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16 July 2014

## Production Report for the 6 months ended 30 June 2014

### Highlights

- Q2 2014 production of 5.9 million attributable silver equivalent ounces
- H1 2014 production of 11.9 million attributable silver equivalent ounces
- On track to achieve 2014 production target of 21.0 million attributable silver equivalent ounces
- Significant progress achieved at Inmaculada Advanced Project
  - Plant commissioning to begin towards end of Q4 2014
- Cashflow optimisation programme – approximately \$200 million of savings surpassed
- Total cash of approximately \$225 million as at 30 June 2014
- Minority investments valued at approximately \$40 million as at 30 June 2014

### Ignacio Bustamante, Chief Executive Officer commented:

*“The Company is in a strong position to realise our production targets for the year at all our operations. Furthermore, our cash optimisation programme has also continued to make substantial progress with the original target of approximately \$200 million on track and additional operational and administrative efficiencies also achieved.*

*The rapid pace of development at our Inmaculada project continued during the quarter with much of the work focused on plant construction whilst several of the other key project deliverables including infrastructure, mine development and energy access are nearing completion. Overall, Hochschild is entering a crucial period in our transition to a new phase of exciting, low cost, low risk production growth.”*

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A conference call will be held at 2pm (London time) on Wednesday 16 July 2014 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: 5586008

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## Overview

In Q2 2014, the Company delivered attributable production of 5.9 million silver equivalent ounces, comprised of 4.3 million ounces of silver and 27.9 thousand ounces of gold. Overall, in the first half of 2014, the Company delivered attributable production of 11.9 million silver equivalent ounces, including 8.5 million ounces of silver and 55.5 thousand ounces of gold and is on track to meet its full year production target of 21.0 million attributable silver equivalent ounces.

## Production

### *Main operations*

At Arcata, total silver equivalent production in Q2 was 1.6 million ounces (Q2 2013: 1.3 million ounces) bringing the total for the first half to 3.4 million ounces (H1 2013: 2.8 million ounces). Higher grades and recoveries were driven by a greater proportion of material from stopes and developments, partially replacing, as expected, volumes processed from the low-grade Macarena Waste Dam Deposit which was almost entirely depleted by the end of the half. Arcata also benefited (in the first quarter) from the processing of stock mined in 2013.

*Table Showing Contribution From Macarena Waste Dam Deposit*

	Q2 2014	Q1 2014
<b>Total</b>		
Tonnage	171,334	194,239
Average head grade gold (g/t)	0.85	0.78
Average head grade silver (g/t)	277	248
<b>Macarena</b>		
Tonnage	6,200	32,166
Average head grade gold (g/t)	0.19	0.26
Average head grade silver (g/t)	52	66
<b>Stopes and Developments</b>		
Tonnage	165,134	162,073
Average head grade gold (g/t)	0.87	0.89
Average head grade silver (g/t)	286	285

At the 100% owned Pallancata operation, higher silver and gold grades led to higher production versus the first quarter of the year. Q2 production was 2.3 million silver equivalent ounces (Q2 2013: 2.4 million ounces) with total production for the half at 4.4 million ounces, in line with the corresponding period in 2013.

At the San Jose operation, total silver equivalent production for the quarter was 2.8 million ounces (Q2 2013: 3.1 million ounces) with the total for the first half at 5.6 million ounces (H1 2013: 5.7 million ounces). Lower silver and gold grades were offset by increased tonnage versus Q1 2014.

### *Other operations*

The Company's Ares mine in Peru was closed in Q2 with remaining production in the period delivering a better-than-expected total silver equivalent production of 626 thousand ounces (Q1 2013: 588 thousand ounces) driven by consistent grades. Total production for the first half was 1.2 million silver equivalent ounces (H1 2013: 1.0 million ounces)

## Average realisable prices and sales

Average realisable precious metal prices in Q2 2014 (which are reported before the deduction of commercial discounts and include the effects of the announced hedging agreements) were \$1,310/ounce for gold and \$20.3/ounce for silver (Q2 2013: \$1,240/ounce for gold and \$18.99/ounce for silver). For H1 2014, average realisable precious metal prices were \$1,328/ounce for gold and \$20.5/ounce for silver (H1 2013: \$1,367/ounce for gold and \$23.04/ounce for silver).

