HOCHSCHILD MINING

29 March 2011

Hochschild Mining plc

Preliminary Results for the twelve months ended 31 December 2010

Financial highlights[1]

- Record revenue of $752.3 million, up 39%
- Record adjusted EBITDA of $397.7 million, up 59%
- Record attributable profit after tax of $94.9 million, up 79%
- Record EPS of $0.28, up 65%
- Exceptional gain on the sale of stake in Lake Shore Gold Corp of $63.7 million
- Strong financial position with a year end cash balance of $525.5 million
- Proposed final dividend of $0.03 per share, up 50%, bringing total dividend for 2010 to $0.05 per share
- Repayment in full of syndicated loan facility of $114.3 million in January 2011
- Investment in Gold Resource Corp valued at $349 million compared to a net acquisition cost of $67 million

Operational highlights

- Full year production of 26.4 million attributable silver equivalent ounces
- Exploration programme delivering positive results:
    - Resource life of core operations up 23% to 8.7 years
    - Advanced projects, Inmaculada, Azuca and Crespo, on track with the potential to add a minimum of 12 million attributable silver equivalent ounces per year starting from the end of 2013
    - Number of Company Maker prospects increased from three to eight
- Acquisition of controlling stakes in Inmaculada (Peru) & Victoria (Chile)
- Option agreement for the Valeriano property in Chile
- 2011 production target of 22.5 million silver equivalent ounces
- $70 million exploration budget for 2011, up 40%

($000, pre-exceptional unless stated)	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Attributable silver production (koz)	**17,768**	18,754	(5)
Attributable gold production (koz)	**144**	157	(8)
Revenue	**752,322**	539,741	39
Adjusted EBITDA*	**397,731**	249,869	59
Profit from continuing operations	**158,830**	76,617	107
Profit from continuing operations (post exceptional)	**216,665**	121,340	79
Earnings per share ($)	**0.28**	0.17	65
Earnings per share ($ post-exceptional)	**0.46**	0.31	48

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

[1] *On a pre-exceptional basis*

Commenting on the results, Ignacio Bustamante, CEO, said:

"I am pleased to report strong financial and operational results for the full year 2010. Our strategy to focus on organic growth through exploration has been a great success with a 23% increase in the resource life of our core operations to 8.7 years and an expanded project pipeline currently including eight Company Makers. We remain extremely confident about the prospects for our three advanced projects following positive scoping studies, particularly at Inmaculada where we have recently announced an increase in total resources to 128.3 million silver equivalent ounces.

We are reporting record EBITDA of $397.7 million, up 59% and earnings per share up 65%, driven by another strong year for precious metals. The final proposed dividend has increased by 50% bringing the total dividend for the year to $0.05 per share, reflecting our confidence in the sustainable operational performance of the Group and strong cash position, with a year end cash balance of $525.5 million."

A presentation will be held for analysts & investors at 9.00am (UK time) on Tuesday 29 March 2011 at the offices of JP Morgan Cazenove, 20 Moorgate, London, EC2R 6DA.

For a live webcast of the presentation please click on the link below:

http://www.thomson-webcast.net/uk/dispatching/?event_id=7e62729d2d9a65b15e178b52d5966a14&portal_id=b48bca21de6fabf3b2a93c33e33cb205

Conference call dial in details:

UK: +44 (0)20 7138 0838 (Please quote 'Hochschild Mining webcast' or confirmation code 9905834).

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

UK: +44 (0)20 7111 1244 Access code: 9905834#

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About Hochschild Mining plc:

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCM.L / HOC LN) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over 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 projects throughout the Americas.

Chairman's Statement

I am pleased to report that Hochschild Mining has delivered a strong performance in 2010. What was once again a turbulent year for the global economy was, however, one of the strongest years in history for precious metals, particularly for the silver price which rose 83%. In this environment, the Company met its operational expectations, strengthened its financial position and undertook some key strategic steps which I firmly believe will secure our future growth path and deliver further value for our shareholders.

The Company's consistent operational efficiency coupled with strong gold and silver prices delivered a robust financial performance with EBITDA up 59% at $397.7 million and post exceptional EPS also up strongly by some 48% to $0.46 per share. Consequently, the Board is delighted to announce that we are proposing to increase the final dividend by 50% to $0.03 per share which reflects our strong balance sheet position and the anticipated healthy future cashflows of the Group. We believe the proposed increase is in accordance with capital availability and our desire to provide a yield to shareholders whilst continuing to respect the growth requirements of the business and the availability of capital.

During 2010, the Board appointed a new management team led by Ignacio Bustamante as Chief Executive Officer and Ramón Barúa as Chief Financial Officer. I believe that the realigned Company focus on growth through exploration heralds the beginning of a new era for Hochschild in which our excellent asset base, combined with an immense talent pool, will unlock consistent and profitable precious metal production growth. The 40% increase in our exploration budget to $70 million for 2011 is firm evidence of our commitment to this strategy and our confidence in the potential of our current project pipeline. In addition, we now have over 70 geologists providing us with the technical experience and expertise required to deliver a steady stream of value accretive project opportunities.

Our management team has great confidence in the potential of the Company to develop this aggressive exploration strategy and, allied to this, they have promoted a disciplined approach to the assessment of acquisitions. In this regard, the key announcements in 2010 were the progression of our 100% owned Azuca and Crespo projects and the acquisition of a controlling stake in the Inmaculada project, all of which are located at the core of our Southern Peru cluster.

Also noteworthy was the sale of our stake in Lake Shore Gold Corp which represented a 34% gain on our original average purchase price. The decision was made in light of our stated commitment that acquisitions must not only deliver early stage assets, strong geological potential and high value accretion but also a clear path to control. The sale achieved a very profitable return on our investment and has given us the financial strength to reinvest in our near term project pipeline. In addition, our 25% investment in Gold Resource Corp, in which we have invested a total of $67 million, is currently valued at approximately $349 million.

The silver market rose over 70% in the second half of 2010 boosted by strong fundamentals, unprecedented investment demand and renewed focus on silver's value as an alternative to gold. Whilst the corresponding rise in Hochschild's share price can be explained partly by the buoyant precious metals market, I firmly believe that an increasingly widespread market acceptance of our shift in strategic focus as well as the positive results achieved to date have also been major factors and will continue to be so in the future.

During 2011, we can look forward to further crucial steps in the development of our advanced projects at Inmaculada, Azuca and Crespo which in total have the potential to add a minimum of 12 million profitable ounces per year to our current production base from the end of 2013. Management is also confident that we are in a very strong position to continue the investment in brownfield expansion at our existing mines and to take advantage of any value enhancing acquisitions and opportunities that arise which meet the strict investment criteria I have described above.

We are committed to the safety of all our employees and have made good progress during the past year. In 2010, we reduced our accident frequency rate by 29% compared to 2009 and continue to move forward with the implementation of the safety management information system jointly developed with DNV. Nonetheless, it is with deep regret that I report two fatalities in 2010. We have addressed the underlying safety deficiencies that led to the occurrence of these tragic events and we continue to view any fatalities as unacceptable.

On behalf of the Board, I would like to thank our entire team for their continued commitment in 2010 and I am confident that such impressive execution will remain the focus in 2011.

Eduardo Hochschild
Executive Chairman
28 March 2011

Chief Executive Officer's Statement

Having joined Hochschild Mining over 19 years ago, it gives me great pleasure to present my first set of results as CEO. I am pleased to announce strong full year performance, reflecting the continuing operational and financial strength of our business.

2010 has been a pivotal year for the Group. As a new management team, we agreed, with the full support of the Board, that focusing on an organic growth strategy, utilising our strong exploration and project development skills, would be the optimum strategy to continue generating value for all our shareholders. With our unrivalled knowledge of the Americas, premium land packages in many of the key geological areas and extensive existing infrastructure, we are strongly positioned to consolidate and grow our role as one of the leading mining operators in the Americas.

Organic growth strategy

Our strategy for growth is based on three distinct pillars. Firstly, we continue to optimise production and extend the life of our core producing assets, Arcata, Pallancata and San Jose, which are the bedrock of the Company. Last year, we committed to increasing resources and I am pleased to say that we achieved this, with resource life up 23% to 8.7 years in 2010. Particularly good progress was made at San Jose, where we discovered nine new veins and two extensions in the second half of 2010, thus increasing total resource life at the property by 36% to 11.4 years and at Arcata, where we have increased the resource life by 30% to 9.6 years.

The second pillar is our exploration pipeline which currently contains highly promising targets at various stages of development across four key countries - Peru, Argentina, Mexico and Chile. In 2010, we delivered some excellent results particularly at our three advanced projects in our southern Peru cluster - Inmaculada, Azuca and Crespo, which all moved through scoping to pre-feasibility/feasibility stage. These three projects combined have the potential to add a minimum of 12 million attributable silver equivalent ounces per year to our production profile starting from the end of 2013. Furthermore, we have increased the number of Company Maker prospects which have the potential to deliver 20 – 30 million silver equivalent ounces. To support our 2011 exploration programme, we have once again significantly increased our budget by a further 40% to $70 million, more than double 2009 levels. This will deliver an extensive drill programme covering 335,000 metres at greenfield and brownfield sites in our four target countries.

Finally, our corporate development team has a clear mandate to pursue early stage, value accretive opportunities which display significant geological potential and a clear path to control. We saw this strategy in action in September 2010 with the acquisition of a controlling stake in the Inmaculada project, following the announcement of positive scoping results by our joint venture partner International Minerals Corp ("IMZ"). In Chile, we exercised our option to increase ownership in the Victoria project to a controlling 60% stake and we also signed an option agreement for a 100% stake in the Valeriano property which is located in an extremely prospective location, 27 kilometres north of Barrick Gold Corporation's Pascua Lama project.

We have a proven track record of identifying early stage, value accretive opportunities demonstrated by our investments in Lake Shore Gold and Gold Resource Corp. The divestment of the Lake Shore Gold stake at an attractive price allowed us to secure funding for the development of our advanced projects as well as for our exploration strategy.

2010 overview

Our operations delivered a robust performance in 2010 with production of 26.4 million attributable silver equivalent ounces comprised of 17.8 million ounces of silver and 144.4 thousand ounces of gold. Pallancata and San Jose performed particularly well with silver equivalent production up 19% and 8% year-on-year respectively. The 6% year-on-year reduction in attributable silver equivalent production was mainly driven by a lower contribution from the Arcata operation where we made the firm decision of mining reserve grades in order to achieve a consistent and sustainable level of production.

As a result of the significant increase in precious metals prices in the second half of 2010, our Ares mine in southern Peru continued to operate for the full year, albeit at a declining rate. We are monitoring the grade and cost profile of Ares and Moris, our ageing open pit mine in Mexico, to ensure that they are in line with our policy of producing profitable ounces. We expect both operations to cease producing in 2011.

For 2011, we are targeting production of 22.5 million ounces from current operations. We expect stable production at Pallancata and San Jose and lower production at Arcata as we move towards the reserve grade, as mentioned above. There continues to be enormous potential at Arcata with new high grade veins continuing to be found and resource life now at a very solid 9.6 years.

2010 was not only a year of high prices but also of high cost inflation. The management team has worked hard to contain controllable costs. Unit cost at underground operations increased 16%, mainly due to local price inflation in Argentina, higher royalties and the longer than anticipated mine life at the high cost Ares operation. Looking ahead, we are forecasting overall 2011 unit cost per tonne performance in Peru to be broadly in line with industry cost inflation of around 10%, whilst in Argentina we expect the rate to continue rising as a result of ongoing local price inflation of around 25-30%.

The business is in sound financial health reporting record revenue of $752.3 million in 2010 up 39% year on year, underpinned by higher realised silver and gold prices, which were up 83% and 30% year-on-year respectively. Attributable profit after tax rose 79% to $94.9 million (2009: $52.9 million) with pre-exceptional EPS of $0.28 for the full year, up 65% on 2009.

At San Jose, I am also pleased that during 2010 we resolved the lawsuit with our joint venture partner, Minera Andes Inc (“MAI”) and we are fully committed to working together with MAI to deliver the mine’s full potential.

We closed the year with an extremely substantial cash balance of $525.5 million which enabled us to repay our entire existing syndicated loan facility of $114.3 million in January 2011 and announce a 50% increase in our final dividend. This strong cash balance, together with healthy operating cashflow which is up 52% to $304.2 million in 2010, gives us the financial flexibility to pursue our ambitious exploration programme in 2011 and beyond. It also supports a full capital expenditure programme (2010: $156.5 million) including investment in our existing producing assets, mine development, advanced exploration projects and equipment. Finally, our strong capital position enables us to make selective, value accretive acquisitions which are consistent with Group strategy.

Outlook

Mining is a long-term investment proposition and we have a clear strategy for delivering long-term growth and value for shareholders. 2011 is already proving to be another promising year in this important phase of Hochschild’s evolution: production of 22.5 million attributable silver equivalent ounces, key stage development at all three of our advanced projects and an exploration programme which, with unprecedented investment, will aim to make tangible progress in 2011 and beyond. With Hochschild’s highly talented team, solid asset base and extensive project pipeline set to deliver long term production growth, I am confident that we are in a strong position to create further stakeholder value. I look forward to updating you on our progress over the course of the year.

Ignacio Bustamante
Chief Executive Officer
28 March 2011

OPERATING REVIEW

2010 Highlights

- Full year production of 26.4 million attributable silver equivalent ounces, in line with market expectations
- Strong production at Pallancata and San Jose, up 19% and 8% respectively
- Advanced projects, Inmaculada, Azuca and Crespo on track with the potential to add a minimum of 12 million attributable silver equivalent ounces per year starting from the end of 2013
- Acquisition of controlling stake in the Inmaculada project

CURRENT OPERATIONS

Production

Hochschild delivered another solid performance in 2010, in line with its stated target, achieving attributable production of 26.4 million silver equivalent ounces comprised of 17.8 million ounces of silver and 144,403 ounces of gold (2009: 28.2 million attributable silver equivalent ounces). Production was particularly strong at the Company's two newest mines, Pallancata and San Jose, which now contribute approximately half of the Company's total attributable production, offset by lower production at Arcata where the Company is moving towards mining reserve grades in order to achieve a consistent and sustainable level of production.

The Company has announced a production target of 22.5 million attributable silver equivalent ounces for 2011, in line with its mid-term forecast of 20-23 million attributable silver equivalent ounces from current operations. Management expects stable production at San José and Pallancata, offset by lower production at Arcata, as the Company moves towards its long term goal of mining close to the average reserve grade at each of its core operations as anticipated in 2009.

Costs

The Company reported an increase in unit cost per tonne at its underground operations of 16% in 2010 to $82.3 (2009: $70.7) primarily due to significant price inflation in Argentina, higher royalties and longer than anticipated mine life at the high cost Ares operation. Please see page 19 of the financial review for further details on costs.

Main operations

Arcata: Peru

Production and sales

Arcata, which commenced production in 1964, is a 100% owned underground operation located in the Department of Arequipa in southern Peru.

During 2010, Arcata's production was impacted by lower silver grades due to changing geotechnical conditions at the accessible mine areas. In order to ensure a consistent and sustainable level of production, Arcata extraction grades were reduced during the year, moving towards reserve grade level as anticipated in 2009. Consequently, 2010 silver production decreased by 15% to 8.1 million ounces (2009: 9.5 million ounces). Gold production was 10% lower at 25,834 ounces (2009: 28,639 ounces).

As at 31 December 2010, the silver equivalent reserve grade at Arcata was 431 g/t and the Company expects to mine around this level in 2011, notwithstanding the 10-15% variability that is typical with these types of deposits. The Company remains positive about the geological potential at the Arcata property and has made excellent progress with the extension of its resource life which increased 30% in 2010 to 9.6 years.

Costs

The Arcata operation reported a 15% increase in unit cost per tonne in 2010, mainly as a result of higher metals prices increasing the royalties paid by the Company and also due to higher infrastructure costs relating to mine tunnels and stopes. This was partly offset by efficiency measures leading to cost reductions in contractors, explosives and maintenance.

A number of initiatives are planned for 2011 including the construction of eight new stopes in order to optimise extraction capacity as well as a programme to reduce energy consumption through the replacement of existing energy pumps.

