



20 January 2010

**Performance Update and Production Report for the three months to 31 December 2009 (“Q409”)**

**Highlights**

- Record full year production, up 8%, achieving target of 28 million attributable silver equivalent ounces
- Achieved target to reduce unit cost per tonne by at least 5% in 2009
- Continued focus on exploration: 2010 budget up 67% to \$50 million
- Solid financial position with total cash of approximately \$75 million
- Convertible bond offering and equity placing raised approximately \$260 million, supporting Hochschild’s growth strategy:
  - C\$139.5 million invested in Lake Shore Gold, increasing the Group’s stake to 38%<sup>1</sup>
  - \$16 million invested in Gold Resource Corporation, increasing the Group’s stake to 27%<sup>2</sup>
  - \$85 million pre-payment of \$200 million syndicated loan facility
- 2010 production target of 29 million silver equivalent ounces, including 2.7 million silver equivalent ounces from Hochschild’s interests in Lake Shore Gold and Gold Resource Corp.

**Miguel Aramburú, Chief Executive Officer commented;**

*“With production of 28.2 million attributable silver equivalent ounces in 2009, Hochschild has once again delivered on its production targets and proven the operational strength of the business. Following our capital raising in October 2009, we have already increased our strategic investments in Lake Shore Gold and Gold Resource Corporation which will add to our production in 2010. We have also prepaid a portion of our debt facility which provides increased financial flexibility and allows us to deliver our growth strategy.”*

**2009 Overview**

**Production**

Hochschild has successfully achieved its full year production target, producing 28.2 million attributable silver equivalent ounces in 2009, which represents an 8% year-on-year increase in production. This comprised 18.8 million ounces of silver and 156.8 thousand ounces of gold, representing a record year of production for the Company.

The year-on-year increase in production was primarily driven by strong production at Pallancata, San José and Arcata following the capacity expansions completed in the second half of 2008. Results were particularly strong at Pallancata where both silver and gold production doubled year-on-year and at San José, where silver and gold production increased 14% and 42% respectively. Arcata also reported positive results with silver and gold production increasing 6% and 19% respectively.

Production in Q409 of 6.8 million silver equivalent ounces was impacted by temporary stoppages at San José caused by a dispute between the mining and truck drivers’ unions which has been resolved. Arcata’s production was also negatively impacted in the fourth quarter due to lower silver grades as a result of higher dilution due to narrower veins in the accessible mine areas and changing geotechnical conditions. As anticipated and previously disclosed, average extracted grades and production at Ares are declining due to the ageing and geological nature of the deposit.

<sup>1</sup> On an outstanding basis. On a fully diluted basis, Hochschild’s equity interest is 36%

<sup>2</sup> On an outstanding basis. On a fully diluted basis, Hochschild’s equity interest is 25%

## **Costs**

Hochschild is committed to producing profitable ounces and diligently controlling costs. Good progress was made in this area in 2009 and the Company has achieved its target to reduce unit cost per tonne for the full year by at least 5% with final numbers due to be released on 24 March 2010.

## **ISO Accreditation**

Following a rigorous audit process, Hochschild's laboratories in Peru have been awarded ISO 17025 accreditation by the Standards Council of Canada, in recognition of the high standards adopted by the Company and its ability to consistently produce valid results. ISO 17025 is an international standard that specifies the general requirements for the competence to carry out tests and/or calibrations, including sampling.

## **Average realisable prices and sales**

Average realisable prices (which include commercial discounts) in Q409 were \$1,132.67/oz for gold and \$16.87/oz for silver (excluding forward sales contracts). Average realisable precious metals prices for the twelve months to 31 December 2009 were \$970.33/oz for gold and \$14.49/oz for silver.

In response to the extreme market volatility in the second half of 2008, Hochschild announced in Q109 that it had sold forward 10.7 million silver equivalent ounces of its 2009 production comprised of 8.9 million ounces of silver and 30,000 ounces of gold. A realised loss of \$25 million will be recorded under finance costs for the full year 2009 in relation to this.

As disclosed in May 2009, in order to ensure an ongoing level of cash flow stability to continue 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. An unrealised loss of \$2.5 million will be recorded under finance costs in 2009 in relation to the 2010 collar. Hochschild will continue to monitor market trends and will consider further collars as appropriate.

## **Exploration**

### **Brownfield**

Exploration is a vital part of Hochschild's strategy and the Company continues to commit significant investment to expanding its resource base with the aim of increasing future profitable production.

The Company is focused on brownfield exploration in order to expand the mine life of its main operations; Arcata, Pallancata and San José, where it remains committed to achieving its long term objective of a minimum 8 year total resource life, including a 4 year reserve life.

