



15 October 2015

## Production Report for the 3 months ended 30 September 2015

### Strong operational delivery

- Q3 2015 production of 7.6 million attributable silver equivalent ounces consisting of:
  - 4.1 million ounces of silver
  - 57.0 thousand ounces of gold
- Q3 YTD 2015 production of 16.3 million attributable silver equivalent ounces consisting of:
  - 10.4 million ounces of silver
  - 97.6 thousand ounces of gold
- First full quarter of production from Inmaculada mine
  - 36.1 thousand ounces of gold
  - 0.9 million ounces of silver
  - On track to produce 6-7 million silver equivalent ounces
  - All-in sustaining costs in September expected to be below \$10 per silver equivalent ounce
- On track to achieve 2015 production target of 24.0 million attributable silver equivalent ounces
- 2015 all-in sustaining costs on track to be \$13-14 per silver equivalent ounce

### Financial position

- Further precious metal hedges carried out in Q3:
  - 24 August: 38,000 gold ounces at \$1,158 per ounce for remainder of 2015; 71,000 ounces of gold at 1,154 per ounce for 2016
  - 6 October 2015: 6.0 million ounces of silver at \$15.93 per ounce for 2016; 29,000 ounces of gold at \$1,145 per ounce for 2016
- Total cash of approximately \$75 million as at 30 Sept 2015<sup>1</sup>

### Ignacio Bustamante, Chief Executive Officer commented:

*"The third quarter has been a robust one in terms of production as we have delivered a strong first full quarter at our new Inmaculada mine and we are firmly on track to meet our full year production target. The ramp-up at the operation has been accomplished in a short space of time and I am pleased to note that all-in sustaining costs at the mine were at below \$10 per silver equivalent ounce during the month of September, providing confidence on overall cost target for the Company."*

A conference call will be held at 9.00am (London time) on Thursday 15 October 2015 for analysts and investors.

Dial in details as follows:

International Dial in: +44 (0) 20 3139 4830

UK Toll-Free Number: +44(0) 808 237 0030

**Pin: 34439782#**

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

International: +44 (0) 20 3426 2807

UK Toll Free: +44(0) 808 237 0026

**Pin: 663230#**

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<sup>1</sup>Management estimate

## Overview

In Q3 2015, the Company delivered attributable production of 7.6 million silver equivalent ounces, comprised of 4.1 million ounces of silver and 57.0 thousand ounces of gold. The Company remains on track to meet its full year production target of 24.0 million attributable silver equivalent ounces (assuming the original 60:1 gold/silver ratio).

The Company can report that its all-in sustaining costs per silver equivalent ounce are on track to fall to between \$13 to \$14 in 2015, assuming the current silver-to-gold ratio. All-in sustaining costs in September at Inmaculada are expected to be below \$10 per silver equivalent ounce.

## Production

### *Inmaculada*

At Inmaculada, total silver equivalent production in Q3 was 3.0 million silver equivalent ounces consisting of 36.1 ounces of gold and 0.9 million ounces of silver. Production to date in 2015 at the operation has been 39.5 thousand ounces of gold and 1.0 million ounces of silver bringing the total silver equivalent production to 3.3 million ounces.

### *Arcata*

At Arcata, total silver equivalent production in Q3 was 1.7 million ounces (Q3 2014: 1.6 million ounces) which brought the year-to-date total to 4.8 million ounces (Q3 2014 YTD: 5.0 million ounces). Despite the imposition of the Company's adjusted mine plans for 2015 to ensure the extraction of profitable ounces, Arcata has delivered a stronger than expected first three quarters with higher than expected tonnage and silver grades in particular.

### *Pallancata*

At Pallancata, tonnage in the third quarter was lower than the equivalent period in 2014 due to the above-mentioned adjusted mine plans resulting in production of 1.2 million silver equivalent ounces (Q3 2014: 1.7 million ounces), with lower tonnage partially offset by consistent grades. The year-to-date total was 3.6 million silver equivalent ounces. (Q3 YTD 2014: 6.1 million ounces).

### *San Jose*

The San Jose operation improved, as expected, with rising tonnage and strong grades, delivering 3.3 million silver equivalent ounces (Q3 2014: 2.9 million ounces). The operation as a whole produced 8.7 million ounces year-to-date (Q3 YTD 2014: 8.5 million ounces) with the fourth quarter also expected to be robust.

