



15 July 2009

### Production Report for the three months to 30 June 2009 ("Q209")

- **Q2 production up 19% year-on-year to 7.2 million attributable silver equivalent ounces**
- **On track to achieve full year production target of 28 million silver equivalent ounces**, representing a 7% increase over 2008 production
- **Continued focus on profitable ounces and cost reduction:**
  - Commencement of \$25-\$30m project to convert Arcata's production to doré with 2 year payback
  - Construction of new power lines in Peru and Argentina, linking San José to the national grid
- **Continued delivery of M&A strategy:**
  - Acquisition of Southwestern Resources completed
  - Purchase of remaining 30% interest in Moris
  - Increased stake in Gold Resource Corporation from 15% to 24%
- **Continued exploration success**

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

*"We have achieved another quarter of strong production growth and remain firmly on track to achieve our full year target of 28 million attributable silver equivalent ounces. As part of our ongoing commitment to produce profitable ounces we have undertaken a number of cost reduction measures including the construction of the new power lines in Peru and Argentina and the conversion of Arcata's production to doré. We also continue to deliver on our growth strategy by securing niche acquisitions in key mining districts and through our extensive exploration programme.*

*With production on track, excellent assets and a strong project pipeline, we look to the future with confidence."*

#### **Overview**

Attributable production in the second quarter increased 19% year-on-year and 9% quarter-on-quarter to 7.2 million attributable silver equivalent ounces. This is comprised of 4.8 million ounces of silver and 40.2 thousand ounces of gold, up 27% and 5% year-on-year respectively.

Production at Arcata, Pallancata and San José continue to benefit from the capacity expansions which were successfully completed in the second half of 2008. Results were particularly strong at Pallancata where both silver and gold production more than doubled compared to the equivalent period last year and at Arcata where silver and gold production increased by 46% and 67% respectively. San José also reported strong results for the second quarter with silver production increasing 16% and gold 46% year-on-year.

With attributable production in the first half of 2009 up 17% year-on-year at 13.9 million silver equivalent ounces, the Company remains confident of reaching its full year target of producing 28 million silver equivalent ounces which is comprised of approximately 19.1 million ounces of silver and 148.2 thousand ounces of gold.

During the quarter, Hochschild commenced the project to convert 100% of Arcata's production to doré which will improve operational efficiency, maximise revenue, lower working capital requirements and allow the Company to benefit from more stable commercial terms. The facilities and equipment necessary to convert Arcata's concentrate to doré will be installed at Hochschild's Ares operation, enabling the Company to leverage existing infrastructure and therefore reduce operational risk. The capital expenditure required to complete the project, which is scheduled to be delivered in the second half of 2010, is expected to be \$25 - \$30 million with an approximate 2 year pay-back.

In addition, Hochschild successfully completed the construction of new power lines at its operations in Peru and Argentina, linking Hochschild's San José operation to the national grid and ensuring that each site has the most cost effective and reliable supply of energy.

As anticipated and previously disclosed, Selene's mine ceased production at the end of May due to the high level of capital expenditure required to extract profitable ounces. Selene's plant, which was upgraded during the year, will continue to process ore from Pallancata. The 2009 production target of 28 million silver equivalent ounces includes Selene's production through to June.

### **Acquisitions**

Hochschild continues to pursue its strategy of securing bolt-on acquisitions and strategic investments in key mining districts. In Mexico, Hochschild purchased the remaining 30% interest in the Moris mine from its JV partner EXMIN Resources Inc., for a total cash consideration of \$1.5 million. In addition, Hochschild increased its ownership interest in Gold Resource Corporation ("GRC"), a precious metals mining company with assets in southern Mexico, from 15% to 24%. GRC has a number of high grade development and exploration projects, including El Aguila, which is scheduled to begin production in H2 2009, at 70 thousand ounces of gold in the first year (4.2 million silver equivalent ounces), subject to obtaining remaining permits and regulatory approval.