The drilling programme at Arcata, the Company's flagship silver mine in southern Peru, is delivering positive results with the discovery of three new mineralised structures in close proximity to the property's existing Mariana vein. At Pallancata in Peru, the Company is mainly focused on the newly discovered eastern extension of the main Pallacata vein and on the Virgen del Carmen vein.

In addition, the Company is moving towards an initial economic assessment at Azuca, a 100% owned brownfield project within Hochschild's existing operational cluster in southern Peru. As at 31 December 2008, Azuca had an initial resource of 1.8 million tonnes with 327 g/t silver and 1.34 g/t gold. The Company is working towards increasing reserves and resources at Azuca and expects to publish updated results on 24 March 2010.

### **Greenfield**

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.

At Crespo in Peru, drilling along the eastern extension resulted in the best historical intercept of the project: 76 metres at 1.0 g/t Au, 95 g/t Ag (2.6 g/t gold equivalent), including 7.4 metres at 11.9 g/t Au, 1,050 g/t Ag. Metallurgical testing of high-grade material is currently in progress.

In addition, Hochschild reported positive drilling results at the Vaquillas project in Chile, which is part of the Victoria Joint Venture with Iron Creek Capital Corp. Hochschild has completed 14 drill holes over a total of 3,869 metres which, together with previous drilling results, suggest that the Vaquillas project has potential for high-grade gold and silver veins, as well as bulk-tonnage low-grade gold and silver mineralisation. On 23 December 2009, the agreement was amended and the Victoria joint venture was expanded to include Iron Creek's remaining properties in their adjoining porphyry copper project.

In November 2009, Hochschild signed a joint venture agreement with Mariana Resources Ltd, ("Mariana") an AIM quoted exploration and development company focused in Argentina and Chile, to explore and develop three adjoining prospective gold-silver tenements totaling 13,455 hectares, located in the Santa Cruz area in the western sector of the Deseado Massif in southern Argentina. These tenements consist of Mariana's Amigos I and Amigos II license areas and Hochschild's San Augustin property which are located approximately 110km south of Hochschild's San José operation.

Hochschild will publish reserves and resources tables as at 31 December 2009 on 24 March 2010.

### **Capital raising & acquisitions**

Hochschild undertook a successful capital raising in October 2009 to provide increased financial flexibility to pursue its growth strategy and to refinance existing debt. The transaction raised a total of \$260 million via the placing of 30.735 million new ordinary shares, generating gross proceeds of approximately \$145 million, and the placing of \$115 million in senior unsecured convertible bonds with a coupon of 5.75%.

On 27 August 2009, Hochschild's strategic partner, Lake Shore Gold Corp. ("Lake Shore Gold"), announced a definitive business combination agreement to acquire all of the outstanding common shares of West Timmins Mining Inc. ("WTM"). The transaction created the new large-scale, wholly-owned Timmins West Gold Mine Complex, an extension of the world class Timmins gold mining trend which has supplied approximately 70 million ounces of gold over the last century. As a result of the business combination, Hochschild's 40% stake in Lake Shore Gold would have been diluted to approximately 27% (on an outstanding basis).

In line with its stated strategy, Hochschild has increased its ownership of Lake Shore Gold by investing a further C\$159.5 million (C\$139.5 million in Q409) increasing its stake to 38% on an outstanding basis (36% on a fully diluted basis). The investments include the purchase of WTM shares (now fully owned by Lake Shore Gold), a C\$85 million private placement and the subsequent purchase of Lake Shore Gold shares totaling C\$5.5 million. Since its initial acquisition in February 2008, Hochschild has invested a total of C\$348.3 million in Lake Shore Gold at an average price of C\$2.7 per share. Hochschild's investment to date reflects its confidence in the significant production potential and long-term growth of the company, which has a current market capitalisation of approximately C\$1.3 billion.

The Company has also invested a further \$16 million in Gold Resource Corporation ("GRC"), an underground precious metals mining company with a number of prime development projects in southern Mexico, increasing its stake from 24% to 27% (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 \$54 million in GRC, a company with a current market capitalisation of approximately \$496 million.

Hochschild's 2010 production target of 29 million silver equivalent ounces includes 2.7 million silver equivalent ounces from its interests in Lake Shore Gold and GRC.

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.

Hochschild's capital raising has also enabled it to pre-pay \$85 million of its \$200 million syndicated loan facility, providing increased financial flexibility in 2010. As at 31 December 2009, the Company's net debt position, which includes the \$145 million convertible bond, was approximately \$240 million.

