



8 January 2008

**Hochschild Mining plc 2007 production report  
and outlook for 2008**

**2007 Highlights:**

- 2007 full year attributable production of 25.667 million silver equivalent ounces, in-line with original guidance of 26 million silver equivalent ounces and a 10% increase year-on-year
- 2007 full year attributable silver production of 13.587 million ounces; a 17% increase year-on-year
- 2007 full year attributable gold production of 201 thousand ounces; a 3% increase year-on-year
- New operations, San José, Pallancata and Moris in commercial production and operating at full capacity
- Expansions of Arcata, Ares and Selene completed on time
- Average cash cost per tonne (excluding the mines opened in 2007) expected to increase by only 5% despite industry inflationary pressures and appreciation of local currencies
- Gross margin in-line with expectations due to higher commodity prices
- Average reserve life of mine increased to an expected 4.1 years from 2.8 years at IPO, while resource life increased from 1.7 to 1.9 years over the same period

**Outlook for 2008:**

- Further expansions of Arcata, Selene and San José plants will increase throughput by 27%, providing a strong platform for future growth
- 2008 attributable production target to exceed 26 million silver equivalent ounces, comprising 16.9 million silver ounces and 153 thousand gold ounces
- At current consensus prices, higher depreciation and lower grades at Ares and Selene will materially impact gross margin and attributable profit relative to market expectations
- Attributable profit will also be affected as we shift production to projects where we have minority partners
- EBITDA growth trend expected to remain positive
- San Felipe on track to complete feasibility study in Q3 2008 and begin construction immediately thereafter
- Remain confident in reaching 50 million silver equivalent ounces by 2011 through additional growth in 2009 and a major production increase in 2010 from San Felipe

Eduardo Hochschild, Executive Chairman of Hochschild Mining plc, commented;

“We are very pleased with a strong set of production results for 2007, substantially increased reserves and our overall performance for the year. Our 2007 full year production of 25.667 million silver equivalent ounces is in-line with original guidance and represents a 10% increase over 2006. In our first year since IPO, we have grown from three mines in one country to six mines in three countries, while also expanding the capacity at Ares, Arcata and Selene. In 2008, we plan to further increase the plant capacity of Arcata, Selene and San José to create a strong platform for future growth. We thus remain confident of meeting our 2011 target of 50 million silver equivalent ounces, while preserving the long term value proposition of the company.”

## **Overview of 2007:**

Our 2007 full year attributable production of 25.667 million silver equivalent ounces is in-line with our target and represents a 10% increase over 2006. Production volumes for the three months to 31 December 2007 were significantly higher compared with the prior period. The increase in production was primarily a result of increased capacity at Arcata where we have already begun a further expansion. In addition, relatively high grades at Ares and the production contribution from the new projects, San José, Pallancata and Moris also contributed favourably to production in Q4. This increase was offset by lower production at Selene as a result of lower grades mined and a reduction in throughput with the ramp up of Pallancata.

## **Outlook for 2008:**

Our 2008 attributable production target aims to exceed 26 million silver equivalent ounces (at a conversion ratio of 60:1), which would be comprised of approximately 16.9 million ounces of silver and 153 thousand ounces of gold. Attributable silver production is expected to increase despite lower grades at Ares (from 279.3 g/t to 165.2 g/t) and Selene (from 295.8 g/t to 230 g/t). This decrease will be fully offset by higher production from Arcata, Pallancata and San José. Attributable gold production for 2008 is projected to decrease from 2007 levels as we mine anticipated lower grades at Ares (from 14.6 g/t to 6.4 g/t) and Selene (from 2.0 g/t to 1.6 g/t). This decrease will be partially offset by higher production at Pallancata, San José and Moris.

The projected production considers a further expansion of plant capacity at San José from 265 ktpa to 530 ktpa by Q3 2008, at Arcata from 420 ktpa to 618 ktpa by Q4 2008, and Selene from 706 ktpa to 1,059 ktpa by Q3 2008 to accommodate the ore from Pallancata.

While we expect industry cost inflation to continue in general and foreign exchange to be a potentially negative factor in a weak U.S. dollar environment, we anticipate that our average cash cost per tonne in 2008 for our six operations will be at or below 2007 levels. This is primarily a result of an increase in tonnage treated at Arcata, San José and Pallancata and cost reduction efforts.

At current consensus for commodity prices, due to lower grades at Ares and Selene and significantly higher depreciation, gross margins for 2008 will be impacted and as a result will be materially lower than current market expectations. The increase in depreciation will primarily result from CAPEX related to plant expansions in 2007 and 2008 and continued investment to increase average life of mine. Additionally, as we shift production towards our newer mines (Pallancata and San José) and scale back both Ares and Selene, incremental profit will come from mines where we have minority partners (International Minerals Corporation and Minera Andes Incorporated), in turn further affecting attributable profit. Notwithstanding these factors, we remain committed to developing our resource base in a manner consistent with our strategy of enhancing the long term value of the business.

We remain positive on the fundamentals for silver and gold given continued U.S. dollar weakness, heightened geopolitical tensions, depleted above ground stocks and increasing investment demand. In addition to macroeconomic drivers, we believe strong industrial demand for silver will continue in 2008 and will reflect positively on its price.

