



19 August 2009

**Hochschild Mining plc**  
**Interim results for the six months ended 30 June 2009**

**Operational Highlights**

- **Record H1 production up 17% year-on-year** to 13.9 million attributable silver equivalent ounces
- **On track to achieve full year production target** of 28 million silver equivalent ounces
- **Continued focus on profitable ounces and cost reduction:**
  - \$25-\$30m project to convert Arcata's production to doré with 2 year pay-back
  - Construction of new power lines in Peru and Argentina, linking San José to the national grid
- **Continued delivery of growth strategy through M&A and exploration:**
  - Participated in Lake Shore Gold financing, maintaining ownership at 40%
  - Increased stake in Gold Resource Corporation from 5% to 24%\*
  - Strategic acquisitions of Southwestern Resources land package and of partner's 30% interest in Moris
  - Continued exploration success with encouraging results at key operations and projects

**Financial Highlights**

- Revenue of \$230.6 million, flat year-on-year, despite a 22% decrease in realisable silver prices
- 34% reduction in administrative expenses year-on-year and 10% reduction in unit cost per tonne
- Adjusted EBITDA down 7% year-on-year, more than doubled to \$100.2 million compared to H208
- Pre-exceptional EPS of \$0.06 per share, post-exceptional EPS of \$0.08 per share
- Interim dividend of \$0.02 per share

\* Stake increased from 17% to 24% on 20 July 2009

**Highlights for the six months ended 30 June 2009**

(\$ millions, unless stated)	Six months ended 30 June 2009	Six months ended 30 June 2008	% change
Attributable silver production (koz)	9,250	7,443	24%
Attributable gold production (koz)	78	74	5%
Revenue	230.6	231.8	(1%)
Adjusted EBITDA <sup>1</sup>	100.2	107.7	(7%)
Attributable profit after tax (before exceptionals)	18.7	38.9	(52%)
Attributable profit after tax (after exceptionals)	24.7	32.7	(24%)
Earnings per share (before exceptionals)	0.06	0.13	(54%)
Earnings per share (after exceptionals)	0.08	0.11	(27%)

<sup>1</sup> Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs, foreign exchange (loss)/gain and income tax excluding depreciation, amortisation and exploration costs other than personnel and other expenses

Commenting on the results, Eduardo Hochschild, Executive Chairman, said:

*"I am pleased to announce encouraging first half results showing strong production and effective cost management against a backdrop of lower year-on-year precious metal prices and continued economic uncertainty. Our exploration programme is delivering promising results and we have also secured a number of exciting opportunities which support our consolidation strategy, reinforce our strong geographical position in the Americas and strengthen our growth profile."*

Miguel Aramburú, CEO, said:

*"We have adapted and restructured quickly in the face of testing economic conditions and generated record production in the first half. Despite current market volatility, we remain positive about the fundamentals for precious metals and with our ongoing focus on costs and cash generation we look to the future with confidence."*

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A presentation will be held at 9.30am (London time) on Wednesday 19 August 2009 for analysts and investors.

Dial in details as follows:

UK +44 (0)203 037 9098

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

UK +44 (0)208 196 1998

Access code: 7521788#

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**About Hochschild Mining plc:**

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCL.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.

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**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 section of this announcement entitled 'Risks' which, in turn, refers to matters disclosed 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 or production forecast.*

## **Chairman's Statement**

By the end of 2008, we were in the process of implementing a number of measures to prepare our business for the challenges associated with unstable precious metal prices and economic uncertainty. We aggressively focused on producing profitable ounces and despite challenging market conditions, we made a commitment to increase production, reduce unit cost per tonne and lower administrative expenses.

I am pleased to say that we have delivered on all our promises during the first six months of the year: production increased by 17%, unit cost per tonne decreased by 10% and administrative expenses reduced by 34%. Silver prices, however, were on average 22% lower than the equivalent period last year. Whilst we cannot control precious metal prices, the measures taken at the end of 2008 demonstrate our ability to adapt quickly, restructure and efficiently plan for the future.

## **Interim Results**

With record first half production of 13.9 million attributable silver equivalent ounces, up 17% over the equivalent period in 2008, I am delighted to report that we are well on track to achieve our full year target of 28 million attributable silver equivalent ounces, comprised of 19.1 million ounces of silver and 148,200 ounces of gold.

Despite lower silver prices, revenues were flat at \$230.6 million, helped by increased production following the completion of capacity expansions at three of our five mines in the second half of 2008. Revenue was negatively impacted by higher commercial discounts associated with the sale of concentrate which resulted in the Group's announcing, in June 2009, a \$25-30 million investment to convert Arcata's concentrate to doré, which commands much lower commercial discounts than concentrate.

Our continued focus on operational efficiency and cost reduction has paid off with administrative expenses down by 34% during the period. I am also delighted to report a 10% decrease in unit cost per tonne across our underground mines (including Moris, our only open pit mine, unit cost per tonne decreased by 14%). These savings have been achieved as a result of the capacity expansions completed last year, the measures we have implemented to control costs and also the positive foreign exchange impact arising from the devaluation of local currencies. Despite the decrease in unit cost per tonne, cost of sales increased from \$100.4 million to \$124.6 million, as a result of the 17% production increase in the first half of the year.

Pre-exceptional operating profit of \$66.8 million was 17% lower than in H108 mostly due to the above effects and also the impact of the \$18.0 million loss we have recorded on our forward sales contracts. As a consequence, we are reporting a pre-exceptional EPS of \$0.06 for the first six months of the year. These results reflect a significant improvement on H208 when we recorded pre-exceptional operating profit and EPS of \$5.9 million and \$(0.05) respectively.

We have a healthy balance sheet with a period end cash balance of \$58.9 million. This, in conjunction with cash generated from our operations, will allow us to pursue our growth strategy of maximising profit within our existing operations, implementing our exploration programme and continuing to deliver carefully selected acquisitions.

## **Current operations**

Production for the first half of the year was 17% higher than the equivalent period last year with particularly good results at Pallancata, Arcata and San José.

In line with our focus on profitable ounces and our target of reducing unit cost per tonne, we have undertaken a number of projects which support operational efficiency. These include the plant expansions completed in the second half of last year which increased production capacity by 29% and also the successful construction of new power lines in Peru and Argentina ensuring delivery of a cost effective and reliable supply of energy.

*For further details on our progress in these areas, please see our Operational Review on page 6.*

## Exploration

We are committed to expanding our reserve base with the aim of increasing future profitable production and we continue to dedicate significant investment to achieving a minimum mine life of four years at each of our underground operations. We are investing approximately \$30 million in brownfield and greenfield exploration in 2009 and are already seeing promising results.

The drill programme at Arcata, our flagship silver mine in southern Peru, is delivering positive results with the discovery of two new mineralised structures in close proximity to the property's existing Mariana vein. Also in southern Peru, we have identified a number of high grade veins which have the potential to complement production at our Pallancata operation. At San José in southern Argentina, we have reported successful results including a new mineralised structure located less than 1km from the high grade Huevos Verdes vein.

In addition, we have two brownfield projects which are within our operational cluster in southern Peru. Azuca, where we are moving towards an initial economic assessment, is 100% owned and has an initial resource of 1.8 million tonnes with 327 g/t silver and 1.34 g/t gold. Preliminary results at Crespo, which was acquired as part of the Liam land package, show gold/silver deposits with high grade zones and we aim to have the first resource estimation on this project by the end of the year.

We are also focused on greenfield exploration and remain extremely positive about our project pipeline which currently has numerous opportunities in key mining districts throughout the Americas. Projects are at various stages of development and are subject to a rigorous evaluation process to ensure that investment is targeted towards quality assets that will ultimately be brought to production. We are particularly focused on our extensive land package in southern Peru and also in Chile where the Encrucijada land package is reporting some encouraging results.

## Acquisitions & investments

We have secured a number of promising opportunities in the first half of the year which support our growth strategy. We have spent a total of \$56.7 million which includes a further investment in Lake Shore Gold Corp. ("Lake Shore Gold"), our increased ownership in Gold Resource Corporation ("GRC") and the acquisition of 100% of Southwestern Resources.

In February we invested \$18.0 million in our strategic alliance partner, Lake Shore Gold, by participating in a financing exercise that raised approximately \$57.0 million with the aim of furthering the company's development into production.

The growth prospects for Lake Shore Gold are impressive, with production targets of 30,000 ounces of gold by the end of 2009, increasing to 100,000 in 2010 and 200,000 in 2011. The Company began processing development ore and low grade material in March 2009 and expects to reach commercial production from its Timmins mine in the second half of 2010. We currently have a 40% holding in Lake Shore Gold, which has a market capitalisation exceeding \$620 million and remain extremely positive about our investment, which amounts to \$182.2 million to date.

Lake Shore Gold's most important assets are its 100% owned Timmins Mine, where advanced exploration work is progressing and its wholly owned Bell Creek Mill which is currently being expanded from 800 to 1,500 tonnes per day. In addition, the company has a 60% JV in Thunder Creek, an exciting exploration project. All are located in Timmins, one of the world's greatest mining districts, where approximately 75 million ounces of gold have been produced over the last century.

We have also increased our stake in GRC from 5% to 24%<sup>1</sup> for a total of \$33 million bringing our total spend in the company, which has a current market capitalisation in excess of \$200 million, to \$38.0 million. GRC is a precious metals mining company with a number of 100% owned, high grade development projects in southern Mexico including the El Aguila project, which is scheduled to begin production in the second half of 2009 at 70,000 ounces of gold in the first year (4.2 million silver equivalent ounces).

The Southwestern Resources land package consolidates our position in southern Peru by adding a number of early stage gold, silver and copper projects to our pipeline including the remaining 50% of a

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<sup>1</sup> Stake increased from 17% to 24% on 20 July 2009

282,000 hectare land package (Liam), 50% of the Millo project and a 48% interest in Zincore Metals Inc a listed mining exploration company with projects in southern Peru.

In May, we also purchased the remaining 30% of Moris, our open pit operation in Mexico, from our JV partner, for a total consideration of \$1.5 million.

### **Dividend**

The Board has declared an interim dividend of \$0.02 per ordinary share. We will keep the dividend policy under review, to ensure that we manage the business in a way that maximises long term shareholder return.

### **Board changes**

On behalf of the management team, I am delighted to welcome our new Non Executive Director, Fred Vinton, to the Board. Fred has over 30 years of banking and commercial experience and brings a wide range of knowledge and skills to Hochschild.

I would also like to take this opportunity to thank all our employees for the hard work that has enabled Hochschild to progress its strategic goals, particularly during the challenges of the past year.

### **Outlook**

We remain focused on producing profitable ounces and are on track to deliver our 2009 production target of 28 million silver equivalent ounces, representing a year-on-year increase of 7%. In addition, Lake Shore Gold is targeting 30,000 ounces of gold in 2009 which would equate to 0.72 million attributable silver equivalent ounces.

We are extremely excited about the investments we have made this year, particularly relating to the growth profiles of Lake Shore Gold and GRC, as well as our investment in the Southwestern Resources land package which adds a number of early stage gold and copper projects to our pipeline. We are also committed to replenishing our reserve base and extending the mine life of our underground operations to a minimum of 4 years, following the capacity expansions completed last year.

Despite current market volatility, we continue to believe in the fundamentals for precious metals.

With investment in acquisitions, a strong project pipeline and rigorous cost controls we remain confident about the long term growth prospects of the business.

**Eduardo Hochschild**  
**Executive Chairman**

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## **OPERATIONAL REVIEW**

During the first six months of 2009 ("H109"), we had six mines in operation, comprising five underground mines and one open pit mine. Total attributable production during this period was 13.9 million silver equivalent ounces, which represents an increase of 17% compared to the first six months of 2008. This comprises 9.2 million ounces of silver, up 24% and 78 thousand ounces of gold, up 5%. The significant production increase in H109 was primarily the result of the plant expansions at Arcata, Pallancata and San José, 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 37% and 58% respectively. San José also reported strong results in the second half with silver production increasing 24% and gold 41% year-on-year.

The Company remains confident of reaching its full year target of producing 28 million attributable silver equivalent ounces, representing a 7% increase year on year, comprised of approximately 19.1 million ounces of silver and 148,200 ounces of gold.

As previously reported, 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.

As anticipated and previously disclosed, the average reserve grade at Ares is declining due to the geological nature of the deposit and the ageing of the mine. As a result of the higher grade variability associated with an ageing mine, the Group has taken a conservative approach and recorded an impairment charge of \$1.2 million in respect of Ares.

For detailed production tables, see Production Information on page 48.

### **Increasing operational efficiency**

The Company has reduced unit cost per tonne in the first six months of 2009 by 10% through capacity expansions, the positive foreign exchange impact arising from the depreciation of local currencies and also as a result of the measures implemented to control costs (including Moris, the Group's only open pit mine, unit cost per tonne decreased by 14%). These include the installation of new power lines in Peru and Argentina and other smaller scale initiatives:

#### *New power lines*

Hochschild successfully completed the construction of new power lines at its operations in Peru and Argentina in the first half of 2009, ensuring that each site has the most cost effective and reliable supply of energy. In Peru, a new 22 kilometre, 66 kV power line has been installed at Arcata which has increased the available energy supply following the plant expansion undertaken in 2008. At Selene, where the ore from Pallancata is processed, a new 74 kilometre, 60 kV power line has been installed, which is working in parallel with the existing 30 kV power line to provide energy to Selene and Pallancata. In Argentina, a new 130 kilometre, 132 kV power line and transformation station have been installed which connects the San José operation to the national grid, eliminating the need to use onsite generators as a primary source of energy.

#### *Operational initiatives*

The Company's operational teams are motivated to improve efficiency and in H109 a number of measures have been implemented to support the Company's overall target of reducing unit cost per tonne.

All our underground operations have undertaken significant efforts to further improve their ore dilution control, mainly by replacing wood support by shotcrete, mesh, and bolts, redefining equipment types and sizes, improving drilling and blasting controls.

In Peru, the Company is substituting dynamite with emulsion as the explosive used within the mine.

At Arcata, the optimisation of recently installed column cells has resulted in a material improvement in the concentration ratio.

In Argentina, the installation of a Merrill Crowe circuit in the mill, scheduled for completion in the second half of the year, will be used to recover 500,000 silver equivalent ounces which are currently locked up in tailing solutions. The cost of the unit is expected to be fully recouped after the retrieval of the 500,000 silver equivalent ounces. The Merrill Crowe circuit should also lead to higher overall metallurgical recoveries in the mill in the future.

Also at San José, reagents' usage has been significantly reduced as a result of optimisation of the leaching process with a corresponding reduction in costs. In our Moris mine in Mexico, a new hopper has been installed which supports the grinding process.

In addition to the initiatives above, negotiations with suppliers have resulted in competitive electricity prices in Peru and Argentina and lower transport costs in Peru. Staff training has been undertaken at all operations to ensure the delivery of key performance indicators which support productivity and efficiency in these areas.

