



18 January 2017

Production Report for the 12 months ended 31 December 2016

Ignacio Bustamante, Chief Executive Officer said:

"We are pleased that we have achieved a historic production record for the Company whilst exceeding our annual production targets and maintaining our guidance on full year costs. This result includes a successful first full year contribution from our flagship low cost Inmaculada mine as well as Arcata's strongest performance for six years. In addition, we maintained our focus on debt reduction and used excess cash flow to materially reduce our leverage ratio, beyond the guidance provided for the year.

In 2017, we will continue our focus on cost effective organic growth with the start of production from the new Pablo vein as well as an increase in brownfield drilling as part of our recently announced exploration programme. We are also targeting a fifth consecutive year of production increases and, despite the rise in brownfield investment, cost control at all our mines will remain a priority."

Operational highlights

- Record full year attributable production in 2016¹
 - 17.3 million ounces of silver
 - 246.1 thousand ounces of gold
 - 35.5 million silver equivalent ounces, up 31% versus 2015 (27.0 million ounces)
 - 479.6 thousand gold equivalent ounces (2015: 365.4 thousand ounces)
- Inmaculada's first full year of production exceeded original forecast
 - 163 thousand ounces of gold
 - 4.9 million ounces of silver
 - 229 thousand gold equivalent ounces
 - 16.9 million silver equivalent ounces
- 2016 all-in sustaining costs per silver equivalent ounce on track to meet \$11.0-11.5 guidance

Strengthening financial position

- Total cash of approximately \$140 million as at 31 December 2016 (\$84 million as at 31 December 2015)
- \$127 million of debt repaid in 2016
- Net debt of approximately \$183 million as at 31 December 2016 (\$366 million as at 31 December 2015)
- Current Net Debt/LTM EBITDA of approximately 0.55x as of 31 December 2016

2017 guidance

- Record attributable production target of 37.0 million silver equivalent ounces (500 thousand gold equivalent ounces) exceeding previous guidance of 35.0 million ounces
- All-in sustaining costs now expected to be \$12.2-12.7 per silver equivalent ounce due increased brownfield exploration investment and forecast Pablo expenditure
 - Sustained control of underlying costs: Excluding the improved investment in brownfield exploration and one-off Pablo investments, all-in sustaining costs would be \$11.5-12.0
 - Inmaculada costs expected to be \$9.0-9.5 per silver equivalent ounce
- Total sustaining and development capital expenditure expected to be approximately \$120-130 million including \$20 million to develop Pablo vein and its surrounding infrastructure

¹ All equivalent figures assume a gold/silver ratio of 74x.

A conference call will be held at 2.00pm (London time) on Wednesday 18 January 2017 for analysts and investors.

Dial in details as follows:

International Dial in: +44 (0) 20 3139 4830

UK Toll-Free Number: +44(0) 808 237 0030

Pin: 84813687#

A recording of the conference call will be available for one week following its conclusion, accessible from the following telephone number:

International: +44 (0) 20 3426 2807

UK Toll Free: +44(0) 808 237 0026

Pin: 681591#

Overview

In Q4 2016, the Company delivered attributable production of 116.6 thousand gold equivalent ounces or 8.6 million silver equivalent ounces. This comprised of 4.1 million ounces of silver and 61.6 thousand ounces of gold. The total production for 2016 was a record 479.6 thousand gold equivalent ounces or 35.5 million silver equivalent ounces. This comprised 17.3 million ounces of silver and 246.1 thousand ounces of gold.

The Company reiterates that its all-in sustaining costs per silver equivalent ounce for 2016 is expected to be between \$11.0 and \$11.5.