In March, the Company signed agreements to hedge the sale of 2,000,000 ounces of silver at \$22/ounce and 33,000 ounces of gold at \$1,338/ounce, during the period from March to December 2014. Subsequently in June, the Company signed additional agreements to hedge the sale of a further 2,000,000 ounces of silver at \$21/ounce, during the period from July to December 2014.

## Project pipeline & exploration

The Company has an exploration budget of almost \$30 million for 2014, representing 63,500 metres. This will be split between exploration work at the Company's existing operations, the Inmaculada Advanced Project and greenfield opportunities in Peru and Mexico. The main focus will continue to be on brownfield exploration.

In 2014, exploration work at the core operations is principally focused on identifying new potential and near-mine high grade areas to further improve the resource quality whilst at the Inmaculada Advanced Project, efforts are focused on identifying new potential high grade areas.

Hochschild's greenfield strategy for 2014 remains focused, as previously announced, on only the most promising prospects, specifically in Peru and Mexico.

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

#### *Arcata*

In Q2, 3,539 metres have been drilled at the Arcata property. A detailed surface mapping and sampling campaign has been completed covering the Tunel 4, Marciano, Veta D and Looby areas covering a total of 1,330 ha. In addition, five holes are currently being drilled in the Irma, Pamela and Paralelas veins with significant intercepts including:

Vein	Results
Pamela	1.36m at 1.16 g/t Au & 663.95 g/t Ag
Paralela 2	1.35m at 1.35 g/t Au & 242.53 g/t Ag
Pamela Norte	1.47m at 1.66 g/t Au & 953.96 g/t Ag
Irma	1.74m at 0.23 g/t Au & 1,025 g/t Ag

#### *Pallancata*

In Q2, 2,642 metres of drilling has been executed at the Pallancata site and during the period, exploration work has resulted in the recognition of the new surface structures Tatiana, Vianca and Larisa. In addition, drilling is ongoing at two holes in the Vianca-Claudia and Yurika vein systems.

#### *San Jose*

At San Jose, mapping of the Coyi and Nueva Ramona Rubia veins has identified additional corridors for the next drilling campaigns to focus on whilst further structures have been identified in the Sigmoides sector (located to the north east side) and to the west in the El Retiro Zone 4.

#### *Ares*

Geological mapping to the south west of Ares is currently being carried out to identify drill targets for the next campaign with the required environmental permits in the process of being obtained.

## Advanced Projects

#### *Inmaculada*

At the Inmaculada project, the contractor Graña y Montero started construction of the plant in late March and by the end of the second quarter, progress has reached almost 30%. Procurement of all main equipment has been completed and delivery to site is expected to be concluded by August.

During the period, a further 1,055 metres of tunnelling and 637 metres of raise boring has been carried out in the second quarter with the total achieved for the entire project at 13,296 metres. Detailed engineering for the paste backfill is almost complete with filters, pumps and thickeners on order whilst work on the transmission lines is close to completion.

As of June, mapping is being carried out at the Puquiopata and Huarmapata veins with a drilling campaign expected to follow. In addition, relogging of the Angela vein system continues in order to optimise the geological model. The 2014 plan also includes a 5,000 metres drilling campaign, as well as a sampling and mapping campaign.

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<sup>1</sup>Please note that in line with industry-wide standards, all mineralised intersections in this release are quoted as calculated true widths.

## **Greenfield pipeline**

Highlights of the exploration programme during the period are provided below.

### **Mexico**

#### *Pachuca*

At the Pachuca project, the JV with Solitario Exploration & Royalty Corp (TSX: SLR) focused on the northwestern extension of the historical vein mining district. However, despite some drill holes showing economic gold and silver grades, continuous mineralisation could not be identified and therefore the project has been transferred back to Solitario.