#### *Conversion to doré*

Also in June 2009, Hochschild commenced the project to convert 100% of Arcata's production to doré. Once completed, this project will improve operational efficiency, maximise revenue, lower working capital requirements and allow the Company to benefit from more stable commercial terms. Arcata produced approximately 10.5 million silver equivalent ounces in 2008 which were sold in the form of concentrate to third parties for smelting and refining. By converting Arcata's concentrate to doré, Hochschild will maximise net revenue as commercial discounts for doré are significantly lower than the discounts applied to concentrate.

Arcata will also benefit from lower working capital requirements and greater certainty over its cashflow as the sales cycle for doré is shorter (10 days on a weighted average basis compared to 60 days for concentrate) and pricing is less volatile. In addition, selling expenses are expected to decrease as a result of lower transportation costs, handling and shipping expenses.

The capital expenditure required to complete the project is expected to be in the region of \$25 - \$30 million with an approximate 2 year pay-back. The facilities and equipment necessary to convert Arcata's concentrate to doré will be installed at Hochschild's Ares operation, which already produces doré and is located approximately 16 miles from Arcata. This will enable the Company to leverage the existing infrastructure at Ares and thereby reduce operational risk. The project is scheduled to be completed in the second half of 2010.

Following the conversion of Arcata, three of Hochschild's operations will produce 100% doré (Ares, Moris and Arcata). San José currently produces both doré and concentrate and Pallancata produces 100% concentrate. Hochschild is evaluating the possibility of converting the production of its other operations into doré in the future.

#### **Securing future growth: acquisitions and investments**

Hochschild continues to pursue its strategy of securing bolt-on acquisitions and strategic investments in key mining districts and in the first half has spent a total of \$56.7 million.

Hochschild increased its ownership interest in Gold Resource Corporation ("GRC"), a precious metals mining company with assets in southern Mexico, from 5% to 17% for a total consideration of \$18 million (on 20 July 2009, Hochschild invested a further \$15.0 million in GRC, increasing its stake to 24%). GRC has a number of high grade development and exploration projects, including El Aguila, which is scheduled to begin production in H209, at 70,000 ounces of gold in the first year (4.2 million silver equivalent ounces), subject to obtaining the remaining permits and regulatory approval.

In March 2009, Hochschild invested \$18.0 million in our strategic alliance partner, Lake Shore Gold Corp. ("Lake Shore Gold"), by participating in a financing exercise that raised approximately \$57.0 million with an aim to further the company's development into production. The Company began processing development ore and low grade material in March 2009 and expects to reach commercial production from its Timmins mine in the second half of 2010. The prospects for this company continue to be very

promising, particularly following impressive high grade results at Thunder Creek and Bell Creek. (Please see the Exploration Review for further details).

In May 2009, the Company completed its acquisition of Southwestern Resources Corp (“Southwestern”), for a total cash consideration of \$19.2 million. The acquisition consolidates Hochschild’s position in Liam, a 282,000 hectare land package around the Group’s four existing Peruvian operations and enables it to leverage existing infrastructure and knowledge of the regional geology.

The Southwestern land package adds several early stage gold and copper projects to Hochschild’s pipeline in southern Peru, including 50% of the Millo project where Yamana is earning-in a 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.

Hochschild has also 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.

For further details relating to exploration progress at Lake Shore Gold, the Southwestern land package and GRC, please refer to the Exploration Review on page 15.

### **Reserves & resources**

In line with industry practice, Hochschild Mining will publish reserve and resource figures yearly (as at 31 December) as part of its full year results announcement in March. As at 30 June 2009, there have been no material changes to reserve and resource figures at our key sustaining mines Arcata, Pallancata and San José.

As previously disclosed Selene’s mine was closed in May 2009. Ares is an ageing mine with declining reserves and resources and Moris, our only open pit mine, has limited reserve and resource figures. However, at a Group level, there is no material change in total resource figures.

The Group is committed to expanding its reserve and resource base with the aim of increasing future profitable production and continues to dedicate significant investment to achieving a minimum mine life of four years at each of its underground operations.

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## FINANCIAL REVIEW

### Revenue

Revenue from continuing operations, net of commercial discounts was \$230.6 million for H109 which represents a decrease of 1% on H108, primarily due to lower silver prices (H109: \$13.2/oz compared to H108: \$17.4/oz) and higher commercial discounts resulting from the Group's increased production of concentrate and the worsening terms relating to this. These effects were partially offset by the 17% increase in attributable production in the first half.

*Silver:* Gross revenue from silver increased 3% in the first half of 2009 to \$164.4 million (H108: \$159.6 million) as a result of increased production following capacity expansions at Arcata, Pallancata and San José.

*Gold:* Gross revenue from gold increased 10% in the first half of 2009 to \$93.5 million (H108: \$85.3 million) also as a result of increased production following capacity expansions at Arcata, Pallancata and San José.

*Commercial discounts:* Commercial discounts primarily refer to refinery charges for processing mineral ore and are discounted from revenue on a per tonne or per ounce basis. In H109, commercial discounts were \$22.9 million, representing a 60% increase on H108. This is a result of the Group's higher production of concentrate following the capacity expansions completed in H208 and also higher treatment charges due to a higher proportion of base metals in Arcata's concentrate. The ratio of commercial discounts to gross revenue increased from 6% in H108 to 9% in H109.

### Average realised sale prices

	Six months to 30 June 2009	Six months to 31 December 2008	Six months to 30 June 2008
Silver (\$/oz)	13.0	9.9	16.7
Gold (\$/oz)	899.9	807.2	906.2

### Costs

Total cost of sales increased 24% to \$124.6 million as a consequence of higher extracted and treated tonnage and higher depreciation and amortisation expenses that were partially offset by lower unit costs.

Unit cost per tonne at the Group's underground operations has been reduced by 10% from \$82.1 in H108 to \$73.9 in H109. Including Moris, the Group's only open pit mine, unit cost per tonne decreased 14% to \$53.1. These savings are a result of the economies of scale achieved by the capacity expansions completed last year, cost control measures as mentioned in the Operational Review and external factors such as the devaluation of local currencies mainly in Argentina and Mexico.

Depreciation and amortisation within cost of goods sold increased 42% to \$30.3 million as a consequence of the capacity expansions at Arcata, Pallancata and San José and the corresponding capital expenditure incurred in 2008.

### Cash costs

Co-product cash costs include cost of sales, commercial deductions and selling expenses, less depreciation included in cost of sales. Silver/gold cash costs are total cash costs multiplied by the percentage of revenue from silver/gold, divided by the number of silver/ gold ounces sold in the year.

Cash costs for the period increased from \$7.01 to \$7.47 per ounce for silver and from \$381 to \$518 per ounce for gold, mainly explained by the expected decline in extracted grades, particularly at Ares and Selene and higher commercial discounts due to less favourable market conditions.

By-product cash costs include cost of sales, commercial deductions and selling expenses, less depreciation included in cost of sales. Silver/gold cash costs are total cash costs less revenue from gold/silver, divided by the number of silver/gold ounces sold in the year. By-product cash costs for the

period were \$3.65 per silver ounce and (\$284) per gold ounce. (H108: \$1.27 per silver ounce and (\$688) per gold ounce).

#### Administrative Expenses

Administrative expenses before exceptional items decreased by 34% to \$23.5 million in H109 (H108: \$35.7 million) as a result of the measures undertaken by management to reduce expenses and preserve cash, including a 34% decrease in professional fees and a 25% decrease in personnel expenses. Administrative expenses were also positively impacted by the devaluation of local currencies.

#### Selling Expenses

Selling expenses increased by \$4.9 million to \$8.5 million as a result of the higher volume of concentrate sold at Arcata, Pallancata and San José as well as higher export duties in Argentina due to a higher amount of sales. Export duties in Argentina are levied at 10% of revenue for concentrate and 5% of revenue for doré.

#### Exploration Expenses

Exploration expenses, which primarily relate to greenfield exploration, decreased to \$6.2 million in H109 (H108: \$10.4 million) as a result of the Group's decision to reduce expenditure at the end of 2008. As described earlier in the statement, conditions have improved in 2009 and, as a result, a revised budget of \$17.8 million for exploration expenses has been approved for the full year.

In addition, the Group has committed \$12.5 million in capital expenditure for the full year relating to its brownfield exploration. As a consequence, the Group's total exploration budget for 2009, including brownfield and greenfield, is expected to be approximately \$30 million.

#### Profit from continuing operations

Profit from continuing operations before exceptional items, net finance costs and income tax decreased to \$66.8 million (H108: \$80.3 million) as a result of the effects detailed above.

#### Impact of the Group's investments in joint ventures and associates

The Group's share of the loss of equity accounted investments in joint ventures and associates resulted in a loss of \$1.3 million which mainly relates to our investments in Lake Shore Gold (\$0.8 million), Gold Resource Corporation (\$0.2 million) and Pacapausa (\$0.1 million).

In February 2009, Hochschild participated in Lake Shore Gold's equity financing and maintained its ownership at 40% by investing a further \$18.0 million in the company. In the first half, Hochschild increased its interest in Gold Resource Corporation from 5% to 17% for a total consideration of \$18.0 million, adding a new operational cluster to the Group's portfolio. On 20 July 2009, the Company further increased its stake to 24% for a total consideration of \$15.0 million.

#### Adjusted EBITDA

Pre-exceptional adjusted EBITDA decreased by 7% over the period to \$100.2 million (H208: \$107.7 million) driven by lower silver prices and higher cost of sales as a result of higher throughput due to plant expansions. Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax excluding depreciation, amortisation and exploration costs other than personnel and other expenses.

### Adjusted EBITDA reconciliation

\$ thousands (unless otherwise stated)	Six months ended 30 June 2009	Six months ended 30 June 2008	% change
Profit from continuing operations before exceptional items, net finance costs and income tax	66,849	80,337	(17%)
<i>Operating margin</i>	<i>29%</i>	<i>35%</i>	
Plus:			
Depreciation in Cost of Goods Sold	30,276	21,263	42%
Depreciation in Administrative Expenses	385	509	(24%)
Exploration Expense	6,217	10,374	(40%)
Minus:			
Personnel and other Exploration Expense	3,523	4,743	(26%)
Adjusted EBITDA	100,204	107,740	(7%)
<i>Adjusted EBITDA margin</i>	<i>43%</i>	<i>46%</i>	

### Finance income

Finance income decreased by 30% to \$3.7 million as a result of the Company's lower average cash balance (H109: \$87.5 million compared to H108: \$255.4 million) and lower interest rates.

### Finance costs

Finance costs of \$27.2 million (H108: \$5.2 million) include an \$18.0 million loss from the mark-to-market adjustments of the Group's forward sales contracts, (comprising \$5.9 million realised losses and \$12.1 million unrealised losses) and an interest expense of \$7.7 million (H108: \$4.5 million) related to the Company's debt facility. The Group has fixed the interest rate on this debt facility at 1.75% by entering into interest rate swap contracts. These swaps take effect in July 2009.

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 in order to ensure a more stable cash flow which will fund operating capex and future M&A.

This is comprised of 8.9 million ounces of silver and 30 thousand ounces of gold. As at 30 June, 4.6 million ounces of silver and 18 thousand ounces of gold were pending to be settled in H209 at average prices of \$12.0/oz and \$971.8/oz respectively.

### Foreign exchange losses

The Group recognised a foreign exchange loss of \$3.5 million (H108: \$1.9 million loss) as a result of transactions in currencies other than functional currency. In the first half of 2009, the Group recorded a loss due to the devaluation of the Argentinean peso (10%).

### Income tax

The Company's pre-exceptional tax rate was 31% in H109 (H108: 31%), however, the effective tax rate decreased to 14.1% (H108: 33%). This was driven mainly by non-taxable income of \$13.9 million as a result of the gain recorded on the acquisitions of Southwestern Resources and Moris and the non-taxable income of \$5.5 million relating to the exercise of the Gold Resource Corporation options. These positive effects were partially offset by the negative impact of converting the Company's tax base from local currency to US dollars.

### Exceptional items

Exceptional items totalled \$5.7 million after tax (H108: (\$6.1 million)).

Positive exceptional items mainly include:

- (i) Gain of \$9.8 million arising from the acquisition of Southwestern as a result of the difference between the total acquisition cost of \$19.3 million and the fair value of the net assets of Southwestern of \$29.1 million on the acquisition date;
- (ii) Gain of \$4.2 million on the acquisition of Moris as a result of the difference between the total acquisition cost of \$1.5 million and the carrying value of the minority interest of \$5.7 million on the acquisition date;
- (iii) Gain on investments in Gold Resources Corporation of \$6.2 million primarily related to the exercise of the option on 26 February 2009 to increase the Company's stake to 15%, and
- (iv) Gain on Fortuna Silver Warrants of \$0.5 million.

Negative exceptional items mainly include:

- (i) Impairment of the Liam property of \$10.1 million following a reassessment of the value of the property which was acquired in H208 for a total consideration of \$33.3 million;
- (ii) One-off bonus of \$6.9 million paid to workers at the Peruvian mines as a result of the negotiations with workers which were successfully resolved in March 2009;
- (iii) Impairment of assets in the Selene unit of \$2.2 million and in the Ares unit of \$1.2 million, and
- (iv) Termination benefits paid to the workers of the Southwestern Group of \$1.1 million, following the acquisition on 21 May 2009.

Cash flow & balance sheet review:

*Cash flow*

\$ thousands	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
Net cash generated from operating activities	97,844	19,983	78,641
Net cash used in investing activities	(127,973)	(320,837)	(475,790)
Cash flows generated/(used) in financing activities	(26,816)	208,711	212,728
Net (decrease)/increase in cash and cash equivalents during the period	(56,945)	(92,143)	(184,421)

Total cash decreased from \$116.1 million to \$58.9 million driven by a \$56.7 investment primarily in Lake Shore Gold, Gold Resource Corporation and Southwestern. Cash flow from operating activities increased to \$97.8 million from \$20.0 million as a consequence of the decrease in working capital from \$106.2 million in H108 to \$69.1 million in H109. Cash outflows used in investing activities decreased from \$320.8 million to \$128.0 million given that the Company's main plant expansions were successfully completed in the second half of 2008.

Working capital:

\$ millions	As at 30 June 2009	As at 31 December 2008	Change
Trade and other receivables	135.2	162.0	(26.8)
Inventories	46.2	49.2	(3.0)
Derivative financial instruments	1.1	5.6	(4.5)
Income tax	5.0	14.3	(9.3)
Trade and other payables	(118.4)	(124.9)	6.5
Working capital	69.1	106.2	(37.1)

The Company's working capital position decreased from \$106.2 million at 31 December 2008 to \$69.1 million in H109. This was primarily a result of lower commercial receivables and the capital contribution from Minera Andes. The Company also recovered \$15.0 million of VAT credits in Santa Cruz. In addition, inventories decreased by \$3.0 million as a result of lower products in process particularly in Santa Cruz. This was partially offset by an increase of finished goods mainly in Arcata.

