



21 April 2010

**Production Report and Interim Management Statement  
for the three months to 31 March 2010 ("Q1 2010")**

**Highlights**

- Q1 2010 production of 6.1 million attributable silver equivalent ounces comprised of 4.0 million ounces of silver and 35.0 thousand ounces of gold
- On track to achieve 2010 target of 26.3 million attributable silver equivalent ounces from current operations with an additional 1.5 – 2.5 million silver equivalent ounces from stakes in Lake Shore Gold and GRC
- Continued delivery of growth strategy:
  - \$4.9 million invested in Lake Shore Gold, increasing the Company's stake to 38%
  - \$9.5 million invested in Gold Resource Corporation, increasing the Company's stake to 29%
  - Exploration projects Azuca and Crespo progressing towards scoping study
- Continued focus on profitability and cost control
- Solid financial position with cash balance of approximately \$79 million as at 31 March 2010

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

*"In my first month as CEO of Hochschild, I am pleased to report a solid first quarter of production which means we are firmly on track to achieve our full year target of 26.3 million attributable silver equivalent ounces from our current operations. We remain committed to delivering our three-part strategy which is focused on maximising life of mine and profitability at existing operations, adding to production through selective acquisitions and delivering growth through our extensive exploration programme. With our solid asset base, strong project pipeline and experienced management team, we are extremely confident about Hochschild's long term growth prospects".*

**Overview**

Hochschild achieved attributable production of 6.1 million silver equivalent ounces in Q1 2010, comprised of 4.0 million ounces of silver and 35.0 thousand ounces of gold. Excluding Selene, which was closed in May 2009, this represents a marginal year-on-year decrease of 1%. Q1 2010 production was 10% below that of Q4 2009 as a result of the seasonal effect of fewer production days in the first quarter relative to the fourth quarter of the year.

Hochschild remains firmly on track to achieve its 2010 production target of 26.3 million attributable silver equivalent ounces from its current operations, with an additional 1.5 – 2.5 million silver equivalent ounces from the Company's stakes in Lake Shore Gold and Gold Resource Corporation ("GRC"), whose contributions have been revised following recent developments, as explained below.

2010 unit cost per tonne is in line with the Company's annual guidance of a 10% increase on 2009 which is mainly as a result of inflation related to labour and supply costs. Hochschild takes an extremely rigorous approach to managing costs that are within its control and is currently undertaking a number of initiatives which will contribute to continued cost containment.

*Main operations*

Production continues to be strong at the Company's Pallancata operation, which is realising the full benefit of the capacity expansion completed in the second half of 2008. Pallancata's production is up 80% and 66% year-on-year for silver and gold respectively with tonnage also increasing 59% year-on-year.

As disclosed in January 2010, Arcata's silver grades have been impacted by narrower veins and changing geotechnical conditions, however, silver grades in the first quarter were stable, increasing by 4% quarter-on-quarter. Management reiterates its guidance of grades at around Q4 2009 levels for the full year 2010.

In the first quarter of 2010, lower tonnage was extracted at the Company's San José operation as a consequence of lower mine development due to supplier delays. As is common in early mine cycles, grades were lower as a result of the mix of material with lower grade development mineral surrounding the high grade Kospi vein. As mining progresses, the Company expects an increase in the grade profile of the operation over the next three quarters.

#### *Other operations*

In line with the Company's focus on producing profitable ounces, Ares, which produced 0.8 million in Q1 2010, is expected to close in the second half of 2010. Moris, the Company's only open pit operation, produced 0.4 million silver equivalent ounces in Q1 2010 and, as previously announced, is expected to close in the first half of 2011.

