



18 April 2012

**Production Report and Interim Management Statement  
for the 3 months ended 31 March 2012**

**Highlights**

- Q1 2012 production of 5.1 million attributable silver equivalent ounces; on track to deliver 2012 production target of 20.0 million attributable silver equivalent ounces
- Development of Inmaculada and Crespo projects underway
- Arcata dore project on schedule to process 100% of Arcata's concentrate by H2 2012
- Record \$90 million 2012 exploration programme in progress

**Ignacio Bustamante, Chief Executive Officer commented:**

*"We have once again delivered a solid start to the year and we are on track to meet our 2012 production target of 20.0 million silver equivalent ounces. We continued to manage extraction grades during the quarter in order to maintain sustainable long-term production levels, whilst our extensive brownfield exploration programme to incorporate further resources and discover new high grade areas saw good progress.*

*Our Advanced Projects Inmaculada and Crespo are progressing well, with engineering, development and infrastructure contracts awarded during the quarter to local contractors, and increased community engagement at both sites. In our greenfield exploration programme, work continued at our Company Makers and Medium Scale projects during the quarter."*

**Overview**

In Q1 2012 the Company delivered attributable production of 5.1 million silver equivalent ounces, comprised of 3.4 million ounces of silver and 28.3 thousand ounces of gold, leaving it well positioned to meet its full year production target of 20.0 million attributable silver equivalent ounces in 2012.

**Production**

*Main operations*

San Jose continued to deliver strong production in Q1 2012, with total silver equivalent production of 2.6 million ounces (Q1 2011: 2.8 million ounces). Grades and tonnage continued to be robust in Q1 2012 and a slight increase in recoveries also resulted in production being in line with the Q4 2011 rate, despite there being fewer production days.

At Arcata, production was 5.1% lower than Q4 2011 at 1.8 million silver equivalent ounces (Q1 2011: 1.8 million ounces), mainly due to the reduced number of production days in the quarter in addition to electricity supply interruptions due to the effects of the rainy season. Both silver and gold grades increased, reflecting a decrease in the volume of lower grade material from the Macarena waste dam deposit. However, during the second half of 2012 the Macarena contributions are expected to increase again as a plant expansion will be completed to facilitate more efficient treatment of this material.

The Arcata dore project is progressing well and currently 40% of concentrate is being processed into dore with the project scheduled for completion in the second half of the year when the level will reach 100%.

In Q1 2012, silver equivalent production at Pallancata was 2.1 million ounces (Q1 2011: 2.5 million ounces). The performance at Pallancata reflects the fewer production days as well as the above mentioned disruption to the electricity supply resulting from the effects of the rainy season. In addition, temporary delays in mine plan execution led to the treatment of a greater proportion of lower grade mineral from the mine. The Company will continue its policy of mining close to the average reserve grade at Pallancata in order to ensure a consistent and sustainable level of production.

#### *Other operations*

The Company's Ares mine in Peru continued to operate in Q1 2012, producing 515 thousand silver equivalent ounces (Q1 2011: 535 thousand ounces). Production is being closely monitored to ensure the extraction of profitable ounces as Ares is in the last stage of its life cycle. Subject to additional resources and the price environment, production at the mine is expected to continue throughout 2012.

At Moris, the Company's open pit operation in Mexico, mine production ceased in September 2011 although continued leaching of the pads produced a further 218 thousand silver equivalent ounces in Q1 2012 (Q1 2011: 298 thousand ounces). Moris is currently in the final stage of the pads' cyanidation process. However, exploration continues at the property.

#### **Average realisable prices and sales**

Average realisable precious metal prices in Q1 2012 (which are reported before the deduction of commercial discounts) were \$1,782.1/ounce for gold and \$36.9/ounce for silver. (Q1 2011: \$1,391.4/ounce for gold and \$36.2/ounce for silver).

#### **Project pipeline & exploration**

Hochschild has reaffirmed its commitment to its exploration strategy with a 29% increase in the exploration budget for 2012 to \$90 million, the largest ever for the Company. Of this budget, 30% has been allocated to brownfield exploration, 35% to greenfield exploration and 19% to exploration at the Company's Advanced Projects.