Net debt:

\$ thousands	As at 30 June 2009	As at 31 December 2008
Cash and cash equivalents	(58,923)	(116,147)
Long term borrowings	201,382	231,692
Short term borrowings less pre-shipment loans	82,212	48,410
Net debt / (net cash)	224,671	163,955

Net debt increased 37% due to the decrease in cash as a result of the M&A investments undertaken in H109, in line with the Company's growth strategy. The increase in short term borrowings is a result of the reclassification of part of the amount due to minority interest from long term to short term.

Capital expenditure<sup>1</sup>

\$ thousands	Six months ended 30 June 2009	Six months ended 30 June 2008
Arcata	10,779	19,149
Ares	976	5,793
Selene	12,084	9,282
Pallancata	9,977	7,724
San José	21,931	29,687
Moris	179	1,402
San Felipe	199	57,501
Other (including capital advances)	2,492	10,845
Total	58,617	141,383

<sup>1</sup> Includes additions in property, plant and equipment balance sheet account and excludes increases in closure of mine assets.

The Company continues to focus on producing profitable ounces and preserving cash. Capital expenditure totalled \$58.6 million in the first half of the year, which represents a 59% decrease year on year (excluding investments in San Felipe, capital expenditure decreased 30%). The most significant reductions were recorded at Arcata, Selene and San José following the completion of the capacity expansions in the second half of 2008.

Dividends:

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Dividend dates	2009
Ex-dividend date	02 September
Record date	04 September
Deadline for return of currency election forms	08 September
Payment date	22 September

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Dividends are declared in US dollars. Unless a shareholder elects to receive dividends in US dollars, they will be paid in pounds sterling with the US dollar dividend being converted into pound sterling at exchange rates prevailing at the time of payment.

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## **EXPLORATION REVIEW**

### **Highlights**

- \$30 million to be invested in brownfield and greenfield exploration in 2009
- Discovery of new mineralised structures at Arcata and San José
- Positive drill results at Arcata, Pallancata and San José
- Encouraging first pass drill results at the North target in the Encrucijada project, Chile
- Expansion of the Arista vein system at Gold Resource Corporation's El Aguila project
- Outstanding intercept at Lake Shore Gold's Thunder Creek project (12.8 g/t Au over 83.4 metres) and discovery of a new high grade extension at Bell Creek

Exploration is a vital part of Hochschild's growth strategy and the Company continues to commit significant investment to its geology programme in order to increase reserves and resources at a low cost per ounce.

Hochschild's exploration is focused on two areas; mine-site and near mine site exploration (brownfield) and early stage exploration (greenfield).

### **BROWNFIELD EXPLORATION**

Hochschild remains committed to achieving its long term objective of a minimum 8 year total resource life, including a 4 year reserve life, at each of its underground operations (excluding Ares).

Brownfield exploration includes near-mine exploration ( $\pm$  5km radius from an existing operation) and also advanced stage projects, either located in one of the Group's existing clusters or in new mining friendly districts. Hochschild currently has four clusters: the highlands of southern Peru, the Argentine Patagonia, the Timmins region in Canada via its investment in Lake Shore Gold, and southern Mexico, via its investment in GRC.

#### **Peru**

**Arcata** - Hochschild's flagship silver mine has been in production for over 40 years and continues to deliver promising results. A new structure was identified through surface drilling from the recently defined brownfield programme this year, located 800 metres north of Mariana. Drill hole DDH121 intersected 2.7 g/t gold and 533 g/t silver over 0.7 metres. A second drill hole, 100 metres west, cut 0.7 metres with 0.2 g/t Au and 113 g/t Ag. Further drilling is underway to evaluate continuity of this mineralised structure. Underground horizontal drilling has also revealed a new mineralised structure 400 metres north of Mariana that does not outcrop on the surface. Results to date include DDH-524 with 0.7 metres at 4.6 g/t Au and 468 g/t Ag and DDH-550 with 0.6m at 1.7 g/t Au and 539 g/t Ag.

**Pallancata** - Hochschild is undertaking a drill programme focusing on near-mine exploration within three kilometres of the current mine underground workings. The drill programme aims to define additional mineral resources and includes approximately 56 core drill holes (totaling approximately 16,428 metres) from surface. Several high-grade silver intercepts have been reported to date. Hochschild believes that these high-grade veins could potentially complement the current production at Pallancata.

To date, 11 drill holes for a total of 3,638 metres have been completed, primarily in the Virgen del Carmen area. These results include the following drill intercepts (uncut grades; true widths not yet estimated):

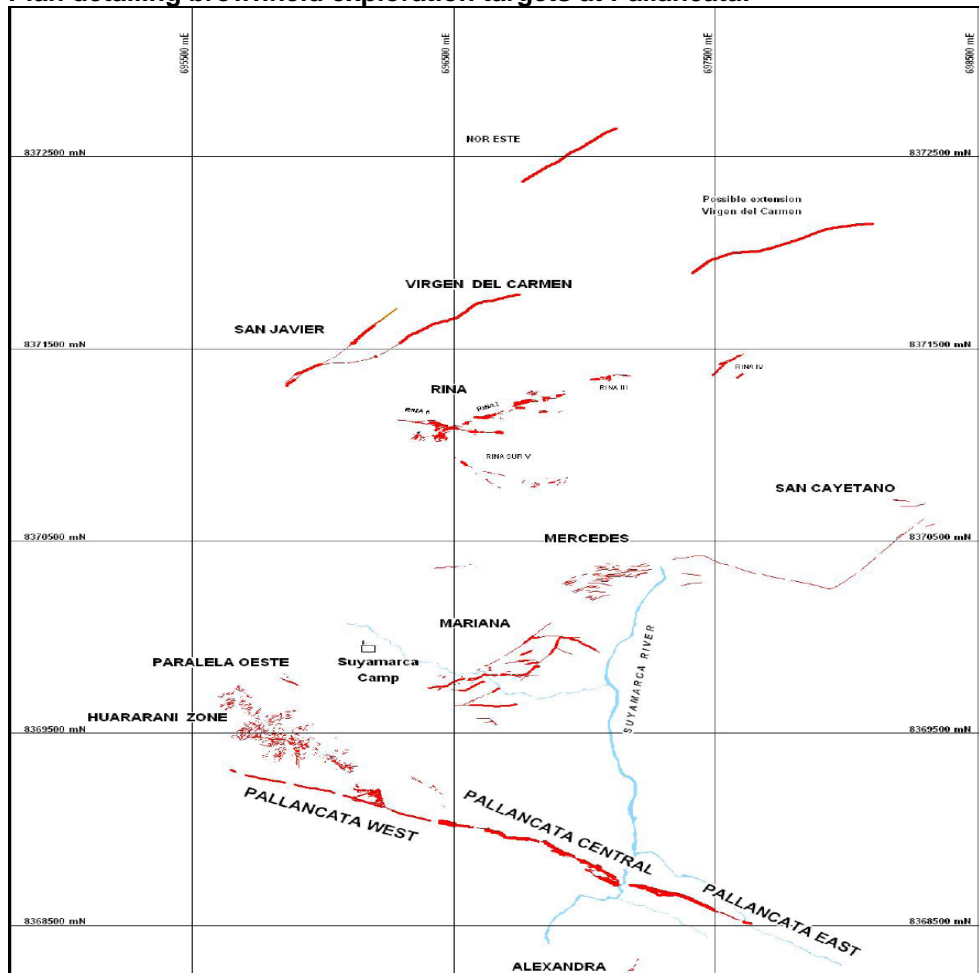
- VC09002: 0.7 metres grading 406 g/t silver and 1.6 g/t gold
- VC09003: 0.8 metres grading 527 g/t silver and 2.2 g/t gold
- VC09005: 1.5 metres grading 785 g/t silver and 1.5 g/t gold

Hochschild is also drilling in the Pallancata East area which is an extension of the main Pallancata vein structure, located to the east of the Suyamarca River. Assays are pending from three drill holes which have been completed and intersect the structure along its eastern continuation. The 2009 exploration drill programme will include an additional 4 drill holes totaling approximately 1,300 metres in the Pallancata East area.

**Assay results of completed brownfield exploration drilling programme at Pallancata:**

Drill Hole Number (depth-m)	From (m)	To (m)	Intercept (m)	Gold (g/t)	Silver (g/t)	Target
VC09-001 (351)	332.6	332.8	0.2	1.3	563	Virgen del Carmen
VC09-002 (390)	327.0	327.7	0.7	1.6	406	Virgen del Carmen
VC09-003 (374)	197.0	198.7	1.7	0.6	89	San Javier
	329.4	330.1	0.8	2.2	527	Virgen del Carmen
VC09-004 (410)	89.0	89.4	0.4	3.5	421	San Javier
	379.3	380.3	1.0	0.2	56	Virgen del Carmen
VC09-005 (300)	239.4	240.9	1.5	1.5	785	Virgen del Carmen
VC09-006 (350)		211.4	0.9	1.9	222	Virgen del Carmen
VC09-007 (305)	130.4	130.7	0.3	1.0	383	San Javier
	183.9	184.9	1.1	0.4	76	Virgen del Carmen
VC09-008 (300)	238.5	239.8	1.3	Not yet available		Virgen del Carmen
DPRI-A01 (258)	245.8	246.1	0.3	0.1	27	Rina
DPRI-A02 (301)	92.5	93.7	1.2	0.8	344	Rina
	170.6	172.0	1.4	0.8	113	
DPRI-A03 (301)	284.7	286.0	1.3	Not yet available		Rina

**Plan detailing brownfield exploration targets at Pallancata:**



**Azuca** – Azuca is a 100% owned project located in southern Peru, near the Group’s existing operations. Azuca 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.

**Crespo** – the previous operator’s drilling results suggest a potentially open pitable gold silver deposit with indications of higher grade zones. A tunnel is planned which will allow Hochschild to test continuity of

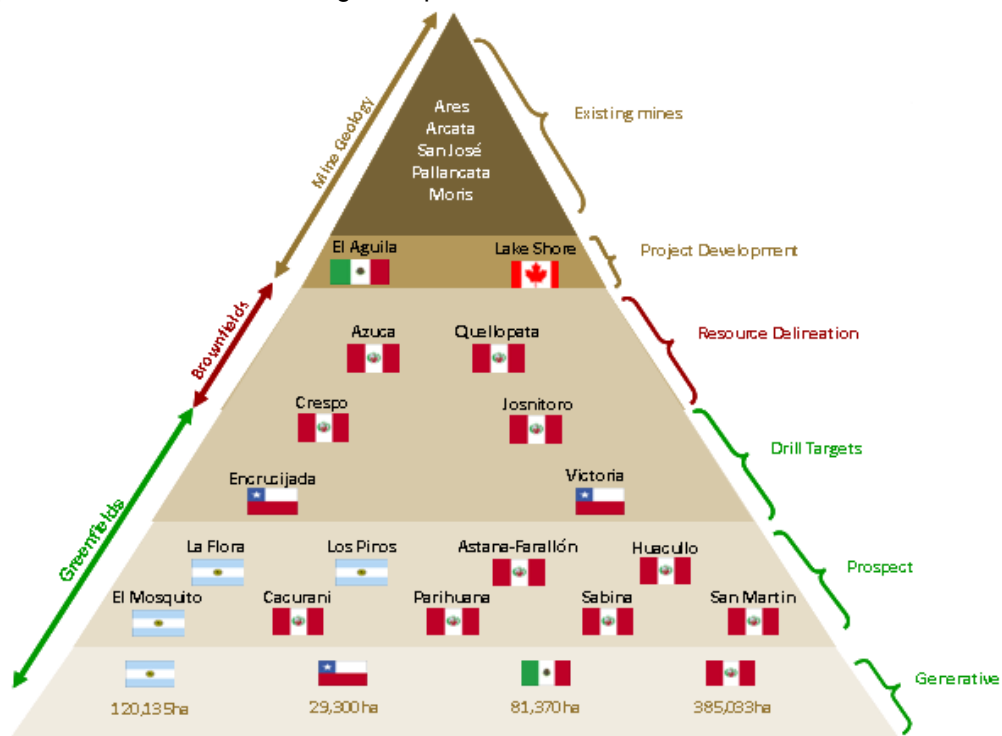
higher grade structures and confirm grades obtained by previous drilling. The Company aims to determine a first resource estimation of this project in 2010.

## Argentina

**San José** - In April, Hochschild discovered 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 1.0 metre. Two surface core holes intersected the structure 40 metres in each direction, but did not confirm economic mineralisation. The target is open to the north west and in depth and will be drilled from underground, once preparation is complete, as we cannot explore from surface due to the presence of a small lake in the area.

### GREENFIELD EXPLORATION

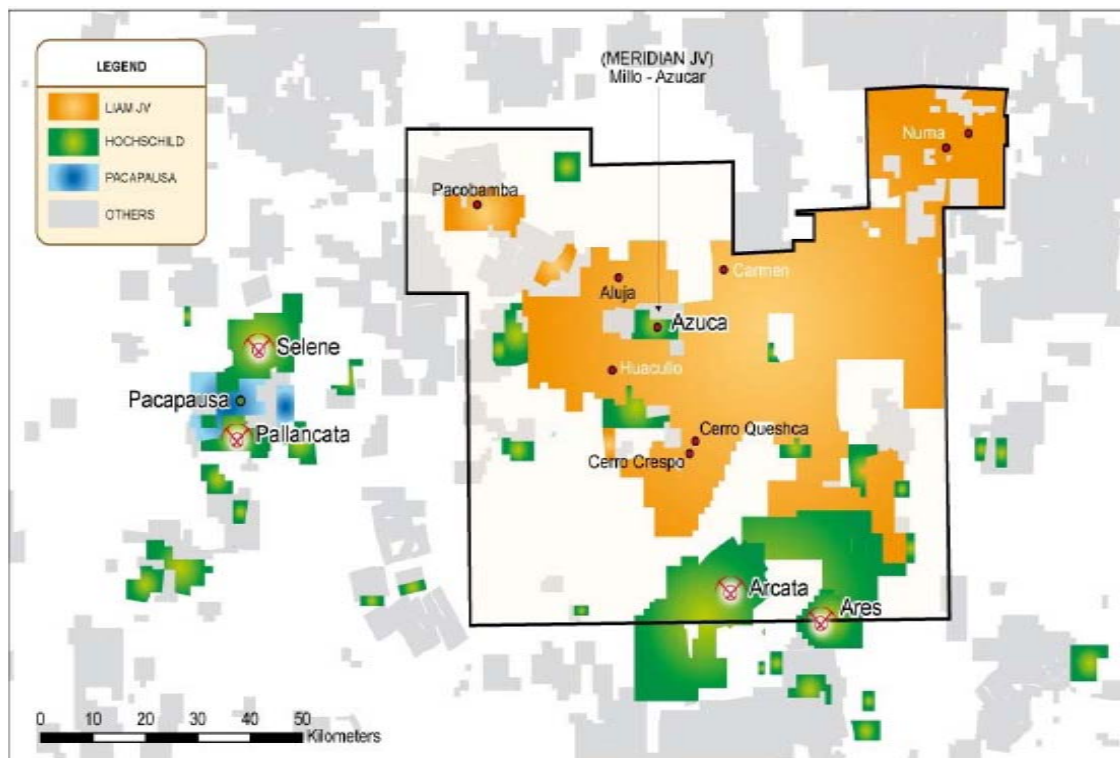
In addition to its existing operations, Hochschild has an extensive pipeline of projects at various stages of development. Projects enter the pipeline through internal discovery or via joint venture agreements and are subject to a strict evaluation process to ensure that they meet the Company's criteria for future production. Projects are located across the Americas, near to existing operational clusters and also in new, prospective areas where there is growth potential:



In the first six months of the year, Hochschild has spent a total of \$6.2 million in this area and has reported significant success at its 100% owned projects, joint ventures and investments:

## Peru

**Southern Peru Cluster** - Following the acquisition of Southwestern Resources in May 2009, Hochschild gained control over a significant land package surrounding its existing operational cluster in southern Peru, as detailed in the map below:



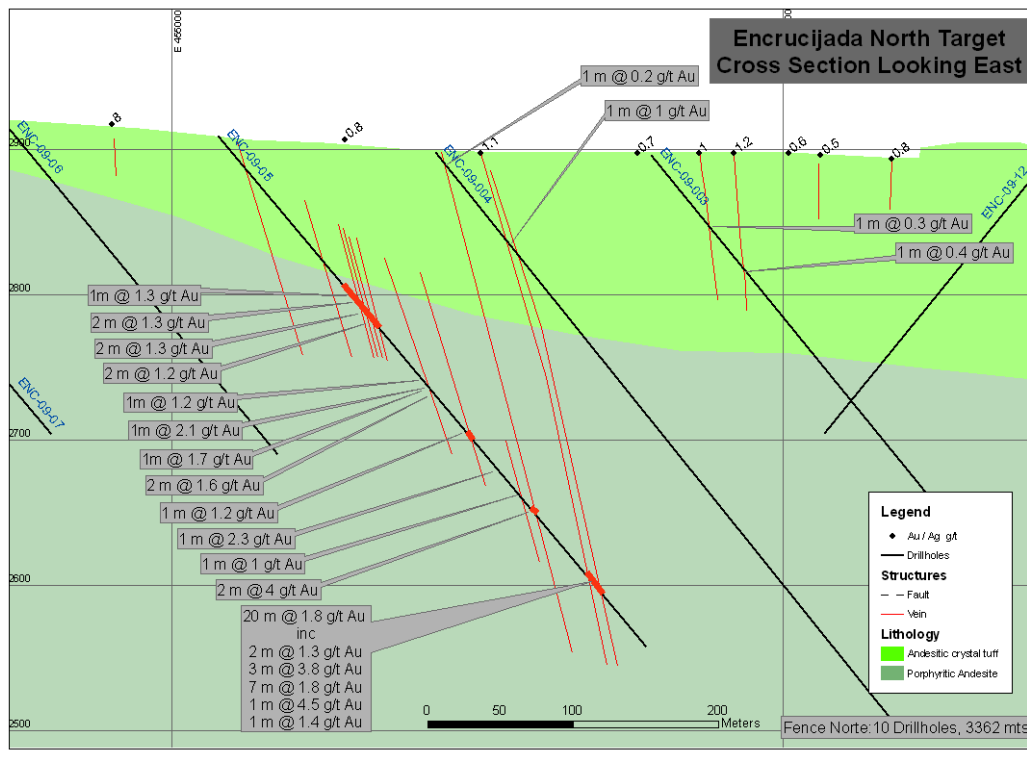
The acquisition includes a 282,000 hectare land package (Liam), the largest single claim block in southern Peru which has mineralisation systems including high sulphidation gold and silver projects such as Crespo, Queshca, Astana and Aluja and low sulphidation veins and disseminated gold and silver associated systems such as the Huaculfo, Farallon and Ibel projects.

The Southwestern acquisition also adds several early stage gold and copper projects to Hochschild's pipeline, including: Millo (a joint venture with Yamana Gold), Josnitoro and Sabina gold-silver properties and the Antay, Palpacachi, Alpacocho, Jasperoide and Cristo de los Andes (a joint venture with Antares Minerals) copper properties.

**Millo** – Hochschild now owns 50% of the Millo project where Yamana is earning a 70% ownership by producing a prefeasibility study. Millo is located adjacent to Hochschild's 100% owned Azuca project with high grade intercepts as previously announced by Southwestern. Drill highlights include 20.3 metres of 317 g/t silver and 2.7 g/t gold in hole PTT-004, 17.3 metres of 162 g/t silver and 1.8 g/t gold in PTT-005 and 0.7 metres of 814 g/t silver and 27.1 g/t gold in PTT-007. Hochschild is confident about the potential for new projects within this land package in southern Peru and the synergies that may arise from using the Group's existing infrastructure.

## Chile

**Encrucijada** – Encrucijada is a joint venture with Andina Minerals where Hochschild is earning a 51% stake by spending \$3 million on exploration. Encrucijada is located in Region II in Chile, approximately 210 kilometres north of Copiapo, and is in the same geological district as the El Peñon mine which produced 0.4 million ounces of gold equivalent in 2008. Hochschild can further increase its ownership to 60% by investing an additional \$3 million towards a feasibility study in a single project. A 10 hole (3,362m) fence was drilled at the north target of the property to evaluate concealed vein structures and a structural zone with various veins was identified. Drill highlights include multiple intercepts in hole ENC-09-005 (see map below) of which the best are 2.0 metres with 4.0 g/t Au (336 to 338 metres in depth) and 3.0 metres with 3.7 g/t Au (391 to 394 metres), 1.0 metres with 4.5 g/t Au (404 to 405 metres); the latter two intercepts are included in a 20 metre interval at 1.8 g/t Au. The discovery of this significant structural corridor with multiple veins in the same geological context as the El Peñon mine is very encouraging. From September 2009, drilling will focus on other targets in this project as well as to follow-up on the north target.



## INVESTMENTS

### Mexico

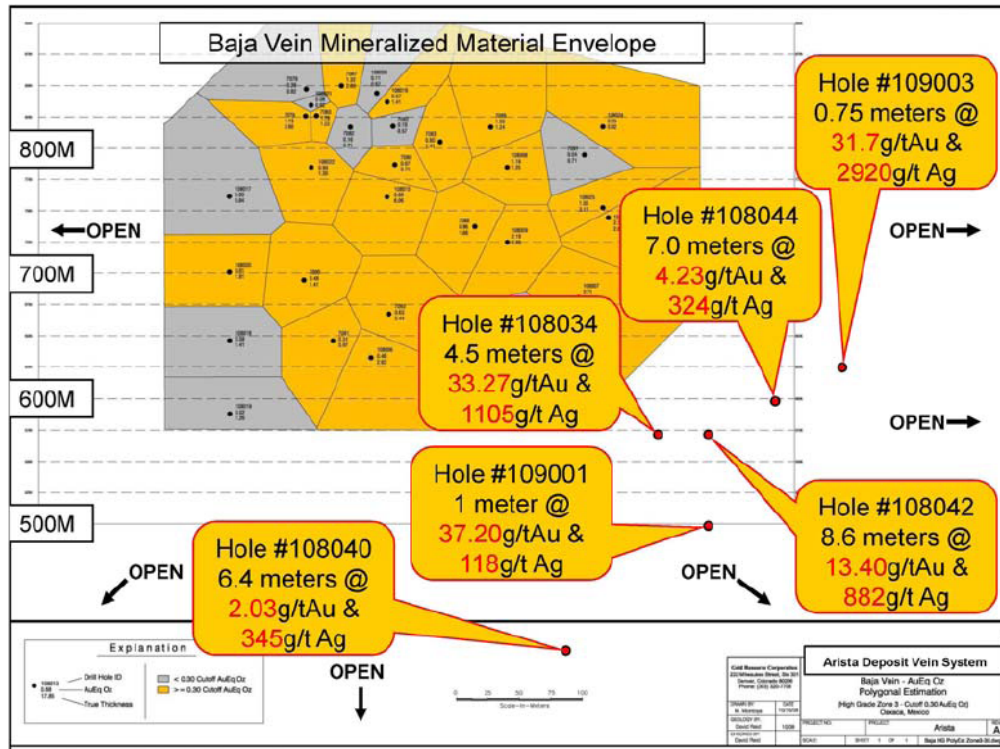
**Gold Resource Corporation** - Continued exploration at El Aguila has outlined a new, high grade vein system, La Arista. The Arista vein system appears to be a series of parallel, en echelon veins which extends over 585 metres of strike length and 400 metres of vertical extent.

#### Recent drill holes #109003 and #108044 results include:

Hole #	Angle (deg)	From Meters	Length Meters	Au g/t	Ag g/t	Cu %	Pb %	Zn %	AuEq* g/t	AuEq_Oz Oz/tonne
109003	-55	333.75	0.75	31.70	2920	0.11	1.74	3.49	76.7	2.47
And		338.50	1.55	0.12	195	0.07	4.89	12.69	10.76	0.35
108044	-58	350.00	7.00	4.23	324	0.65	1.69	5.22	12.71	0.41

Assays by ALS Chemex, Vancouver, BC Canada Gold Equivalent (AuEq\*) calculated at:  
 Au \$850/oz, Ag \$12.00/oz, Cu \$1.60/lb, Pb \$0.55/lb, Zn \$0.55/lb

## GRC Longitudinal section map:



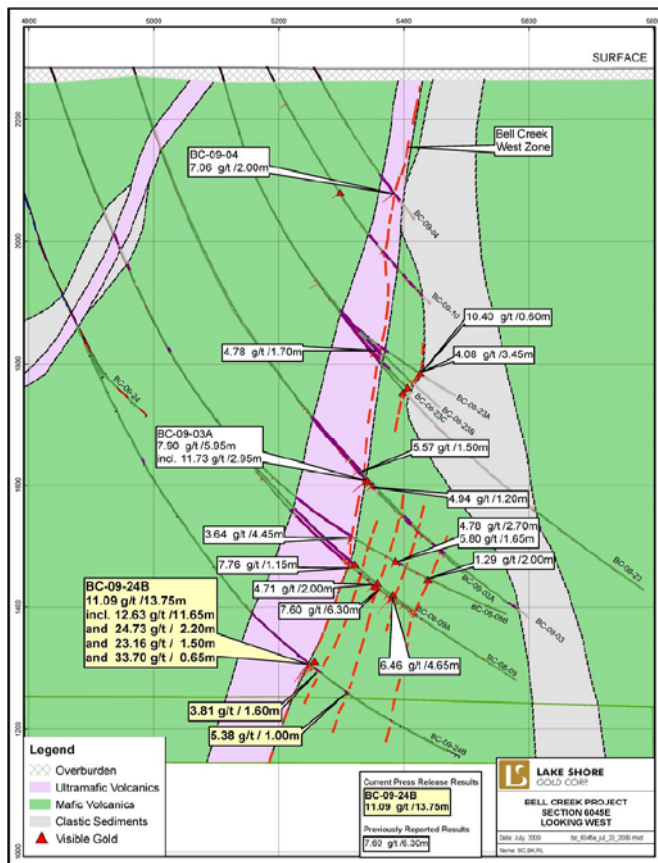
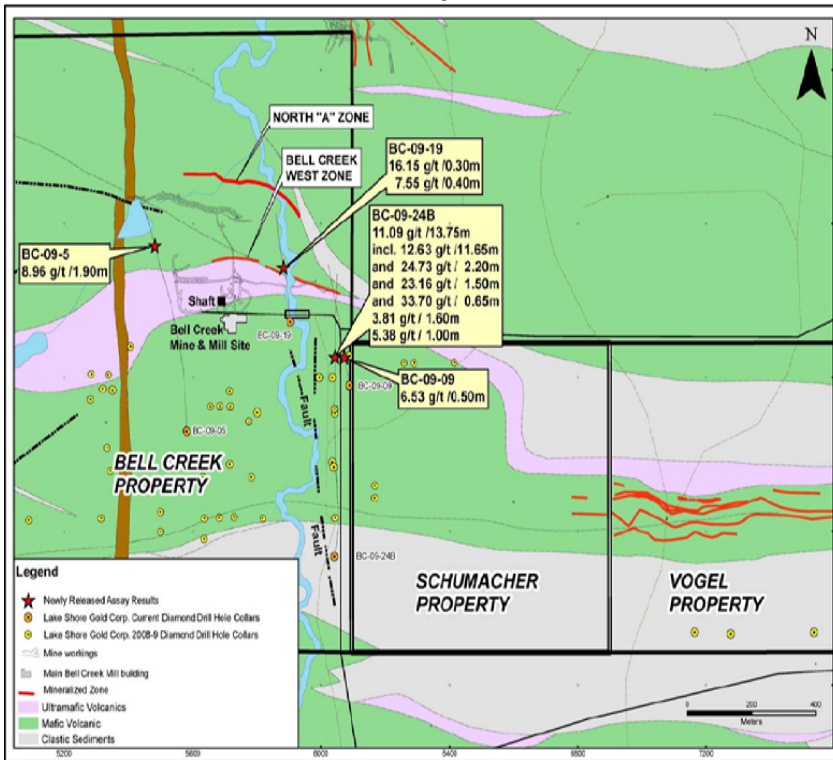
## Canada

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 programme 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 12.6 g/t Au over 83.4 metres or 13.7 g/t over 77.5 metres, including 24.7 g/t over 13.0 metres, 38.2 g/t over 11.0 metres and 26.8 g/t over 8.5 metres.

In addition, in July, Lake Shore Gold announced encouraging results at its 100% owned Bell Creek property. The most significant results are from wedge hole BC-09-24B which intersected 12.6 g/t over 11.7 metres within a broader intercept of 11.1 g/t over 13.8 metres. Included within the 12.6 g/t intercept were 24.7 g/t over 2.2 metres and 23.2 g/t over 1.5 metres. The results add a significant new dimension to the Bell Creek project identifying a large gold system at depth where drilling has demonstrated excellent grades and widths. The system, which plunges eastward towards the company's wholly owned Schumacher property, has now been identified to a total plunge length of 1,150 metres from surface and 500 metres along strike and remains open at depth and along strike.

Drilling at Bell Creek is ongoing, and will be accelerated with five drills active on the property. In addition to the exploration success from surface drilling, work is progressing on the underground exploration programme at Bell Creek, including concurrent development of the ramp from surface to the Bell Creek mineralisation, and dewatering and refurbishment of the Bell Creek Shaft and Mine. Lake Shore Gold plans to develop Bell Creek into Lake Shore Gold's second mine complex in Timmins.