Arcata summary	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Ore production (tonnes)	**645,974**	643,059	0%
Average head grade silver (g/t)	**439**	503	-13%
Average head grade gold (g/t)	**1.40**	1.56	-10%
Silver produced (koz)	**8,099**	9,542	-15%
Gold produced (koz)	**25.83**	28.64	-10%
Silver equivalent produced (koz)	**9,649**	11,261	-14%
Silver sold (koz)	**8,095**	9,138	-11%
Gold sold (koz)	**24.96**	27.17	-8%
Unit cost (US$/t)	**71.1**	62.0	15%

Resource life

The resource life of Arcata currently stands at 9.6 years, up from 7.4 years in 2009 following an intensive drill campaign focused on the Socorro, Sorpresa, Luz, Rita and Barbara veins. A total of 76,506 metres of diamond drilling was completed during the year (2009: 59,582 metres) with significant intercepts including:

Vein	**Results**
Sorpresa	DDH-831 0.8m at 5.3 g/t Au and 621 g/t Ag DDH 823 0.9m at 1.9 g/t Au and 1,201 g/t Ag
Socorro	DDH-169 0.8m at 13.5 g/t Au and 130 g/t Ag
Luz	DDH- 780 0.8 m at 3.77 g/t Au and 846 g/t Ag DDH- 734 0.8 m. at 0.94 g/t Au and 784 g/t Ag

The 2011 programme will employ geophysical methods in those areas of the property with thick post mineral cover and will also drill for further potential in the Mariana and Socorro veins. In addition, the Company will develop new resources in the Socorro, Luz, and Sorpresa veins.

Pallancata: Peru

Production and sales

The Pallancata silver/gold property is located in the Department of Ayacucho in southern Peru, approximately 160 kilometres from the Arcata operation. Pallancata commenced production in 2007 and is a joint venture with International Minerals Corporation (“IMZ”).Hochschild controls 60% of the joint venture and is the mine operator. Ore from Pallancata is transported 22 kilometres to the Selene plant for processing.

Pallancata continues to deliver strong results with record silver equivalent production in 2010, up 19% to 12.3 million silver equivalent ounces. Production was positively impacted by increased treated tonnage which rose 16% year-on-year, due to the Selene plant exclusively processing Pallancata’s ore. As a result of these effects and a higher extracted silver grade of 344 g/t (2009: 327 g/t) silver production increased 20% to 10.1 million ounces (2009: 8.4 million ounces). Gold production also increased in 2010, up 12% to 35,848 ounces (2009: 31,975 ounces).

Following positive results from the ongoing drill programme at Pallancata, the Company completed mine development in two new areas in November 2010, Ranichico and Virgen del Carmen, both of which have strong future potential. In 2011, the Company will develop two further areas, San Javier and Pallancata East.

Costs

Pallancata’s production cost is reported on a consolidated basis with the Selene processing plant. The Pallancata operation reported a 9% increase in unit cost per tonne year-on-year mainly due to higher royalties paid by the Company as a result of higher production and higher prices in 2010. Costs were also impacted by investment in infrastructure including mine tunnels and stopes and also in mine support facility upgrades. These effects were partly offset by cost efficiencies resulting from the wide vein structure of the deposit and higher production volume.

Cost initiatives undertaken during 2010 include the optimisation of drilling and blasting procedures thus reducing the volume of explosives used and the introduction of a new paste fill plant. Plans for 2011 include the completion of a new tailings dam and the implementation of a new washing circuit stage in the treatment process which will help maintain the plant's target of 3,000 tpd capacity throughout the year.

Pallancata summary	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Ore production (tonnes)	**1,071,617**	922,521	16%
Average head grade silver (g/t)	**344**	327	5%
Average head grade gold (g/t)	**1.41**	1.43	-1%
Silver produced (koz)	**10,135**	8,420	20%
Gold produced (koz)	**35.85**	31.97	12%
Silver equivalent produced (koz)	**12,286**	10,339	19%
Silver sold (koz)	**9,998**	8,405	19%
Gold sold (koz)	**33.73**	30.71	10%
Unit cost (US$/t)	**51.8**	47.3	9.3%

[1] The Company has a 60% interest in Pallancata

Resource life

The resource life of the Pallancata operation currently stands at 6.9 years, up 11% compared to 2009. During 2010, the Company continued to advance underground development at the Mariana and Virgen del Carmen veins. A total of 46,547 metres of diamond drilling was executed over the course of the year (2009: 26,573 metres), mainly focused on the Cimoide, Sofia; Pallancata West and East veins with intercepts including:

Vein	**Results**
Cimoide	DLPL-A605 1.3m at 1.5 g/t Au and 404 g/t Ag
Pallancata West	DLPL-A606 7.0m at 1.3 g/t Au and 446 g/t Ag
Pallancata East	DLPE- A47 2.75m at 0.75 g/t Au and 317 g/t Ag
Sofia	DLPL- 606 0.9m at 0.97 g/t Au and 274 g/t Ag

The focus for the 2011 brownfield programme will be drilling at the Huararani, Santa Angela, Pacapausa and Bolsa targets and the development of new resources at the Rina, Paralela and Pallancata West and South East Veins.

San José: Argentina

Production and sales

The San Jose silver/gold mine is located in Argentina, in the province of Santa Cruz, 1,750 kilometres southwest of Buenos Aires. San Jose commenced production in 2007 and is a joint venture with Minera Andes Inc ("MAI") in which Hochschild controls 51% and is the mine operator.

San Jose reported strong results in 2010, with silver production up 7% to 5.3 million ounces (2009: 5.0 million ounces) and gold production up 9% to 84,303 ounces (2009: 77,075 ounces). This was mainly due to higher volumes from new mining areas, including the high grade Kospi vein and also due to the successful installation of a Merrill Crowe circuit in the mill to process residual tailings recoveries. This project has exceeded the Company's initial recovery estimate of 500,000 silver equivalent ounces with a one-off 665,280 silver equivalent ounces recovered in 2010.

As expected, the grade profile of San Jose increased over the course of the year following lower production in the first quarter of 2010. As is common in the early stages of operation, grades were lower as a result of the mix of material with lower grade development mineral surrounding the high grade Kospi vein which increased steadily as mining progressed. The Kospi vein contributed over 188,803 tonnes of ore to the mine's production in 2010 and, as expected, has positively impacted results with full year silver equivalent production up 8% to 10.4 million silver equivalent ounces.

Additionally, in September 2010, the Company agreed to settle the lawsuit with MAI, regarding the $65 million project financing loan provided by Hochschild to the San Jose project. The companies committed to a new repayment schedule for both the project finance loan and the 2004 shareholder loan of $50 million, over a maximum period of 8 years with a fixed interest rate of 7% per annum. Future payments on both loans may be accelerated based on mine performance and metal prices.

Argentina continues to be a challenging economic and operating environment although the Company remains positive about the high grade potential of the San Jose mine and surrounding property.

Costs

Local cost inflation in Argentina remains high and consequently San Jose reported an increase in unit cost per tonne of 29% in 2010. This was mainly due to higher personnel expenses relating to an increase in the number of employees at the operation and the associated transportation, catering and maintenance costs, as well as a 25% increase in salaries. The mine's management team continues to introduce initiatives and technology which improve productivity and reduce costs.

San Jose summary	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Ore production (tonnes)	**461,134**	460,971	0%
Average head grade silver (g/t)	**397**	398	0%
Average head grade gold (g/t)	**6.14**	6.19	-1%
Silver produced (koz)	**5,324**	4,998	7%
Gold produced (koz)	**84.30**	77.08	9%
Silver equivalent produced (koz)	**10,382**	9,622	8%
Silver sold (koz)	**5,284**	5,174	2%
Gold sold (koz)	**84.96**	78.80	8%
Unit cost (US$/t)	**152.3**	118.5	29%

[1] The Company has a 51% interest in San Jose

Resource life

Following an intensive drill campaign in 2010 which resulted in the discovery of nine new high-grade gold/silver veins and two extensions, the Company materially increased the resource life of the San Jose property by 36% to 11.4 years (2009: 8.4 years). A significant portion of the San Jose property continues to be open at depth and laterally. During 2010, 53,692 metres of diamond drilling was completed focusing on the Ayelen, Micaela, Kospi and Ramal Kospi veins with significant intercepts including:

Vein	**Results**
Ayelen	SJD-816 1.9m at 2.3 g/t Au and 251 g/t Ag SJD-799 3.50m at 2.98 g/t Au and 268.53 g/t Ag
Micaela	SJD-806 0.7m at 12.3 g/t Au and 2,389 g/t Ag SJD-797 0.3m at 8.4 g/t Au and 485 g/t Ag
Kospi	SJD 594 0.9m at 4.8 g/t Au and 296 g/t Ag
Ramal Kospi	SJD 582 1.6m at 60.9 g/t Au and 1,376 g/t Ag

The 2011 exploration programme at San Jose includes developing resources at the newly discovered Susana vein and the Saavedra West breccia. The Company is planning to expand geophysical coverage (induced polarisation and ground magnetics) to an additional 10,000 hectares south of the mine area.

Other operations

Ares: Peru

Production and sales

The Ares mine, which commenced production in 1998, is a 100% owned operation located approximately 275 kilometres from the city of Arequipa in southern Peru. Following the significant increase in prices in the second half of 2010, the mine continued to operate for the full year, albeit at a lower level, producing 2.7 million silver equivalent ounces (2009: 3.5 million silver equivalent ounces).

As previously announced, Ares is expected to close in the second half of 2011. Management is monitoring the grade and cost profile of the operation to ensure that it is in line with the Company's policy of producing profitable ounces.

Ares summary	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Ore production (tonnes)	**301,726**	341,273	-12%
Average head grade silver (g/t)	**92**	96	-4%
Average head grade gold (g/t)	**3.58**	4.17	-14%
Doré total (koz)	**822**	947	-13%
Silver produced (koz)	**786**	900	-13%
Gold produced (koz)	**32.53**	42.59	-24%
Silver equivalent produced (koz)	**2,738**	3,455	-21%
Silver sold (koz)	**810**	873	-7%
Gold sold (koz)	**32.70**	41.82	-22%
Unit cost (US$/t)	**107.5**	82.7	30%

Moris: Mexico

Production and sales

The 100% owned Moris mine, is the Group's only open pit mine and is located in the district of Chihuahua, Mexico. Moris provided a key stepping stone into Mexico, which is of key strategic importance to the Group. As previously disclosed, Moris is an ageing deposit with a declining production profile. The operation produced 86,408 ounces (2009: 96,583 ounces) of silver and 21,532 ounces (2009: 28,344 ounces) of gold in 2010 or 1.4 million silver equivalent ounces (2009: 1.8 million silver equivalent ounces).

Moris is scheduled for closure in 2011. Management is monitoring the grade and cost profile of the operation to ensure that it is in line with the Company's policy of producing profitable ounces.

Moris summary	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Ore production (tonnes)	**1,148,826**	1,282,461	-10%
Average head grade silver (g/t)	**4.44**	5.02	-11%
Average head grade gold (g/t)	**1.14**	1.38	-17%
Silver produced (koz)	**86.41**	96.58	-11%
Gold produced (koz)	**21.53**	28.34	-24%
Silver equivalent produced (koz)	**1,378**	1,797	-23%
Silver sold (koz)	**95.07**	86.69	10%
Gold sold (koz)	**23.54**	26.29	-10%
Unit cost (US$/t)	**16.3**	13.8	18%

ADVANCED PROJECTS

The Company now has three advanced projects, Inmaculada, Azuca and Crespo, which have the combined potential to add a minimum of 12 million attributable silver equivalent ounces per annum to the Company’s profile with production due to commence at the end of 2013. Approximately 15% of the total 2011 exploration budget of $70 million will be focused on resource development at these three projects to ensure a stable mine life prior to commencing production.

Inmaculada

Inmaculada, a 20,000 hectare gold-silver project located in the Company’s existing operational cluster in southern Peru, is 60% owned and controlled by Hochschild, following the acquisition of a controlling stake in October 2010. The remaining 40% is held by the Company’s joint venture partner at Pallancata, IMZ. Hochschild has progressed the project to feasibility which it aims to complete by the end of 2011 with production planned to commence by December 2013.

The scoping study published by IMZ in September 2010 estimated average annual total silver equivalent production of 11 million ounces from the project’s Angela vein and total resources of 115 million silver equivalent ounces (1.9 million gold equivalent ounces). In February 2011, Hochschild published a 12% increase in total resources to 128.3 million silver equivalent ounces and a 29% increase in the silver equivalent grade to 498 g/t, based on the 180 g/t cut-off used by IMZ in the scoping study. When assuming the 98 g/t silver equivalent cut-off grade which reflects the anticipated marginal cost of production, resources increase further to 137.3 million silver equivalent ounces, an increase of 20%. Summary results (on a 100% basis, applying a 180 g/t silver equivalent cut-off grade and a silver to gold ratio of 60:1) are as follows:

- Measured & Indicated resources: 4.7mt at an average grade of 5.2 g/t gold and 186 g/t silver containing approximately 795,000 ounces of gold and 28.3 million ounces of silver.
- Inferred resources of 2.7mt at an average grade of 6.1 g/t gold and 247 g/t silver containing approximately 521,000 ounces of gold and 21.0 million ounces of silver.

Hochschild expects the results to significantly improve the economics of the project detailed in the above mentioned 2010 scoping study. Furthermore, after applying the Company's marginal silver equivalent cut-off grade of 98 g/t, the resource figures increase further. Updated project economics will be published with the completion of the feasibility study.

The Company is moving forward with an exploration programme at the property which consists of 40 mining concessions. The main Angela vein remains open with significant additional upside potential in several other structures and the joint venture has committed to undertake a 20,000 metre drilling programme annually for the first three years to further develop resources. In 2011, the Company will undertake geophysical work at the Jimena vein and at the north eastern extension of the Angela vein in preparation for drilling later in the year.

Results from the scoping study indicated that at base case gold and silver prices of $1,000/oz and $17/oz respectively, the project could return a cumulative total pre-tax cash flow (undiscounted) of approximately $660 million and a pre-tax internal rate of return (“IRR”) of 41%. Using prices for gold and silver of $1,400/oz and $34/oz respectively, the project could return a cumulative total pre-tax cash flow (undiscounted) of approximately $1,417 million and 74% IRR.

Azuca

In September 2010, the Company announced positive results from the scoping study undertaken at its 100% owned Azuca property, estimating initial average annual silver equivalent production of 3.5 million ounces, which represents around 16% of Hochschild’s 2011 attributable production. At base case gold and silver prices of $1,000/oz and $17/oz respectively, the scoping study indicates that the project could return a cumulative total pre-tax cash flow (undiscounted) of approximately $107 million and 21% IRR. Using prices for gold and silver of $1,400/oz and $34/oz respectively, the project could return a cumulative total pre-tax cash flow (undiscounted) of approximately $533.7 million and 95% IRR. The study, which was completed by an independent third party, assumes plant throughput of 750 tonnes per day with engineering designed to easily accommodate future capacity increases.

Azuca has reached resources of 70.3 million silver equivalent ounces as at 31 December 2010 and is now at pre-feasibility stage with targeted completion in Q1 2012. The Company is currently undertaking an intensive exploration programme at the property with the aim of expanding the scale and profitability of the project. In 2010, 59,811 metres of drilling was undertaken (2009: 38,600 metres) with positive results at the Karla, Vivian, Prometida and Prometida Ramal Techo veins including:

Vein	Results
Karla	DAKA-A1007 0.9m at 1.3 g/t Au and 1,318 g/t Ag DAKA- A1008 1.0m at 2.3 g/t Au and 946 g/t Ag
Vivian	DAVI- A1026 0.8m at 25.6 g/t Au and 2,567 g/t Ag; 0.5m at 1.2 g/t Au and 651 g/t Ag; 0.6m at 0.7 g/t Au and 632 g/t Ag
Prometida	DAAW- A1007 2.1m at 2.6 g/t Au and 686 g/t Ag
Prometida Ramal Techo	DAAW- A1007 1.1m at 2.0 g/t Au and 1,050 g/t Ag

Crespo

In January 2011, Hochschild reported positive results from a scoping study completed by an independent company, Ausenco, at the Company's 100% owned Crespo project, located in the Company's existing operating cluster in southern Peru. The scoping study is based on resources of 31.3 million silver equivalent ounces (measured and indicated) and estimates annual silver equivalent production of 2.3 million ounces starting from 2014 and a mine life of 7.5 years.

Crespo, which is expected to be an open pit deposit, is one of a number of properties acquired by the Company in 2008 as part of the Liam JV/Southwestern Resources land package and is the first of these to progress to pre-feasibility.

At base case gold and silver price assumptions of $1,000/oz and $17/oz respectively, the project could return a cumulative total pre-tax cash flow (undiscounted) of $53.5 million, with an IRR of 19%. Using prices of $1,400/oz and $34/oz for gold and silver respectively, the project could return a cumulative total pre-tax cash flow (undiscounted) of approximately $230.8 million, with an IRR for the project of approximately 60%.

During 2010, the Company completed 1,740 metres of drilling as well as a 537 metre underground audit to confirm the resource model. The 2011 drill programme is focused on converting inferred resources to the indicated resource category and to explore the Queshca target located a few kilometres away from the main target.