Also in the second quarter, the Company completed its acquisition of Southwestern Resources Corp ("Southwestern"), for a total cash consideration of C\$22.5 million (US\$17.5 million). The acquisition consolidates Hochschild's position in Liam, a 282,000 hectare land package in very close proximity to the Group's four existing Peruvian operations and enables it to leverage existing infrastructure and knowledge of the regional geology. In addition, the acquisition of Southwestern adds several early stage gold and copper projects to Hochschild's pipeline in southern Peru, including 50% of the Millo project where Yamana may earn in 70% ownership by producing a prefeasibility study. Millo is located adjacent to Hochschild's 100% owned Azuca project and boasts high grade intercepts as previously announced by Southwestern. Drill highlights include 20.30 metres of 317 g/t silver and 2.65 g/t gold in hole PTT-004, 17.30 metres of 162 g/t silver and 1.80 g/t gold in PTT-005 and 0.70 metres of 814 g/t silver and 27.10 g/t gold in PTT-007.

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

Average realisable prices (which include commercial discounts) in Q209 were \$860.7/oz for gold and \$13.1/oz for silver (excluding forward sales contracts). Average realisable precious metals prices for the six months to 30 June 2009 were \$876.2/oz for gold and \$13.2/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 thousand ounces of gold. As at 30 June, 4.7 million ounces of silver and 18 thousand ounces of gold were outstanding at an average price of \$12.0/oz and \$971.8/oz respectively. A realised loss of \$5.3 million will be recorded under finance income/expense for the first half of 2009, representing the difference between the average monthly market prices and the prices contracted in the above mentioned forward sales contracts. The mark-to-market unrealised loss amounts to \$11.8 million as at 30 June 2009.

As announced on 26 May 2009, Hochschild has also secured a 'zero cost collar' for 2.2 million ounces of its 2010 silver production with an average 'floor' at \$11/oz and an average 'cap' at \$18/oz. This short term measure was implemented to ensure an ongoing level of cash flow stability, particularly related to the funding of its debt repayments. Hochschild's long term debt of \$200 million is a low cost facility fixed at 2.75% with debt repayments of approximately \$57 million due yearly from 2010. Hochschild will continue to monitor market trends and will consider further collars as appropriate.

### **Exploration**

Hochschild remains committed to replenishing and expanding its resource base and has a successful record of converting resources to reserves. In April 2009, Hochschild announced the discovery of a new mineralised structure at San José, located approximately 845 metres southwest from the Huevos Verdes vein. The structure, which does not outcrop on the surface, was discovered with the first drill hole of a programme of five 1,000 metre long diamond drill holes to be performed horizontally from existing underground workings. Results from core hole (SMJ-105) were 8.9 g/t gold and 517 g/t silver over 1.00 metres.

In addition, at Arcata a new structure has been identified 800 metres north of Mariana on a horizontal drill hole (DDH121) with 2.7 g/t gold and 533 g/t silver over 0.70 metres.

Exploration continues at Azuca which has an initial inferred resource of 1.8 million tonnes with 327 g/t silver and 1.34 g/t gold, as at December 2008. Hochschild aims to increase this resource and progress the project towards an initial economic assessment.

At Crespo, an advanced target in the Liam project, a tunnel is planned to evaluate drilling results that indicate a potential open pit resource with indications of higher grade zones. The tunnel will allow Hochschild to test continuity of higher grade structures and confirm grades obtained by previous drilling.