Lake Shore Gold: Bell Creek's plan view and cross section:



## **RISKS**

The principal risks and uncertainties facing the Group in respect of the year ended 31 December 2008 were set out in detail in the Risk Management section of the Business Review in the 2008 Annual Report and in Note 36 to the 2008 Consolidated Financial Statements. These risks continue to apply to the Group in respect of the remaining six months of the current financial year.

The key risks disclosed in the 2008 Annual Report were categorised as:

- Financial risks which include commodity price risk and foreign currency risk;
- Operational risks including the risks associated with business interruption, reserve and resource replacement and the retention of key personnel;
- Political, legal and regulatory risks; and
- Corporate Social Responsibility related risks including health and safety, environmental and social.

The 2008 Annual Report is available on [www.hochschildmining.com](http://www.hochschildmining.com)

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors confirm that, to the best of their knowledge, the interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8.

The Directors of Hochschild Mining plc are listed in the 2008 Annual Report and Accounts with the exception of Fred Vinton who joined the Board of Directors on 1 August 2009.

A list of current Directors is maintained on the Company's website which can be found at [www.hochschildmining.com](http://www.hochschildmining.com).

For and on behalf of the Board

**Miguel Aramburú**  
**Chief Executive Officer**

18 August 2009

## **Independent Review Report to Hochschild Mining plc**

We have been engaged by Hochschild Mining plc (the Company) to review the interim consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated cash flow statement, the interim consolidated statement of changes in equity and the related notes 1 to 18. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

### **Directors' Responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The interim consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the interim consolidated financial statements in the half-yearly financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
London  
18 August 2009

## Interim consolidated income statement

	Notes	Six-months ended 30 June 2009 (Unaudited)			Six-months ended 30 June 2008 (Unaudited)		
		Before exceptional items	Exceptional items <sup>Note 7</sup>	Total	Before exceptional items	Exceptional items <sup>Note 7</sup>	Total
<i>US\$ (000)</i>							
<b>Continuing operations</b>							
Revenue .....	6	230,584	—	<b>230,584</b>	231,846	—	<b>231,846</b>
Cost of sales .....		(124,613)	(6,918)	<b>(131,531)</b>	(100,380)	—	<b>(100,380)</b>
<b>Gross profit</b> .....		105,971	(6,918)	<b>99,053</b>	131,466	—	<b>131,466</b>
Administrative expenses .....		(23,533)	—	<b>(23,533)</b>	(35,674)	—	<b>(35,674)</b>
Exploration expenses .....		(6,217)	(1,049)	<b>(7,266)</b>	(10,374)	—	<b>(10,374)</b>
Selling expenses .....		(8,480)	—	<b>(8,480)</b>	(3,581)	—	<b>(3,581)</b>
Other income .....		3,268	14,517	<b>17,785</b>	1,022	—	<b>1,022</b>
Other expenses .....		(4,160)	(825)	<b>(4,985)</b>	(2,522)	(47)	<b>(2,569)</b>
Impairment of property, plant and equipment .....		—	(13,488)	<b>(13,488)</b>	—	—	—
<b>Profit from continuing operations before net finance income/(cost), foreign exchange gain/(loss) and income tax</b>		66,849	(7,763)	<b>59,086</b>	80,337	(47)	80,290
Share of post tax losses and negative goodwill of associates and joint ventures accounted under the equity method .....		(1,331)	225	<b>(1,106)</b>	(4,909)	—	<b>(4,909)</b>
Finance income .....	8	3,748	6,632	<b>10,380</b>	5,353	1,613	<b>6,966</b>
Finance costs .....	8	(27,196)	—	<b>(27,196)</b>	(5,223)	(9,461)	<b>(14,684)</b>
Foreign exchange (loss)/gain .....		(3,498)	—	<b>(3,498)</b>	1,932	—	<b>1,932</b>
<b>Profit/(loss) from continuing operations before income tax</b> .....		38,572	(906)	<b>37,666</b>	77,490	(7,895)	<b>69,595</b>
Income tax expense .....	9	(11,878)	6,575	<b>(5,303)</b>	(24,386)	1,754	<b>(22,632)</b>
<b>Profit/(loss) for the period from continuing operations</b> .....		26,694	5,669	<b>32,363</b>	53,104	(6,141)	<b>46,963</b>
<b>Attributable to:</b>							
Equity shareholders of the Company ...		18,741	5,992	<b>24,733</b>	38,859	(6,141)	<b>32,718</b>
Minority interests .....		7,953	(323)	<b>7,630</b>	14,245	—	<b>14,245</b>
		26,694	5,669	<b>32,363</b>	53,104	(6,141)	<b>46,963</b>
Basic and diluted earnings per ordinary share from continuing operations and for the period (expressed in U.S. dollars per share) ..	10			<b>0.08</b>			<b>0.11</b>

## Interim consolidated statement of comprehensive income

Notes	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$ (000)</i>	
<b>Profit for the period</b> .....	32,363	46,963
<b>Other comprehensive income</b>		
Exchange differences on translating foreign operations .....	855	121
Change in fair value of available-for-sale financial assets .....	(162)	(2,373)
Change in fair value of cash flow hedges taken to equity. ....	1,074	—
Income tax relating to components of other comprehensive income .....	217	1,155
<b>Other comprehensive income for the period, net of tax</b> .....	<u>1,984</u>	<u>(1,097)</u>
<b>Total comprehensive income for the period</b> .....	<u>34,347</u>	<u>45,866</u>
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company .....	26,737	31,721
Minority interests .....	7,610	14,145
	<u>34,347</u>	<u>45,866</u>

## Interim consolidated balance sheet

	Notes	As at 30 June 2009 (Unaudited)	As at 31 December 2008
		<i>US\$ (000)</i>	
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment .....	11	528,321	488,984
Intangibles .....		2,559	2,668
Investments accounted under equity method .....		185,924	136,019
Available-for-sale financial assets .....		13,728	17,794
Trade and other receivables .....		28,327	38,304
Income tax receivable .....		967	802
Deferred income tax assets .....		19,335	20,795
		<u>779,161</u>	<u>705,366</u>
<b>Current assets</b>			
Inventories .....		46,175	49,220
Trade and other receivables .....		106,849	123,726
Income tax receivable .....		11,431	14,470
Financial assets at fair value through profit and loss .....		18,221	5,569
Cash and cash equivalents .....	12	58,923	116,147
		<u>241,599</u>	<u>309,132</u>
<b>Total assets</b> .....		<u><u>1,020,760</u></u>	<u><u>1,014,498</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to shareholders of the Parent</b>			
Equity share capital .....		146,466	146,466
Share premium .....		395,928	395,928
Other reserves .....		(248,827)	(250,831)
Retained earnings .....		201,198	182,612
		<u>494,765</u>	<u>474,175</u>
<b>Minority interest</b> .....		70,803	68,843
<b>Total equity</b> .....		<u>565,568</u>	<u>543,018</u>
<b>Non-current liabilities</b>			
Trade and other payables .....		510	627
Borrowings .....	13	201,382	231,692
Provisions .....		34,934	37,687
Deferred income tax liabilities .....		10,773	15,839
		<u>247,599</u>	<u>285,845</u>
<b>Current liabilities</b>			
Trade and other payables .....		77,735	82,291
Financial assets at fair value through profit and loss .....		17,073	—
Borrowings .....	13	100,212	98,070
Provisions .....		5,187	4,277
Income tax payable .....		7,386	997
		<u>207,593</u>	<u>185,635</u>
<b>Total liabilities</b> .....		<u>455,192</u>	<u>471,480</u>
<b>Total equity and liabilities</b> .....		<u><u>1,020,760</u></u>	<u><u>1,014,498</u></u>

## Interim consolidated cash flow statement

	Notes	Six- months ended 30 June	
		2009	2008
		(Unaudited)	(Unaudited)
		<i>US\$ (000)</i>	
<b>Cash flows from operating activities</b>			
Cash generated from operations .....	16	106,061	31,650
Interest received .....		714	4,804
Interest paid .....		(7,236)	(1,269)
Payments of mine closure costs .....		(1,309)	(623)
Tax paid .....		(386)	(14,579)
<b>Net cash generated from operating activities .....</b>		<b>97,844</b>	<b>19,983</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment .....		(71,204)	(150,859)
Acquisition of minority interest .....		(1,500)	—
Investment in an associate .....	4	(35,993)	(163,997)
Acquisition of subsidiary .....	5	(19,246)	—
Purchase of available-for-sale financial assets .....		—	(6,056)
Purchase of software licences .....		(41)	—
Proceeds from sale of property, plant and equipment .....		11	63
Other .....		—	12
<b>Net cash used in investing activities .....</b>		<b>(127,973)</b>	<b>(320,837)</b>
<b>Cash flows from financing activities</b>			
Proceeds of borrowings .....	13	100,023	278,748
Repayment of borrowings .....	13	(131,807)	(62,150)
Transaction costs associated with borrowing .....		—	(2,408)
Dividends paid .....		(6,147)	(22,384)
Capital contribution from minority shareholders .....		11,115	16,905
<b>Cash flows (used in)/generated from financing activities .....</b>		<b>(26,816)</b>	<b>208,711</b>
Net decrease in cash and cash equivalents during the period .....		(56,945)	(92,143)
Exchange difference .....		(279)	7
Cash and cash equivalents at beginning of period .....		116,147	301,426
<b>Cash and cash equivalents at the end of the period .....</b>	12	<b>58,923</b>	<b>209,290</b>

## Interim consolidated statement of changes in equity

Notes	Equity share capital	Share premium	Other Reserves			Total other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Minority interest	Total Equity
			Unrealised gain/(loss) on available-for-sale financial assets and initial valuation of hedging	Cumulative translation adjustment	Merger reserve					
US\$ (000)										
<b>Balance at 31 December 2007</b>	146,466	395,928	1,862	2,628	(210,046)	(205,556)	229,202	566,040	50,008	616,048
Other comprehensive loss/income	—	—	(2,272)	(43,003)	—	(45,275)	620	(44,655)	(207)	(44,862)
(Loss)/profit for the year	—	—	—	—	—	—	(19,003)	(19,003)	5,489	(13,514)
Total comprehensive loss for 2008	—	—	(2,272)	(43,003)	—	(45,275)	(18,383)	(63,658)	5,282	(58,376)
Dividends	—	—	—	—	—	—	(28,331)	(28,331)	—	(28,331)
Adjustment to deferred consideration (a)	—	—	—	—	—	—	—	—	1,220	1,220
Expiration of dividends payable	—	—	—	—	—	—	124	124	4	128
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	12,329	12,329
<b>Balance at 31 December 2008</b>	146,466	395,928	(410)	(40,375)	(210,046)	(250,831)	182,612	474,175	68,843	543,018
Other comprehensive income/(loss)	—	—	1,123	881	—	2,004	—	2,004	(20)	1,984
Profit for the period	—	—	—	—	—	—	24,733	24,733	7,630	32,363
Total comprehensive income/(loss) for June 2009	—	—	1,123	881	—	2,004	24,733	26,737	7,610	34,347
Purchase of shares from minority interest	—	—	—	—	—	—	—	—	(5,650)	(5,650)
Dividends	14	—	—	—	—	—	(6,147)	(6,147)	—	(6,147)
<b>Balance at 30 June 2009</b>	146,466	395,928	713	(39,494)	(210,046)	(248,827)	201,198	494,765	70,803	565,568
<b>Balance at 31 December 2007</b>	146,466	395,928	1,862	2,628	(210,046)	(205,556)	229,202	566,040	50,008	616,048
Other comprehensive (loss)/ income	—	—	(1,118)	121	—	(997)	—	(997)	(100)	(1,097)
Profit for the period	—	—	—	—	—	—	32,718	32,718	14,245	46,963
Total comprehensive income for June 2008	—	—	(1,118)	121	—	(997)	32,718	31,721	14,145	45,866
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	853	853
Adjustment to deferred consideration	—	—	—	—	—	—	—	—	1,220	1,220
Dividends	14	—	—	—	—	—	(22,184)	(22,184)	—	(22,184)
<b>Balance at 30 June 2008</b>	146,466	395,928	744	2,749	(210,046)	(206,553)	239,736	575,577	66,226	641,803

(a) This amount represents the increase in the minority interest's share of the assets of Pallancata, following the Group's investment during the year in accordance with the agreement signed with Minera Oro Vega S.A.C.

## Notes to the interim consolidated financial statements

### 1 Corporate Information

Hochschild Mining plc (hereinafter the “Company”) is a public limited company incorporated on 11 April 2006 under the Companies Act 1985 as a limited company and registered in England and Wales with registered number 05777693. The Company’s registered office is located at 46 Albemarle Street, London W1S 4JL, United Kingdom. Its ordinary shares are traded on the London Stock Exchange.

The Group’s principal business is the mining, processing and sale of silver and gold. The Group has three operating mines (Ares, Arcata, Pallancata) and a plant (Selene), located in Southern Peru, one operating mine (San José) located in Argentina and one operating mine (Santa Maria de Moris) located in Mexico. The Group also has a portfolio of projects located across Peru, Mexico, Chile, Argentina and Canada at various stages of development.

These interim consolidated financial statements were approved for issue by the Board of Directors on 18 August 2009.

### 2 Significant Accounting Policies

#### (a) Basis of preparation

These consolidated financial statements set out the Group’s financial position as at 30 June 2009 and 31 December 2008 and its financial performance and cash flows for the periods ended 30 June 2009 and 30 June 2008.

These interim consolidated financial statements of the Group for the six months ended 30 June 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union. Accordingly, the interim consolidated financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the Group’s 2008 annual consolidated financial statements as published in the 2008 Annual Report.

The interim consolidated financial statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2008. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union has been delivered to the Registrar of Companies. The auditors’ report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

The impact of the seasonality or cyclicity of operations is not regarded as significant on the interim consolidated financial statements.

The interim consolidated financial statements have been prepared on a historical cost basis, except for certain classes of property, plant and equipment which have been re valued at 1 January 2003 to determine deemed cost and derivatives and available-for-sale financial instruments which have been measured at fair value. The financial statements are presented in US dollars (\$) and all monetary amounts are rounded to the nearest thousand (\$000) except when otherwise indicated.

## **(b) Changes in accounting policies and disclosures**

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statement for the year ended 31 December 2008, except for the adoption of the hedge accounting policy and the following interpretations:

- **Hedge accounting policy**

The Group uses interest rate swaps to hedge its interest rate risks. These derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, these hedges are classified as cash flow hedges as they are hedging exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Where the interest rate swaps meet the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast transaction or firm commitment occurs..

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

- **IFRS 8 'Operating Segments' applicable for annual periods beginning on or after 1 January 2009.**

IFRS 8 replaces IAS 14 'Segment Reporting' upon its effective date. IFRS 8 defines an operating segment as the component of an entity: (a) that engages in business activities from which it may earn revenues and incur expenses, (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available. The effect of IFRS 8 is analysed in note 3.

