging from 1% to 12%, of the quarterly operating profit. The former royalty was calculated on the basis of monthly sales value of mineral concentrates.

The SMT and modified mining royalty are accounted for as an income tax in accordance with IAS 12 "Income Taxes".

c) For companies that have mining projects benefiting from tax stability regimes, mining royalties are calculated and recorded as they were previously, applying an additional new special charge on mining that is calculated using progressive scale rates, ranging from 4% to 13.12% of quarterly operating profit.
d) In the case of the Arcata mine unit, the company left the tax stability agreement, but has maintained the agreement for the mining royalties, such that the Arcata unit, is liable for the new SMT but the mining royalties remain payable at the same rate as they were, before the modification in 2011.

As at 31 December 2017, the amount payable as under the former mining royalty (for the Arcata mining unit), the new mining royalty (for the Ares, Pallancata and Inmaculada mining units), and the SMT amounted to US$108,000 (2016: US$170,000), US$1,133,000 (2016: US$769,000), and US$492,000 (2016: US$737,000) respectively. The former mining royalty is recorded as 'Trade and other payables', and the new mining royalty and SMT as 'Income tax payable' in the Statement of Financial Position. The amount recorded in the income statement was US$885,000 (2016: US$1,759,000) representing the former mining royalty, classified as cost of sales, US$4,201,000 (2016: US$3,882,000) of new mining royalty and US$2,229,000 (2016: US$3,869,000) of SMT, both classified as income tax.

Argentina
In accordance with Argentinian legislation, Provinces (being the legal owners of the mineral resources) are entitled to collect royalties from mine operators. For San Jose, the mining royalty applicable to dore and concentrate is 3% of the pit-head value. As at 31 December 2017, the amount payable as mining royalties amounted to US$576,000 (2016: US$509,000). The amount recorded in the income statement as cost of sales was US$5,792,000 (2016: US$5,747,000).

31 Subsequent events

a) A restructuring plan has been established for the Arcata mining unit that includes the dismissal of approximately 165 employees. This reduction is aligned with the exploitation plan 2018, which is lower than budgeted in 2017, and is scheduled to take place between the months of January and February 2018.The process has been coordinated and communicated during January 2018 to the employees and the union. The approximate cost associated with the indemnities is estimated to be around US$1,388,000.

b) On 23 January 2018, the Group redeemed in full all of the US$294,775,000 outstanding principal amount of the Senior Unsecured Notes of Compañía Minera Ares S.A.C. (refer to note 25 (a)). The redemption price was

US317,620,062, that includes the principal amount of US$294,775,000, the total amount of unpaid interests of US$11,422,531 and a premium of US$11,422,531.

c) On 10 January 2018 the Group signed a short term loan with Nova Scotia Bank of US$50,000,000 (3 months LIBOR plus 0.32%) and on 17 January 2018 signed a medium term loan with Nova Scotia Bank of US$100,000,000 (3 months LIBOR plus 0.70%). The proceeds were employed to redeem the Senior Unsecured Notes of Compañia Minera Ares S.A.C.

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

Profit by operation[1]