#### **Brownfield exploration<sup>1</sup>**

##### *San Jose*

A comprehensive brownfield exploration programme continued at San Jose, to the north and south of the current operation area, towards the El Pluma and Saavedra targets. During the quarter, 14,715 metres of exploration drilling was completed to continue to incorporating further resources. Drilling focused on the Pluma, Pilar, Nadia and Ramal veins with significant intercepts including<sup>1</sup>:

<b>Vein</b>	<b>Results</b>
Pilar	SJD1047 6.16m at 24.94 g/t Au & 394 g/t Ag SJD1052 0.84m at 13.00 g/t Au & 2,275 g/t Ag SJD1055 3.75m at 3.09 g/t Au & 119 g/t Ag
Pluma	SJD1044 1.81m at 3.23 g/t Au & 40 g/t Ag

##### *Arcata*

During Q1 2012, 11,355 metres of drilling was carried out at Arcata. Exploration work focused on defining new high grade structures and incorporating high quality resources from known vein systems as well as providing new geological interpretation of the district. Exploration work continued to delineate resources at the Sorpresa, Amparo, Leslie, and Blanca 2 veins through diamond drilling, and testing was carried out in potential areas including Socorro Oeste, Tunel 4 and Lucrecia. Significant intercepts included<sup>1</sup>:

<b>Vein</b>	<b>Results</b>
Sorpresa	DDH155 0.40m at 5.28 g/t Au & 1,627 g/t Ag
Socorro Oeste	DDH171 0.79m at 8.81 g/t Au & 1,109 g/t Ag
Tunel 4	DDH284 0.66m at 4.81 g/t Au & 1,743 g/t Ag DDH289 2.39m at 0.41 g/t Au & 747 g/t Ag

<sup>1</sup>Please note that all mineralised intersections in this release are quoted as down-hole lengths, not true widths.

### *Pallancata*

In Q1 2012 exploration work at Pallancata focused on locating new structures as well as continuing the incorporation of new resources. Drilling continued at the Luisa, Paola and Pallancata Este veins, with 8,565 metres of diamond drilling completed. Promising intercepts included<sup>2</sup>:

<b>Vein</b>	<b>Results</b>
Luisa	DLLU-A21 5.80m at 1.21 g/t Au & 372 g/t Ag DLLU-A26 3.79m at 4.44 g/t Au & 1,061 g/t Ag
Paola	DLLU-A28 7.13m at 2.52 g/t Au & 279 g/t Ag
Pallancata Este	DLLU-A87 1.70m at 3.87 g/t Au & 473 g/t Ag

### **Advanced Projects**

On 11 January 2012, Hochschild announced the successful completion of the Inmaculada and Crespo feasibility studies which are forecast to contribute 10 million silver equivalent ounces of attributable production on average per annum at an initial combined capital cost of \$335 million (attributable). Full details of the feasibility studies can be found in the announcement.

### *Inmaculada*

Good progress was made at Inmaculada in Q1 2012. The basic engineering study was submitted and the main equipment requirements were identified and the purchasing process initiated. The detailed engineering phase is scheduled to commence in June 2012 and the mine engineering and development contracts are expected to be granted in the second half of the year. Construction of the first of three mine tunnels at Inmaculada commenced in 2011 with the remaining two set to commence in Q2 2012. The contract for the power transmission line was awarded to a third-party in the first quarter and the engineering phase commenced in March.

Active community engagement is a key priority for the Company at Inmaculada, not only with respect to the Government's Environmental Impact Study ('EIS') permitting approval process, but also as part of the Company's long-term policy and experience of working alongside local communities. In order to ensure a positive dialogue with our local stakeholders, we have put in place comprehensive community relations programmes at Inmaculada, and the process for responding to the EIS observations also started in Q1 2012.