TOTAL GROUP PRODUCTION

	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Silver production (koz)	4,910	5,908	5,322	20,562	18,037
Gold production (koz)	74.29	78.91	82.87	292.63	213.37
Total silver equivalent (koz)	10,407	11,747	11,454	42,217	33,827
Total gold equivalent (koz)	140.63	158.75	154.78	570.50	457.12
Silver sold (koz)	4,996	6,011	5,866	21,091	17,263
Gold sold (koz)	75.02	77.85	96.61	298.96	187.39

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

ATTRIBUTABLE GROUP PRODUCTION

	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Silver production (koz)	4,075	4,999	4,345	17,284	14,752
Gold production (koz)	61.57	66.38	68.44	246.08	166.02
Silver equivalent (koz)	8,631	9,911	9,410	35,493	27,037
Gold equivalent (koz)	116.64	133.94	127.16	479.64	365.37

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

Production

Inmaculada

Product	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Ore production (tonnes treated)	344,199	343,247	329,925	1,306,606	659,737
Average grade silver (g/t)	134	132	118	133	115
Average grade gold (g/t)	4.26	4.09	4.57	4.21	4.36
Silver produced (koz)	1,220	1,318	1,084	4,908	2,055
Gold produced (koz)	41.03	42.48	45.11	162.71	84.64
Silver equivalent (koz)	4,256	4,461	4,423	16,948	8,318
Gold equivalent (koz)	57.51	60.29	59.76	229.03	112.41
Silver sold (koz)	1,266	1,270	1,546	5,004	1,638
Gold sold (koz)	41.93	40.66	63.87	164.75	67.51

The Inmaculada flagship operation delivered another consistent quarter with gold production at 41,030 ounces and silver production of 1.2 million ounces (gold equivalent production of 58 thousand ounces) with grade and tonnage remaining strong throughout the period. Inmaculada has delivered a very successful first full year with production reaching a better than expected 229 thousand gold equivalent ounces (16.9 million silver equivalent ounces).

Arcata

Product	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Ore production (tonnes treated)	170,128	173,784	184,994	677,309	648,051
Average grade silver (g/t)	344	348	288	337	323
Average grade gold (g/t)	1.21	1.30	1.03	1.24	0.99
Silver produced (koz)	1,669	1,705	1,453	6,343	5,613
Gold produced (koz)	5.85	6.33	4.58	22.54	15.67
Silver equivalent (koz)	2,101	2,174	1,792	8,011	6,772
Gold equivalent (koz)	28.40	29.37	24.21	108.26	91.52
Silver sold (koz)	1,673	1,751	1,798	6,346	5,653
Gold sold (koz)	5.65	6.26	5.30	22.04	15.29

At Arcata, silver production in the fourth quarter was 1.7 million ounces with gold production of 5,850 ounces which resulted in silver equivalent production of 2.1 million ounces, a 17% improvement on the corresponding period of 2015 (Q4 2015: 1.8 million ounces). Tonnage and grades have been strong throughout the year in addition to better than expected silver recoveries. Overall in 2016, Arcata delivered its best year since 2010 with 8.0 million silver equivalent ounces produced, an 18% improvement on 2015 (2015: 6.8 million ounces).

Pallancata

Product	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Ore production (tonnes treated)	26,881	82,147	107,320	244,765	522,431
Average grade silver (g/t)	414	438	272	381	259
Average grade gold (g/t)	1.98	1.98	1.40	1.86	1.28
Silver produced (koz)	317	1,030	791	2,620	3,664
Gold produced (koz)	1.47	4.54	3.74	12.37	16.42
Silver equivalent (koz)	426	1,365	1,068	3,536	4,879
Gold equivalent (koz)	5.75	18.45	14.43	47.78	65.94
Silver sold (koz)	322	1,023	918	2,660	3,632
Gold sold (koz)	1.45	4.46	4.27	12.41	15.80

At Pallancata, production in Q4 was 317,000 ounces of silver and 1,470 ounces of gold bringing the silver equivalent total to 426,000 ounces. The significant reduction versus the third quarter was due to the previously announced road blockade by members of a local community which has halted output since early November 2016. Discussions with relevant parties, which have been facilitated by the Government, remain ongoing. Overall the mine produced 3.5 million silver equivalent ounces in 2016 reflecting a transitional year before the introduction of commercial production from the Pablo vein in 2017.