Continued exploration at El Aguila, in which Hochschild owns 24% via its investment in GRC detailed above, has outlined a high grade vein system, La Arista. The Arista vein system appears to be a series of parallel, en echelon veins which extends over 585 metres of strike length and 400 metres of vertical extent. Recent drill highlights include hole 109003 with 0.8 metres of 31.70 g/t gold, 2,920 g/t silver, 0.11% copper, 1.74% lead, 3.49% zinc and multiple intercepts in hole 109001 with 1.0 metres of 37.20 g/t gold, 118 g/t silver, 1.05% copper, 1.29% lead, 1.56% zinc; 1.8 metres of 15.71g/t gold, 94.7 g/t silver, 0.50% copper, 1.49% lead, 1.64% zinc; 2.3 metres of 12.67 g/t gold, 493 g/t silver, 0.77% copper, 6.58% lead, 4.82% zinc; 0.8 meters of 1.49 g/t gold, 1080 g/t silver, 0.13% copper, 0.06% lead and 0.05% zinc.

In June, Lake Shore Gold Corp ("Lake Shore Gold"), in which Hochschild has a 40% investment, announced results for six new holes and one wedge hole (5,900 metres) as part of its ongoing 22,000 metre diamond drill program at the Thunder Creek joint venture property, located immediately adjacent to Lake Shore Gold's 100%-owned Timmins Mine project. Lake Shore Gold holds a 60% interest in the Thunder Creek property, and is the operator of the joint venture with West Timmins Mining Inc. The results include wedge hole TC09-68b, which intersected the best widths and grades encountered to date at Thunder Creek. TC09-68b intercepted 12.75 g/t Au over 83.40 metres or 13.73 g/t over 77.50 metres, including 24.68 g/t over 13.00 metres, 38.22 g/t over 11.00 metres and 26.78 g/t over 8.50 metres.

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A conference call will be held at 2pm (London time) on Wednesday 15 July for analysts and investors.

Dial in details as follows:

UK +44 (0)20 3003 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)20 8196 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 for Reuters / HOC LN for Bloomberg) 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 five 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>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>	<b>H1 2009</b>
Silver production (koz)	6,217	5,575	4,684	11,792
Gold production (koz)	53.62	50.11	47.96	103.73
Total silver equivalent (koz)	9,434	8,582	7,562	18,016
Total gold equivalent (koz)	157.24	143.03	126.03	300.27
Silver sold (koz)	6,485	4,421	6,463	10,906
Gold sold (koz)	59.30	39.31	63.14	98.62

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

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

	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>	<b>H1 2009</b>
Silver production (koz)	4,839	4,411	3,812	9,250
Gold production (koz)	40.16	37.44	38.32	77.60
Attrib. silver equivalent (koz)	7,249	6,657	6,111	13,906
Attrib. gold equivalent (koz)	120.82	110.95	101.84	231.77

<sup>1</sup> Attributable production includes 100% of all production from Arcata, Ares and Selene, 60% from Pallancata, 51% from San José and 70% from Moris (the Company increased its stake in Moris from 70% to 100% on 8 June 2009 therefore a portion of Q2 production will be attributable).

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

<b>Product</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>	<b>H1 2009</b>
Ore production (tonnes)	161,999	149,507	116,847	311,506
Average head grade silver (g/t)	547.91	533.18	537.64	540.84
Average head grade gold (g/t)	1.62	1.59	1.36	1.61
Concentrate produced (tonnes)	6,064	5,324	4,120	11,388
Silver grade in concentrate (kg/t)	13.54	13.23	13.55	13.39
Gold grade in concentrate (kg/t)	0.04	0.04	0.03	0.04
Silver produced (koz)	2,624	2,347	1,794	4,970
Gold produced (koz)	7.44	6.64	4.46	14.08
Silver sold (koz)	2,080	2,093	2,518	4,174
Gold sold (koz)	5.64	6.34	5.70	11.98

**ARES**

<b>Product</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>	<b>H1 2009</b>
Ore production (tonnes)	84,671	77,293	86,339	161,964
Average head grade silver (g/t)	84.05	94.95	180.41	89.25
Average head grade gold (g/t)	4.99	4.86	6.72	4.92