During the quarter, three drill rigs were in operation at Inmaculada and 6,965 metres of exploration drilling was completed in order to continue with the incorporation of inferred resources and to identify new structures. Drilling was carried out in the Angela SW Cimoide, Angela, Shakira and Lucy veins, with encouraging results including<sup>2</sup>:

<b>Vein</b>	<b>Results</b>
Angela SW Cimoide	ASW12-016 10.75m at 4.03 g/t Au & 188 g/t Ag 5.70m at 1.41 g/t Au & 312 g/t Ag
Lucy	ASW12-010 2.65m at 5.52 g/t Au & 214 g/t Ag

### *Crespo*

At the Company's 100% owned Crespo project, the basic and detailed engineering contracts for the mine were awarded to a local mining company, and engineering contracts for the plant, leaching pads and infrastructure will be granted later this month.

Community engagement is also a key area of focus at Crespo, for the same reasons mentioned above. Community relations support programmes are progressing at Crespo and a permanent office was established on site to provide information to the community about the Company's plans. An important milestone in the EIS permitting process was met on 12 April, when the relevant public information hearing was successfully held on site. The project's associated land purchase programme is also ongoing.

<sup>2</sup> Please note that all mineralised intersections in this release are quoted as down-hole lengths, not true widths.

## **Greenfield pipeline**

In Q1 2012, a total of 8,106 metres was drilled as part of the greenfield exploration programme, which is on track to meet its targets for 2012. Drilling was carried out at six projects during the quarter; at four Company Maker projects and two Medium Scale projects.

During the quarter, the Encrucijada project in Chile was re-categorised from a Medium Scale project to a Company Maker project based on the positive results obtained from exploration work, whilst two new projects were added to the exploration pipeline; El Tanque (Medium Scale) in Mexico, and Potrero (Company Maker) in Chile.

## **Financial Position**

The Company has a strong financial position with total cash of approximately US\$590 million as at 31 March 2012 and minority investments of over US\$396 million.

Other than as described in this announcement, there have been no material events or transactions in the period from 1 January 2012 to 18 April 2012 which have affected the Company's financial position.

## **Outlook**

The Company is on track to achieve its full year production target of 20.0 million attributable silver equivalent ounces in 2012. Production at the main operations is forecast to remain broadly stable throughout the year as the Company continues to mine close to average reserve grade to ensure a consistent and sustainable level of production. Our Advanced Projects are progressing according to schedule and we will continue to provide updates on progress over the course of the year.

The Company remains confident that it has the financial flexibility to continue pursuing high return investment opportunities whether through brownfield expansion at our existing mines, value enhancing acquisitions or adding to our exploration investment.

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**A conference call will be held at 3pm (London time) on Wednesday 18 April 2012 for analysts and investors.**

Dial in details as follows:

UK: +44 (0) 20 3003 2666

Password: Hochschild

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

UK: +44 (0) 20 8196 1998

Access code: 6974632

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## **Enquiries:**

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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 almost 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.

## PRODUCTION & SALES INFORMATION\*

### **TOTAL GROUP PRODUCTION<sup>1</sup>**

	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Silver production (koz)	<b>4,762</b>	5,477	5,240	21,363
Gold production (koz)	<b>40.51</b>	44.12	44.92	180.51
Total silver equivalent (koz)	<b>7,193</b>	8,124	7,935	32,193
Total gold equivalent (koz)	<b>119.88</b>	135.39	132.24	536.56
Silver sold (koz)	<b>4,068</b>	6,326	5,100	21,792
Gold sold (koz)	<b>27.7</b>	54.1	39.1	182.0

<sup>1</sup> Total production includes 100% of all production, including production attributable to joint venture partners at San Jose and Pallancata.

### **ATTRIBUTABLE GROUP PRODUCTION<sup>1</sup>**

	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Silver production (koz)	<b>3,386</b>	<b>3,849</b>	3,687	14,980
Gold production (koz)	<b>28.29</b>	<b>30.54</b>	31.31	127.29
Silver equivalent (koz)	<b>5,083</b>	<b>5,681</b>	5,565	22,617
Gold equivalent (koz)	<b>84.7</b>	<b>94.7</b>	92.8	377.0

<sup>1</sup> Attributable production includes 100% of all production from Arcata, Ares and Moris, 60% from Pallancata and 51% from San Jose.