## **2010 Overview**

### **Production**

Hochschild's production target for 2010 is 29 million silver equivalent ounces. Production from existing operations is expected to be 26.3 million attributable silver equivalent ounces comprising approximately 17.6 million ounces of silver and 145,000 ounces of gold. The target also includes 2.7 million silver equivalent ounces from Hochschild's 38% interest in Lake Shore Gold and its 27% interest in GRC. Both investments will be equity accounted in 2010 and will appear under the associates line in the Group's income statement.

In 2010, the Company expects higher production at San José and Pallancata, offset by lower production at Arcata and Ares. At Arcata, silver grades are expected to be at similar levels to Q409 as accessible mine areas will continue to have narrower veins and changing geotechnical conditions. As anticipated, production and

grades at the Company's ageing mine Ares will continue to decline, with closure expected in the second half of 2010.

Lake Shore Gold is progressing towards commercial gold production at its Timmins Mine, expected during the fourth quarter of 2010, and is advancing towards its objective of becoming a mid-tier gold producer. Lake Shore Gold has announced an updated production target of 100,000 ounces of gold (6 million silver equivalent ounces) in 2010, building production over the following three years to 350,000 ounces (21 million silver equivalent ounces) annually over the next several years.

GRC is progressing towards production with the commissioning of the El Aguila mill underway. GRC has a stated production target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in 2010.

### **Costs**

As previously stated, the Company is on track to reduce unit cost per tonne in 2009 by at least 5%, in line with guidance. Hochschild takes a rigorous approach to managing costs that are within its control and is undertaking a number of initiatives which will contribute to cost containment in 2010. However, management expects an increase in unit cost per tonne at its underground mines of around 10% in 2010, mostly as a result of inflation related to labour and supply costs. At Ares, given the ageing nature of the deposit, operating costs are expected to increase through to its expected closure in the second half of 2010.

### **Commercial discounts**

The Company expects improved commercial conditions in the concentrate market in 2010, particularly at Arcata where commercial discounts per tonne are expected to decrease by approximately 30%. Given the improvement in market conditions, management has decided to put on hold the project to convert Arcata's production to doré.

The project, which was originally announced in June 2009, was due to cost in the region of \$25-30 million with a two year pay off. The Company will continue to monitor the concentrate market and the viability of this project to maximise profitability in the long term.

### **2010 outlook**

Hochschild remains confident about the prospects for gold and silver prices which have performed strongly in 2009, ending the year with increases of 25% and 57% respectively.

Hochschild is in sound financial health, with total cash of approximately \$75 million on the balance sheet as at 31 December 2009. This, in conjunction with cash generated from the business will enable the Company to continue delivering its growth strategy of maximising profit at existing operations, adding to production through selective acquisitions and delivering growth by developing its exploration programme. The Company is pleased to announce that it is significantly increasing its exploration budget from \$30 million in 2009 to \$50 million in 2010. The exploration programme will focus on extending the life of Hochschild's existing operations and identifying high-quality, early stage precious metal projects which will provide cost effective growth. The Company expects 2010 capital expenditure to remain at similar levels to 2009 guidance.

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A conference call will be held at 1pm (London time) on Wednesday 20 January 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<sup>1</sup>**

	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Silver production (koz) <sup>2</sup>	6,125	6,668	6,898	24,585	20,782
Gold production (koz) <sup>3</sup>	51.11	56.80	55.97	211.64	193.97
Total silver equivalent (koz)	9,191	10,075	10,256	37,283	32,421
Total gold equivalent (koz)	153.19	167.92	170.93	621.38	540.34
Silver sold (koz)	5,936	6,722	7,089	23,563	20,593
Gold sold (koz)	47.78	57.69	58.57	204.09	198.32

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

<sup>2</sup> Q4 silver produced includes an adjustment of 0.37 koz at San José from the first 9 months of 2009

<sup>3</sup> Q4 gold produced includes an adjustment of 0.0037 koz at San José from the first 9 months of 2009

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

	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Silver production (koz) <sup>2</sup>	4,526	4,978	5,457	18,754	16,941
Gold production (koz) <sup>3</sup>	37.23	41.94	42.44	156.77	152.86
Attrib. silver equivalent (koz)	6,760	7,494	8,003	28,160	26,113
Attrib. gold equivalent (koz)	112.67	124.90	133.38	469.34	435.22

<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> Q4 silver produced includes an adjustment of 0.19 koz at San José from the first 9 months of 2009

<sup>3</sup> Q4 gold produced includes an adjustment of 0.0019 koz at San José from the first 9 months of 2009