#### *Lake Shore Gold & GRC*

In March 2010, Lake Shore Gold announced that it is re-phasing its production schedule in order to optimise the long term value of its assets. This has resulted in a reduction in its 2010 production target from 100,000 ounces of gold (6 million silver equivalent ounces) to 65,000 ounces of gold (3.9 million silver equivalent ounces) as a result of a change in priorities emphasising increased underground waste development, diamond drilling and the infrastructure plans necessary to support the preparation of 43-101 compliant resource estimates at both Thunder Creek and Bell Creek. Lake Shore Gold will continue to build production over the following three years with the potential to produce 350,000 ounces (21 million silver equivalent ounces) by 2013. Lake Shore Gold expects to commence commercial production in Q4 2010 and is due to release Q1 2010 results on 5 May 2010.

On 14 April 2010, GRC announced the first shipment of concentrate for sale. The company has a production target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in the first 12 months of commercial production. Commercial production is expected to commence in the first half of 2010.

Hochschild remains positive about the outlook for Lake Shore Gold and GRC which are important strategic investments and provide exposure to impressive production potential and long term growth.

Both GRC and Lake Shore Gold will be equity accounted by the Group in 2010 and will appear under the associates line in the Company's income statement. Lake Shore Gold and GRC are already processing ore from their respective operations, however, revenue will only be recognised once commercial production has been achieved.

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

Average realisable prices (which include commercial discounts) in Q1 2010 were \$1,091.22/oz for gold and \$16.62/oz for silver (excluding zero cost collar).

As disclosed in May 2009, in order to ensure an ongoing level of cash flow stability to fund its growth strategy, Hochschild secured a 'zero cost collar' for 5.2 million ounces of its 2010 silver production with an average 'floor' at \$12.7/oz and an average 'cap' at \$19.7/oz. A realised loss of \$0.1 million will be recorded under finance costs for the first quarter of 2010. The mark-to-market unrealised loss amounts to \$1.2 million as at 31 March 2010.

#### **Exploration**

Exploration is a vital part of Hochschild's growth strategy and, in 2009, the Company made solid progress with resource life of mine at its main operations extending from 5.9 to 7.1 years. The 2010 exploration programme is focused on extending the life of Hochschild's existing operations and identifying high-quality, early stage precious metal projects which will provide cost effective growth. To support this, the Company has significantly increased investment in exploration to \$50 million in 2010, up 75% on 2009.

#### *Brownfield*

The Company is pleased to report positive results at Arcata where the diamond drilling campaign continues to increase resources in the Luz and Socorro veins with high grade intercepts including: 0.9 metres at 2.3 g/t Au and

966 g/t Ag and 0.53 metres at 3.2 g/t Au and 1,447 g/t Ag at Luz and 0.8 metres at 25.6 g/t Au and 2,111 g/t Ag and 0.8 metres at 2.50 g/t Au and 1,003 g/t Ag at Socorro.

At Pallancata, the Company is mainly focused on developing resources outside the main operation along the eastern extension of the main Pallancata system and in the Mariana vein. Underground mine preparation is progressing well with the Santa Angela ramp scheduled for completion in June 2010.

At San José, the Company is completing permits to commence exploration drilling at the new Aguas Vivas target located 10 kilometres north-west of the San José operation.

The Company will commence exploration activities in April to progress towards scoping studies at its 100% owned projects Azuca and Crespo, both situated in Hochschild's southern Peru cluster. Azuca reported a significant increase in resources to 44.1 million silver equivalent ounces as at 31 December 2009. The project's location, 50 kilometres from Arcata, could realise economies of scale due to the close proximity of existing plant and transport infrastructure. Crespo, which is a low grade gold and silver disseminated deposit, reported resources of 44.7 million silver equivalent ounces as at 31 December 2009.

### *Greenfield*

In addition to its brownfield exploration programme, the Company has an active pipeline with numerous projects throughout Argentina, Canada, Chile, Mexico and Peru at various stages of development. All projects are subject to a rigorous evaluation process to ensure that investment is targeted towards quality assets that will ultimately be brought to production.