#### *Riverside Joint Venture*

The exploration team has accepted two targets generated by Riverside, the JV partners in the western Sonora in Mexico. The projects are called Bohemia and Cajon and whereas Bohemia exhibits mineralised veins, orogenic type mineralisation has been observed at Cajon with highly frequent small mineralised veins off a detachment fault. Target definition is ongoing. Positive sampling campaigns have shown similar characteristics to the San Francisco mine, also in the Sonora district.

### **Peru**

During the first half, the Company's exploration efforts in Peru focused on optimising the existing portfolio and reviewing any industry opportunities. One of these is the Corina project, located 15 - 20 km from the Selene plant and owned by Lara Exploration. The agreement drawn up includes an option giving Hochschild full ownership of the project over four years.

In addition, promising geochemical results have been obtained from the Ibel prospect in Peru.

## **Financial position**

The Company's financial position remains robust, with total cash of approximately \$225 million and minority investments valued at approximately \$40 million.<sup>2</sup>

During May 2014, the Company sold three tranches of its holding in Gold Resource Corporation totaling 3.2 million shares for a net consideration of \$12.7 million in line with its policy of monetising non-core investments. The Company's remaining holding in Gold Resource Corporation is 11.6%.

## **Outlook**

The Company is on track to achieve its full year production target of 21.0 million attributable silver equivalent ounces whilst the original cash optimisation programme target of approximately \$200 million of savings has been surpassed. Furthermore, the Company has maintained its focus on cost savings and has identified further initiatives in administration, operations and exploration.

The Company confirms that all-in sustaining costs per silver equivalent ounce are on track to fall by 0-5% in 2014.

The focus of the Company's brownfield exploration programme will remain on further improving and optimising the Company's resource base to ensure the continued addition of high quality resources in the future.

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<sup>2</sup> All figures as at 30 June 2014

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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 three underground epithermal vein mines, two 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**

	<b>Q2 2014</b>	Q1 2014	Q2 2013	<b>H1 2014</b>	H1 2013
Silver production (koz)	<b>4,992</b>	4,992	4,770	<b>9,983</b>	9,099
Gold production (koz)	<b>38.67</b>	38.30	44.76	<b>76.97</b>	86.40
Total silver equivalent (koz)	<b>7,312</b>	7,290	7,456	<b>14,602</b>	14,283
Total gold equivalent (koz)	<b>121.87</b>	121.50	124.27	<b>243.36</b>	238.05
Silver sold (koz)	<b>4,974</b>	5,112	5,651	<b>10,086</b>	9,153
Gold sold (koz)	<b>38.18</b>	38.11	54.03	<b>76.29</b>	83.56

Total production includes 100% of all production, including production attributable to Hochschild's joint venture partner at San Jose as well as production in 2013 from the recently-sold Moris operation.

### **ATTRIBUTABLE GROUP PRODUCTION**

	<b>Q2 2014</b>	Q1 2014	Q2 2013	<b>H1 2014</b>	H1 2013
Silver production (koz)	<b>4,255</b>	4,271	3,998	<b>8,526</b>	7,665
Gold production (koz)	<b>27.92</b>	27.53	32.21	<b>55.45</b>	63.53
Silver equivalent (koz)	<b>5,930</b>	5,923	5,931	<b>11,853</b>	11,476
Gold equivalent (koz)	<b>98.83</b>	98.72	98.85	<b>197.55</b>	191.27

Attributable production for Q2 2014 and H1 2014 includes 100% of all production from Arcata, Pallancata and Ares and 51% from San Jose. Comparatives from 2013 for Pallancata have been restated to 100% of production and also include production from the recently-sold Moris operation.