## QUARTERLY PRODUCTION BY MINE

### **ARCATA**

<b>Product</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Ore production (tonnes treated)	<b>164,160</b>	190,609	156,976	687,966
Average grade silver (g/t)	<b>317</b>	297	349	312
Average grade gold (g/t)	<b>0.94</b>	0.85	0.95	0.88
Silver produced (koz)	<b>1,498</b>	1,593	1,550	6,081
Gold produced (koz)	<b>4.48</b>	4.48	4.34	17.38
Silver equivalent produced (koz)	<b>1,766</b>	1,861	1,810	7,124
Silver sold (koz)	<b>1,112</b>	1,732	1,316	5,979
Gold sold (koz)	<b>2.8</b>	4.9	3.7	16.7

**ARES**

<b>Product</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Ore production (tonnes treated)	<b>78,265</b>	97,115	73,502	344,085
Average grade silver (g/t)	<b>47</b>	56	64	61
Average grade gold (g/t)	<b>2.62</b>	3.01	3.03	2.90
Silver produced (koz)	<b>112</b>	132	134	581
Gold produced (koz)	<b>6.71</b>	7.94	6.69	29.03
Silver equivalent produced (koz)	<b>515</b>	608	535	2,323
Silver sold (koz)	<b>85</b>	190	102	598
Gold sold (koz)	<b>3.2</b>	10.3	5.6	29.7

**PALLANCATA<sup>1</sup>**

<b>Product</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Ore production (tonnes treated)	<b>257,339</b>	293,060	242,061	1,070,466
Average grade silver (g/t)	<b>263</b>	293	303	301
Average grade gold (g/t)	<b>0.99</b>	1.27	1.31	1.33
Silver produced (koz)	<b>1,780</b>	2,289	2,018	8,767
Gold produced (koz)	<b>5.61</b>	8.30	7.78	33.88
Silver equivalent produced (koz)	<b>2,117</b>	2,787	2,485	10,800
Silver sold (koz)	<b>1,826</b>	2,636	2,327	9,064
Gold sold (koz)	<b>5.5</b>	9.3	8.6	33.9

<sup>1</sup> The Company has a 60% interest in Pallancata.

**SAN JOSE<sup>1</sup>**

<b>Product</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Ore production (tonnes treated)	<b>115,531</b>	126,675	113,696	462,825
Average grade silver (g/t)	<b>416</b>	412	459	444
Average grade gold (g/t)	<b>5.98</b>	5.68	6.08	5.86
Silver produced (koz)	<b>1,356</b>	1,454	1,522	5,870
Gold produced (koz)	<b>20.36</b>	20.93	21.41	80.95
Silver equivalent produced (koz)	<b>2,577</b>	2,710	2,807	10,727
Silver sold (koz)	<b>1,032</b>	1,750	1,342	6,087
Gold sold (koz)	<b>14.3</b>	25.0	17.6	82.4

<sup>1</sup> The Company has a 51% interest in San Jose.

**MORIS**

<b>Product</b>	<b>Q1 2012</b>	<b>Q4 2011</b>	<b>Q1 2011</b>	<b>12 mths 2011</b>
Ore production (tonnes treated)	-	-	305,411	858,028
Average grade silver (g/t)	-	-	4.12	5.02
Average grade gold (g/t)	-	-	0.76	0.96
Silver produced (koz)	<b>17</b>	9	16	64
Gold produced (koz)	<b>3.35</b>	2.46	4.69	19.26
Silver equivalent produced (koz)	<b>218</b>	157	298	1,220
Silver sold (koz)	<b>13</b>	18	13	64
Gold sold (koz)	<b>1.9</b>	4.6	3.6	19.3

\* Ounces sold figures for all operations have been restated to include gross revenue divided by gross ounces (previously included net revenue divided by net ounces)

**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.*

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