EXPLORATION REVIEW

2010 Highlights

- $53.5 million invested in exploration in 2010
- Resource life up 23% to 8.7 years
- Increase in Company Maker pipeline from three to eight projects
- Acquisition of controlling stake in the Victoria project in Chile
- Option agreement for the Valeriano property in Chile
- 2011 exploration budget up 40% to $70 million
- 335,000 metres of drilling to be undertaken at greenfield and brownfield projects across 4 countries

Exploration is a key part of Hochschild's growth strategy, demonstrated by the significant increase in budget which has more than doubled since 2009 to $70 million in 2011. A total of 300,086 metres of drilling was undertaken by the Company's local exploration teams in 2010 (2009: 149,99 metres), at both existing sites and at new, greenfield projects in Peru, Argentina, Mexico and Chile. The Company now has over 70 geologists providing the technical experience and expertise required to deliver a steady stream of value accretive opportunities.

The Company has achieved positive results particularly with regards to its key objective of increasing the resource life of its main operations and on expanding its project pipeline which now includes three advanced projects and eight Company Makers (projects with the potential to achieve 20-30 million silver equivalent ounces per year).

The significant investment in 2011 will support the delivery of an extensive and targeted drill programme covering 335,000 metres across the four target countries mentioned above. The budget will be split between exploration work at the Company's existing operations and on identifying and developing high-quality, early stage projects which have the potential to move through the pipeline to production.

Brownfield exploration

Approximately 49% of the 2010 budget was invested in brownfield drilling in the areas immediately surrounding Hochschild's three main operations and resulted in a significant 23% increase in resource life to 8.7 years as at 31 December 2010 (2009: 7.1 years in 2009). For further details on the Company's brownfield exploration programme, please see pages 7-12.

The Company takes a very conservative approach to resource delineation and is one of the few companies that applies the same cut off grades to reserves and resources.

For full reserve and resource tables, please see pages 57-62.

Greenfield exploration

Company Makers

As mentioned above, the Company is also continuing to focus on Company Makers which are projects with the potential to achieve 20-30 million silver equivalent ounces per year. These are typically high sulphidation, disseminated or gold/copper porphyry deposits and are generally open pit operations. In 2010, $11.2 million was invested in finding and developing such deposits and this has increased to $13.1 million in 2011. The Company currently has eight potential Company Makers in the pipeline:

Victoria

In November 2010, the Company exercised its option to increase its holding in the Victoria project in northern Chile to 60% by incurring $6.0 million in exploration expenditure (Iron Creek Capital hold the remaining 40%). Although still at an early stage, exploration work is delivering positive results at the property which covers 37 kilometres of continuous strike length at the highly productive Domeyko Fault Zone. Drilling indicates significant mineralisation with recent results including:

Intercept	Results
VVQDD-10-035	78.5m at 0.9 g/t Au & 16.0 g/t Ag, including 1.2m at 18.8 g/t Au and 392 g/t Ag
VVQDD-10-034	15.1m at 0.80 g/t Au and 6.5 g/t Ag
VVQDD-10-036	21.0m at 0.6 g/t Au and 4.8 g/t Ag
VVQDD-10-039	1.8m at 6.0 g/t Au and 12.7 g/t Ag
VVQDD-10-032	101.9m at 0.91g/t Au and 57g/t Ag

Drilling has extended the overall strike length of the mineralised trend to approximately 1 kilometre. A large area of hydrothermal alteration, including extensive local silicification and alunite at Leña, in the southeast area of the property, was also discovered. The programme included mapping of a quartz-vein stockwork over an area of approximately 800 metres by 400 metres associated with porphyry copper style alteration and supergene turquoise mineralisation at the Picaron prospect on the west side of Victoria.

The Company has also undertaken drilling at the Vida target which appears to display many of the characteristics of a mafic porphyry Au (+/-Cu) system, cross-cut by later, northwest trending structures that are the focus of higher-grade gold mineralisation. Three new RC holes covering a total of 946 metres have been drilled to date and revealed high-grade, cross-cutting, sulphide-rich breccia/fault structures that are oxidised near surface. Results include:

Intercept	**Results**
VCNRC-10-004	8m at 10.5 g/t Au and 29 g/t Ag
VCNRC-10-021	4m at 8.9 g/t Au and 38.8 g/t Ag from 240m

Total drilling of 10,000 metres is planned for the Victoria property in 2011.

Valeriano

In November 2010, Hochschild entered into an option agreement with Sociedad Contractual Minera Valleno for the Valeriano property which is located 27 kilometres north of Barrick Gold Corporation's Pascua Lama project. Valeriano covers an area of 3,750 hectares in close proximity to the Argentinian border and hosts both high-sulphidation as well as porphyry style, disseminated gold mineralisation.

The property has been explored in the past by Phelps Dodge (1989-1991) and Barrick (1995-1997), both of which completed drill campaigns totalling 12,575 metres. No significant exploration has been undertaken at the property since 1997. A number of highly mineralised intercepts have been reported from this drilling including:

- 100 metres at 1.37 g/t Au in typical shallow high sulphidation style mineralisation starting at 19 metres depth
- 41 metres at 0.61 g/t Au, 12 g/t Ag and 0.30% Cu, porphyry type mineralisation starting at 70 metres depth

Exploration work commenced in January 2011 with a review of the existing data set and re-interpretation of geophysical data and drilling to test the deep porphyry-style target as well as the near surface high-sulphidation system. Field work is also underway including sampling and mapping surface exposures and acquisition of deep IP and resistivity surveys. A 2,500 metre drill campaign is scheduled to commence in H2 2011 to test targets defined by this exploration campaign.

Mercurio

Mercurio is a 100% owned, 36,388 hectare property in Mexico, located between two high grade mines, approximately 43 kilometres from Sombrerete and 68 kilometres from Fresnillo. During the year, 6,945 metres of drilling was undertaken at the project with results including 86 metres at 20 g/t Ag (0.2% Cu, 0.5% Pb, 1.4% Zn) and 3.5 metres at 300 g/t Ag (4.4% Cu, 1.2% Pb, 7.5% Zn).

Drilling focused on a system of low sulphidation veins which have reported anomalous silver and base metal results. Deeper drilling is planned for the first half of 2011.

Josnitoro

Josnitoro is a 100% owned project located in Peru. The project was acquired as part of the Southwestern Resources acquisition, with visible gold mineralisation starting at surface. The Company is working towards completing the necessary permits and approval process.

Corazon de Tinieblas

The Corazon de Tinieblas property in Mexico was acquired in H1 2010 by the Company and is currently completing the permit process. A number of areas have been defined for drill testing and more detailed mapping is scheduled to better define the controls to mineralisation and the overall lithologic stratigraphy of the area which will reveal the structural setting.

Apacheta

At the 100% owned Apacheta project in Peru, the Company is in the process of completing the permit process and is also undertaking mapping, geochemical sampling and geophysics to define drill targets within this extensive land package.

Parihuana

The Parihuana project is 100% owned by Hochschild and is located in Peru. The project entered the pipeline in 2010 and drill targets have been selected for testing in the first half of 2011. Alteration mineralogical studies indicate typical high-sulphidation affiliation and clay mineralogy also indicates a central zone of higher temperature and acid conditions.

Sabina

At the 100% owned Sabina project in Peru, drilling to date has not reported significant mineralisation. However, a vertical anomalous feeder system has been identified at the Chaquella target with the intensity of the alteration system indicating a powerful hydrothermal system and the Company therefore plans to complete the current drill programme in 2011.

Medium scale projects

The Company's pipeline currently contains various medium scale properties in the prospects and drill target categories which each have the potential to deliver 5-10 million silver equivalent ounces of production per year. These tend to be low sulphidation epithermal gold/silver type deposits with varying base metal content and are typically mined underground.

In 2010, $6.9 million was dedicated to finding and developing medium scale projects and the Company plans to increase this investment to $8.6 million in 2011. Positive results have been reported at a number of these projects, particularly at La Flora which has moved up the pipeline from prospect to drill target. Two new properties also entering the pipeline in 2010 were the Cricket prospect in Argentina as well as the more advanced Pausi project in Peru which is now at 'drill target' stage.

La Flora

At the La Flora project in Argentina, two large vein systems have been identified since drilling commenced in H2 2010. The project has progressed to 'drill targets' and a detailed exploration programme is underway. Logging of the drill holes indicated that the anomalous gold mineralisation is associated with the upper reaches of a hydrothermal system. In 2011, geophysical work and deeper drilling will be undertaken to test the potential of higher grade mineralisation.

Encrucijada

Three drill holes were completed at the Encrucijada property (a joint venture with Andina Minerals) in 2010 focusing on the San Bernardo Dome target with associated advanced argillic alteration and tourmaline breccias. Alteration and mineralisation indicates a possible copper porphyry system with anomalous gold and molybdenum also reported from these intercepts:

Intercept	Results
ENCRC10_23	From 65m depth - 43m at 3,556 ppm Cu 108 to 258m; 150m at 813 ppm Zn
ENCRC10_24	From 90m depth – 211m at 828 ppm Cu From 144m depth – 157m at 578 ppm Zn
ENCRC10_25	From 94m depth - 106m at 739 ppm Cu From 111m depth - 89m at 539 ppm Zn

Mosquito

The Company is making progress at the Mosquito project in Argentina, where seven new vein targets have been identified. A total of 9,984 metres was drilled in 2010 with results pending. All targets have cut vein structures associated with surface mapping.

Astana Farallon

Astana Farallón is a 100% owned gold/silver epithermal vein project in the Company's southern Peru cluster. A 5,600 metre drill programme is planned for H2 2011 which is designed to test a known productive horizon at depth. Historic drilling at shallow levels reported anomalous results reported in Au, Ag, Pb, and Zn.

Pariguanas

In June 2010, the Company signed an agreement with Compañía de Minas Buenaventura ("Buenaventura") to create the Pariguanas joint venture through the combination of neighbouring properties of similar size owned by the two companies. Hochschild holds 40% of the property which covers 4,437 hectares of land located approximately 18 kilometres from the Company's existing Ares operation. Buenaventura currently holds the remaining 60% of the joint venture with the obligation to achieve production by 2018.

Pariguanas is a low sulphidation, predominantly underground vein system where up to five prospective areas have been outlined. A total of 7,290 metres in 31 holes has been drilled by Buenaventura to date, mainly focused on the San Pedro vein. Positive results include:

- 2.7 metres at 0.7 g/t Au and 1,194 g/t Ag including 0.9 metres at 1.6 g/t Au and 3,016 g/t Ag
- 4.4 metres at 3.1 g/t Au and 2,376 g/t Ag including 1.6 metres at 7.4 g/t Au and 6,288 g/t Ag

In the event that Buenaventura does not commence production by 2018, Hochschild will have the option to assume control of the project by committing to certain payments linked to Buenaventura's investment.

Copper projects

Following the acquisition of Southwestern Resources in 2008, the Company currently holds a number of copper projects located in the southern Andes within a highly prospective area for copper deposits. The Company has committed approximately 4% of the total 2011 budget and a dedicated exploration team to drilling at the properties in order to establish potential value.

Generative

The Company holds over 1 million hectares of prime land in key geological regions across four countries and has committed around 6% of the total 2011 budget to further expand its land package in premium areas.

FINANCIAL REVIEW

Key performance indicators:
(before exceptional items, unless otherwise indicated)

US$(000) unless otherwise indicated	Year ended 31 Dec 2010	Year ended 31 Dec 2009	% change
Net Revenue[1]	**752,322**	539,741	39
Attributable silver production (koz)	**17,768**	18,754	(5)
Attributable gold production (koz)	**144**	157	(8)
Cash costs ($/oz Ag co-product) [2]	**8.74**	7.14	22
Cash costs ($/oz Au co-product) [2]	**503.5**	480.2	5
Adjusted EBITDA [3]	**397,731**	249,869	59
Earnings per share (pre exceptional)	**$0.28**	$0.17	65
Earnings per share (post exceptional)	**$0.46**	$0.31	48
Cash flow from operating activities [4]	**304,232**	200,524	52
Resource life of mine (years)	**8.7**	7.1	23

[1] Revenue presented in the financial statements is disclosed as net revenue (in this Financial Review it is calculated as gross revenue less commercial discounts)
[2] Includes Hochschild's main operations: Arcata, Pallancata and San Jose. Cash costs are calculated to include cost of sales, treatment charges, and selling expenses before exceptional items less depreciation included in cost of sales.
[3] Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation and exploration expenses other than personnel and other exploration related fixed expenses.
[4] Cash flow from operations is calculated as profit for the year from continuing operations after exceptional items, plus the add-back of non-cash items within profit for the year (such as depreciation and amortisation, impairments and write-off of assets, gains/losses on sale of assets, amongst others) plus/minus changes in liabilities/assets such as trade and other payables, trade and other receivables, inventories, net tax assets, net deferred income tax liabilities, amongst others.

The reporting currency of Hochschild Mining plc is U.S. dollars. In discussions of financial performance the Group removes the effect of exceptional items, unless otherwise indicated, and in the income statement results are shown both pre and post such exceptional items. Exceptional items are those 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 to facilitate comparison with prior years.

Revenue

Gross revenue: Gross revenue from continuing operations increased 36% to $802.7 million in 2010 (2009: $589.9 million) driven by higher metal prices during the year.

Silver: Gross revenue from silver increased 44% in 2010 to $549.7 million (2009: $382.4 million) as a result of higher prices. The total amount of silver ounces sold in 2010 decreased to 24,283 koz (2009: 24,330 koz[2]) mainly due to lower year-on-year production.

Gold: Gross revenue from gold increased 22% in 2010 to $253.0 million (2009: $207.5 million) also as a result of higher prices. The total amount of gold ounces sold in 2010 decreased to 199.9 koz (2009: 207.8 koz[3]) mainly due to lower year-on-year production.

Gross average realised sales prices

As of December 2010, the Company discloses average realised prices calculated as gross revenue divided by gross ounces sold. Previously, the Company disclosed average realised prices calculated as net revenue divided by net ounces sold. Net revenue is calculated as gross revenue minus commercial discounts, see paragraph below.

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[2] *Restated*
[3] *Restated*

The following table provides restated figures for average realised prices and ounces sold for 2009 and 2010:

Average realised prices	**Year ended 31 Dec 2010 (restated)**	Year ended 31 Dec 2009 (restated)	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009
Silver ounces sold (koz)	**24,283**	24,330	**23,506**	23,563
Avg. realised silver price ($/oz)	**22.6**	15.7	**21.6**	14.5
Gold ounces sold (koz)	**199.9**	207.8	**196.2**	204.1
Avg. realised gold price ($/oz)	**1,266**	999	**1,244**	970

Commercial discounts

Commercial discounts refer to refinery treatment charges, refining fees and payable deductions for processing concentrates, and are discounted from gross revenue on a per tonne basis (treatment charge), per ounce basis (refining fees) or as a percentage of gross revenue (payable deductions). In 2010, the Group recorded commercial discounts of $50.5 million (2009: $50.4 million). The ratio of commercial discounts to gross revenue in 2010 decreased to 6% (2009: 9%).

Net revenue

Increased by 39% to $752.3 million, comprising silver revenue of $508.3 million and gold revenue of $243.9 million. In 2010, silver accounted for 68% and gold 32% of the Company's consolidated net revenue compared to 63% and 37% respectively in 2009.

Net revenue by mine

US$(000) unless otherwise indicated	**Year ended 31 Dec 2010**	Year ended 31 Dec 2009	% change
Net silver revenue			
Arcata	**173,942**	141,816	23
Ares	**16,586**	13,038	27
Selene	**13**	8,805	(100)
Pallancata	**233,789**	139,124	68
San Jose	**123,393**	78,352	57
Moris	**1,946**	1,245	56
Commercial discounts	**(41,392)**	(40,904)	1
Net silver revenue	**508,277**	341,476	49
Net gold revenue			
Arcata	**31,264**	27,364	14
Ares	**40,239**	40,278	0
Selene	**2**	2,819	(100)
Pallancata	**43,712**	32,443	35
San Jose	**108,849**	79,430	37
Moris	**28,953**	25,195	15
Commercial discounts	**(9,079)**	(9,492)	(4)
Net gold revenue	**243,940**	198,037	23
Other revenue[1]	**105**	228	(54)
Net revenue	**752,322**	539,741	39

[1]*Other revenue includes revenue from sale of energy in Peru, revenue from administrative services in Mexico and revenue from base metal components in the concentrate sold from the Arcata mine net of commercial discounts in 2009 only.*

Costs

Total pre-exceptional cost of sales increased 24% to $345.7 million in 2010 (2009: $279.3 million) mainly as a result of the increase in direct production cost of 21% to $225.2 million (2009: $186.3 million). Direct production cost increased mainly due to inflation in personnel, supplies and energy expenses, particularly in Argentina. In addition, mining royalties increased as a result of higher metal prices. Depreciation and amortisation, which increased 23% to $102.7 million (2009: $83.4 million), also contributed to higher cost of sales.