Finally, we remain confident in reaching 50 million silver equivalent ounces by 2011 through additional growth in 2009 and a major production increase in 2010 from San Felipe. Management continues to focus on operational efficiency, which is fundamental to our overall profitability, and to preserving the long-term value proposition of the company.

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

	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q4 2006</b>	<b>Full year 2007</b>	<b>Full year 2006</b>
Silver production (Koz)	5,155	3,555	3,430	14,343	11,604
Gold production (Koz)	70.09	50.66	54.25	211.46	195.73
Total silver equivalent (Koz)	9,360	6,595	6,685	27,031	23,348
Total gold equivalent (Koz)	156.00	109.91	111.42	450.51	389.13
Silver sold (Koz)	5,549	2,544	2,146	13,794	10,650
Gold sold (Koz)	61.51	46.87	45.06	203.24	200.26

**ARCATA**

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q4 2006</b>	<b>Full year 2007</b>	<b>Full year 2006</b>
Ore production (tonnes)	132,231	106,656	91,190	415,400	313,688
Average head grade silver (g/t)	581.06	578.97	548.28	560.04	536.62
Average head grade gold (g/t)	1.48	1.48	1.46	1.43	1.39
Concentrate produced (tonnes)	4,761	4,457	3,857	16,665	12,407
Silver grade in concentrate (kg/t)	14.04	11.94	11.34	12.12	11.90
Gold grade in concentrate (kg/t)	0.03	0.03	0.03	0.03	0.03
Silver produced (Koz)	2,211	1,711	1,406	6,553	4,754
Gold produced (Koz)	5.50	4.23	3.73	16.47	11.89
Silver sold (Koz)	3,211	896	783	6,594	4,094
Gold sold (Koz)	7.23	2.24	2.12	15.66	9.90

**ARES**

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q4 2006</b>	<b>Full year 2007</b>	<b>Full year 2006</b>
Ore production (tonnes)	92,401	84,995	75,688	333,800	289,138
Average head grade silver (g/t)	337.29	255.93	335.42	279.25	310.61
Average head grade gold (g/t)	14.67	13.98	18.24	14.57	17.37
Dore total (Koz)	674.19	664.57	799.88	2,593	2,850
Silver produced (Koz)	889	633	755	2,701	2,688
Gold produced (Koz)	41.81	36.57	42.79	149.98	155.50
Silver sold (Koz)	883	646	681	2,847	2,836
Gold sold (Koz)	42.09	38.56	36.66	157.66	163.32

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

## SELENE

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Q4 2006</b>	<b>Full year 2007</b>	<b>Full year 2006</b>
Ore production (tonnes)	97,590	125,451	93,915	413,622	359,686
Average head grade silver (g/t)	238.95	275.31	465.10	295.78	397.76
Average head grade gold (g/t)	1.41	1.84	2.98	2.01	2.85
Concentrate produced (tonnes)	1,112	1,090	969	4,010	3,842
Silver grade in concentrate (kg/t)	18.96	26.69	40.75	26.83	33.70
Gold grade in concentrate (kg/t)	0.10	0.16	0.25	0.17	0.23
Silver produced (Koz)	669	923	1,269	3,414	4,162
Gold produced (Koz)	3.61	5.66	7.74	21.62	28.34
Silver sold (Koz)	786	1,002	682	3,685	3,721
Gold sold (Koz)	4.53	6.07	6.28	22.26	27.04

## PALLANCATA<sup>2</sup>

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Full year 2007</b>
Ore production (tonnes)	63,612	14,723	78,335
Average head grade silver (g/t)	322.64	255.45	310.02
Average head grade gold (g/t)	1.54	1.29	1.50
Concentrate produced (tonnes)	560	79	638
Silver grade in concentrate (kg/t)	33.25	41.60	34.28
Gold grade in concentrate (kg/t)	0.13	0.17	0.13
Silver produced (Koz)	599	105	704
Gold produced (Koz)	2.33	0.43	2.76
Silver sold (Koz)	561	0	561
Gold sold (Koz)	2.08	0.00	2.08

## SAN JOSE<sup>3</sup>

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Full year 2007</b>
Ore production (tonnes)	65,480	27,494	92,974
Average head grade silver (g/t)	536.12	543.80	538.39
Average head grade gold (g/t)	7.03	7.20	7.08
Silver produced (Koz)	776	182	958
Gold produced (Koz)	11.66	3.29	14.95
Silver sold (Koz)	100	0	100
Gold sold (Koz)	1.66	0.00	1.66

<sup>2</sup> The Company has a 60% interest in Pallancata.

<sup>3</sup> The Company has a 51% interest in San José.

## MORIS<sup>4</sup>

<b>Product</b>	<b>Q4 2007</b>	<b>Q3 2007</b>	<b>Full year 2007</b>
Ore production (tonnes)	253,766	84,538	338,304
Average head grade silver (g/t)	4.62	4.90	4.70
Average head grade gold (g/t)	1.62	1.80	1.65
Silver produced (Koz)	11	1	13
Gold produced (Koz)	5.18	0.50	5.68
Silver sold (Koz)	8	0	8
Gold sold (Koz)	3.92	0.00	3.92

Hochschild Mining's Preliminary results will be announced on 12 March 2008.

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<sup>4</sup> The Company has a 70% interest in Moris.