(Segment report reconciliation) as at 31 December 2017

Company (US$000)	Arcata	Pallancata	Inmaculada	San Jose	Consolidation adjustment and others	Total/HOC
Revenue	77,940	120,529	296,594	227,094	415	722,572
Cost of sales (pre-consolidation)	(80,221)	(70,305)	(221,739)	(177,255)	471	(549,049)
Consolidation adjustment	(159)	(175)	(277)	140	471	-
Cost of sales (post-consolidation)	**(80,062)**	**(70,130)**	**(221,462)**	**(177,395)**	**-**	**(549,049)**
Production cost excluding depreciation	(62,340)	(46,874)	(109,005)	(127,217)	-	(345,436)
Depreciation in production cost	(17,446)	(20,256)	(110,632)	(47,907)	-	(196,241)
Other items	-	(1,461)	-	(1,780)	-	(3,241)
Change in inventories	(276)	(1,539)	(1,825)	(491)	-	(4,131)
Gross (loss)/profit	**(2,281)**	**50,224**	**74,855**	**49,839**	**886**	173,523
Administrative expenses	-	-	-	-	(51,283)	(51,283)
Exploration expenses	-	-	-	-	(17,199)	(17,199)
Selling expenses	(1,931)	(1,298)	(1,118)	(6,677)	-	(11,024)
Other income/(expenses), net	-	-	-	-	(1,357)	(1,357)
Operating (loss)/profit before net impairments	**(4,212)**	**48,926**	**73,737**	**43,162**	**(68,953)**	**92,660**
Impairment, net of impairment reversals, and write-off of non-current assets	-	-	-	-	(3,158)	(3,158)
Finance income	-	-	-	-	5,927	5,927
Finance costs	-	-	-	-	(26,095)	(26,095)
Foreign exchange loss	-	-	-	-	(5,257)	(5,257)
Profit/(loss) from continuing operations before income tax	**(4,212)**	**48,926**	**73,737**	**43,162**	**(97,536)**	**64,077**
Income tax	-	-	-	-	(10,196)	(10,196)
Profit/(loss) for the year from continuing operations	**(4,212)**	**48,926**	**73,737**	**43,162**	**(107,732)**	53,881

1 On a post exceptional basis.

RESERVES AND RESOURCES

Ore reserves and mineral resources estimates

Hochschild Mining plc reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition ("the JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 43 to 45 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

Hochschild Mining plc employs its own Competent Person who has audited all the estimates set out in this report. Hochschild Mining Group companies are subject to a comprehensive programme of audits which aim to provide assurance in respect of ore reserve and mineral resource estimates. These audits are conducted by Competent Persons provided by independent consultants. The frequency and depth of an audit depends on the risks and/or uncertainties associated with that particular ore reserve and mineral resource, the overall value thereof and the time that has lapsed since the previous independent third-party audit.

The JORC Code requires the use of reasonable economic assumptions. These include long-term commodity price forecasts (which, in the Group's case, are prepared by ex-house specialists largely using estimates of future supply and demand and long-term economic outlooks).

Ore reserve estimates are dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and any other relevant new information and therefore these can vary from year-to-year. Mineral resource estimates can also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly the conversion to ore reserves.

The estimates of ore reserves and mineral resources are shown as at 31 December 2017, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US$1,200 per ounce and Ag Price: US$16.5 per ounce.

ATTRIBUTABLE METAL RESERVES AS AT 31 DECEMBER 2017

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
OPERATIONS[1]						
Arcata						
Proved	318,092	395	1.2	4.0	11.8	4.9
Probable	539,625	335	1.1	5.8	18.4	7.2
Total	857,717	357	1.1	9.8	30.2	12.1
Inmaculada						
Proved	3,124,529	147	4.1	14.8	412.0	45.3
Probable	1,564,684	214	5.0	10.8	249.5	29.2
Total	4,689,213	169	4.4	25.6	661.5	74.5
Pallancata						
Proved	934,208	360	1.4	10.8	41.8	13.9
Probable	368,996	289	1.2	3.4	14.4	4.5
Total	1,303,204	340	1.3	14.3	56.3	18.4
San Jose						
Proved	495,980	490	7.0	7.8	111.5	16.1
Probable	221,327	384	6.7	2.7	48.0	6.3
Total	717,307	457	6.9	10.5	159.5	22.4
GRAND TOTAL						
Proved	**4,872,809**	**239**	**3.7**	**37.5**	**577.2**	**80.2**
Probable	**2,694,631**	**262**	**3.8**	**22.7**	**330.3**	**47.2**
TOTAL	**7,567,440**	**247**	**3.7**	**60.2**	**907.5**	**127.4**