Unit cost per tonne

The Company reported an overall increase in unit cost per tonne at its underground operations of 16% in 2010 to $82.3 (2009: $70.7). This increase is mainly explained by higher royalties as well as price inflation in Argentina.

In order further to increase transparency, the Company is restating its unit cost per tonne figures to include certain indirect operating expenses including health, safety and environmental accreditations. In addition, Pallancata's 2009 unit cost per tonne has been restated to exclude the depreciation component of the Selene plant processing fee. With these restatements, the unit cost per tonne of the Company's underground operations in 2009 reduces from $71.2 to $70.7.

Unit cost per tonne by operation:*

Operating unit ($/tonne)	**Unit cost per tonne 2010 (restated)**	Unit cost per tonne 2009 (restated)	% change	**Unit cost per tonne 2010**	Unit cost per tonne 2009	% change
Peru	**66.2**	**59.9**	**10.6**	**64.0**	**60.8**	**5.2**
Arcata	71.1	62.0	14.7	68.3	59.6	14.6
Pallancata	51.8	47.3	9.3	50.5	53.0	(4.8)
Ares	107.5	82.7	29.9	103.3	81.0	27.5
Selene	n.a	95.1	n.a	n.a	92.1	n.a
Argentina	**152.3**	**118.5**	**28.5**	**152.3**	**118.5**	**28.5**
San Jose	152.3	118.5	28.5	152.3	118.5	28.5
Total underground	**82.3**	**70.7**	**16.4**	**80.5**	**71.2**	**13.0**
Mexico	**16.3**	**13.8**	**18.1**	**16.3**	**13.5**	**20.7**
Moris	16.3	13.8	18.1	16.3	13.5	20.7
Total Company	**61.3**	**50.7**	**21.0**	**60.1**	**51.1**	**17.5**

**Unit cost per tonne is calculated by dividing mine and geology costs by extracted tonnage and plant and other costs by treated tonnage. Dividing total production cost disclosed in the segmental report on page 55 by treated tonnage reported in the production report provides a good approximation for unit cost per tonne.*

Cash costs

Cash costs include cost of sales, commercial deductions and selling expenses before exceptional items, less depreciation included in cost of sales.

Co-product 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. Silver and gold cash costs increased from $7.1 to $9.3 per ounce and from $476 to $535 per ounce, respectively. Silver and gold cash costs from main operations (Arcata, Pallancata and San Jose) increased from $7.1 to $8.7 per ounce and from $480 to $504 per ounce, respectively. The increase was mainly explained by higher production costs and the lower average grades, mainly at Arcata and Ares.

By-product 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 $3.0 per silver ounce (2009:$2.4 per silver ounce) and ($1,153) per gold ounce (2009: ($576) per gold ounce).

Administrative expenses

Administrative expenses before exceptional items increased by 30% to $66.2 million (2009: $51.1 million) mainly as a result of: a 35% increase in personnel expenses to $34.3 million (2009: $25.4 million) and a 45% increase in professional fees to $9.6 million (2009: $6.6 million).

Personnel expenses increased primarily due to the provision for a management long-term incentive plan, termination benefits due to changes in management and higher salaries. Professional fees increased mainly due to higher legal fees mainly related to the Minera Andes dispute.

Exploration expenses

As a result of the Group's decision to focus on organic growth through exploration, exploration expenses, which primarily relate to greenfield exploration, increased by 109% to $41.5 million in 2010 (2009: $19.9 million). Further detail on this programme can be found in the exploration section on page 13.

In addition, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the inferred or measured and indicated category. In 2010, the Group capitalised $12.0 million relating to brownfield exploration compared to $8.6 million in 2009 bringing the total investment in exploration for the full year 2010 to $53.5 million. In addition, $10.2 million was invested in the Company's advanced projects.

Selling expenses

Selling expenses increased to $26.9 million (2009: $21.0 million) mainly due to higher export duties at San Jose, driven by the increase in gold and silver prices (export duties in Argentina are levied at 10% of revenue for concentrate and 5% of revenue for doré).

Other income/expenses

Other income before exceptional items was $5.6 million (2009: $4.5 million). Other income post exceptional items was $82.8 million (2009: $13.3 million), mainly as a result of the divestment in the Company's stake in Lake Shore Gold from 35% to 6%, which generated a gain of $63.7 million.

Other expenses before exceptional items reached $11.0 million (2009: $19.3 million). There were no exceptional items related to other expenses in 2010.

Profit from continuing operations

Profit from continuing operations before exceptional items, net finance costs and income tax increased to $266.6 million (2009: $153.6 million) as a result of the effects detailed above.

Adjusted EBITDA

Adjusted EBITDA increased by 59% over the period to $397.7 million (2009: $249.9 million) driven primarily by higher silver and gold prices. Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation and exploration expenses other than personnel and other exploration related fixed expenses.

US$(000) unless otherwise indicated	**12 months ended 31 December 2010**	12 months ended 31 December 2009	% change
Profit from continuing operations before exceptional items, net finance cost, foreign exchange loss and income tax	**266,626**	153,600	74%
Operating margin	**35%**	28%	
Depreciation and amortisation in cost of sales	**99,498**	85,789	16%
Depreciation and amortisation in administrative expenses	**2,048**	796	(157%)
Exploration expenses	**41,537**	19,941	(108%)
Personnel and other exploration related fixed expenses	**(11,978)**	(10,257)	(17%)
Adjusted EBITDA	**397,731**	249,869	59%
Adjusted EBITDA margin	***53%***	*46%*	

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

An associate is an entity in which Hochschild has significant influence but not control and is accounted for using the equity method.

Hochschild's pre exceptional share of the profit/(loss) after tax of associates totalled $(4.6) million in 2010 (2009: $7.6 million). In 2010, the Company's share in associates was mainly explained by losses relating to its holdings in Gold Resource Corp and Lake Shore Gold of $3.2 million and $1.4 million, respectively. In 2009, the Company's share in associates was mainly explained by a gain of $9.2 million from Lake Shore Gold; partially offset by a loss of $1.0 million in Gold Resource Corp.

Hochschild reduced its stake in Lake Shore Gold from 35% to 6% in November 2010. The divestment of the remaining 6% stake in Lake Shore Gold, which took place in February 2011, will be recorded in the Company's 2011 accounts.

Hochschild also divested its holdings in Cabo Sur (89%) and Zincore Metals Inc (37%) during the year. The Company continues to hold a 25% stake in Gold Resource Corp.

Finance income

Finance income before exceptional items decreased by 36% to $4.1 million (2009: $6.4 million) mainly driven by accounting non-cash adjustments in Argentina ($2.5 million) in respect of the discounting of San Jose's VAT receivables.

Finance costs

Finance cost decreased 36% to $29.5 million in 2010 (2009: $46.0 million). Interest costs increased to $17.3 million in 2010 (2009: $15.6 million) mainly due to the refinancing of upcoming syndicated bank loan maturities in November 2009 with a longer-dated convertible bond at a higher interest rate. Nonetheless, the reduction in recognised losses from the use of derivatives in 2010 to $(9.1) million (2009: $28.4 million) resulted in a decrease in finance costs.

Hochschild repaid, in full, its syndicated bank loan facility in January 2011. In addition, the Company has no outstanding currency or commodity hedge positions.

Foreign exchange losses

The Group recognised a foreign exchange gain of $0.3 million (2009: $0.3 million loss) as a result of transactions in currencies other than the functional currency.

Income tax

The Company's pre-exceptional effective tax rate decreased to 32.5% in 2010 (2009: 36.8%) mainly as a result of the reversal in 2010 of a provision for tax credits of $4.8 million, which was recognised at the end of 2009.

In addition, the post-exceptional effective tax rate increased to 24.7% (2009: 21.6%) primarily driven by a lower proportion of non-taxable, exceptional gains to profit before income tax in 2010 compared to 2009, which represented a decrease in the effective income tax rate of 8% in 2010 compared to 12% in 2009.

Exceptional items

Exceptional items in 2010 totaled $57.8 million after tax (2009: ($44.7 million). This mainly includes:
Positive exceptional items:

Main items	$000	Description of main ítems
Other income	77,197	Gain of $63.7 million related to the reduction of the Company's stake in Lake Shore Gold from 35% to 6%. A gain of $7.5 million related to the sale of Zincore Metals which the Company received as part of the acquisition of Southwestern Resources Inc. in 2008. A gain of $6.0 million related to the exchange of El Quevar property in Mexico for Golden Minerals shares.
Finance income	9,204	A gain of $5.8 million related to the sale of Golden Minerals. A gain of $3.0 million related to the change in fair value of the Golden Minerals warrants held by the Company.

Negative exceptional items:

Main items	$000	Description of main ítems
Cost of sales	8,861	Negotiated compensation paid in 2010 to workers at the Peruvian mines for 2009 exercise period.
Impairment and write-off of assets	24,018	Mainly explained by: i) impairment of the San Felipe property by $14.7 million, triggered by the conclusion of the marketing process conducted during H1 2010 (the new value of San Felipe reflects the Company's estimate of the fair value less cost to sell) and ii) impairment of $6.7 million related to the 100% dore project in San Jose following a decision to suspend the project indefinitely.

Cash flow & balance sheet review:

Cash flow:

$ thousands	12 months ended 31 December 2010	12 months ended 31 December 2009	Change
Net cash generated from operating activities	304,232	200,524	103,708
Net cash used in investing activities	198,963	(373,021)	571,984
Cash flows generated/(used) in financing activities	(55,010)	134,443	(189,453)
Net (decrease)/increase in cash and cash equivalents during the period	448,185	(38,054)	486,239

Total cash generated increased from $(38.1) million in 2009 to $448.2 million in 2010 ($486.3 million difference). Operating cashflow increased 51% to $304.2 million from $200.5 million in 2009 ($103.7 million difference), mainly due to higher metal prices. Net cash from investing activities increased to $199.0 million in 2010 from $(373.0) million in 2009, primarily due to the reduction in the Company's holding in Lake Shore Gold. Finally, cash from financing activities decreased to $(55.0) million from $134.4 million, primarily as a result of the higher dividend paid to International Minerals Inc of $26 million in 2010, compared to an equity issuance of $145 million in 2009.

Working capital:

$ millions	12 months ended 31 December 2010	12 months ended 31 December 2009
Trade and other receivables	182,752	168,014
Inventories	55,130	45,813
Net other financial assets	18,732	(1,945)
Net Income tax payable	(10,977)	(10,751)
Trade and other payables incl. provisions	(246,781)	(135,163)
Working capital	(1,144)	65,968

The Company's working capital position decreased to $(1.1) million in 2010 from $66.0 million in 2009 as a result of higher trade and other payables and provisions. This was primarily explained by; payments to International Minerals Inc relating to the Inmaculada acquisition ($54.8 million), workers profit sharing ($21.3 million), higher commercial payables ($20.4 million) and a provision for the management long term incentive plan ($7.0 million).

Net debt:

US$(000) unless otherwise indicated	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents	(525,482)	(77,844)
Long term borrowings	248,380	219,681
Short term borrowings*	69,272	112,908
Net debt/(net cash)	(207,830)	254,745

**Includes pre-shipment loans which were previously reported under working capital (2009 figures have been restated to reflect this change)*

The Company reported net cash of $207.8 million as at 31 December 2010 (2009: $254.7 million). This was primarily driven by the significant increase in cash and cash equivalents from $77.8 million to $525.5 million during the year. In January 2011, the Company paid down its full syndicated loan facility of $114.3 million, which will be recorded in its 2011 accounts.

The Convertible bond currently outstanding has a conversion price of £3.98 and allows the Company to force conversion of the bonds at anytime after 20 October 2012 if, during a 20 day period, the Company's stock price exceeds 130% of the conversion price (£5.17).

Capital expenditure[1]

US$(000) unless otherwise indicated	12 months ended 31 December 2010	12 months ended 31 December 2009
Arcata	30,230	29,688
Ares	5,422	3,484
Selene	5,839	16,579
Pallancata	38,116	24,117
San Jose	55,183	26,113
Moris	2,728	480
Other[2]	18,965	8,074
Total	156,483[3]	108,535

[1] Includes additions in property, plant and equipment and evaluation and exploration assets and excludes increases in closure of mine assets.
[2] Other capex includes mainly Azuca ($13.8 million), Crespo ($2.7 million) and administrative capex of ($1.5 million)
[3] Capex does not include the $90.6 million additions in respect of the acquisition of Inmaculada

2010 capital expenditure of $156.5 million (2009: $108.5 million) includes mine development of $71.5 million, equipment of $53.8 million, capitalized exploration costs of $12.0 million in respect of the Group's operating mines and $16 million capitalized in respect of advanced projects (Azuca and Crespo).

Dividends:

The directors recommend a final dividend of $0.03 per ordinary share which, subject to shareholder approval at the 2011 AGM, will be paid on 7 June 2011 to those shareholders appearing on the register on 13 May 2011. If approved, this will result in a total dividend for the year of $0.05 per share. 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 converted into pound sterling at exchange rates prevailing at the time of payment. Our dividend policy takes into account the profitability of the business and the underlying growth in earnings of the Company, as well as its capital requirements and cash flow.

Dividend dates	2011
Ex-dividend date	11 May
Record date	13 May
Deadline for return of currency election forms	17 May
Payment date	7 June

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. 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, Hochschild Mining plc does not undertake any obligation to update or change any forward looking statements to reflect events occurring after the date of this announcement. Nothing in this announcement should be construed as a profit forecast.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

– the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

– the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Consolidated income statement

For the year ended 31 December 2010

		Year ended 31 December 2010			Year ended 31 December 2009		
	Notes	Before exceptional items US$000	Exceptional items US$000	Total US$000	Before exceptional items US$000	Exceptional items US$000	Total US$000
Continuing operations							
Revenue	3	**752,322**	**–**	**752,322**	539,741	–	539,741
Cost of sales		**(345,667)**	**(8,861)**	**(354,528)**	(279,298)	(6,918)	(286,216)
Gross profit		**406,655**	**(8,861)**	**397,794**	260,443	(6,918)	253,525
Administrative expenses		**(66,221)**	**–**	**(66,221)**	(51,068)	–	(51,068)
Exploration expenses		**(41,537)**	**–**	**(41,537)**	(19,941)	(1,049)	(20,990)
Selling expenses		**(26,920)**	**–**	**(26,920)**	(21,005)	–	(21,005)
Other income	5	**5,605**	**77,197**	**82,802**	4,501	8,782	13,283
Other expenses	5	**(10,956)**	**–**	**(10,956)**	(19,330)	(1,247)	(20,577)
Impairment and write-off of assets (net)	9,10	**–**	**(24,018)**	**(24,018)**	–	(26,713)	(26,713)
Profit from continuing operations before net finance income/(cost), foreign exchange loss and income tax		**266,626**	**44,318**	**310,944**	153,600	(27,145)	126,455
Share of post tax (losses)/profit of associates and joint ventures accounted under equity method	12	**(4,607)**	**(1,473)**	**(6,080)**	7,617	39,606	47,223
Finance income	6	**4,140**	**9,204**	**13,344**	6,384	22,300	28,684
Finance costs	6	**(29,542)**	**–**	**(29,542)**	(46,040)	(1,256)	(47,296)
Foreign exchange loss		**29**	**–**	**29**	(256)	–	(256)
Profit from continuing operations before income tax		**236,646**	**52,049**	**288,695**	121,305	33,505	154,810
Income tax (expense)/benefit	7	**(77,816)**	**5,786**	**(72,030)**	(44,688)	11,218	(33,470)
Profit for the year from continuing operations		**158,830**	**57,835**	**216,665**	76,617	44,723	121,340
Attributable to:							
Equity shareholders of the Company		**94,924**	**61,687**	**156,611**	52,892	45,188	98,080
Non-controlling interests		**63,906**	**(3,852)**	**60,054**	23,725	(465)	23,260
		158,830	**57,835**	**216,665**	76,617	44,723	121,340
Basic earnings per Ordinary Share from continuing operations and for the year (expressed in US dollars per share)	8	**0.28**	**0.18**	**0.46**	0.17	0.14	0.31
Diluted earnings per Ordinary Share from continuing operations and for the year (expressed in US dollars per share)	8	**0.29**	**0.17**	**0.46**	0.17	0.14	0.31

Consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	Year ended 31 December **2010** **US$000**	 2009 US$000
Profit for the year		**216,665**	121,340
Other comprehensive income			
Recycling of the exchange differences on translating foreign operations due to Lake Shore Gold sale		**2,143**	–
Exchange differences on translating foreign operations		**2,982**	25,707
Change in fair value of available-for-sale financial assets		**47,573**	23,019
Recycling of the gain on available-for-sale financial assets		**(5,915)**	(19,329)
Change in fair value of cash flow hedges taken to equity		**(2,346)**	(4,736)
Recycling of the change in fair value of cash flow hedges taken to equity		**429**	4,723
Deferred income tax relating to components of other comprehensive income		**(7,189)**	71
Other comprehensive income for the period, net of tax		**37,677**	29,455
Total comprehensive income for the year		**254,342**	150,795
Total comprehensive income attributable to			
Equity shareholders of the Company		**194,288**	127,558
Non-controlling interests		**60,054**	23,237
		254,342	150,795

Consolidated statement of financial position

As at 31 December 2010

	Notes	**As at 31 December 2010 US$000**	As at 31 December 2009 US$000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**457,183**	438,958
Evaluation and exploration assets	10	**161,811**	55,828
Intangible assets	11	**20,166**	22,425
Investments accounted under equity method	11	**79,068**	450,665
Available-for-sale financial assets	12	**153,620**	19,181
Trade and other receivables		**36,817**	3,150
Income tax receivable		**2,401**	1,302
Deferred income tax assets		**5,229**	15,852
		916,295	1,007,361
Current assets			
Inventories		**55,130**	45,813
Trade and other receivables		**145,935**	164,864
Income tax receivable		**917**	9,280
Other financial assets		**20,662**	695
Cash and cash equivalents		**525,482**	77,844
		748,126	298,496
Total assets		**1,664,421**	1,305,857
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital		**158,637**	158,637
Share premium		**395,928**	395,928
Other reserves		**(175,244)**	(212,921)
Retained earnings		**528,788**	385,700
		908,109	727,344
Non-controlling interests		**147,120**	76,126
Total equity		**1,055,229**	803,470
Non-current liabilities			
Trade and other payables		**2,393**	81
Borrowings	13	**248,380**	219,681
Provisions	14	**86,443**	55,176
Deferred income tax liabilities		**28,534**	10,662
		365,750	285,600
Current liabilities			
Trade and other payables		**116,074**	68,501
Other financial liabilities		**1,930**	2,640
Borrowings	13	**69,272**	112,908
Provisions	14	**41,871**	11,405
Income tax payable		**14,295**	21,333
		243,442	216,787
Total liabilities		**609,192**	502,387

Total equity and liabilities	**1,664,421**	1,305,857

These financial statements were approved by the Board of Directors on 28 March 2011 and signed on its behalf by:

Ignacio Bustamante
Chief Executive Officer

28 March 2011

Consolidated statement of cash flows

For the year ended 31 December 2010

		Year ended 31 December	
	Notes	**2010 US$000**	2009 US$000
Cash flows from operating activities			
Cash generated from operations		**351,261**	215,698
Interest received		**1,749**	1,041
Interest paid		**(20,604)**	(12,902)
Payments of mine closure costs	14	**(4,634)**	(2,831)
Tax paid		**(23,540)**	(482)
Net cash generated from operating activities		**304,232**	200,524
Cash flows from investing activities			
Purchase of property, plant and equipment		**(122,836)**	(116,009)
Purchase of evaluation and exploration assets		**(35,980)**	(8,636)
Proceeds from sale of investment in associates		**383,614**	–
Acquisition of subsidiary		**–**	(19,246)
Dividends received from associates		**2,633**	–
Investment in associates		**(20,336)**	(216,943)
Purchase of available-for-sale financial assets		**(20,785)**	(1,857)
Purchase of intangibles		**(94)**	(16,330)
Proceeds from sale of available-for-sale financial assets		**11,915**	3,861
Proceeds from sale of property, plant and equipment		**832**	2,139
Net cash generated from/(used in) investing activities		**198,963**	(373,021)
Cash flows from financing activities			
Proceeds of borrowings		**37,650**	285,461
Repayment of borrowings		**(52,447)**	(277,185)
Transaction costs associated with borrowing		**(690)**	(3,568)
Acquisition of non-controlling interests		**–**	(1,500)
Dividends paid		**(39,523)**	(20,048)
Proceeds from issue of ordinary shares under Global offer		**–**	143,621
Transaction costs associated with issue of shares		**–**	(3,453)
Capital contribution from non-controlling interests		**–**	11,115
Cash flows (used in)/generated from financing activities		**(55,010)**	134,443
Net increase/(decrease) in cash and cash equivalents during the year		**448,185**	(38,054)
Exchange difference		**(547)**	(249)
Cash and cash equivalents at beginning of year		**77,844**	116,147
Cash and cash equivalents at end of year		**525,482**	77,844

Consolidated statement of changes in equity

For the year 31 December 2010

	Notes	Equity share capital US$000	Share premium US$000	Unrealised gain/(loss) on available-for-sale financial assets and US$000	Unrealised gain/(loss) on cash flow hedges US$000	Bond equity component US$000	Cumulative translation adjustment US$000	Merger reserve US$000	Total Other reserves US$000	Retained earnings US$000	Capital and reserves attributable to shareholders of the Parent US$000	Non-controlling interests US$000	Total equity US$000
Balance at 1 January 2009		146,466	395,928	(410)	–	–	(40,375)	(210,046)	(250,831)	167,767	459,330	66,293	525,623
Other comprehensive income/(loss)		–	–	3,749	(13)	–	25,742	–	29,478	–	29,478	(23)	29,455
Profit for the year		–	–	–	–	–	–	–	–	98,080	98,080	23,260	121,340
Total comprehensive income for 2009		–	–	3,749	(13)	–	25,742	–	29,478	98,080	127,558	23,237	150,795
Issuance of shares		12,171	–	–	–	–	–	127,997	127,997	–	140,168	–	140,168
Transfer to retained earnings		–	–	–	–	–	–	(127,997)	(127,997)	127,997	–	–	–
Issuance of convertible bond		–	–	–	–	8,432	–	–	8,432	–	8,432	–	8,432
Purchase of shares from non-controlling interests		–	–	–	–	–	–	–	–	4,150	4,150	(5,650)	(1,500)
Dividends declared during the year		–	–	–	–	–	–	–	–	(12,294)	(12,294)	–	(12,294)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(7,754)	(7,754)
Balance at 31 December 2009		158,637	395,928	3,339	(13)	8,432	(14,633)	(210,046)	(212,921)	385,700	727,344	76,126	803,470
Other comprehensive income		–	–	34,469	(1,917)	–	5,125	–	37,677	–	37,677	–	37,677
Profit for the year		–	–	–	–	–	–	–	–	156,611	156,611	60,054	216,665
Total comprehensive income for 2010		–	–	34,469	(1,917)	–	5,125	–	37,677	156,611	194,288	60,054	254,342
Capital contribution from non-controlling interest		–	–	–	–	–	–	–	–	–	–	36,940	36,940
Dividends declared during the year		–	–	–	–	–	–	–	–	(13,523)	(13,523)	–	(13,523)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(26,000)	(26,000)
Balance at 31 December 2010		158,637	395,928	37,808	(1,930)	8,432	(9,508)	(210,046)	(175,244)	528,788	908,109	147,120	1,055,229

Notes to the consolidated financial statement

For the year ended 31 December 2010

1 Notes To the consolidated financial statements

For the year ended 31 December 2010

The financial information for the year ended 31 December 2010 and 2009 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2010 and 2009 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2010 which have been approved by the directors on 28 March 2011 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

2 Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended standards.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the Group.

- IFRS 3 "Business Combinations (revised January 2008)", applicable for annual periods beginning on or after 1 July 2009.

  The revised standard will have an impact on the profit or loss reported in the period of an acquisition, the amount of goodwill recognised in a business combination and the profit or loss reported in future periods. IFRS 3 applies prospectively to business combinations occurring after 1 July 2009 and had no impact on the financial statements.

- IAS 27 "Consolidated and Separate Financial Statements (revised January 2008)", applicable for annual periods beginning on or after 1 July 2009.

  IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. The Group has changed the reference 'minority interest' to 'non-controlling interest', in accordance with the standard.

- IFRIC 17 "Distributions of Non-cash Assets to Owners", applicable for annual periods beginning on or after 1 July 2009.

  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.

- IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items", applicable for annual periods beginning on or after 1 July 2009.

  The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The amendment had no effect on the financial position or performance of the Group.

- IFRS 2 'Group Cash-settled Share-based Payment Arrangements', applicable for annual periods beginning on or after 1 January 2010.

  The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions, where a subsidiary receives goods or services from employees or suppliers but the parent or another entity in the group pays for those goods or services. IFRIC 8 and IFRIC 11 have been withdrawn. This amendment had no effect on the financial position or performance of the Group.

- Improvements to International Financial Reporting Standards (issued 2009).

  Includes 15 amendments to 12 standards.

  Applicable for annual periods beginning on or after 1 July 2009: IFRS 2 Share-based Payment, IAS 38 Intangible Assets, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of a net Investment in a Foreign Operation.

  Effective immediately on issue date in April 2009: IAS 18 Revenue.

  Applicable for annual periods beginning on or after 1 January 2010: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 36 Impairment of Assets, IAS 39 Financial Instruments: Recognition and Measurement. These improvements had no impact on the financial position or performance of the Group.

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 undertakes a number of activities 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 until June 2009 generated revenue from the sale of gold, silver and concentrate. The operating unit is no longer considered a reporting segment.
- Operating unit – Pallancata, which generates revenue from the sale of concentrate.
- Operating unit – San Jose, 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.
- Other – for the year 2010 the amount disclosed includes the profit or loss generated by Empresa de Transmision Callalli S.A.C. (a power generation company), Servicios Corporativos Hochschild Mining Mexico S.A. de C.V. (a service company in Mexico), and Selene mine that closed in 2009 which, as a consequence, was not considered to be a reportable segment. For the year 2009 the amount disclosed includes the profit or loss generated by Empresa de Transmision Callalli S.A.C., Servicios Corporativos Hochschild Mining Mexico S.A. de C.V. and Compañía Minera Arcata S.A.

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, selling expenses and exploration expenses.

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

(a) Reportable segment information

	Ares US$000	Arcata US$000	Pallancata US$000	San Jose US$000	Moris US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Year ended 31 December 2010									
Revenue for external customers	56,824	181,778	261,877	220,825	30,899	–	119	–	**752,322**
Inter segment revenue	–	–	–	–	–	–	6,992	(6,992)	**–**
Total revenue	56,824	181,778	261,877	220,825	30,899	–	7,111	(6,992)	**752,322**
Segment profit/(loss)[2]	15,053	104,677	158,528	92,804	766	(49,277)	5,030	1,756	**329,337**
Others[3]									**(40,642)**
Profit/(loss) from continuing operations before income tax									**288,695**
Other segment information									
Depreciation[4]	(2,788)	(18,214)	(33,939)	(34,730)	(10,865)	(218)	(1,692)	–	**(102,446)**

	Ares US$000	Arcata US$000	Pallancata US$000	San Jose US$000	Moris US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Amortisation	–	–	–	(2,067)	–	–	(301)	–	**(2,368)**
Non-cash expenses	(42)	(1,328)	(102)	(6,728)	–	(15,464)	(354)	–	**(24,018)**
Assets									
Capital expenditure	5,422	30,230	43,955	55,183	2,728	108,218	2,305	–	**248,041**
Current assets	4,661	20,934	69,968	39,739	7,295	11	1,926	–	**144,534**
Other non-current assets[5]	9,670	82,983	127,869	210,010	1,428	194,111	12,939	–	**639,010**
Total segment assets	14,331	103,917	197,837	249,749	8,723	194,122	14,865	–	**783,544**
Not reportable assets[6]	–	–	–	–	–	–	880,877	–	**880,877**
Total assets	14,331	103,917	197,837	249,749	8,723	194,122	895,742	–	**1,664,421**

1 "Other" revenue primarily relates to revenues earned by Servicios Corporativos Hochschild Mining Mexico S.A. de C.V. for services provided to the Moris Mine, and the Mexican exploration activities.
2 Segment profit for the operating segments Ares, Arcata, Selene and Pallancata includes an exceptional item in cost of sales of US$8,861,000..
3 Others is comprised of administrative expenses of US$66,221,000, other income of US$82,802,000, other expenses of US$10,956,000, impairment of assets of US$24,018,000, share of loss of associates and joint ventures of US$6,080,000,, finance income of US$13,344,000, finance cost of US$29,542,000, and foreign exchange gain of US$29,000.
4 Includes US$61,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.
5 Includes the goodwill of San Jose unit amounting to US$2,091,000.
6 Not reportable assets are comprised of intangibles of US$150,000, investments accounted under the equity method of US$79,068,000, available-for-sale financial assets of US$153,620,000, other receivables of US$93,348,000, income tax receivable of US$3,318,000, deferred income tax assets of US$5,229,000, other financial assets of US$20,662,000 and cash and cash equivalents of US$525,482,000.

	Ares US$000	Arcata US$000	Selene US$000	Pallancata US$000	San Jose US$000	Moris US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Year ended 31 December 2009										
Revenue for external customers	53,312	141,574	10,757	160,416	147,102	26,440	–	140	–	**539,741**
Inter segment revenue	–	–	–	–	–	–	–	3,027	(3,027)	**–**
Total revenue	53,312	141,574	10,757	160,416	147,102	26,440	–	3,167	(3,027)	**539,741**
Segment profit/(loss)[2]	18,907	74,922	(2,874)	84,810	41,767	7,674	(24,558)	2,160	8,722	**211,530**
Others[3]										**(56,720)**
Profit/(loss) from continuing operations before income tax										**154,810**
Other segment information										
Depreciation[4]	(5,362)	(19,292)	(8,235)	(15,324)	(29,510)	(4,868)	(202)	(1,129)	–	**(83,922)**
Non-cash expenses	(15,263)	–	(4,805)	–	–	3,446	(10,091)	(6,185)	–	**(32,898)**
Assets										
Capital expenditure	3,484	29,688	16,579	24,117	26,113	480	5,778	2,296	–	**108,535**
Current assets	5,239	21,004	2,708	51,228	33,190	8,307	–	1,118	–	**122,794**

	Ares US$000	Arcata US$000	Selene US$000	Pallancata US$000	San Jose US$000	Moris US$000	Exploration US$000	Other[1] US$000	Adjustment and eliminations US$000	**Total US$000**
Other non-current assets[5]	7,114	72,979	60,574	55,882	200,170	9,489	97,100	13,561	–	**516,869**
Total segment assets	12,353	93,983	63,282	107,110	233,360	17,796	97,100	14,679	–	**639,663**
Not reportable assets[6]	–	–	–	–	–	–	–	666,194	–	**666,194**
Total assets	12,353	93,983	63,282	107,110	233,360	17,796	97,100	680,873	–	**1,305,857**

1 "Other" revenue primarily relates to revenues earned by Servicios Corporativos Hochschild Mining Mexico S.A. de C.V. for services provided to the Moris mine, and the Mexican exploration activities.
2 Segment profit for the operating segments Ares, Arcata, Selene and Pallancata includes an exceptional item in cost of sales of US$6,918,000.
3 Others is comprised of administrative expenses of US$51,068,000, other income of US$13,283,000, other expenses of US$20,577,000, impairment of property, plant and equipment of US$26,713,000, share of gains of associates and joint ventures of US$47,223,000, finance income of US$28,684,000, finance cost of US$47,296,000, and foreign exchange loss of US$256,000.
4 Includes US$11,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.
5 Includes the goodwill of San Jose unit amounting to US$2,091,000.
6 Not reportable assets are comprised of intangibles of US$342,000, investments accounted under the equity method of US$450,665,000, available-for-sale financial assets of US$19,181,000, other receivables of US$91,033,000, income tax receivable of US$10,582,000, deferred income tax assets of US$15,852,000, other financial assets of US$695,000 and cash and cash equivalents of US$77,844,000.

(b) Geographical information

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:

	Year ended 31 December	
	2010 US$000	2009 US$000
External customer		
USA	**147,701**	130,126
Perú	**158,540**	159,339
Canada	**137,713**	98,960
Germany	**128,834**	84,121
Switzerland	**88,457**	57,549
United Kingdom	**38,802**	1,925
Korea	**52,275**	7,721
Total	**752,322**	539,741
Inter-segment		
Perú	**882**	1,161
Mexico	**6,110**	1,866
Total	**759,314**	542,768

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:

	Year ended 31 December 2010			Year ended 31 December 2009		
	US$000	**% Revenue**	**Segment**	US$000	% Revenue	Segment
Consorcio Minero S.A.	**158,464**	**21%**	**Arcata, San Jose**	155,182	29%	Arcata, Pallancata, San Jose
Teck Metals Ltd. (formerly Teck Cominco Metals Ltd)	**137,713**	**18%**	**Arcata, Pallancata**	98,960	18%	Arcata, Selene, Pallancata
Aurubis AG (formerly Nordeutsche Affinerie AG)	**128,834**	**17%**	**Selene, Pallancata, San José**	84,121	16%	Selene, Pallancata, San José

Johnson Matthey Inc.	**79,384**	**11%**	**Ares, Arcata, San José, Moris**	47,375	9%	Ares, Arcata, Selene, San Jose, Moris
International Commodities Inc.	**42,853**	**6%**	**Ares, Arcata, Moris**	61,979	11%	Ares, Arcata, Selene, Moris

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 31 December	
	2010 US$000	2009 US$000
Perú	**399,905**	242,170
Argentina	**210,265**	200,384
Mexico	**28,699**	49,328
Chile	**68**	54
Canada	**–**	24,902
United Kingdom	**79,291**	451,038
Total non-current segment assets	**718,228**	967,876
Available-for-sale financial assets	**153,620**	19,181
Trade and other receivables	**36,817**	3,150
Deferred income tax assets	**5,229**	15,852
Income tax receivable	**2,401**	1,302
Total non-current assets	**916,295**	1,007,361

4 Acquisitions

(a) Acquisition of associates

Lake Shore Gold Corp.