## Average realisable prices and sales

Average realisable precious metal prices in Q3 2015 (which are reported before the deduction of commercial discounts and include the effects of the existing hedging agreements) were \$1,165/ounce for gold and \$15.5/ounce for silver (Q3 2014: \$1,226/ounce for gold and \$17.1/ounce for silver). For the first nine months of 2015, average realisable precious metal prices were \$1,205/ounce for gold and \$16.4/ounce for silver (Q3 2014 YTD: \$1,302/ounce for gold and \$19.6/ounce for silver).

## Brownfield exploration<sup>2</sup>

### *Pallancata*

The exploration team at Pallancata began a 19,100 metre exploration and drilling programme in May 2015 with the aim of focusing on inferred resource exploration at surface. In mid August, whilst pursuing the west extension of the Yurika vein to the north west of the main Pallancata vein, a new blind structure at a depth of 200 metres below surface was discovered. The Pablo vein has been recognised along an east-west strike for 700 metres and dips 50-75° south. The structure's significant thickness (greater than 10m wide) is associated with dilation zones in flexures and fault jogs. The Pablo vein is a fine-to-medium grain white quartz vein and shows a banded texture and multiple brecciation events filled with adularia and quartz crystals. It is part of a major regional structure, currently extending to about 2 km, which will be explored over the medium term.

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<sup>2</sup>Please note that in line with industry-wide standards, all mineralised intersections in this release are quoted as calculated true widths.

The following table displays assay results from the programme:

Drill Hole	From (m)	To (m)	Width (m)	Estimated True Width (m)	Au (g/t)	Ag (g/t)	Ag Eq (g/t)
<b>DLEP-A01</b>	267.85	299.40	31.55	25.46	1.67	510	610
Including	267.85	277.35	9.50	7.67	2.23	651	785
Including	281.10	287.40	6.30	5.08	1.59	499	594
Including	293.65	299.40	5.75	4.64	3.56	1127	1,340
<b>DLEP-A02</b>	335.00	340.40	5.40	4.92	0.62	175	212
Including	338.45	340.40	1.95	1.78	1.15	324	394
<b>DLEP-A03</b>	284.50	314.15	29.65	15.91	2.32	690	830
Including	284.50	303.40	18.90	10.14	3.59	1,064	1,279
<b>DLEP-A04</b>	261.60	272.15	10.55	8.26	2.56	805	959
Including	262.65	269.10	6.45	5.05	4.06	1,285	1,528
<b>DLEP-A05</b>	301.55	309.55	8.00	6.23	0.66	209	248
Including	301.55	302.60	1.05	0.82	3.42	1,074	1,279
Split Pablo	326.65	329.60	2.95	2.30	0.86	291	342
<b>DLNS-A01</b>	521.70	529.70	8.00	3.63	1.35	140	221
<b>DLNS-A03</b>	351.80	355.40	3.60	1.18	0.17	58	68
<b>DLRI-A164</b>	267.00	295.65	28.65	24.79	0.84	246	296
Including	267.00	269.10	2.10	1.82	3.53	821	1,033
Including	281.55	285.40	3.85	3.33	1.60	485	581
Including	294.55	295.35	0.80	0.69	3.03	3,227	3,769
<b>DLRI-A165</b>	355.10	379.00	23.90	19.56	0.79	218	266
Including	366.55	374.70	8.15	6.67	2.13	585	713
<b>DLYU-A87</b>	244.80	246.42	1.62	1.58	0.93	140	196
	268.65	269.38	0.73	0.71	0.43	108	134
<b>DLYU-A88</b>	234.60	235.70	1.10	1.05	0.33	124	144
<b>DLYU-A90</b>	Unmineralised fault zone						
<b>DLYU-A92A</b>	Unmineralised fault zone						

The intention is to conduct a comprehensive exploration and infill drilling programme until the end of the year to better understand the potential of the new discovery and to achieve an initial inferred resource.

### Inmaculada

During the third quarter ramp-up in mill throughput continued with tonnes per day reaching the forecast capacity of 3,500 in mid August and operating just above that level for the rest of the quarter. Gold and silver recoveries have trended, as expected, to their target of 95% in gold and 90% in silver.