- **IAS 23 Amendment, 'Borrowing Costs', applicable for annual periods beginning on or after 1 January 2009.**

IAS 23 has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional provisions in the Standard, the Group adopted this as a prospective change. Accordingly, borrowing costs which result in future economic benefits are capitalised on qualifying assets from 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

- IAS 1 'Presentation of Financial Statements', applicable for annual periods beginning on or after 1 January 2009.

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements, being an income statement and statement of comprehensive income.

Other amendments that did not have any impact on the financial position or performance of the Group were:

- IFRS 2 'Amendment to IFRS 2 – Vesting Conditions and Cancellations', applicable for annual periods beginning on or after 1 January 2009.
- IAS 32 and IAS 1 Amendment 'Puttable Financial Instruments and Obligations Arising on Liquidation', applicable for annual periods beginning on or after 1 January 2009.
- IFRS 1 and IAS 27 Amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate', applicable for annual periods beginning on or after 1 January 2009.
- 2008 Annual Improvements to IFRS, applicable for annual periods beginning on or after 1 January 2009.
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', applicable for annual periods beginning on or after 1 October 2008.

### **(c) Comparatives**

Where applicable, comparatives have been reclassified on the same basis as current period figures.

## **3 Segment Reporting**

The Group's activities are principally related to mining operations which involve the exploration, production and sale of gold and silver. Products are subject to the same risks and returns and are sold through the same distribution channels. The Group has a number of activities that exist solely to support mining operations including power generation and services. Transfer prices between segments are set on an arm's length basis in a manner similar to that used for third parties. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation.

For internal reporting purposes, management takes decisions and assesses the performance of the Group through consideration of the following reporting segments:

- Operating unit – Ares, which generates revenue from the sale of gold and silver
- Operating unit – Arcata, which generates revenue from the sale of gold, silver and concentrate
- Operating unit – Selene, which generates revenue from the sale of gold, silver and concentrate
- Operating unit – Pallancata, which generates revenue from the sale of concentrate
- Operating unit – San José, which generates revenue from the sale of gold, silver and concentrate
- Operating unit – Moris, which generates revenue from the sale of gold and silver
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the purpose of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes expenses reflected through profit and loss and capitalised as assets.

The Group's administration, financing, other activities (including other income and expense), and income taxes are managed at a corporate level and are not allocated to operating segments.

Segment information is consistent with the accounting policies adopted by the Group. Management evaluates the financial information based on International Financial Reporting Standards (IFRS) as adopted for use in the European Union.

The Group measures the performance of its operating units by the segment profit or loss that comprises gross profit and selling expenses.

Segment assets include the items that could be allocated directly to the segment.

(a) Reportable segment information

<i>US\$(000)</i>										
<b>Six-months ended 30 June 2009</b>	<b>Ares</b>	<b>Arcata</b>	<b>Selene</b>	<b>Pallancata</b>	<b>San José</b>	<b>Moris</b>	<b>Exploration</b>	<b>Other</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue from external customers	26,792	59,447	9,311	57,824	62,086	15,047	—	77	—	230,584
Inter segment revenue	—	—	—	—	—	—	—	1,685	(1,685)	—
<b>Total revenue</b>	<b>26,792</b>	<b>59,447</b>	<b>9,311</b>	<b>57,824</b>	<b>62,086</b>	<b>15,047</b>	<b>—</b>	<b>1,762</b>	<b>(1,685)</b>	<b>230,584</b>
Profit/(loss) from continuing operations before income tax (1) (2)	8,850	30,489	(3,585)	26,930	18,282	4,947	(7,368)	(44,171)	3,292	37,666
<b>Other segment information</b>										
Depreciation (3)	(1,661)	(6,305)	(4,660)	(3,613)	(9,524)	(2,187)	(6)	(1,280)	—	(29,236)
Non-cash expenses	(1,190)	—	(2,207)	—	—	—	(10,091)	—	—	(13,488)
<b>Assets</b>										
Current assets	4,876	17,478	8,989	22,448	19,993	5,674	—	285	—	79,743
Capital expenditure	976	10,779	12,084	9,977	21,931	179	2,102	589	—	58,617
Other non-current assets	18,975	68,731	50,991	43,694	178,394	7,212	89,703	12,004	—	469,704
<b>Total segment assets</b>	<b>24,827</b>	<b>96,988</b>	<b>72,064</b>	<b>76,119</b>	<b>220,318</b>	<b>13,065</b>	<b>91,805</b>	<b>12,878</b>	<b>—</b>	<b>608,064</b>
Not reportable assets	—	—	—	—	—	—	—	412,696	—	412,696
<b>Total assets</b>	<b>24,827</b>	<b>96,988</b>	<b>72,064</b>	<b>76,119</b>	<b>220,318</b>	<b>13,065</b>	<b>91,805</b>	<b>425,574</b>	<b>—</b>	<b>1,020,760</b>

(1) The profit for each operating segment does not include administrative expenses of US\$23,533,000, other income of US\$17,785,000, other expenses of US\$4,985,000, impairment of property, plant and equipment of US\$13,488,000, share of losses of associates and joint ventures of US\$1,106,000, finance income of US\$10,380,000, finance cost of US\$27,196,000, foreign exchange loss of US\$3,498,000 and the positive effect of others of US\$1,470,000.

(2) The profit for the operating segments Ares, Arcata, Selene and Pallancata includes an exceptional item in cost of sales of US\$6,918,000 (refer to note 7(2)).

(3) Includes US\$6,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.

*US\$(000)*

<b>Six-months ended 30 June 2008</b>	<b>Ares</b>	<b>Arcata</b>	<b>Selene</b>	<b>Pallancata</b>	<b>San José</b>	<b>Moris</b>	<b>Exploration</b>	<b>Other</b>	<b>Adjustments and eliminations</b>	<b>Total</b>
Revenue from external customers	53,037	62,824	27,382	25,885	48,809	13,858	—	51	—	231,846
Inter segment revenue	—	—	221	1,381	24,542	—	—	1,994	(28,138)	—
<b>Total revenue</b>	<b>53,037</b>	<b>62,824</b>	<b>27,603</b>	<b>27,266</b>	<b>73,351</b>	<b>13,858</b>	<b>—</b>	<b>2,045</b>	<b>(28,138)</b>	<b>231,846</b>
Profit/(loss) from continuing operations before income tax(1)	28,371	40,917	9,473	16,894	34,630	2,978	(10,397)	(46,252)	(7,019)	69,595

US\$(000)

Six-months ended 30 June 2008	Ares	Arcata	Selene	Pallancata	San José	Moris	Exploration	Other	Adjustments and eliminations	Total
<b>Other segment information</b>										
Depreciation (2)	(2,441)	(3,170)	(2,894)	(997)	(5,561)	(2,738)	(52)	(548)	—	(18,401)
<b>Year-ended 31 December 2008</b>										
<b>Assets</b>										
Current assets	9,149	22,560	6,859	26,552	25,448	4,867	—	1,115	—	96,550
Capital expenditure	10,438	43,977	47,226	14,619	80,398	2,234	63,386	48,993	—	311,271
Other non-current assets	9,271	31,743	12,681	29,668	108,048	7,354	11,714	(32,766)	—	177,713
<b>Total segment assets</b>	<b>28,858</b>	<b>98,280</b>	<b>66,766</b>	<b>70,839</b>	<b>213,894</b>	<b>14,455</b>	<b>75,100</b>	<b>17,342</b>	<b>—</b>	<b>585,534</b>
Not reportable assets	—	—	—	—	—	—	—	428,964	—	428,964
<b>Total assets</b>	<b>28,858</b>	<b>98,280</b>	<b>66,766</b>	<b>70,839</b>	<b>213,894</b>	<b>14,455</b>	<b>75,100</b>	<b>446,306</b>	<b>—</b>	<b>1,014,498</b>

(1) The profit for each operating segment does not include administrative expenses of US\$35,674,000, other income of US\$1,022,000, other expenses of US\$2,569,000, share of losses of associates and joint ventures of US\$4,909,000, finance income of US\$6,966,000, finance cost of US\$14,684,000, foreign exchange gain of US\$1,932,000 and the positive effect of others of US\$1,664,000.

(2) Includes US\$52,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.

## (b) Geographical segment reporting

Based on the entity-wide disclosure stated in IFRS 8, the revenue for the period based on the country in which the customer is located is as follows:

	Six-months ended 30 June	
	2009	2008
	US\$(000)	
<b>External customer</b>		
USA.....	63,644	78,657
Peru.....	64,731	60,782
Mexico.....	—	14
Belgium.....	—	6,012
Canada.....	39,447	24,966
Germany.....	31,358	23,650
Switzerland.....	28,548	37,732
Korea.....	2,856	—
Chile.....	—	33
	230,584	231,846
<b>Inter-segment</b>		
Peru.....	623	26,368
Mexico.....	1,062	1,770
	232,269	259,984

In the periods set out below, certain customers accounted for greater than 10% of the Group's total revenues as detailed in the following table:

	Six-months ended 30 June 2009			Six-months ended 30 June 2008		
	US\$(000)	% Revenue	Segment	US\$(000)	% Revenue	Segment
Argor Heraus.....	28,548	12.4%	San José	37,732	16.2%	San Jose, Ares
International Commodities Inc. ....	38,996	16.9%	Ares, Arcata, Selene, Moris	—	—	—
Johnson Matthey.....	—	—	—	78,657	33.9%	Ares, Selene, Moris
Teck Metals Ltd. (formerly Teck Cominco Metals Ltd) ..	39,447	17.1%	Selene, Pallancata	24,966	10.8%	Arcata, Selene, Pallancata
Consortio Minero S.A. ....	58,481	25.4%	Arcata, San José, Pallancata	47,440	20.5%	Arcata
Aurubis AG (formerly Nordeutsche Affinerie AG).....	31,358	13.6%	Selene, San José, Pallancata	23,650	10.2%	Pallancata, San José

Based on the entity-wide disclosure requirements set out in IFRS 8, non-current assets, excluding financial instruments and income tax assets, were allocated based on the geographical area where the assets are located as follows:

	As at 30 June 2009	As at 31 December 2008
	US\$(000)	
Peru.....	256,875	252,122
Argentina.....	202,774	190,683
Mexico.....	46,913	47,979
Chile.....	58	59
Canada.....	25,610	—
USA.....	—	26
United Kingdom.....	184,574	136,802
Total non-current segment assets .....	716,804	627,671
Available-for-sale financial assets.....	13,728	17,794
Trade and other receivables .....	28,327	38,304
Deferred income tax assets .....	19,335	20,795
Income tax receivable .....	967	802
Total non-current assets .....	779,161	705,366

## 4 Acquisition of associate

### Gold Resource Corporation

In connection with a Strategic Alliance Agreement signed with Gold Resource Corporation, an underground precious metals mining company with a number of development projects in Mexico, the Group purchased 1,670,000 common shares (4.9%) for US\$5,010,000 on 5 December 2008.

On 25 February 2009 the Group exercised its option to purchase a further 4,330,000 common shares for US\$12,990,000 (US\$3 per share). As a result of the acquisition of the second tranche, the Group held a 14.6% interest in Gold Resource Corporation and appointed one of the four directors, giving the Group significant influence over that company. In compliance with the Group's policy and IAS 28, the investment has been treated as an associate and accounted for using the equity method since 25 February 2009.

On 30 June 2009 the Group exercised its option to purchase an additional 5,000,000 common shares for a total cash consideration of US\$20,000,000.

The purchase was completed on two tranches: US\$5,000,000 which closed on 30 June 2009 and a second tranche of US\$15,000,000 which closed on 20 July 2009. Following the last two purchases the Group owns 23.9% interest in Gold Resource Corp (17.1% as at 30 June 2009).

## 5 Acquisition of subsidiaries

### Southwestern Resources Corporation

On 21 May 2009, the Group acquired 100% interest of Southwestern Resource Corp. ("Southwestern"), a mineral exploration company with a number of gold, silver and base metals projects adjacent to the Group's operations in southern Peru. The acquisition has been accounted for using the purchase method of accounting

The provisional fair value of the identifiable assets and liabilities of Southwestern at the date of the acquisition were:

	<b>Book value</b>	<b>Provisional fair value <sup>(a)</sup></b>
	<i>US\$(000)</i>	
Cash and cash equivalents	5,349	5,349
Available-for-sale financial assets	2,750	949
Investment in associate	598	1,669
Property, plant and equipment	11,286	24,266
Other assets	813	360
Deferred income tax liability	-	(2,959)
Other current liabilities	(581)	(581)
Net assets	<u>20,215</u>	29,053
Negative goodwill arising on acquisition		<u>(9,807)</u>
Total acquisition cost		<u>19,246</u>

(a) The fair values have been provisionally assessed and are subject to revision within twelve months from the date of acquisition.

The total acquisition cost of US\$19,246,000 comprised a cash payment of US\$19,056,000 and cost of US\$190,000 directly attributable to the acquisition.

From the date of the acquisition Southwestern has contributed a net loss of US\$2,409,000.

## Minas Santa María de Moris

On 5 June 2009 the Group acquired the remaining 30% interest in Minas Santa Maria de Moris from its former partner Exmin S.A. de C.V., obtaining full ownership of its subsidiary for a total cash consideration of US\$1,500,000.

In compliance with the Group's accounting policy, the acquisition of the minority interest in Minas Santa María de Moris is recognised following the parent company model. Accordingly, the difference between the consideration paid of US\$1,500,000 and the carrying value of the minority interest at the acquisition date of US\$5,650,000 has been recognised as negative goodwill. The negative goodwill is included within the caption "other income" in the profit and loss statement and is disclosed as an exceptional item.