San Jose (the Company has a 51% interest in San Jose)

Product	Q4 2016	Q3 2016	Q4 2015	12 mths 2016	12 mths 2015
Ore production (tonnes treated)	146,892	140,366	154,642	536,024	532,488
Average grade silver (g/t)	418	469	453	444	448
Average grade gold (g/t)	6.32	6.44	6.63	6.28	6.36
Silver produced (koz)	1,704	1,855	1,994	6,691	6,706
Gold produced (koz)	25.95	25.57	29.44	95.01	96.64
Silver equivalent (koz)	3,624	3,747	4,172	13,721	13,857
Gold equivalent (koz)	48.97	50.64	56.38	185.42	187.25
Silver sold (koz)	1,734	1,967	1,604	7,081	6,340
Gold sold (koz)	26.00	26.47	23.17	99.76	88.79

San Jose has again proved to be a solid performer in the fourth quarter with production of 3.6 million silver equivalent ounces as increased tonnage mostly offset lower grades. Overall, the operation has enjoyed another successful year with production of 6.7 million ounces of silver and 95 thousand ounces of gold resulting in silver equivalent production of 13.7 million ounces in line with the 2015 result (13.9 million ounces).

In November 2015, the Argentinean government restored the right to receive a rebate from goods exported through Patagonian ports (previously cancelled in 2009) and was applicable to Hochschild at a rate of approximately 9% of the FOB value of its exports. However, in the fourth quarter of 2016 the benefit has once again been cancelled.

Average realisable prices and sales

Average realisable precious metal prices in Q4 2016 (which are reported before the deduction of commercial discounts and include the effects of the existing hedging agreements) were \$1,139/ounce for gold and \$15.0/ounce for silver (Q4 2015: \$1,116/ounce for gold and \$15.0/ounce for silver). These average prices, which are lower than the average for the period, reflect the final adjustment of preliminary sales of concentrate, previously recognised at the time of shipping at higher spot prices.

For 2016 as a whole, average realisable precious metal prices were \$1,216/ounce for gold and \$17.1/ounce for silver (2015: \$1,159/ounce for gold and \$16.0/ounce for silver), in line with average market prices for the period.

Brownfield exploration²

Exploration continued at Pablo in the fourth quarter with results expected to be disclosed at the Annual Results in March.

At Arcata, 3,445m of potential drilling was carried out at the extension of Tunel 4, Macarena and Roxana veins whilst at San Jose 3,214m of potential drill holes were executed at the Cerro Colorado hill with results pending.

Financial position

Total cash was approximately \$140 million as at 31 December 2016 resulting in net debt of approximately \$183 million.

Outlook

The overall production target for 2017 is 37.0 million silver equivalent ounces or 500 thousand gold equivalent ounces, which consists of:

2017 Production split

Operation	2017 Silver equivalent production (m oz approximate)
Inmaculada	17
Arcata	7
Pallancata	6
San Jose	7

The all-in sustaining cost per silver equivalent ounce in 2017 is expected to be between \$12.2 and \$12.7 which includes the previously announced increased budget for brownfield exploration as well as further expenditure on the development of the Pablo vein. Excluding the increased investment in resource growth as well as the one-off investment in Pablo infrastructure, the all-in sustaining cost forecast is between \$11.5 and \$12.0 per silver equivalent ounce.

2017 AISC split

Operation	2017 AISC (\$/oz silver equivalent)	2017 AISC (\$/oz silver equivalent) <i>Excluding growth investment</i>
Inmaculada	9.5-10.0	9.0-9.5
Arcata	15.3-15.8	14.5-15.0
Pallancata	14.2-14.7	12.5-13.0
San Jose	12.8-13.3	12.5-13.0

The overall capital expenditure budget for 2017 is approximately \$120-130 million allocated to sustaining and development expenditure and includes a \$15 million investment in the expansion of the Inmaculada tailings dam as well as expenditure on the development of the Pablo vein (\$20 million).

2017 Capital expenditure split

Operation	2017 Sustaining & development capital expenditure (\$m)
Inmaculada	45-50
Arcata	20
Pallancata	20-25
San Jose	35

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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.

Forward looking statements

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

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

This announcement contains information which prior to its release could be considered inside information.

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