**QUARTERLY PRODUCTION BY MINE****ARCATA**

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes)	162,835	168,718	170,416	643,059	557,870
Average head grade silver (g/t)	442	494	629	503	571
Average head grade gold (g/t)	1.33	1.68	1.79	1.56	1.53
Concentrate produced (tonnes)	5,509	5,456	6,760	22,352	20,639
Silver grade in concentrate (kg/t)	11.95	14.21	14.56	13.36	13.94
Gold grade in concentrate (kg/t)	0.04	0.05	0.04	0.04	0.04
Silver produced (koz)	2,097	2,475	3,164	9,542	9,032
Gold produced (koz)	6.25	8.31	8.76	28.64	24.04
Silver sold (koz)	2,062	2,512	3,332	8,748	8,564
Gold sold (koz)	6.00	8.04	9.77	26.02	22.36

**ARES**

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes)	90,376	88,933	92,397	341,273	347,910
Average head grade silver (g/t)	96	107	111	96	157
Average head grade gold (g/t)	3.06	3.91	5.33	4.17	6.06
Doré total (koz)	248	274	303	947	1,608
Silver produced (koz)	239	262	286	900	1,538
Gold produced (koz)	8.13	10.30	14.95	42.59	64.16
Silver sold (koz)	232	246	387	873	2,398
Gold sold (koz)	7.77	10.41	16.65	41.82	77.44

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

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes)	277,552	269,128	245,468	922,521	468,125
Average head grade silver (g/t)	354	335	288	327	312
Average head grade gold (g/t)	1.49	1.49	1.36	1.43	1.49
Concentrate produced (tonnes)	2,520	2,160	1,968	7,684	4,265
Silver grade in concentrate (kg/t)	33.71	36.10	30.97	34.09	30.54
Gold grade in concentrate (kg/t)	0.13	0.14	0.12	0.13	0.12
Silver produced (koz)	2,731	2,507	1,959	8,420	4,188
Gold produced (koz)	10.24	9.62	7.65	31.97	16.16
Silver sold (koz)	2,605	2,351	1,841	8,147	3,852
Gold sold (koz)	9.56	8.78	7.22	29.77	14.81

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

**SELENE<sup>1</sup>**

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes)	-	-	24,623	109,893	269,150
Average head grade silver (g/t)	-	-	188	217	210
Average head grade gold (g/t)	-	-	1.06	1.09	1.21
Concentrate produced (tonnes)	-	-	293	1,057	3,201
Silver grade in concentrate (kg/t)	-	-	15.17	18.55	15.04
Gold grade in concentrate (kg/t)	-	-	0.08	0.09	0.08
Silver produced (koz)	-	-	140	628	1,579
Gold produced (koz)	-	-	0.71	3.02	8.50
Silver sold (koz)	26	60	334	636	1,929
Gold sold (koz)	0.13	0.28	1.59	2.96	9.93

<sup>1</sup> Selene was closed on 28 May 2009

**SAN JOSÉ<sup>1</sup>**

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes) <sup>2</sup>	100,460	122,342	107,875	460,971	295,963
Average head grade silver (g/t)	351	406.63	463	398	559
Average head grade gold (g/t)	7.34	6.65	5.91	6.19	6.69
Silver produced (koz) <sup>3</sup>	1,032	1,402	1,329	4,998	4,381
Gold produced (koz) <sup>4</sup>	19.96	22.47	17.37	77.08	54.26
Silver sold (koz)	989	1,536	1,135	5,072	4,588
Gold sold (koz)	19.23	24.68	13.91	77.22	57.70

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

<sup>2</sup> Q4 ore production includes an adjustment of 2,677 tonnes at San José from the first 9 months of 2009

<sup>3</sup> Q4 silver produced includes an adjustment of 0.37 koz at San José from the first 9 months of 2009

<sup>4</sup> Q4 gold produced includes an adjustment of 0.0037 koz at San José from the first 9 months of 2009

**MORIS**

<b>Product</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q4 2008</b>	<b>12 mths 2009</b>	<b>12 mths 2008</b>
Ore production (tonnes)	333,240	316,725	296,077	1,282,461	876,148
Average head grade silver (g/t)	5.01	5.04	6.05	5.02	5.71
Average head grade gold (g/t)	1.34	1.44	1.52	1.38	1.57
Silver produced (koz)	25	22	19	97	65
Gold produced (koz)	6.52	6.09	6.53	28.34	26.85
Silver sold (koz)	21	16	23	87	68
Gold sold (koz)	5.09	5.51	8.26	26.29	28.01

**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 Risk Management section of the 2008 Annual Report. 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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