Note: Where reserves are attributable to a joint venture partner, reserve figures reflect the Company's ownership only. Includes discounts for ore loss and dilution.
1 Operations were audited by P&E Consulting.
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ATTRIBUTABLE METAL RESOURCES AS AT 31 DECEMBER 2017[1]

Resource category	Tonnes (t)	Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)	Zn (kt)	Pb (kt)	Cu (kt)
OPERATIONS													
Arcata													
Measured	1,168,941	416	1.26	-	-	-	509	15.6	47.3	19.1	-	-	-
Indicated	1,933,181	381	1.25	-	-	-	473	23.7	77.5	29.4	-	-	-

Total	3,102,122	394	1.25	-	-	-	487	39.3	124.8	48.6	-	-	-
Inferred	4,129,459	334	1.24	-	-	-	426	44.3	164.7	56.5	-	-	-
Inmaculada													
Measured	3,023,358	178	4.93	-	-	-	542	17.3	479.1	52.7	-	-	-
Indicated	1,797,660	253	5.55	-	-	-	664	14.6	321.0	38.4	-	-	-
Total	4,821,018	206	5.16	-	-	-	588	31.9	800.2	91.1	-	-	-
Inferred	2,964,567	128	3.28	-	-	-	370	12.2	312.5	35.3	-	-	-
Pallancata													
Measured	1,331,079	426	1.73	-	-	-	554	18.2	74.0	23.7	-	-	-
Indicated	693,617	311	1.37	-	-	-	412	6.9	30.6	9.2	-	-	-
Total	2,024,696	387	1.61	-	-	-	506	25.2	104.7	32.9	-	-	-
Inferred	3,095,641	327	1.31	-	-	-	424	32.5	130.3	42.2	-	-	-
San Jose													
Measured	805,579	583	8.37	-	-	-	1,202	15.1	216.7	31.1	-	-	-
Indicated	844,078	427	6.76	-	-	-	927	11.6	183.5	25.2	-	-	-
Total	1,649,657	503	7.55	-	-	-	1,061	26.7	400.2	56.3	-	-	-
Inferred	446,885	360	6.68	-	-	-	854	5.2	96.0	12.3	-	-	-
GROWTH PROJECTS													
Crespo													
Measured	5,211,058	47	0.47	-	-	-	82	7.9	78.6	13.7	-	-	-
Indicated	17,298,228	38	0.40	-	-	-	67	21.0	222.5	37.4	-	-	-
Total	22,509,286	40	0.42	-	-	-	71	28.8	301.0	51.1	-	-	-
Inferred	775,429	46	0.57	-	-	-	88	1.1	14.2	2.2	-	-	-
Azuca													
Measured	190,602	244	0.77	-	-	-	301	1.5	4.7	1.8	-	-	-
Indicated	6,858,594	187	0.77	-	-	-	243	41.2	168.8	53.7	-	-	-
Total	7,049,196	188	0.77	-	-	-	245	42.7	173.5	55.5	-	-	-
Inferred	6,946,341	170	0.89	-	-	-	236	37.9	199.5	52.7	-	-	-
Volcan													
Measured	105,918,000	-	0.738	-	-	-	55	-	2,513.1	186.0	-	-	-
Indicated	283,763,000	-	0.698	-	-	-	52	-	6,368.0	471.2	-	-	-
Total	389,681,000	-	0.709	-	-	-	52	-	8,882.7	657.3	-	-	-
Inferred	41,553,000	-	0.502	-	-	-	37	-	670.7	49.6	-	-	-
OTHER PROJECTS[2]													
Measured	1,393,716	69	0.02	7.12	3.10	0.39	315	3.1	0.9	14.1	99.3	43.1	5.5
Indicated	1,354,261	82	0.06	6.14	2.73	0.31	295	3.6	2.4	12.9	83.2	37.0	4.2
Total	2,747,977	76	0.04	6.64	2.92	0.35	305	6.7	3.3	27.0	182.4	80.1	9.7
Inferred	13,445,001	8	0.30	0.58	0.21	1.22	160	3.4	128.6	69.0	77.8	28.5	163.6
GRAND TOTAL													
Measured	**119,042,333**	**21**	**0.89**	**0.08**	**0.04**	**0.00**	**89**	**78.7**	**3,414.5**	**342.3**	**99.3**	**43.1**	**5.5**
Indicated	**314,542,619**	**12**	**0.73**	**0.03**	**0.01**	**0.00**	**67**	**122.6**	**7,374.3**	**677.4**	**83.2**	**37.0**	**4.2**
Total	**433,584,952**	**14**	**0.77**	**0.04**	**0.02**	**0.00**	**73**	**201.3**	**10,790.4**	**1,019.8**	**182.4**	**80.1**	**9.7**
Inferred	**73,356,323**	**58**	**0.73**	**0.10**	**0.04**	**0.22**	**136**	**136.7**	**1,716.4**	**319.8**	**77.8**	**28.5**	**163.6**