Doré total (koz)	209.32	215.72	464.95	425.04
Silver produced (koz)	196	203	446	399
Gold produced (koz)	12.79	11.36	17.68	24.16
Silver sold (koz)	221	173	634	395
Gold sold (koz)	14.09	9.56	21.30	23.65

### SELENE<sup>1</sup>

Product	Q2 2009	Q1 2009	Q2 2008	H1 2009
Ore production (tonnes)	44,881	65,012	79,851	109,893
Average head grade silver (g/t)	191.26	234.37	222.72	216.76
Average head grade gold (g/t)	0.95	1.19	1.27	1.09
Concentrate produced (tonnes)	430	627	973	1,057
Silver grade in concentrate (kg/t)	16.48	19.96	16.44	18.55
Gold grade in concentrate (kg/t)	0.07	0.10	0.09	0.09
Silver produced (koz)	228	400	504	628
Gold produced (koz)	1.03	1.99	2.63	3.02
Silver sold (koz)	393	157	825	550
Gold sold (koz)	1.77	0.78	4.15	2.55

<sup>1</sup> Selene was closed on 28 May 2009 therefore the figures do not represent a full quarter of production

### PALLANCATA<sup>1</sup>

Product	Q2 2009	Q1 2009	Q2 2008	H1 2009
Ore production (tonnes)	220,288	155,552	83,517	375,840
Average head grade silver (g/t)	306.81	296.99	339.36	302.75
Average head grade gold (g/t)	1.37	1.30	1.70	1.34
Concentrate produced (tonnes)	1,781	1,223	847	3,004
Silver grade in concentrate (kg/t)	32.88	33.05	30.45	32.95
Gold grade in concentrate (kg/t)	0.13	0.13	0.12	0.13
Silver produced (koz)	1,883	1,299	829	3,182
Gold produced (koz)	7.17	4.94	3.23	12.11
Silver sold (koz)	2,054	1,137	796	3,190
Gold sold (koz)	7.36	4.08	3.13	11.44

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

### SAN JOSE<sup>1</sup>

Product	Q2 2009	Q1 2009	Q2 2008	H1 2009
Ore production (tonnes)	119,184	118,986	60,603	238,170
Average head grade silver (g/t)	400.17	427.45	680.70	413.80
Average head grade gold (g/t)	5.65	5.29	7.56	5.47
Silver produced (koz)	1,265	1,299	1,093	2,564
Gold produced (koz)	18.08	16.56	12.41	34.64

Silver sold (koz)	1,709	838	2,284	2,547
Gold sold (koz)	21.93	11.38	28.98	33.31

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

#### **MORIS<sup>1</sup>**

<b>Product</b>	<b>Q2 2009</b>	<b>Q1 2009</b>	<b>Q2 2008</b>	<b>H1 2009</b>
Ore production (tonnes)	341,413	291,084	205,393	632,497
Average head grade silver (g/t)	5.18	4.82	5.56	5.01
Average head grade gold (g/t)	1.37	1.37	1.80	1.37
Silver produced (koz)	23	26	18	49.57
Gold produced (koz)	7.11	8.62	7.55	15.73
Silver sold (koz)	28	22	22	50
Gold sold (koz)	8.51	7.18	8.90	15.69

<sup>1</sup>The Company increased its stake in Moris from 70% to 100% on 8 June 2009 therefore a portion of Q2 production will be attributable.

Certain statements in this announcement are or may be forward looking statements regarding Hochschild Mining plc's financial position and results, business strategy, production, plans and objectives. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group's control. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. Except as required by applicable law or regulation, the Group does not undertake any obligation to update or change any forward-looking statements contained in this production report or any other forward-looking statement it may make. Nothing in this announcement should be construed as a profit forecast.

The statement in this press release relating to Lake Shore Gold is based on a public disclosure dated 24 June 2009, which is available at [www.lsgold.com](http://www.lsgold.com) and is subject to the statements by Lake Shore Gold about such forward looking statements and the assumptions and risks associated with it.

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