## 6 Revenue

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$(000)</i>	
Gold (from doré bars)	56,827	64,815
Silver (from doré bars)	35,309	55,507
Concentrate	138,371	111,473
Services	77	51
	230,584	231,846

The revenue from the concentrate sold, is split between the contained commodities on the following basis:

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$(000)</i>	
Gold	31,916	18,898
Silver	106,361	92,538
Other minerals	94	37
Total concentrate	138,371	111,473

The total volume of gold and silver sold are as follows:

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>(in thousands of ounces)</i>	
Gold	99	92
Silver	10,906	8,842

## 7 Pre-tax exceptional items<sup>1</sup>

The Group recognised the following pre-tax exceptional items:

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$(000)</i>	
<b>Cost of sales</b>		
Exceptional bonus to mining workers <sup>2</sup> .....	(6,918)	—
	<u>(6,918)</u>	<u>—</u>
<b>Exploration expenses:</b>		
Termination benefits <sup>3</sup> .....	(1,049)	—
	<u>(1,049)</u>	<u>—</u>
<b>Other income:</b>		
Negative goodwill on acquisition of minority interest <sup>4</sup> .....	4,150	—
Negative goodwill on acquisition of subsidiary (refer to note 5) .....	9,807	—
Recovery of impairment of deposits in Kaupthing, Singer and Friedlander Bank .....	560	—
	<u>14,517</u>	<u>—</u>
<b>Other expenses:</b>		
Loss on sale of property, plant and equipment .....	(20)	(47)
Termination benefits of Selene mine <sup>5</sup> .....	(414)	—
Electroperu contingency .....	(32)	—
Write off of inventory <sup>6</sup> .....	(178)	—
Obsolescence of supplies <sup>7</sup> .....	(181)	—
	<u>(825)</u>	<u>(47)</u>
<b>Impairment of property, plant and equipment:</b>		
Impairment of Liam property (refer to note 11) .....	(10,091)	—
Impairment of assets in Ares unit (refer to note 11) .....	(1,190)	—
Impairment of assets in Selene unit (refer to note 11) .....	(2,207)	—
	<u>(13,488)</u>	<u>—</u>
<b>Share of post tax losses and negative goodwill of associates and joint ventures accounted under equity method:</b>		
Negative goodwill on acquisition of Gold Resource Corp. (refer to note 4). .....	225	—
	<u>225</u>	<u>—</u>
<b>Finance income:</b>		
Gain on sale of available-for-sale financial assets <sup>8</sup> .....	—	1,613
Gain from changes in the fair value of financial instruments <sup>9</sup> .....	6,632	—
	<u>6,632</u>	<u>1,613</u>
<b>Finance cost:</b>		
Loss from changes in the fair value of financial instruments <sup>9</sup> .....	—	(2,757)
Impairment of available-for-sale financial assets <sup>10</sup> .....	—	(6,704)
	<u>—</u>	<u>(9,461)</u>

- 1 Exceptional items are those significant items which due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior periods. Exceptional items mainly include:
- Impairments of assets, including goodwill, assets held for sale, and property, plant and equipment;
  - Gains or losses arising on the disposal of subsidiaries, investments or property, plant and equipment;
  - Fair value gains or losses arising on financial instruments not held in the normal course of trading;
  - Any gain or loss resulting from any restructuring within the Group, and
  - The related tax impacts of these items.
- 2 Corresponds to the exceptional bonus paid to the workers at the Peruvian mines.
- 3 Corresponds to the termination benefits paid to the workers of the companies of the Southwestern Group.
- 4 Corresponds to the negative goodwill generated in the purchase of the remaining 30% interest in Minas Santa María de Moris S.A. de C.V. from its former shareholder Exmin S.A. de C.V. (refer to note 5).
- 5 Represents the termination benefits paid to the employees due to the closing of the Selene mine.
- 6 Corresponds to the write-off of supplies at the Sipán mine that could not be sold or used in the other mine units of Peru.
- 7 Corresponds to the obsolescence of supplies at the Selene mine due to the closure of the mine.
- 8 Corresponds to the sale of 1,660,150 shares in Fortuna Silver Mines Inc. at a price of CAD\$2 per share for a total consideration of CAD\$3,320,300 (US\$3,321,450) resulting in a gain of US\$1,613,000 which has been recycled from equity into the income statement.
- 9 Mainly corresponds to the gain realised upon exercise of the option shares in Gold Resources Corp. on 25 February 2009 of US\$5,493,000, the change in the fair value of the forward contract to buy 3,750,000 shares of Gold Resource Corp. of US\$675,000 and the change in the fair value of 2,475,355 warrants over the same number of shares in Fortuna Silver Mine Inc. of US\$464,000 (30 June 2008: loss of US\$2,757,000). The expiry date of the warrants is 27 June 2010 and 17 November 2010 (in respect of 862,117 and 1,613,238 warrants respectively).
- 10 Corresponds to the impairment of the investments in EXMIN Resources Inc. and Mirasol Resources Inc. shares, amounting to US\$6,511,000, and US\$193,000, respectively.

## 8 Finance income/cost before exceptional items

The Group recognised the following finance income/cost before exceptional items:

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$(000)</i>	
<b>Finance income:</b>		
Interests on time deposits <sup>1</sup> .....	530	3,930
Interests on loans to minority shareholders. ....	1,297	1,305
Interests on loans to third parties .....	—	45
Change in discount rate <sup>2</sup> .....	1,852	—
Others.....	69	73
	3,748	5,353
<b>Finance cost:</b>		
Interest on bank loans and long-term debt.....	(7,693)	(4,457)
Unwind of discount rate.....	(47)	(502)
Loss from changes in the fair value of forward contracts <sup>3</sup> .....	(18,031)	—
Loss from changes in the fair value of derivative instruments <sup>4</sup> .....	(554)	—

	<b>Six-months ended 30 June</b>	
	<b>2009 (Unaudited)</b>	<b>2008 (Unaudited)</b>
	<i>US\$(000)</i>	
Others.....	(871)	(264)
	<u>(27,196)</u>	<u>(5,223)</u>

- 1 Mainly corresponds to interest on liquidity funds.
- 2 Corresponds to the gain arising on the reduction in the discount rate used to discount the VAT of Minera Santa Cruz.
- 3 Corresponds to the loss due to changes in the fair value of derivative instruments according to the contracts signed with Citibank, JP Morgan and INTL Commodities Inc. with the intention to remove the risk of the fluctuations in metal prices. From the total loss, US\$5,926,000 corresponds to forward contracts settled during the period. At 30 June 2009 the Group holds forward contracts with Citibank and JP Morgan for a total of 4,634,394 ounces of silver at an average price of US\$12/Oz and 18,000 ounces of gold at a price of US\$972/Oz, to be settled between July and December of 2009. The unrealised loss recognised in respect of the outstanding forward contracts amounts to US\$12,105,000.
- 4 Corresponds to the loss due to changes in the fair value of the zero cost collar contracts signed by Cia. Minera Ares during the period. These contracts are over 2,200,000 ounces of silver, with a cap of US\$17/oz for 1,400,000 ounces, US\$19.5/oz for 400,000 ounces and US\$19.95/oz for 400,000 ounces, and a floor of US\$11.00/oz. The contracts expire from January to December 2010.

## 9 Income tax expense

	<b>Six-months ended 30 June</b>	
	<b>2009 (Unaudited)</b>	<b>2008 (Unaudited)</b>
	<i>US\$(000)</i>	
Current tax from continuing operations .....	11,167	15,091
Deferred income tax relating to origination and reversal of temporary differences from continuing operations .....	(6,305)	6,649
Withholding taxes .....	441	892
<b>Total taxation charge in the income statement .....</b>	<u>5,303</u>	<u>22,632</u>

Amounts relating to items classified as exceptional items for the six-months ended 30 June 2009 and 30 June 2008 were a tax credits of US\$6,575,000 and US\$1,754,000 respectively.

## 10 Basic and diluted earnings per share

Earnings per share (“EPS”) is calculated by dividing profit for the period attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

The Company has no potential dilutive ordinary shares.

As at 30 June 2009 and 30 June 2008, earnings per share have been calculated as follows:

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Profit from continuing operations attributable to equity holders of the Company (US\$000) .....	24,733	32,718
Weighted average number of ordinary shares in issue ('000).....	307,350	307,350
Basic earnings/(loss) per share from:		
Before exceptional items (US\$) .....	0.06	0.13
Exceptional items (US\$).....	0.02	(0.02)
Continuing operations (US\$).....	0.08	0.11

## 11 Property, plant and equipment

	Exploration and evaluation costs	Mining properties and development costs	Land and buildings	Plant and equipment <sup>(a)</sup>	Vehicles	Mine closure asset	Construction in progress and capital advances	Total
	<i>US\$(000)</i>							
<b>Year ended 31 December 2008</b>								
<b>Cost</b>								
At 1 January 2008 .....	6,034	157,711	65,435	105,946	2,824	38,288	14,021	390,259
Additions .....	68,311	79,496	4,253	9,375	77	–	149,759	311,271
Change in discount rate of mine rehabilitation provision .....	–	–	–	–	–	3,113	–	3,113
Disposals .....	–	–	–	(120)	(158)	–	–	(278)
Write-off .....	–	–	–	(24)	–	–	–	(24)
Change in mine closure estimate .....	–	–	–	–	–	280	–	280
Transfers and other movements .....	(2,960)	768	30,748	68,535	746	–	(97,837)	–
Sales during preoperating stage in Minera Santa Cruz .....	–	(125)	–	–	–	–	–	(125)
Foreign exchange translation difference ...	(10,905)	(32)	(43)	(467)	(69)	–	(10)	(11,526)
At 31 December 2008 .....	60,480	237,818	100,393	183,245	3,420	41,681	65,933	692,970
<b>Accumulated depreciation and impairment</b>								
At 1 January 2008 .....	–	50,027	12,858	31,749	860	31,703	–	127,197
Depreciation for the year .....	–	19,732	7,697	13,729	455	730	–	42,343
Impairment <sup>(b)</sup> .....	15,754	10,076	754	6,286	105	943	788	34,706
Disposals .....	–	–	–	(54)	(84)	–	–	(138)
Write-off .....	–	–	–	(4)	–	–	–	(4)
Sales during preoperating stage in Minera Santa Cruz .....	–	(12)	–	–	–	–	–	(12)
Foreign exchange translation difference ...	–	–	2	(78)	(30)	–	–	(106)
At 31 December 2008 .....	15,754	79,823	21,311	51,628	1,306	33,376	788	203,986
<b>Net book amount at 31 December 2008</b>	<b>44,726</b>	<b>157,995</b>	<b>79,082</b>	<b>131,617</b>	<b>2,114</b>	<b>8,305</b>	<b>65,145</b>	<b>488,984</b>
<b>Period ended 30 June 2009</b>								
<b>Cost</b>								
At 1 January 2009 .....	60,480	237,818	100,393	183,245	3,420	41,681	65,933	692,970
Additions <sup>(c)</sup> .....	2,797	20,999	185	8,076	143	–	26,417	58,617
Acquisition of subsidiary .....	–	23,800	–	466	–	–	–	24,266
Change in discount rate of mine rehabilitation provision .....	–	–	–	–	–	(1,171)	–	(1,171)
Disposals .....	–	–	–	(19)	(17)	–	–	(36)
Change in mine closure estimate .....	–	–	–	–	–	(187)	–	(187)
Write off <sup>(d)</sup> .....	(1,255)	(27,717)	–	(1,492)	(36)	(130)	–	(30,630)
Transfers and other movements .....	–	–	6,165	33,166	178	–	(39,509)	–
Foreign exchange translation difference ...	1,328	(442)	3	(157)	9	–	215	956
At 30 June 2009 .....	63,350	254,458	106,746	223,285	3,697	40,193	53,056	744,785
<b>Accumulated depreciation and impairment</b>								
At 1 January 2009 .....	15,754	79,823	21,311	51,628	1,306	33,376	788	203,986
Depreciation for the period .....	–	12,644	5,979	9,668	184	761	–	29,236
Impairment <sup>(b)</sup> .....	–	10,091	–	1,190	–	–	–	11,281

	Exploration and evaluation costs	Mining properties and development costs	Land and buildings	Plant and equipment <sup>(a)</sup>	Vehicles	Mine closure asset	Construction in progress and capital advances	Total
	<i>US\$(000)</i>							
Write off <sup>(d)</sup> .....	(949)	(26,716)		(738)	(20)	–		(28,423)
Disposals.....	–	–	–	(1)	(4)	–	–	(5)
Foreign exchange translation difference...	377	–	–	6	3	–	3	389
At 30 June 2009 .....	15,182	75,842	27,290	61,753	1,469	34,137	791	216,464
<b>Net book amount at 30 June 2009</b>	<b>48,168</b>	<b>178,616</b>	<b>79,456</b>	<b>161,532</b>	<b>2,228</b>	<b>6,056</b>	<b>52,265</b>	<b>528,321</b>

- a) The carrying value of plant and equipment held under finance leases at 30 June 2009 was US\$9,972,095 (31 December 2008 was US\$7,482,000). Additions during the period include US\$3,282,000 (31 December 2008: US\$7,872,000) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.
- b) The amount of impairment losses recognised in profit and loss during the six months ended 30 June 2009 was US\$11,281,000, comprised of the following:
- As a result of the proximity of the closing of the Ares mine unit, and the resulting revision to the remaining recoverable reserves and resources, the Group has impaired the assets of the Ares mine unit by US\$1,190,000.
  - The fair value of the Liam properties was reassessed during the period, following the acquisition of Southwestern (refer to Note 5). This exercise has resulted in an impairment of US\$10,091,000 being recognised on the 50% interest in Liam properties acquired during 2008 for US\$33,333,333.

The methodology adopted for the impairment testing is consistent with that applied in the impairment testing performed at 31 December 2008, and set out in Note 15 to the 31 December 2008 financial statements. During the year ended 31 December 2008, the Group recognised impairments totalling US\$34,706,000, including a US\$13,651,000 impairment of the Selene mine unit, a US\$5,652,000 impairment to the Moris mine, and a US\$15,403,000 impairment to the San Felipe project. These impairments were triggered primarily by the effect of the economic environment at that time, and the significantly reduced gold, silver and zinc prices.

- c) Mainly corresponds to: i) Additions in Peru of US\$ 20,500,000, (ii) Construction of the transmission line of US\$ 8,300,000, the doré project of US\$1,500,000 and plant expansion of US\$1,500,000 in Minera Santa Cruz, (iii) Development costs of US\$20,999,000; and (iv) Exploration and evaluation costs of US\$2,797,000.
- d) As the result of the planned cessation of mining activities of the Selene mine unit, the remaining net book value of assets of US\$2,207,000 was written off.

## 12 Cash and cash equivalents

	As at 30 June 2009 (Unaudited)	As at 31 December 2008
	<i>US\$ (000)</i>	
Cash at bank .....	223	171
Liquidity funds <sup>1</sup> .....	8,904	93,131
Current demand deposit accounts <sup>2</sup> .....	34,899	14,567
Time deposits <sup>3</sup> .....	14,897	8,278
Cash and cash equivalents .....	<u>58,923</u>	<u>116,147</u>

1 The liquidity funds are mainly invested in certificate of deposits, commercial papers and floating rate notes with a weighted average annual effective interest rate of 1.11% and a weighted average maturity between 30 to 52 days as at 30 June 2009 (3.98% and 30 to 54 days as at 31 December 2008 respectively).

2 Relates to bank accounts which are freely available and do not bear interest.

3 The effective interest rates as at 30 June 2009 were 3.64%. As at 31 December 2008 the effective interest rate was 2.67%. These deposits have an average maturity of 1 to 30 days.

The fair value of cash and cash equivalents approximates its book value.