Following the declaration of commercial production at the mine, as disclosed on 8 September 2015, the Company subsequently announced on 22 September that it had received the final mill operating permit from the Peruvian government and consequently sales of dore were able to commence. The overall production forecast of 6-7 million silver equivalent ounces for 2015 remains in place.

Total construction capital expenditure for the Inmaculada mine is \$455 million, of which \$425 million has already been spent as of August 2015 with the remaining construction capital expenditure of \$30 million expected to be spent during the rest of 2015 (to be funded from existing cash resources).

As previously reported, the contractor GyM, has made a number of requests for additional costs from the Company under the EPC Contract. In addition, Hochschild has made certain claims against GyM as a result of delays in the construction of the plant and related components of the project. In September 2015, following discussions, the Company and GyM settled their mutual claims and have agreed that the total amount payable by the Company to GyM for all works under the EPC Contract (including pending work) would be fixed at approximately \$159.1 million, of which \$20 million represented additional amounts payable in settlement of all claims made by GyM for additional costs under the EPC Contract. In addition, it was agreed that GyM would bear all risks and costs resulting from the completion of all pending work under the EPC Contract and, therefore, subject to certain limited exceptions, GyM will not be entitled to request further adjustments to the amounts agreed to be paid.

To date Hochschild has paid to GyM approximately \$135 million under the EPC Contract. It was agreed that the above mentioned amount of \$20 million would be paid in four instalments every six months starting in September 2017, with interest accruing at an annual rate of 5% of the outstanding balance. The remaining approximately \$4 million will be paid following completion of the outstanding work.

### **Financial position**

Total cash was approximately \$75 million as at 30 September 2015.

On 24 August 2015, the Company signed agreements to hedge the sale of 38,000 ounces of gold at a price of \$1,158 per ounce for the remainder of 2015 and 71,000 ounces of gold at a price of \$1,154 per ounce for 2016. Subsequently on 6 October 2015, the Company signed further agreements to hedge the sale of a further 29,000 ounces of gold at \$1,145 per ounce and 6.0 million ounces of silver at \$15.93 per ounce for 2016.

This is in addition to the previous agreement to hedge 38,000 ounces of gold for 2015 at \$1,300 per ounce and 6,000,000 ounces of silver at \$17.75 per ounce for 2015.

### **Outlook**

The Company is on track to achieve its full year production target of 24.0 million attributable silver equivalent ounces in 2015 with all-in sustaining cost per silver equivalent ounces expected to be between \$13 to \$14 in line with guidance (assuming current silver-to-gold ratio).

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### **Enquiries:**

#### **Hochschild Mining plc**

Charles Gordon  
Head of Investor Relations

+44 (0)20 3714 9040

#### **Hudson Sandler**

Charlie Jack  
Public Relations

+44 (0)207 796 4133

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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 fifty years' experience in the mining of precious metal epithermal vein deposits and currently operates four underground epithermal vein mines, three 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>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Silver production (koz)	<b>5,014</b>	4,178	4,298	<b>12,715</b>	14,282
Gold production (koz)	<b>69.18</b>	34.67	32.34	<b>130.51</b>	109.31
Total silver equivalent (koz)	<b>9,165</b>	6,258	6,239	<b>20,546</b>	20,840
Total gold equivalent (koz)	<b>152.74</b>	104.31	103.98	<b>342.43</b>	347.34
Silver sold (koz)	<b>3,612</b>	4,437	3,659	<b>11,397</b>	13,745
Gold sold (koz)	<b>32.78</b>	32.36	26.47	<b>90.78</b>	102.77

*Total production includes 100% of all production, including production attributable to Hochschild's joint venture partner at San Jose.*

### **ATTRIBUTABLE GROUP PRODUCTION**

	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Silver production (koz)	<b>4,142</b>	3,386	3,546	<b>10,407</b>	12,072
Gold production (koz)	<b>56.97</b>	23.40	21.06	<b>97.58</b>	76.52
Silver equivalent (koz)	<b>7,560</b>	4,790	4,810	<b>16,261</b>	16,663
Gold equivalent (koz)	<b>126.00</b>	79.83	80.17	<b>271.02</b>	277.72