### **QUARTERLY PRODUCTION BY MINE**

#### **ARCATA**

<b>Product</b>	<b>Q2 2014</b>	Q1 2014	Q2 2013	<b>H1 2014</b>	H1 2013
Ore production (tonnes treated)	<b>171,334</b>	194,239	223,386	<b>365,573</b>	427,274
Average grade silver (g/t)	<b>277</b>	248	188	<b>262</b>	195
Average grade gold (g/t)	<b>0.85</b>	0.78	0.66	<b>0.81</b>	0.69
Silver produced (koz)	<b>1,321</b>	1,574	1,101	<b>2,895</b>	2,292
Gold produced (koz)	<b>3.96</b>	4.80	3.72	<b>8.76</b>	7.88
Silver equivalent produced (koz)	<b>1,559</b>	1,862	1,325	<b>3,420</b>	2,764
Silver sold (koz)	<b>1,293</b>	1,654	1,401	<b>2,497</b>	2,332
Gold sold (koz)	<b>3.66</b>	4.91	4.73	<b>8.58</b>	7.83

#### **ARES**

<b>Product</b>	<b>Q2 2014</b>	Q1 2014	Q2 2013	<b>H1 2014</b>	H1 2013
Ore production (tonnes treated)	<b>89,853</b>	77,479	72,469	<b>167,331</b>	149,828
Average grade silver (g/t)	<b>114</b>	105	79	<b>110</b>	71
Average grade gold (g/t)	<b>2.26</b>	2.43	2.70	<b>2.34</b>	2.52
Silver produced (koz)	<b>282</b>	244	162	<b>525</b>	328
Gold produced (koz)	<b>5.73</b>	5.73	5.82	<b>11.46</b>	11.84
Silver equivalent produced (koz)	<b>626</b>	588	511	<b>1,213</b>	1,038
Silver sold (koz)	<b>325</b>	193	202	<b>518</b>	334
Gold sold (koz)	<b>6.68</b>	4.32	7.26	<b>11.00</b>	11.97

**PALLANCATA**

<b>Product</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q2 2013</b>	<b>H1 2014</b>	<b>H1 2013</b>
Ore production (tonnes treated)	<b>269,213</b>	254,483	272,122	<b>523,695</b>	523,824
Average grade silver (g/t)	<b>269</b>	259	266	<b>264</b>	253
Average grade gold (g/t)	<b>1.19</b>	1.04	1.17	<b>1.12</b>	1.13
Silver produced (koz)	<b>1,885</b>	1,703	1,926	<b>3,588</b>	3,534
Gold produced (koz)	<b>7.05</b>	5.79	7.58	<b>12.84</b>	14.11
Silver equivalent produced (koz)	<b>2,307</b>	2,051	2,380	<b>4,358</b>	4,380
Silver sold (koz)	<b>1,844</b>	1,771	2,050	<b>3,615</b>	3,590
Gold sold (koz)	<b>6.88</b>	6.23	7.74	<b>13.11</b>	13.67

Comparatives from 2013 for Pallancata have been restated to 100% of production.

**SAN JOSE**

<b>Product</b>	<b>Q2 2014</b>	<b>Q1 2014</b>	<b>Q2 2013</b>	<b>H1 2014</b>	<b>H1 2013</b>
Ore production (tonnes treated)	<b>142,074</b>	134,589	140,816	<b>276,663</b>	249,195
Average grade silver (g/t)	<b>378</b>	391	407	<b>385</b>	430
Average grade gold (g/t)	<b>5.45</b>	5.77	6.34	<b>5.60</b>	6.57
Silver produced (koz)	<b>1,504</b>	1,471	1,575	<b>2,975</b>	2,926
Gold produced (koz)	<b>21.94</b>	21.97	25.61	<b>43.91</b>	46.69
Silver equivalent produced (koz)	<b>2,820</b>	2,790	3,112	<b>5,610</b>	5,728
Silver sold (koz)	<b>1,511</b>	1,493	1,991	<b>3,004</b>	2,880
Gold sold (koz)	<b>20.95</b>	22.30	31.99	<b>43.25</b>	44.79

The Company has a 51% interest in San Jose.

\*Silver equivalent production assumes a gold/silver ratio of 60:1

**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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