On 9 March 2009 the Group acquired 14,900,000 shares of Lake Shore Gold Corp. (“Lake Shore Gold”) for US$18,003,000 as part of its commitment to participate in the bought-deal financing agreement entered into by Lake Shore Gold. After completion of the transaction, the Group’s ownership in Lake Shore Gold was maintained at 39.99%.

On 6 November 2009 Lake Shore Gold acquired all of the outstanding common shares of West Timmins Mining Inc. (“West Timmins”) by issuing 103,951,125 common shares and 8,550,264 options and warrants. At the date of the transaction the Group held an interest of 18.40% in West Timmins (acquired between August and November of 2009 for a total consideration of US$63,782,000). As a consequence of the transaction the Group’s interest in Lake Shore Gold was diluted from 39.99% to 26.10% and a net gain of US$42,279,000 was recognised as an exceptional item in the consolidated income statement within the caption “Share on post tax profit/loss of associates” (refer to note 11). On the same day, 28,300,000 shares held by the Group in West Timmins were converted into 20,700,000 shares in Lake Shore Gold, increasing the Group’s interest in Lake Shore Gold to 32.20%.

During December 2009 the Group acquired an additional interest of 3.88% in Lake Shore Gold for a total consideration of US$86,168,000. Also, at 31 December 2009 the accumulated interest held by the Group of 36.09% was diluted to 35.69% due to the issuance of a package of shares, options and warrants by Lake Shore Gold. The total loss recognised in connection with the dilution of US$4,493,000 is recognised as an exceptional item in the consolidated income statement within the caption “Share on post tax profit/loss of associates” (refer to note 11).

On 16 February 2010 the Group acquired 1,273,036 shares of Lake Shore Gold for CAD$5,130,000 (US$4,813,000). After completion of the transaction, the Group’s ownership in Lake Shore Gold increased from 35.69% to 35.92%.

At 6 October 2010 the Group diluted its interests in Lake Shore Gold to 32.7%.

On 14 October 2010 the Group entered into an agreement with RBC Dominion Securities Inc., BMO Nesbitt Burns Inc. and CIBC World Markets Inc. to dispose 109,000,000 shares held in Lake Shore Gold (approximately 27.3% interest) pursuant to a bought deal transaction, at a price of CAD$3.60 per share. The sale was completed on 3 November 2010.

After this transaction the Group holds approximately a 5.4% interest, no longer has Board representation and no longer exercises significant influence in Lake Shore Gold.

Gold Resource Corporation

In connection with the 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. The Group also acquired an option to purchase a further 4,330,000 common shares for US$12,990,000 (US$3 per share).

On 25 February 2009, the Group exercised its option to purchase a further 4,330,000 common shares. As a result of the acquisition of the second tranche, the Group held a 13.6% 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 in 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.

On 16 December 2009, the Group purchased 1,954,795 common shares for a total cash consideration of US$16,000,000.

Between 26 January 2010 and 5 February 2010 the Group acquired 440,500 shares of its associate Gold Resource Corp. for US$$4,351,000 in the open market. In addition, on 8 March 2010 the Group signed a subscription agreement with Gold Resource Corp. by which the Group acquired 600,000 shares for a total consideration of US$5,172,000.

In addition on 27 May 2010 the Group acquired 631,579 shares of Gold Resource Corp. for a total consideration of US$6,000,000. Following completion of this purchase the Group’s ownership in its associate increased to 25.28% on a fully diluted basis as at 31 December 2010.

(b) Acquisition of assets

Minera Quellopata S.A.C.

On 13 August 2007, the Group and Ventura Gold Corp. (“Ventura”) entered into a letter of agreement by which the Group granted the option to Ventura to earn in an initial interest of 51% in the Inmaculada Property (located in Perú). Under the Agreement, Ventura was required to drill a minimum of 15,000m and issue 1,000,000 shares of Ventura throughout three years. Also, to maintain the option Ventura was required to issue 2,000,000 additional shares throughout a period of 5 more years (2011 – 2015).

On 19 December 2008 Ventura exercised its option to acquire an initial 51% interest in the project after completing the initial drilling and the issuance of the first million shares required (which was effectively completed during 2009).

Pursuant to the letter of agreement, the Group and International Minerals – (“IMZ”) (which acquired 100% of Ventura and became party to the letter of agreement) formed a Peruvian company called Minera Quellopata S.A.C. ("Quellopata"), owned 51% by IMZ and 49% by the Group and entered into a Shareholders agreement on October 2009 (the “Quellopata Shareholders Agreement”). The Group contributed the Inmaculada Property and IMZ contributed all the exploration studies, in respect of the Inmacualada property, to Quellopata.

Ventura had the option to acquire an additional 19% interest in the project (totalling 70%) in exchange for the funding of the feasibility study within 6 years.

On 12 October 2010, the Group signed a Framework Agreement with IMZ, through which the Group acquired an additional 30% in the Inmaculada project (totalling 60% interest) in exchange for: (i) the purchase of US$20,000,000 of common shares of IMZ in a private placement, (ii) a payment of US$15,000,000, (iii) funding the first US$100,000,000 needed to plan, develop and construct a mining operation within the Inmaculada Property, (iv) the transfer of Minera del Suroeste S.A.C.’s ownership in Minas Pacapausa S.A.C. to Minera Suyamarca S.A.C. Minera Oro Vega which will transfer to Quellopata, together with the Puquiopata project. The Group will be the operator of the new venture pursuant to a separate Management Agreement similar in form and substance to the Pallancata Management Agreement.

On 23 December 2010 (“effective date”), the Group signed the New Joint Venture Agreement Pallancata – Inmaculada (“New JV Agreement”) with IMZ, which details the approved structure and plan for the project and terminates the Quellopata Shareholders Agreement and the Pallancata Joint Venture Agreement.

This transaction has been accounted for as an asset acquisition as on the basis that Quellopata has no existing processes.

As a result of the acquisition, the Group obtained control over Quellopata and has consolidated it as a subsidiary. The net assets received in the asset acquisition were US$91,782,000 and the Non-Controlling Interest generated by the transaction was US$36,940,000. The Group recognised a contingent consideration of US$39,243,000 and an obligation to IMZ of US$15,594,000 disclosed in the notes 26 and 24 of the Annual Report respectively.

(c) Acquisition of subsidiaries

Southwestern Resources Corporation

On 21 May 2009, the Group acquired a 100% interest of Southwestern Resources 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 net assets acquired in the transaction and the negative goodwill arising were as follows:

	Fair value US$000
Cash and cash equivalents	5,349
Available-for-sale financial assets	949
Investment in asóciate	361
Property, plant and equipment	24,266
Other assets	200
Deferred income tax liability	(3,663)
Other current liabilities	(522)
Net assets	26,940
Negative goodwill arising on acquisition	(7,694)
Total acquisition cost	19,246

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.

(d) Acquisition of non- controlling interest

Minas Santa Maria 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 difference between the consideration paid of US$1,500,000 and the carrying value of the non-controlling interest at the acquisition date of US$5,650,000 has been recognised as an increase of retained earnings.

5 Other income and other expenses

	Year ended 31 December 2010			Year ended 31 December 2009		
	Before exceptional items US$000	**Exceptional items US$000**	**Total US$000**	Before exceptional items US$000	Exceptional items US$000	Total US$000
Other income:						
Export incentive	**1,843**	**–**	**1,843**	1,921	–	1,921
Gain on recovery of expenses	**210**	**–**	**210**	472	–	472
Gain on sale of property, plant and equipment	**–**	**–**	**–**	–	153	153
Lease rentals	**151**	**–**	**151**	302	–	302
Gain on sale of investment in El Quevar[1]	**–**	**6,010**	**6,010**	–	–	–
Gain on sale of investment in Zincore Metals Inc. [2]	**–**	**7,533**	**7,533**	–	–	–
Gain on sale of investment in Lake Shore Gold[3]	**–**	**63,654**	**63,654**	–	–	–
Recovery of impairment of deposits in Kaupthing, Singer and Friedlander Bank	**135**	**–**	**135**	–	584	584
Negative goodwill on acquisition of subsidiary	**–**	**–**	**–**	–	7,694	7,694
Reversal of Electroperú contingency	**–**	**–**	**–**	–	351	351
Other	**3,266**	**–**	**3,266**	1,806	–	1,806
Total	**5,605**	**77,197**	**82,802**	4,501	8,782	13,283
Other expenses:						
Increase in provision for mine closure[4]	**(3,839)**	**–**	**(3,839)**	(11,526)	–	(11,526)
Write off of value added taxes	**(949)**	**–**	**(949)**	–	–	–
Termination benefits[5]	**–**	**–**	**–**	–	(662)	(662)
Loss on sale of property, plant and equipment	**(93)**	**–**	**(93)**	–	–	–
Loss on sale of other assets	**(373)**	**–**	**(373)**	(1,635)	–	(1,635)
Compensation claims provision[6]	**(378)**	**–**	**(378)**	(1,850)	–	(1,850)
Provision for obsolescence of supplies[7]	**(1,252)**	**–**	**(1,252)**	(1,128)	(585)	(1,713)
Impairment of trade receivables[8]	**(241)**	**–**	**(241)**	(1,116)		(1,116)
Other	**(3,831)**	**–**	**(3,831)**	(2,075)	–	(2,075)
Total	**(10,956)**	**–**	**(10,956)**	(19,330)	(1,247)	(20,577)

1 Corresponds to the gain generated due to the sale of the Group´s interest in the El Quevar project in Argentina in exchange for 400,000 common shares and a warrant to purchase 300,000 common shares of Golden Minerals Co at a price per share of US$15.
2 Corresponds to the gain generated by the sale of the Group´s interest in Zincore Metals Inc. to Inversiones Pacasmayo S.A., a related party of the Group.
3 Correponds to the gain generated by the sale of 109,000,000 of Lake Shore Gold shares on 3 November 2010 (refer to note 4(a)).
4 In 2010 corresponds to changes in the estimated mine closure costs of closed operations in Perú of US$3,691,000 (2009: US$11,800,000), refer to note 14 (1); together with the loss generated due to the change in the discount rate of US$148,000 (2009: net of gain of US$274,000).
5 In 2009 represents the termination benefits paid to the employees due to the closing of the Selene mine.
6 Corresponds to compensation claims provisions related to the Peruvian companies.
7 In 2010 mainly includes the provision of obsolescence of supplies in Cia Minera Ares and Minera Suyamarca of US$319,000, Minas Santa María de Moris of US$426,000 and Minera Santa Cruz of US$ 486,000. In 2009 mainly corresponds to the write-off of supplies at the Sipan mine that could not be sold or used in the other mining units of Perú and the obsolescence of supplies at the Selene mine due to the closure of the mine.
8 In 2010 corresponds to the impairment of an account receivable in Cia Minera Ares. In 2009 mainly corresponds to the impairment of a trade receivable from a customer in Perú.

6 Finance income and finance costs

	Year ended 31 December 2010			Year ended 31 December 2009		
	Before exceptional items US$000	**Exceptional items US$000**	**Total US$000**	Before exceptional items US$000	Exceptional items US$000	Total US$000
Finance income:						
Interest on time deposits[1]	**350**	**–**	**350**	819	–	819
Gain from changes in the fair value of financial instruments[2]	**–**	**3,289**	**3,289**	–	9,045	9,045
Gain on sale of available-for-sale financial assets[3]	**–**	**5,713**	**5,713**	–	623	623
Gain on exchange of available-for-sale financial assets[4]	**–**	**202**	**202**	–	12,632	12,632
Interest on loans to non-controlling interests	**2,514**	**–**	**2,514**	2,609	–	2,609
Change in discount rate[5]	**283**	**–**	**283**	2,837	–	2,837
Other	**993**	**–**	**993**	119	–	119
Total	**4,140**	**9,204**	**13,344**	6,384	22,300	28,684
Finance costs:						
Interest on bank loans and long-term debt (note 13)	**(8,744)**	**–**	**(8,744)**	(13,976)	–	(13,976)
Interest on convertible bond (note 13)	**(8,588)**	**–**	**(8,588)**	(1,663)	–	(1,663)
Unwind of discount rate[6]	**(538)**	**–**	**(538)**	(278)	–	(278)
Loss from changes in the fair value of forward contracts[7]	**(3)**	**–**	**(3)**	(25,962)	–	(25,962)
Loss from changes in the fair value of financial instruments[8]	**(9,091)**	**–**	**(9,091)**	(2,452)	(1,256)	(3,708)
Other	**(2,578)**	**–**	**(2,578)**	(1,709)	–	(1,709)
Total	**(29,542)**	**–**	**(29,542)**	(46,040)	(1,256)	(47,296)

1 Mainly corresponds to interest on liquidity funds.
2 In 2010 the amount corresponds to the gain from change in the fair value of Golden Minerals and Iron Creek warrants of US$2,972,000 and US$168,000 respectively. In addition includes US$149,000 related to the fair value adjustment in acquisition of International Minerals shares on November 2010. In 2009 the amount mainly corresponds to the gain realised upon the exercise of an option over shares in Gold Resource Corp. on 25 February 2009 of US$5,493,000, the gain of the option contract to buy 3,750,000 shares of Gold Resource Corp. of US$1,912,500 and the change in the fair value of Fortuna Silver Mine Inc. warrants of US$1,639,000.
3 In 2010 corresponds to the gain on sale of Golden Minerals and Fortuna River shares of US$5,833,000 and US$53,000 respectively, net of the loss generated by the sale of Dia Bras Exploration and Lara Explorations Ltd shares of US$152,000 and US$21,000 respectively. In 2009 corresponds to the sale of 3,287,570 shares in Fortuna Silver Mines Inc. resulting in a realised gain of US$623,000 which has been recycled from equity into the income statement.
4 In 2010 corresponds to the gain for receiving shares of International Minerals due to the merger with Ventura Gold Corp. In 2009 mainly corresponds to the gain from change in the fair value of West Timmins Mining Inc. Shares due to their exchange for additional Lake Shore Gold shares. The 2009 amount also includes the gain for receiving shares of Dia Bras Exploration due to the merger with EXMIN Resources Inc. of US$391,000 and for receiving shares of Lara Exploration Ltd. due to the merger with Maxy Gold Corp. of US$112,000.
5 Corresponds to the gain arising on the reduction in the discount rate used to the calculation of the recoverable amount of VAT of Minera Santa Cruz of US$283,000 (2009: US$2,837,000)
6 Corresponds to the unwind of the discount on the provision for mine closure of US$538,000 (2009: US$278,000).
7 Corresponds to the realised loss due to changes in the fair value of derivative instruments, being the future contracts of gold and silver signed with Citibank, JP Morgan and INTL Commodities Inc. with the intention to remove the risk of the fluctuations in metal prices.
8 Corresponds to the loss due to changes in the fair value of the zero cost collar contracts signed by Cia. Minera Ares in 2009. These contracts were over 5,200,000 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, and contracts with a cap of US$20.92/oz and floor of US$13.80/oz for 1,500,000 ounces, and a cap of US$21/oz and a floor of US$14/oz for 1,500,000 ounces. The contracts expired between January and December 2010. In addition includes a loss of US$1,495,000 (2009: US$1,256,000) relating to the fair value of the swap contract signed with BBVA and Citibank to fix the interest rate of the JP Morgan led syndicated loan at 1.75% (refer to note 13).