*Attributable production includes 100% of all production from Arcata, Pallancata and Ares and 51% from San Jose.*

### **QUARTERLY PRODUCTION BY MINE**

#### **ARCATA**

<b>Product</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Ore production (tonnes treated)	<b>162,133</b>	155,373	149,888	<b>463,057</b>	515,461
Average grade silver (g/t)	<b>331</b>	350	319	<b>337</b>	278
Average grade gold (g/t)	<b>0.99</b>	0.97	0.90	<b>0.97</b>	0.84
Silver produced (koz)	<b>1,434</b>	1,439	1,353	<b>4,160</b>	4,248
Gold produced (koz)	<b>3.92</b>	3.69	3.74	<b>11.09</b>	12.50
Silver equivalent produced (koz)	<b>1,670</b>	1,661	1,578	<b>4,826</b>	4,998
Silver sold (koz)	<b>1,172</b>	1,626	1,124	<b>3,855</b>	4,070
Gold sold (koz)	<b>3.07</b>	4.07	3.02	<b>9.99</b>	11.60

#### **ARES**

<b>Product</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Ore production (tonnes treated)	-	-	-	-	167,331
Average grade silver (g/t)	-	-	-	-	110
Average grade gold (g/t)	-	-	-	-	2.34
Silver produced (koz)	-	-	8	-	534
Gold produced (koz)	-	-	0.17	-	11.63
Silver equivalent produced (koz)	-	-	19	-	1,232
Silver sold (koz)	-	-	6	-	524
Gold sold (koz)	-	-	0.45	-	11.45

**INMACULADA**

<b>Product</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Ore production (tonnes treated)	<b>277,486</b>	52,325	-	<b>329,811</b>	-
Average grade silver (g/t)	<b>116</b>	89	-	<b>112</b>	-
Average grade gold (g/t)	<b>4.39</b>	2.92	-	<b>4.15</b>	-
Silver produced (koz)	<b>875</b>	95.45	-	<b>970</b>	-
Gold produced (koz)	<b>36.12</b>	3.42	-	<b>39.53</b>	-
Silver equivalent produced (koz)	<b>3,042</b>	301	-	<b>3,342</b>	-
Silver sold (koz)	<b>92</b>	-	-	<b>92</b>	-
Gold sold (koz)	<b>3.64</b>	-	-	<b>3.64</b>	-

**PALLANCATA**

<b>Product</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Ore production (tonnes treated)	<b>125,560</b>	140,829	271,074	<b>415,111</b>	794,769
Average grade silver (g/t)	<b>272</b>	268	199	<b>255</b>	242
Average grade gold (g/t)	<b>1.36</b>	1.32	0.89	<b>1.24</b>	1.04
Silver produced (koz)	<b>925</b>	1,026	1,402	<b>2,873</b>	4,990
Gold produced (koz)	<b>4.23</b>	4.55	5.41	<b>12.68</b>	18.25
Silver equivalent produced (koz)	<b>1,179</b>	1,129	1,727	<b>3,634</b>	6,085
Silver sold (koz)	<b>729</b>	1,135	1,381	<b>2,715</b>	4,996
Gold sold (koz)	<b>3.2</b>	4.85	5.11	<b>11.53</b>	18.22

**SAN JOSE**

<b>Product</b>	<b>Q3 2015</b>	<b>Q2 2015</b>	<b>Q3 2014</b>	<b>YTD 2015</b>	<b>YTD 2014</b>
Ore production (tonnes treated)	<b>144,851</b>	124,224	141,666	<b>377,846</b>	418,329
Average grade silver (g/t)	<b>441</b>	466	388	<b>445</b>	386
Average grade gold (g/t)	<b>6.09</b>	6.47	5.66	<b>6.25</b>	5.62
Silver produced (koz)	<b>1,780</b>	1,617	1,535	<b>4,712</b>	4,510
Gold produced (koz)	<b>24.90</b>	23.01	23.02	<b>67.20</b>	66.93
Silver equivalent produced (koz)	<b>3,274</b>	2,998	2,916	<b>8,744</b>	8,526
Silver sold (koz)	<b>1,620</b>	1,676	1,150	<b>4,735</b>	4,154
Gold sold (koz)	<b>22.87</b>	23.45	17.89	<b>65.62</b>	61.15

*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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