Work continues at the Company's key projects including Astana Farallon and Cerro Blanco in southern Peru, La Flora, Los Pinos and Mosquito in Argentina and El Mercurio in Mexico. At Astana Farallon and Cerro Blanco, which are both 100% owned gold-silver epithermal deposits, the Company is due to commence 3,500 metre diamond drilling programmes as soon as the Environmental Impact Assessments have been approved at each site.

In 2010, Hochschild's greenfield programme will also focus on larger deposits which have the potential to be 'company makers' such as Victoria and Josnitoro. At Victoria, a joint venture with Iron Creek Capital located along the highly prospective Domekyo fault zone in northern Chile, drilling has revealed gold-silver mineralisation with significant intercepts of higher grade material. At Josnitoro, a 100% owned project with visible gold mineralisation starting at surface, the 2010 programme is focused on understanding the mineralisation and preparation of drill targets.

### **Acquisitions**

Hochschild maintains its disciplined approach to acquisitions and continues to evaluate high margin precious metals projects in existing operational clusters and in new mineral rich regions of the Americas in order to secure future growth.

In line with its stated strategy, Hochschild has increased its ownership of Lake Shore Gold by investing a further \$4.9 million in Q1 2010, bringing its holding to 38%. To date, Hochschild has invested \$336.9 million in Lake Shore Gold, reflecting its confidence in the significant production potential and long-term growth of the company, which has a current market capitalisation of approximately \$1 billion.

The Company has also invested a further \$9.5 million in GRC, an underground precious metals mining company with a number of prime development projects in southern Mexico, increasing its stake from 27% to 29% (on an outstanding basis). This additional investment increases Hochschild's exposure to GRC's high grade, low cost ounces and expands the Group's southern Mexico operational cluster. Since December 2008, Hochschild has invested a total of \$63.5 million in GRC, a company with a current market capitalisation of approximately \$548 million.

During the quarter, Hochschild divested its 37% stake in Zincore Metals Inc as it did not constitute a core asset for the Company. The stake was acquired as part of the Southwestern Resources acquisition completed in May 2009 and was sold for total proceeds of C\$10.3 million.

### **Summary**

Hochschild is in sound financial health, with \$79 million of cash on the balance sheet as at 31 March 2010. This, in conjunction with cash generated from the business will enable the Company to continue delivering its growth

strategy of maximising life of mine and profitability at existing operations, adding to production through selective acquisitions and delivering growth by developing its exploration programme.

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Other than as described in this announcement, there have been no material events or transactions in the period from 1 January 2010 to 20 April 2010 which have affected Hochschild's financial position.

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A conference call will be held at 2pm (London time) on Wednesday 21 April 2010 for analysts and investors.

Dial in details as follows:

**UK +44 (0) 203 003 2666**

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

**UK + 44 (0) 208 196 1998**

Access code 8906758#

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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 forty years' experience in the mining of precious metal epithermal vein deposits and currently operates four underground epithermal vein mines, three located in southern Peru, one in southern Argentina and one open pit mine in northern Mexico. Hochschild also has numerous long-term prospects throughout the Americas.

**TOTAL GROUP PRODUCTION** (100% of all operations)

	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009<sup>1</sup></b>
Silver production (koz)	5,290	6,125	5,575
Gold production (koz)	46.29	51.11	50.11
Total silver equivalent (koz)	8,068	9,191	8,582
Total gold equivalent (koz)	134.46	153.19	143.03
Silver sold (koz)	4,875 <sup>2</sup>	5,936	4,421
Gold sold (koz)	36.42 <sup>3</sup>	47.78	39.31

<sup>1</sup> Includes 0.5 million silver equivalent ounces from the Selene mine which closed in May 2009