Interest income and expense from assets and liabilities that are not at fair value through the profit and loss are as follows:

	As at 31 December	
	2010 US$000	2009 US$000
Interest income from financial assets that are not at fair value through the profit and loss	**2,864**	3,428
Interest expense from financial liabilities that are not at fair value through the profit and loss	**(17,332)**	(15,639)
Total	**(14,468)**	(12,211)

7 Income tax expense

	Year ended 31 December 2010			Year ended 31 December 2009		
	Before exceptional items US$000	**Exceptional items[1] US$000**	**Total US$000**	Before exceptional items US$000	Exceptional items US$000	Total US$000
Current tax:						
Current tax charge from continuing operations	**50,138**	**(2,659)**	**47,479**	30,946	(2,275)	28,671
	50,138	**(2,659)**	**47,479**	30,946	(2,275)	28,671
Deferred taxation:						
Origination and reversal of temporary differences from continuing operations	**27,165**	**(3,127)**	**24,038**	12,486	(8,943)	3,543
	27,165	**(3,127)**	**24,038**	12,486	(8,943)	3,543
Withholding taxes	**513**	**–**	**513**	1,256	–	1,256
Total taxation charge in the income statement	**77,816**	**(5,786)**	**72,030**	44,688	(11,218)	33,470

1 This amount mainly relates to a current tax credit of US$2,659,000 in connection with the one-off bonus paid to the mining workers in Perú (2009: US$2,076,000), and US$3,127,000 deferred tax credit in connection with a write-off recognised in the period (US$9,048,000 in connection with an impairment loss recognised in 2009).

The weighted average statutory income tax rate was 31.4% for 2010 and 30.1% for 2009. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

The change in the weighted average statutory income tax rate is due to a change in the weighting of profit/(loss) before tax in the various jurisdictions in which the Group operates.

The tax related to items charged or credited to equity is a deferred tax charge of US$7,189,000 (2009: a deferred tax credit of US$71,000).

The total taxation charge on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to the consolidated profits of the Group companies as follows:

	As at 31 December	
	2010 US$000	2009 US$000
Profit from continuing operations before income tax	**288,695**	154,810
At average statutory income tax rate of 31.4% (2009: 30.1%)	**90,594**	46,702
Expenses not deductible for tax purposes	**2,250**	2,049
Non-taxable income[1]	**(17,976)**	(6,662)
Non-taxable negative goodwill[2]	**–**	(2,308)
Deferred tax recognised on special investment regime	**–**	(629)
Recognition of previously unrecognised deferred tax assets[3]	**(14,525)**	(4,222)
Non-taxable share of losses/(gains) of associates	**1,702**	(13,276)
Net deferred tax assets generated in the year not recognised	**8,179**	11,204
Change in tax regime	**–**	(2,002)
Change in statutory income tax rate	**–**	(786)
Foreign exchange rate effect[4]	**(430)**	25
Derecognition of deferred tax assets previously recognised[5]	**–**	4,790
Other	**2,236**	(1,415)
At average effective income tax rate of 25.0% (2009: 21.62%)	**72,030**	33,470
Taxation charge attributable to continuing operations	**72,030**	33,470
Total taxation charge in the income statement	**72,030**	33,470

1 Mainly corresponds to the non taxable gain on sale of Lake Shore Gold shares of US$17,743,000.
2 In 2009, corresponds to non-taxable negative goodwill on acquisition of the Southwestern Group.
3 Mainly corresponds to the use of previously unrecognised tax losses in 2010 of US$15,736,000 (US$7,687,000 in 2009), recognised tax losses upon tax restructuring of the Mexican companies of US$6,329,000 (US$7,392,000 in 2009), the reversal of the write-off of tax credits of US$4,790,000, previously written off in 2009, following certain steps taken to increase the probability of the assets being available in the future, and the non taxable gain on sale of Zincore Metals Inc. shares of US$2,586,000.
4 Mainly corresponds to the foreign exchange effect from converting tax bases and monetary items from local currency to the functional currency.

5 Relates to the reversal of a deferred tax asset previously recognised, as the ability to utilise this potential deferred tax asset against future taxable profits is now uncertain.

8 Basic and diluted earnings per share

Earnings per share ("EPS") is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued during the year.

The Company has dilutive potential ordinary shares.

As at 31 December 2010 and 2009, EPS has been calculated as follows:

	As at 31 December	
	2010	2009
Basic and earning per share from continuing operations:		
Before exceptional items (US$)	**0.28**	0.17
Exceptional items (US$)	**0.18**	0.14
Total for the year and from continuing operations (US$)	**0.46**	0.31
Diluted earning per share from continuing operations:		
Before exceptional items (US$)	**0.29**	0.17
Exceptional items (US$)	**0.17**	0.14
Total for the year and from continuing operations (US$)	**0.46**	0.31

Net profit from continuing operations before exceptional items and attributable to equity holders of the parent is derived as follows:

	As at 31 December	
	2010	2009
Profit for the year from continuing operations (US$000)	**216,665**	121,340
Less non-controlling interests (US$000)	**(60,054)**	(23,260)
Profit attributable to equity holders of the parent – continuing operations (US$000)	**156,611**	98,080
Exceptional items after tax – attributable to equity holders of the parent (US$000)	**(61,687)**	(45,188)
Profit from continuing operations before exceptional items attributable to equity holders of the parent (US$000)	**94,924**	52,892
Interest on convertible bond (US$000)	**8,588**	1,663
Diluted profit from continuing operations before exceptional items attributable to equity holders of the parent (US$000)	**103,512**	54,555

The followings reflects the share data used in the basic and diluted earnings per share computations:

	As at 31 December	
	2010	2009
Basic weighted average number of ordinary shares in issue (thousands)	**338,085**	314,043
Dilutive potential ordinary shares related to convertible bond	**18,161**	3,564
Diluted weighted average number of ordinary shares in issue and dilutive potential ordinary shares (thousands)	**356,246**	317,607

9 Property, plant and equipment

	Mining properties and development costs US$000	Land and buildings US$000	Plant and equipment[1] US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2009							
Cost							
At 1 January 2009	237,818	100,393	183,245	3,420	41,681	65,933	632,490
Additions	50,969	381	16,032	160	–	32,357	99,899
Acquisition of subsidiary	23,800	–	347	119	–	–	24,266
Change in discount rate	–	–	–	–	(1,770)	–	(1,770)
Disposals	(1,148)	–	(1,639)	(96)	–	(169)	(3,052)
Write-off	(27,718)	(1,894)	(5,496)	(162)	–	62	(35,208)
Change in mine closure estimate	–	–	–	–	15,220	–	15,220
Reclassification to intangibles	–	–	(5,891)	–	–	–	(5,891)
Transfers and other movements	–	10,244	28,433	255	–	(38,932)	–
Transfer to evaluation and exploration assets	(1,921)	–	–	–	–	–	(1,921)
Foreign exchange	2,087	3	546	12	–	33	2,681
At 31 December 2009	283,887	109,127	215,577	3,708	55,131	59,284	726,714
Accumulated depreciation and impairment							
At 1 January 2009	107,516	21,311	51,628	1,306	33,376	788	215,925
Depreciation for the year	45,229	13,719	23,345	375	1,254	–	83,922
Write-off[2]	(26,666)	(1,147)	(2,924)	(80)	130	–	(30,687)
Impairment[3]	9,671	4,390	5,093	50	2,172	310	21,686
Disposals	–	–	(956)	(110)	–	–	(1,066)
Reclassification to intangibles	–	(606)	(1,559)	–	–	–	(2,165)
Foreign exchange	–	–	141	–	–	–	141
At 31 December 2009	135,750	37,667	74,768	1,541	36,932	1,098	287,756
Net book amount at 31 December 2009	**148,137**	**71,460**	**140,809**	**2,167**	**18,199**	**58,186**	**438,958**

	Mining properties and development costs US$000	Land and buildings US$000	Plant and equipment[1] US$000	Vehicles US$000	Mine closure asset US$000	Construction in progress and capital advances US$000	Total US$000
Year ended 31 December 2010							
Cost							
At 1 January 2010	283,887	109,127	215,577	3,708	55,131	59,284	726,714
Additions	71,473	80	14,138	14	1,081	39,572	126,358
Acquisition of subsidiary	–	–	5	–	–	–	5
Change in discount rate	–	–	–	–	989	–	989
Disposals	–	–	(1,498)	(448)	–	–	(1,946)
Transfer of leases	–	–	(717)	–	–	–	(717)
Write-off[2]	(934)	(2,705)	(7,624)	(43)	–	(6,803)	(18,109)
Change in mine closure estimate	–	–	–	–	(1,108)	–	(1,108)
Transfers and other movements	273	14,438	15,068	366	–	(30,145)	–

Transfer from evaluation and exploration assets	4,249	–	–	–	–	–	4,249
Foreign exchange	1,096	8	(61)	9	–	17	1,069
At 31 December 2010	360,044	120,948	234,888	3,606	56,093	61,925	837,504
Accumulated depreciation and impairment							
At 1 January 2010	135,750	37,667	74,768	1,541	36,932	1,098	287,756
Depreciation for the year	54,027	17,976	26,201	408	3,834	–	102,446
Write-off[2]	(201)	(2,657)	(5,911)	(24)	–	–	(8,793)
Disposals	–	–	(648)	(373)	–	–	(1,021)
Transfer of leases	–	–	(123)	–	–	–	(123)
Foreign exchange	–	1	45	10	–	–	56
At 31 December 2010	189,576	52,987	94,332	1,562	40,766	1,098	380,321
Net book amount at 31 December 2010	**170,468**	**67,961**	**140,556**	**2,044**	**15,327**	**60,827**	**457,183**

1 The carrying value of plant and equipment held under finance leases at 31 December 2010 was US$7,936,000 (2009: US$11,177,000). Additions during the year included US$1,239,000 (2009: US$6,058,000) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.

2 Mainly comprises the effects of the result of the physical verification exercise performed every three years at the Peruvian unit mines which resulted in a write-off in the Ares mine unit of US$1,727,000 and in the Pallancata mine unit of US$102,000. In addition, 2010 includes a write off of US$12,000 in México, US$747,000 in Peru related to the Crespo project and US$6,728,000 in Argentina related to the proposed conversion of San Jose’s production to doré only. In 2009, due to the cessation of mining activities at the Selene mine unit, the remaining net book value of assets of US$4,523,000 was written off.

3 During 2010 the Group tested its mine units Arcata, San Jose and Moris for impairment and determined that there was no impairment to be recorded in profit and loss. At 31 December 2009, the Group recognised impairments totalling US$21,686,000, which included (i) a charge of US$15,041,000 in respect of the Ares mine unit; (ii) a charge of US$10,091,000 in respect of the Liam property; and (iii) a reversal of the impairment loss in respect of the Moris unit of US$3,446,000. The trigger for the impairment of Ares was the proximity of the closing and the resulting revision to its remaining recoverable reserves and resources. In assessing whether an impairment is required to the carrying value of the assets related to each mining unit, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset’s fair value less costs to sell and the value in use. The recoverable amount used in assessing the impairment charges described below is value in use. The Group generally estimates value in use using a discounted cash flow model for each mining unit covering its remaining useful life.

There were no borrowing costs capitalised in property, plant and equipment as no significant qualifying assets were constructed during 2010.

10 Evaluation and exploration assets

	Total US$000
Cost	
Balance at 1 January 2009	60,480
Additions	8,636
Write-off	(284)
Foreign exchange	1,606
Transfers and other movements	1,921
Balance at 31 December 2009	72,359
Additions[1]	122,764
Foreign exchange	3,058
Transfers and other movements	(4,249)
Balance at 31 December 2010	193,932
Accumulated impairment	
Balance at 1 January 2009	15,754
Impairment[2]	222
Foreign exchange	555
Balance at 31 December 2009	16,531
Impairment[2]	14,702
Foreign exchange difference	888
Balance at 31 December 2010	32,121
Net book value as at 31 December 2009[3]	55,828
Net book value as at 31 December 2010[3]	**161,811**

1 Mainly comprises the increase in evaluation and exploration assets due to the acquisition of the subsidiary Minera Quellopata S.A.C. of US$91,507,000
2 The Group has impaired the San Felipe property by US$14,702,000. The impairment was triggered by the conclusion of the marketing process conducted during the year and reflects the Company's estimate of the recoverable amount. In 2009, the Group also impaired the Ares mine unit by US$222,000. The trigger for this impairment was the proximity of the closing of Ares and the resulting revision to the remaining recoverable reserves and resources.
3 Of the net book value at 31 December 2010, US$25,874,000 corresponds to the investment in San Felipe (2009: US$37,825,000), US$20,241,000 corresponds to the Azuca project (2009: US$7,079,000), US$91,507,000 corresponds to the Inmaculada project in Perú (2009: Nil) and the balance relates to amounts capitalized in respect of converting inferred resources to indicated and measured resources at the Group´s unit mines.
There were no borrowing costs capitalised in evaluation and exploration assets.

11 Investments accounted under equity method

	Carrying value		Share of profit/(loss)	
	Year ended 31 December		Year ended 31 December	
	2010 US$000	2009 US$000	**2010 US$000**	2009 US$000
Lake Shore Gold Corp[(a)]	**–**	386,190	**(9,785)**	46,951
Cabo Sur[(b)]	**–**	(57)	**(6)**	(61)
Gold Resource Corp.[(c)]	**79,068**	62,467	**3,711**	(1,240)
Zincore Metals Inc.[(d)]	**–**	2,065	–	1,704
Minas Pacapausa S.A.C.	**–**	–	–	(131)
Total	**79,068**	450,665	**(6,080)**	47,223

(a) Lake Shore Gold Corp
The share of LSG's loss in 2010 includes a (1) pre-exceptional a loss from the Group's share in the results of the period of Lake Shore Gold of US$1,430,000, (2) an exceptional loss from dilution of the Group's interest from 35.9% to 35.7% on 30 June 2010 of US$2,021,000, (3) an exceptional gain from dilution of the Group's interest from 35.7% to 33.6% on 10 September 2010 of US$3,817,000 and (4) an exceptional loss from dilution of the Group's interest from 33.6% to 32.7% on 6 October 2010 of US$10,151,000. Share of the associate's profit in 2009 includes (1) a gain of US$101,503,000 from the Group's share in Lake Shore Gold's acquisition of 100% of West Timmins' net assets, (2) a gain from the Group's share in the results of the period of Lake Shore Gold of US$9,165,000, (3) a loss from dilution of the Group's interest from 39.99% to 26.1% on 6 November 2009 of US$59,224,000, and (4) a loss from dilution of the Group's interest from 36.09% to 35.69% on 31 December 2009 of US$4,493,000.

On 3 November 2010 the Group disposed 109,000,000 shares held in Lake Shore Gold (approximately 27.3% interest) for a total consideration of US$374,016,000 generating a gain of US$63,654,000. After of this transaction the Group no longer has significant influence over Lake Shore Gold.

(b) Cabo Sur
During 2010 the Group sold its interest in Cabo Sur to Mirasol Resources Ltd. for 6,300 Argentinian Pesos (approximately US$2,000). As a result of this transaction the Group no longer has significant influence over this company.

(c) Gold Resource Corp.
The share of GRC's profit in 2010 includes (1) a pre-exceptional loss from the Group's share in the results of the period of Gold Resource Corp. of US$3,171,000 (2009: US$995,000), (2) an exceptional gain from dilution of US$6,882,000 (2009: loss of US$245,000)

(d) Zincore Metals Inc.
On 21 May 2009, the Group acquired Southwestern Resources Corporation which resulted in the acquisition of 38,100,000 shares of Zincore Metals Inc. equivalent to a 48.2% interest. In September 2009, Zincore Metals Inc. issued 24,060,000 shares resulting in a dilution of the Group's interest to 36.8% which generated a gain by the Group of US$2,065,000.

On 5 March 2010, The Group sold its 36.8% interest to Inversiones Pacasmayo S.A., a related party of the Group, at a price of C$0.27 per share (a total of C$10,287,000) representing a 11.6% premium over the 20 day average closing price, realising a gain on disposal of US$7,533,000. As a result of the transaction, the Group on longer has an interest in Zincore.

The disposal was approved on behalf of Hochschild by a committee comprising solely independent Non-Executive Directors ("the Independent Committee"). The Independent Committee was advised by Canaccord Adams Limited that the terms of the disposal were fair and reasonable as far as shareholders are concerned.

12 Available-for-sale financial assets

	Year ended 31 December	
	2010 US$000	2009 US$000
Beginning balance	**19,181**	17,794
Additions[1]	**25,786**	70,022
Increase in value of available-for-sale financial assets due to merger of companies	**4**	357
Fair value change recorded in equity	**47,573**	23,019
Disposals[2]	**(11,924)**	(4,749)
Reclassification to investments accounted under equity method[3]	**–**	(87,262)
Reclassification from investments accounted under equity method[4]	**73,000**	–
Ending balance	**153,620**	19,181

1 The amount represents the fair value of shares at the date of acquisition and mainly includes the purchase of shares of (i) International Minerals for US$20,150,000, (ii) Golden Minerals for US$5,000,000, (iii) Iron Creek Capital Corp for US$67,000 and (iv) Brionor Resources for US$568,000 (2009: mainly includes the purchase of shares of (i) Fortuna Silver Mines Inc. for US$3,196,000, (ii) Ventura Gold Corp. for US$158,000, (iii) Pembrook Mining Corp. fot US$1,857,000, (iv) West Timmins Mining Inc. fot US$63,782,000, (v) Northern Superior Resources Inc. for US$705,000, (vi) Empire Petroleum Corp. for US$82,000, and (vii) Maxy Gold Corp at for US$243,000).