1 Prices used for resources calculation: Au: $1,200/oz and Ag: $16.5/oz.
2 Includes the Jasperoide copper project and the San Felipe zinc/silver project. The silver equivalent grade (147 g/t Ag Eq) has being calculated applying the following ratios, Cu/Ag=96.38 and Au/Ag=60

CHANGE IN ATTRIBUTABLE RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	**Percentage attributable December 2017**	December 2016 Att.[1]	**December 2017 Att.[1]**	Net difference	% change
Arcata	Resource	**100%**	104.2	**105.1**	0.9	0.9%
	Reserve		17.7	**12.1**	(5.6)	(31.6%)
Inmaculada	Resource	**100%**	143.8	**126.4**	(17.4)	(12.1%)

	Reserve		89.4	**74.5**	(14.9)	(16.7%)
Pallancata	Resource	**100%**	83.6	**75.1**	(8.5)	(10.2%)
	Reserve		18.0	**18.4**	0.4	2.2%
San Jose	Resource	**51%**	73.5	**68.6**	(4.9)	(6.7%)
	Reserve		29.4	**22.4**	(7.0)	(23.8%)
Crespo	Resource	**100%**	53.3	**53.3**	-	-
	Reserve		-	**-**	-	-
Azuca	Resource	**100%**	108.2	**108.2**	-	-
	Reserve		-	**-**	-	-
Volcan	Resource	**100%**	706.9	**706.9**	-	-
	Reserve		-	**-**	-	-
	Reserve		-	**-**	-	-
Other projects total	Resource	**100%**	96.0	**96.0**	-	-
	Reserve		-	**-**	-	-
Total	**Resource**		**1,369.5**	**1,339.6**	**(29.9)**	**(2.2%)**
	Reserve		**154.5**	**127.4**	**(27.1)**	**(17.5%)**

1 Attributable reserves and resources based on the Group's percentage ownership of its joint venture projects.

SHAREHOLDER INFORMATION

Company website

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

Registrars

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

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

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

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

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 15 May 2018 in respect of the 2017 final 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 2017 final dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 15 May 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	10 May
Record date	11 May
Deadline for return of currency election forms	15 May
Payment date	1 June

17 Cavendish Square
London
W1G 0PH
United Kingdom

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[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 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-in sustaining cost per (AISC) silver equivalent ounce: Calculated before exceptional items and includes cost of sales less depreciation in production cost and change in inventories, administrative expenses, brownfield exploration, operating and exploration capex and royalties (presented with income tax) divided by silver equivalent ounces produced, plus commercial deductions and selling expenses divided by silver equivalent ounces sold using a gold/silver ratio of 74:1*

[5] *All equivalent figures assume the average gold/silver ratio of 74:1*

[6] *All in-sustaining cost from operations*

[7] *$9.0-9.5 per silver equivalent ounce*

[8] *Excludes revenue from services*

[9] *Reconciliation of gross revenue by mine to Group net revenue*

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

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

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

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

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

[15] *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*

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

[17] *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*

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