<sup>2</sup> Includes 1,055 ounces of silver from Selene

<sup>3</sup> Includes 2.1 ounces of gold from Selene

**ATTRIBUTABLE GROUP PRODUCTION** (Production attributable to Hochschild<sup>1</sup>)

	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009<sup>2</sup></b>
Silver production (koz)	3,953	4,526	4,411
Gold production (koz)	34.95	37.23	37.44
Attrib. silver equivalent (koz)	6,051	6,760	6,657
Attrib. gold equivalent (koz)	100.84	112.67	110.95

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

<sup>2</sup> Includes 0.5 million silver equivalent ounces from the Selene mine which closed in May 2009

**QUARTERLY PRODUCTION BY MINE****ARCATA** (100% owned)

<b>Product</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009</b>
Ore production (tonnes)	142,680	162,835	149,507
Average head grade silver (g/t)	458	442	533
Average head grade gold (g/t)	1.53	1.33	1.59
Concentrate produced (tonnes)	4,535	5,509	5,324
Silver grade in concentrate (kg/t)	12.93	11.95	13.75
Gold grade in concentrate (kg/t)	0.04	0.04	0.04
Silver produced (koz)	1,867	2,097	2,347
Gold produced (koz)	6.14	6.25	6.64
<b>Silver equivalent produced (koz)</b>	<b>2,236</b>	<b>2,472</b>	<b>2,745</b>
Silver sold (koz)	1,739	2,062	2,093
Gold sold (koz)	5.01	6.00	6.34

**ARES** (100% owned)

<b>Product</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009</b>
Ore production (tonnes)	78,641	90,376	77,293
Average head grade silver (g/t)	112	96	95
Average head grade gold (g/t)	3.94	3.06	4.86
Doré total (koz)	252	248	216
Silver produced (koz)	242	239	203
Gold produced (koz)	9.34	8.13	11.36
<b>Silver equivalent produced (koz)</b>	<b>802</b>	<b>726</b>	<b>885</b>
Silver sold (koz)	238	232	173
Gold sold (koz)	4.21	7.77	9.56

**PALLANCATA (60% owned)**

<b>Product</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009</b>
Ore production (tonnes)	248,032	277,552	155,552
Average head grade silver (g/t)	339	354	297
Average head grade gold (g/t)	1.39	1.49	1.30
Concentrate produced (tonnes)	2,339	2,520	1,223
Silver grade in concentrate (kg/t)	31.03	33.71	33.05
Gold grade in concentrate (kg/t)	0.11	0.13	0.13
Silver produced (koz)	2,334	2,731	1,299
Gold produced (koz)	8.22	10.24	4.94
<b>Silver equivalent produced (koz)</b>	<b>2,827</b>	<b>3,346</b>	<b>1,596</b>
Silver sold (koz)	2,133	2,605	1,137
Gold sold (koz)	6.97	9.56	4.08

**SAN JOSÉ (51% owned)**

<b>Product</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009</b>
Ore production (tonnes)	96,484	100,460	118,986
Average head grade silver (g/t)	293	351	427
Average head grade gold (g/t)	5.92	7.34	5.29
Silver produced (koz)	823	1,032	1,299
Gold produced (koz)	16.43	19.96	16.56
<b>Silver equivalent produced (koz)</b>	<b>1,809</b>	<b>2,230</b>	<b>2,293</b>
Silver sold (koz)	739	989	838
Gold sold (koz)	14.32	19.23	11.38

**MORIS (100% owned)**

<b>Product</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q1 2009</b>
Ore production (tonnes)	302,321	333,240	291,084
Average head grade silver (g/t)	3.86	5.01	4.82
Average head grade gold (g/t)	1.23	1.34	1.37
Silver produced (koz)	24	25	26
Gold produced (koz)	6.16	6.52	8.62
<b>Silver equivalent produced (koz)</b>	<b>394</b>	<b>417</b>	<b>543</b>
Silver sold (koz)	24	21	22
Gold sold (koz)	5.90	5.09	7.18

**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. These factors, risks and uncertainties are referred to in the relevant sections of the 2008 and 2009 Annual Reports. 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, 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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