## 13 Borrowings

	As at 30 June 2009 (Unaudited)		As at 31 December 2008	
	Non-current	Current	Non-current	Current
	<i>US\$(000)</i>			
Secured bank loans <sup>1</sup> .....	174,653	53,264	202,094	56,625
Amount due to minority shareholders <sup>2</sup> .....	26,729	46,036	29,598	40,409
Amounts due to related parties .....	—	912	—	1,036
	<u>201,382</u>	<u>100,212</u>	<u>231,692</u>	<u>98,070</u>

### 1 Secured bank loans

The balance corresponds to:

- Pre shipment loans for a total amount of US\$1,500,000 in Compañía Minera Ares and US\$16,500,000 in Minera Santa Cruz (2008: US\$18,380,000 and US\$20,000,000 respectively, and US\$11,280,000 in Compañía Minera Suyamarca). These obligations accrue an effective annual interest rate ranging from 4.12% to 8.75% and are guaranteed by the inventories of the company (2008: 5.55% to 8.70%).
- Leasing agreements with Banco de Credito and BIF for an amount of US\$9,286,000 in Compañía Minera Ares (2008: US\$7,207,000). This obligation accrues an effective annual interest rate ranging from 6.80% to 8.00% (2008: 6.80% to 7.45%).
- Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the administrative agent. The balance as at 30 June 2009 is comprised of the secured term loan facility of US\$200,000,000 plus accrued interest of US\$3,039,419 and net of transaction costs of US\$2,408,000 (2008: US\$200,000,000, US\$4,260,000 and US\$2,408,000 respectively). This obligation accrues an effective interest rate of LIBOR + 1% and is guaranteed by all the equity share capital, free and clear of any liens, of Compañía Minera Ares S.A.C. During 2009 the Group signed a swap contract with BBVA and Citibank to fix the interest rate at 1.75%. These swap agreement is only effective from 20 July 2009.

2 Amount due to minority shareholders

As at 30 June 2009 the balance mainly corresponds to a loan from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US\$64,593,000 (2008: US\$62,105,000) with interests rates between LIBOR + 2.50% and 12%. There is also a loan of US\$8,172,000 (2008: US\$7,902,000) to Minera Santa Cruz S.A. from Minera Andes S.A. with an interest rate of 12%.

The movement of borrowings during the period is as follows (refer to interim consolidated cash flow statement):

	<u>As at 1 January 2009</u>	<u>Additions</u>	<u>Payments</u>	<u>Reclassification</u>	<u>As at 30 June 2009</u>
			<i>US\$ (000)</i>		
Non-current	231,692	2,947	—	(33,257)	<b>201,382</b>
Current	<u>98,070</u>	<u>105,187</u>	<u>(136,302)</u>	<u>33,257</u>	<u><b>100,212</b></u>
	329,762	108,134	(136,302)	—	<b>301,594</b>
<b>Accrued Interest:</b>					
Non-current and current	<u>18,204</u>	<u>6,032</u>	<u>(4,495)</u>	—	<u><b>19,741</b></u>
<b>Net of accrued interest</b>	<u><u>311,558</u></u>	<u><u>102,102<sup>(a)</sup></u></u>	<u><u>(131,807)</u></u>	—	<u><u><b>281,853</b></u></u>

(a) US\$2,079,000 corresponds to the addition of leases that do not affect cash.

## 14 Dividends Paid and Proposed

	<u>Amount</u>
	<i>US\$(000)</i>
<b>Year ended 31 December 2008</b>	
Total dividends paid during the year <sup>1</sup>	28,531
Total dividends declared after year-end and not provided for <sup>2</sup>	6,147
<b>Six months ended 30 June 2009</b>	
Total dividends paid during the period <sup>2</sup>	6,147
Total dividends declared after period-end and not provided for	6,147

1 Corresponds to dividends paid and provided during 2008 of US\$22,184,667 and US\$6,147,005, and the payment of accrued dividends as at 31 December 2007 of US\$200,000 to Dona Limited for dividends declared in 2006.

2 Corresponds to dividends declared after 31 December 2008 to Pelham Investment Corporation, Navajo Overseas Corporation and public shareholders.

### Dividends per share

A dividend in respect of the year ended 31 December 2008 of US\$0.020 per share, amounting to a total dividend of US\$6,147,005, was approved at the Annual General Meeting held on 26 May 2009. A dividend of US\$0.020 per share, amounting to a total dividend of US\$6,147,005 is to be proposed at the General Meeting on 18 August 2009. These financial statements do not reflect this dividend payable.

## 15 Related party transactions

During the period, there were no significant transactions between related parties, other than the normal arrangements the Group has with its related parties.

## 16 Notes to the cash flow statement

	Six-months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
	<i>US\$(000)</i>	
Reconciliation of profit for the period to net cash generated from operating activities:		
Profit for the period.....	32,363	46,963
Adjustments to reconcile group operating profit to net cash inflows from operating activities:		
Depreciation .....	29,230	18,349
Amortisation of software licences.....	153	98
Loss on sale of property, plant and equipment .....	20	47
Impairment of property, plant and equipment .....	11,281	—
Impairment of available-for-sale financial assets .....	—	6,704
Gain on sale of available-for-sale financial assets .....	—	(1,613)
Negative goodwill generated in acquisitions .....	(4,150)	—
Negative goodwill generated in acquisitions of subsidiaries .....	(9,807)	—
Write off of property, plant and equipment .....	2,207	—
Share of post tax losses and negative goodwill of associates and joint ventures accounted under equity method .....	1106	4,909
Provision of obsolescence of supplies .....	361	—
Increase in provision for mine closure.....	1,116	—
Finance income .....	(10,380)	(5,353)
Finance costs (excluding impairment of available-for-sale financial assets).....	27,196	7,980
Income tax expense .....	5,303	22,632
Other .....	4,616	128
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities:		
Trade and other receivables.....	14,720	(71,312)
Income tax receivable .....	2,874	(438)
Derivative financial instruments.....	748	(998)
Inventories.....	2,684	(8,233)
Trade and other payables .....	(5,241)	19,013
Provisions.....	(339)	(7,226)
Cash generated from operations.....	<u>106,061</u>	<u>31,650</u>

## 17 Commitments

### a) Mining rights purchase options

During the ordinary course of business, the Group enters into agreements to carry out exploration under concessions held by third parties. Generally, under the terms of some of the agreements, the Group has the option to acquire the concession or invest in the entity holding the concession. In order to exercise the option the Group must satisfy certain financial and other obligations over the agreement term. The options lapse in the event the Group does not meet

the financial requirements. At any point in time, the Group may cancel the agreements without penalty, except in certain specific circumstances. The amount at 30 June 2009 that the Group would be required to pay if they were to cancel their agreements, is US\$868,000 (30 June 2008: US\$581,000).

The Group continually reviews its requirements under the agreements and determines on an annual basis whether to proceed with the financial commitment. Based on management's current intention regarding these projects, the commitments at the balance sheet date are as follows:

	<b>As at 30 June 2009</b>	<b>As at 31 December 2008</b>
	<i>US\$ (000)</i>	
Commitment for the subsequent twelve months	1,181	1,293
Later than one year	14,450	19,192

#### **b) Capital commitments**

The future capital commitments of the Group are as follows:

	<b>As at 30 June 2009</b>	<b>As at 31 December 2008</b>
	<i>US\$ (000)</i>	
Peru	69,997	31,860
Argentina	7,968	14,112
Mexico	218	19
	<u>78,183</u>	<u>45,991</u>

## **18 Subsequent events**

On 20 July 2009, the Group completed the acquisition of 3,750,000 shares in Gold Resource Corporation for US\$15,000,000, which has previously been agreed on 30 June 2009. Following this transaction, the Group's interest in Gold Resource Corporation increased from 17.1% to 23.9%.

## Production Information

### TOTAL GROUP PRODUCTION<sup>1</sup>

	H1 2009	H1 2008	% change
Silver production (koz)	11,792	8,994	31%
Gold production (koz)	103.73	92	13%
Total silver equivalent (koz)	18,016	14,516	24%
Total gold equivalent (koz)	300.27	242	24%
Silver sold (koz)	10,906	8,842	23%
Gold sold (koz)	98.62	92	7%

<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>

	H1 2009	H1 2008	% change
Silver production (koz)	9,250	7,443	24%
Gold production (koz)	77.60	74	5%
Attrib. silver equivalent (koz)	13,906	11,865	17%
Attrib. gold equivalent (koz)	231.77	198	17%

<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% in May 2009 therefore a portion of H1 production will be attributable).

### QUARTERLY PRODUCTION BY MINE

#### ARCATA

Product	H1 2009	H1 2008	% change
Ore production (tonnes)	311,506	228,561	36%
Average head grade silver (g/t)	540.84	554.90	-3%
Average head grade gold (g/t)	1.61	1.38	17%
Concentrate produced (tonnes)	11,388	8,376	36%
Silver grade in concentrate (kg/t)	13.39	13.49	-1%
Gold grade in concentrate (kg/t)	0.04	0.03	33%
Silver produced (koz)	4,970	3,633	37%
Gold produced (koz)	14.08	8.89	58%
Silver sold (koz)	4,174	3,550	18%
Gold sold (koz)	11.98	8.34	44%

**ARES**

<b>Product</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% change</b>
Ore production (tonnes)	161,964	165,715	-2%
Average head grade silver (g/t)	89.25	191.90	-53%
Average head grade gold (g/t)	4.92	6.68	-26%
Doré total (koz)	425.04	937	-55%
Silver produced (koz)	399	900	-56%
Gold produced (koz)	24.16	33.75	-28%
Silver sold (koz)	395	1,078	-63%
Gold sold (koz)	23.65	37.66	-37%

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

<b>Product</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% change</b>
Ore production (tonnes)	109,893	176,868	-38%
Average head grade silver (g/t)	216.76	214.23	1%
Average head grade gold (g/t)	1.09	1.23	-11%
Concentrate produced (tonnes)	1,057	2,064	-49%
Silver grade in concentrate (kg/t)	18.55	15.83	17%
Gold grade in concentrate (kg/t)	0.09	0.09	0%
Silver produced (koz)	628	1,039	-40%
Gold produced (koz)	3.02	5.59	-46%
Silver sold (koz)	550	1,231	-55%
Gold sold (koz)	2.55	6.41	-60%

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

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

<b>Product</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% change</b>
Ore production (tonnes)	375,840	134,410	180%
Average head grade silver (g/t)	302.75	339.64	-11%
Average head grade gold (g/t)	1.34	1.67	-20%
Concentrate produced (tonnes)	3,004	1,388	116%
Silver grade in concentrate (kg/t)	32.95	29.77	11%
Gold grade in concentrate (kg/t)	0.13	0.12	8%
Silver produced (koz)	3,182	1,329	139%
Gold produced (koz)	12.11	5.16	135%
Silver sold (koz)	3,190	1,187	169%
Gold sold (koz)	11.44	4.57	150%

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

**SAN JOSE<sup>1</sup>**

<b>Product</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% change</b>
Ore production (tonnes)	238,170	120,500	98%
Average head grade silver (g/t)	413.80	652.57	-37%
Average head grade gold (g/t)	5.47	7.33	-25%
Silver produced (koz)	2,564	2,061	24%
Gold produced (koz)	34.64	24.55	41%
Silver sold (koz)	2,547	2,608	-2%
Gold sold (koz)	33.31	34.03	-2%

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

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

<b>Product</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% change</b>
Ore production (tonnes)	632,497	387,063	63%
Average head grade silver (g/t)	5.01	5.15	-3%
Average head grade gold (g/t)	1.37	1.63	-16%
Silver produced (koz)	49.57	32	55%
Gold produced (koz)	15.73	14.08	12%
Silver sold (koz)	50	34	47%
Gold sold (koz)	15.69	14.50	8%

<sup>1</sup> The Company increased its stake in Moris from 70% to 100% in May 2009 therefore a portion of H1 production will be attributable.

## **Glossary**

### **Ag**

Silver

### **Adjusted EBITDA**

Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation, amortization and exploration expenses other than personnel and other expenses

### **Au**

Gold

### **Attributable after tax profit**

Profit for the year before dividends attributable to the equity shareholders of Hochschild Mining plc from continuing operations before exceptional items and after minority interest

### **Attributable production**

Represents the Group's actual share of production (currently includes 100% of all production from Arcata, Ares and Moris, 60% from Pallancata and 51% from San José)

### **Average head grade**

Average ore grade fed into the mill

### **Board**

The board of directors of the Company

### **Company, Group or Hochschild**

Hochschild Mining plc and its subsidiary undertakings

### **Cu**

Copper

### **Directors**

The directors of the Company

### **Doré**

Doré bullion is an impure alloy of gold and silver and is generally the final product of mining and processing; the doré bullion will be transported to be refined to high purity metal

### **Dollar or \$**

United States dollars

### **Effective Tax Rate**

Income tax expense as a percentage of profit from continuing operations before income tax

### **EPS**

The per-share (using the weighted average number of shares outstanding for the period) profit available to equity shareholders of the Company from continuing operations before exceptional items

### **eq**

equivalent

### **Exceptional item**

Events that are significant and which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately

**GAAP**

Generally Accepted Accounting Principles

**g/t**

Grams per metric tonne

**IAS**

International Accounting Standards

**IASB**

International Accounting Standards Board

**IFRS**

International Financial Reporting Standards

**JV**

Joint venture

**koz**

Thousand ounces

**kt**

Thousand metric tonnes

**ktpa**

Thousand metric tonnes per annum

**Listing or IPO (Initial Public Offering) or Global Offer**

The listing of the Company's ordinary shares on the London Stock Exchange on 8 November 2006

**LSE**

London Stock Exchange

**LTIP**

Long Term Incentive Plan

**moz**

Million ounces

**Ordinary Shares**

Ordinary shares of £0.25 each in the Company

**Pb**

Lead

**Silver equivalent**

Gold production multiplied by 60 added to silver production

**Spot or spot price**

The purchase price of a commodity at the current price, normally this is at a discount to the long term contract price

**t**

tonne

**Zn**

Zinc

## Shareholder Information

### 1. Company website

Hochschild Mining plc Interim and Annual Reports and results announcements are available via the internet on our website at [www.hochschildmining.com](http://www.hochschildmining.com). Shareholders can also access the latest information about the Company and press announcements as they are released, together with details of future events and how to obtain further information.

### 2. Registrars

Enquiries concerning shareholdings, dividends and changes in personal details should be referred to the Company's registrars, Capita as detailed below.

*By post:*

Shareholder Services Department, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

*By telephone:*

- From the UK: 0871 664 0300 (Calls cost 10p per minute plus network extras)
- From overseas: +44 20 8639 3399

*By fax:* +44 (0)20 8639 2342

### 3. Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 8 September 2009 in respect of the 2009 interim dividend.

The Company's registrars can also arrange for the dividend to be paid directly into shareholders' UK bank accounts. To take advantage of this facility in respect of the 2009 interim dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 8 September 2009. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

### 4. Investor Relations

For investor enquiries please contact Jane Flynn, Investor Relations Associate, by writing to the registered office address (given below) or by telephone on 020 7907 2933 or by email at [jane.flynn@hocplc.com](mailto:jane.flynn@hocplc.com).

### 5. Financial Calendar

Dividend dates	2009
Ex-dividend date	02 September
Record date	04 September
Deadline for return of currency election forms	08 September
Payment date	22 September

Hochschild Mining plc  
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Registered in England and Wales  
Registered Number: 05777693