2 In 2010 corresponds to the sale of (i) 663,600 shares of Fortuna River, (ii) 3,751,047 shares of Dia Bras Exploration, (iii) 495,200 shares of Lara Explorations Ltd. and (iv) 400,000 shares of Golden Minerals. In 2009 corresponds to the sale of 3,287,570 shares in Fortuna Silver Mines Inc. (refer to note 6).

3 Corresponds to the reclassification to investments accounted under the equity method of the West Timmins Mining Inc. shares of US$82,252,000 and of Gold Resource Corp. of US$5,010,000 on the date is they became associates of the Group.

4 Corresponds to the reclassification of the Group's Lake Shore Gold shares from investments accounted under equity method to available-for-sale financial assets as at 31 December 2010, The Group does not have significant influence over this company.

Available-for-sale financial assets include the following:

	Year ended 31 December	
	2010 US$000	2009 US$000
Equity securities – quoted Canadian companies	**131,603**	4,225
Equity securities – quoted US companies	**39**	119
Equity securities – quoted British companies	**8,397**	3,086
Equity securities – unquoted[1]	**13,581**	11,743
Bonds	**–**	8
Total	**153,620**	19,181

1 Includes Pembrook Mining Corp and Electrum Capital Inc. shares.

13 Borrowings

	As at 31 December			
	2010		2009	
	Non-current US$000	**Current US$000**	Non-current US$000	Current US$000
Secured bank loans (a)	**85,525**	**53,030**	115,854	34,773
Amount due to non-controlling interests (b)	**59,028**	**11,074**	–	75,570
Convertible bond payable (c)	**103,827**	**5,145**	103,827	1,663
Amounts due to related parties (note 15)	–	**23**	–	902
Total	**248,380**	**69,272**	219,681	112,908

(a) Secured bank loans

As at 31 December 2010, the balance corresponds to:

i. Pre-shipment loans for a total amount of US$20,000,000 in Minera Santa Cruz S.A. These obligations accrue an effective annual interest rate ranging from 1.60% to 2.40% and are guaranteed by the inventories and the trade receivables of the company. Pre-shipment loans are credit lines given by the Banks to pay obligations related to the exports of the Group.

ii. Leasing agreement with Banco de Credito for an amount of US$3,714,000 in Compañía Minera Ares S.A.C.. This obligation accrues an effective annual interest rate of 3.25%.

iii. Leasing agreement with BIF for an amount of US$1,363,000 in Compañía Minera Ares. This obligation accrues an effective annual interest rate of 5.5%.

The following table demonstrates the present value and maturity of future minimum lease payments as at 31 December 2010 and 2009:

	As at 31 December	
	2010 US$000	2009 US$000
Not later than one year	**3,774**	4,406
Between 1 and 2 years	**1,279**	3,664
Between 2 and 5 years	**24**	935
Total	**5,077**	9,005

The following table reconciles the total minimum lease payments and the in present values as at 31 December 2010 and 2009:

	As at 31 December	
	2010 US$000	2009 US$000
Present value of leases	**5,077**	9,005
Future interest	**155**	718
Total minimum lease payments	**5,232**	9,723

The carrying amount of net lease liabilities approximate their fair value.

iv. Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the Administrative Agent. Total secured term loan facility of US$200,000,000 that 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. The balance as at 31 December 2010 is comprised of the secured term loan facility of US$114,320,000 plus accrued interest of $2,393,000 and net of transaction costs of US$3,235,000. During 2010 and 2009 the Group has a swap contract with BBVA and Citibank to fix the interest rate of the loan at 1.75%.

The schedule of payments is as follows:

Date	**2010 US$000**
13 July 2011	**28,560**
15 January 2012	**28,560**
15 July 2012	**28,560**
13 January 2013	**28,640**
Total payments	**114,320**

The balance at 31 December 2009 corresponds to:

i. Pre-shipment loans for a total amount of US$8,750,000 in CMA and US$20,000,000 in Minera Santa Cruz S.A. These obligations accrue an effective annual interest rate ranging from 1.05% to 4.75% and are guaranteed by the inventories and the trade receivables of the Company.

ii. Leasing agreement with Banco de Credito for an amount of US$5,693,000 in CMA. This obligation accrues an effective annual interest rate ranging from 6.80% to 7.60%.

iii. Leasing agreement with BIF for an amount of US$3,016,000 entered into by CMA. This obligation accrues an effective annual interest rate ranging from 7.15% to 8.25%.

iv. Leasing agreement with Interbank for an amount of US$296,000 entered into by CMA . This obligation accrues an effective annual interest rate of 9.01%.

v. Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the Administrative Agent. Total secured term loan facility of US$200,000,000 that accrues an effective interest rate of LIBOR + 1% and is guaranteed by all the equity share capital, free and clear of any liens, of CMA S.A.C. The balance as at 31 December 2009 comprise of the secured-term loan facility of US$114,320,000 plus accrued interest of US$1,787,000 and net of transaction costs of US$3,235,000. During 2009 the Group signed a swap contract with BBVA and Citibank to fix the interest rate of the loan at 1.75%

(b) Amounts due to non-controlling interests

The balance as at 31 December 2010 mainly corresponds to a loan from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US$64,070,000 (2009: US$67,124,000) with interest rate of 7% (2009: between 7.86% and 12%). There is a further loan of US$6,032,000 advanced to Minera Santa Cruz S.A. by Minera Andes S.A. (2009: US$8,446,000) with an interest rate of 7% (2009: 12%) (refer to note 37(g) of the Annual Report).

(c) Convertible bond payable

Placement of US$115,000,000 of senior unsecured convertible bonds, due 2014, which are convertible into ordinary shares of Hochschild Mining plc. The bonds have a coupon of 5.75% per annum payable semi-annually on 28 January and 28 July of each year. The issuer has the option to call the bonds on or after 20 October 2012 until maturity in the event the trading price of the ordinary shares exceeds 130% of the conversion price over a certain period. In addition, the Group has the right to redeem the bonds if at any time the aggregate principal amount of the bonds outstanding is equal to or less than 15% of the aggregate principal amount of the bonds initially issued.

The following information has to be considered for conversion of the bonds into ordinary shares:

- Conversion premium: 35% above the Reference Share Price.
- Reference Share Price: GBP 2.95.
- Initial Conversion Price: GBP 3.9825.
- Fixed Exchange Rate: US$1.59/GBP 1.00.

The balance as at 31 December 2010 is comprised of the principal of US$115,000,000 (2009: US$115,000,000) plus accrued interest of US$5,145,000 (2009: US$1,663,000) and net of transaction costs of US$2,741,000 (2009: US$2,741,000) and the bond equity component of US$8,432,000 (2009: US$8,432,000).

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2010 US$000	2009 US$000
Between 1 and 2 years	**59,265**	31,586
Between 2 and 5 years	**136,951**	188,095
Over 5 years	**52,164**	–
Total	**248,380**	219,681

The carrying amount of current borrowings approximates their fair value. The carrying amount and fair value of the non-current borrowings are as follows:

	Carrying amount as at 31 December		Fair values as at 31 December	
	2010 US$000	2009 US$000	**2010 US$000**	2009 US$000
Bank loans				
Secured	**85,525**	115,854	**84,728**	116,358
Amounts due to non-controlling interests and related parties (fixed rates)	**59,028**	–	**80,184**	–
Convertible bond payable	**103,827**	103,827	**121,709**	126,331
Total	**248,380**	219,681	**286,621**	242,689

14 Provisions

	Provision for mine closure[1] US$000	Workers' profit sharing[2] US$000	Contributions to Peruvian Government US$000	Long-term Incentive Plan[3] US$000	Contingency Consideration[4] US$000	Bonus to mining workers US$000	Other US$000	Total US$000
At 1 January 2009	38,899	861	991	–	–	–	1,213	41,964
Additions	–	2,073	870	–	–	6,918	1,499	11,360
Accretion	278	–	–	–	–	–	–	278
Change in discount rate	(2,045)	–	–	–	–	–	–	(2,045)
Change in estimate	27,020	–	–	–	–	–	–	27,020
Payments	(2,831)	(948)	(956)	–	–	(6,918)	(371)	(12,024)
Foreign exchange	–	(78)	(12)	–	–	–	30	(60)
Other	–	88		–	–	–		88
At 31 December 2009	61,321	1,996	893	–	–	–	2,371	66,581
Less current portion	(6,640)	(1,996)	(893)	–	–	–	(1,876)	(11,405)
Non-current portion	54,681	–	–	–	–	–	495	55,176
At 1 January 2010	61,321	1,996	893	–	–	–	2,371	66,581
Additions	1,081	14,487	1,814	1,061	39,243	15,712	378	73,776
Accretion	538	–	–	–	–	–	–	538
Change in discount rate (refer to note 5(4) and 9)	1,137	–	–	–	–	–	–	1,137
Change in estimate	2,583	–	–	–	–		–	2,583
Payments	(4,634)	(2,001)	(725)	–	–	(8,861)	–	(16,221)
Foreign exchange	–	(40)	(162)	–	–	14	108	(80)
At 31 December 2010	**62,026**	**14,442**	**1,820**	**1,061**	**39,243**	**6,865**	**2,857**	**128,314**
Less current portion	(10,592)	(14,442)	(1,820)	–	(5,859)	(6,865)	(2,293)	(41,871)
Non-current portion	51,434	–	–	1,061	33,384	–	564	86,443

1 The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of depletion of each of the deposits. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure as at 31 December 2010 and 2009 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties in the timing for using this provision includes changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. During 2010 the Group made an internal review of the provision for mine closure for all its mining units. Consequently, at 31 December 2010 an increase of US$3,664,000 (addition in estimate of US$1,081,000 plus change in estimate of US$2,583,000) has been recognised mainly related to five additional years of water treatment at the Sipan mine unit. Of the total amount, US$1,108,000 has been recognised as a decrease in the mine closure asset, US$1,081,000 as an addition (refer to note 9) and the remaining US$3,691,000 has been recognised within other expenses (refer to note 5 (4)). This increase in estimate relates to the Sipan (US$3,819,000), Moris (US$176,000), Crespo (US$620,000), Azuca (US$461,000) net by a decrease at Ares (US$38,000), Selene (US$128,000), Arcata (US$4,000), Pallancata (US$194,000), and San Jose (US$1,048,000).

2 Corresponds to the workers profit sharing of Compañía Minera Ares S.A.C. (US$3,235,000) and Minera Suyamarca S.A.C. (US$11,207,000).

3 In May 2010, a grant of awards under the Group's cash based Long-Term Incentive Plan was made. The awards will rest on satisfaction of a TSR-based performance condition relative to a comparator group comprising international silver and gold mining companies over a three-year performance period. . The performance period runs from 1 January 2010 to 31 December 2012 and should awards vest a cash payment will be made to participants in May 2013. . Only employees who remain in the Group's employment until this date will be entitled to a cash payment on vesting subject to exceptions approved by the Remuneration Committee of the Board. The provision represents the discounted values of the estimated cost of the long-term employee benefit. In 2010 there is a provision of US$1,061,109 that is disclosed under administrative expenses (US$909,154) and exploration expenses (US$151,955).

4 This contingent consideration provision relates to International Minerals Corporation's discounted share of Hochschild's commitment to fund the first $100,000,000 needed to plan, develop and construct a mining operations within the Inmaculada property (refer to note 4(b)).

15 Related-party balances and transactions

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 2010 and 2009. The related parties are companies owned or controlled by the main shareholder of the parent company, joint ventures or associates.

	Accounts receivable at 31 December		Accounts payable at 31 December	
	2010 US$000	2009 US$000	**2010 US$000**	2009 US$000
Other				
Fosfatos del Pacífico S.A.	**28**	28	**–**	–
Cementos Pacasmayo S.A.A.	**291**	–	**23**	–
Gold Resource Corp (refer to note 11(c))	**1,290**	–	**–**	–
	1,609	28	**23**	–
Joint ventures				
Cabo Sur	**–**	968	**–**	902
	–	968	**–**	902
Total	**1,609**	996	**23**	902
Current related party balances	**1,609**	996	**23**	902
Total	**1,609**	996	**23**	902

As at 31 December 2010 and 2009 all other accounts are, or were, non-interest bearing.

No security has been granted or guarantees given by the Group in respect of these related party balances.

Principal transactions between affiliates are as follows:

	As at 31 December	
	2010 US$000	2009 US$000
Income		
Gain on sale of Zincore Metals Inc. shares to Inversiones Pacasmayo S.A. (refer to note 11(d))	**7,533**	–
Dividend recognised for Gold Resource Corp. investment (refer to note 11(c))	**2,633**	–
Revenue recognised for services performed to Gold Resource Corporation	**29**	–

Transactions between the Group and these companies are on an arm's-length basis.

(b) Compensation of key management personnel of the Group
Key management personnel include the members of the senior management team and Directors who receive remuneration.

	As at 31 December	
	2010 US$000	2009 US$000
Salaries and bonuses	**11,121**	8,679
Total compensation paid to key management personnel	**11,121**	8,679

This amount includes the remuneration paid to the Directors of the parent company of the Group of US$6,996,557 (2009: US$5,931,185), out of which US$239,975 (2009: US$399,117) relates to pension payments.

	As at 31 December	
Compensation of key management personnel (including directors)	**2010 US$000**	2009 US$000
Short term employee benefits	**6,751**	7,971
Termination benefits	**1,170**	63
Long term incentive plan	**2,348**	–
Workers profit sharing	**205**	99
Others	**647**	546
Total compensation	**11,121**	8,679

In 2009, the Group made a loan to one of the Directors of US$200,000 with an interest rate of 7.45% until 30 April 2009, 3.50% from 1 May 2009 to 31 July 2009 and 3.00% from 1 August 2009. The balance as at 31 December 2010 was nil (2009: US$227,214, composed of principal of US$200,000 and interest of US$27,214).

(c) Participation in placing by Pelham Investment Corporation ("Pelham")
Pelham, a company controlled by the Executive Chairman, Eduardo Hochschild, participated in a placing of the Company's Ordinary Shares ("Shares") in October 2009 by subscribing for 1,064,780 Shares at a price of 295p per Share.

(d) Purchase of additional interest in Inmaculada project
During the year, the Group acquired an additional interest in the Inmaculada project effectively diluting the interest of its joint-venture partners, International Minerals Corporation ("IMZ"). This acquisition qualified as a small related party transaction under the UKLA Listing Rules in light of IMZ's 40% interest in the Pallancata Joint-Venture. See note 4(b) for further details

16 Subsequent events

(a) Repayment of syndicated loan facility led by JP Morgan

On 28 January 2011, the Group repaid the total outstanding principal amount of US$114,320,000 plus interest under US$383,448 of the syndicated loan facility led by JP Morgan. In addition, on 31 January 2011, the Group cancelled the two interest rate swap contracts signed with Citibank and BBVA related to this facility. The amount paid to cancel these contracts was US$1,667,500.

(b) Payment of Project Finance Loan interests and receipt of interest from Minera Andes Inc ("MAI")

In January 2011, Minera Santa Cruz S.A. paid US$9,120,786 of interest that had arisen under the Project Finance Loan from MAI. In addition, the Group collected the same amount from MAI, representing interest on the Project Finance Loan advanced by the Group to MAI.

(c) Sale of remaining interest in Lake Shore Gold

On 2 December 2010 the Group entered into a Block Trade Letter Agreement ("the Agreement") with RBC Capital Markets to dispose of the Group's remaining 21,540,992 common shares in Lake Shore Gold (approximately 5.4% interest in Lake Shore Gold on a fully diluted basis) at a price of CAD$3.70 per share raising total net proceeds of CAD$79,701,670. Due to the size of the combined sales (the initial disposal of 27.3% of Lake Shore Gold in November 2010 and the remaining 5.4%), the second transaction was subject to shareholder approval which was granted on 8 February 2011. The transaction closed on the same date and a gain of US$4,950,000 will be recognised in 2011 in respect of the disposal.

Profit by operation[1]

(Segment report reconciliation) as at December 2010

Company (US$ 000)	Ares	Arcata	Pallancata	San Jose	Moris	Consolidation adjustment	Total/HOC
Revenue	56,824	181,778	261,877	220,825	30,899	119	752,322
Cost of sales (Pre consolidation)	(41,652)	(74,526)	(99,812)	(107,282)	(30,133)	(1,123)	(354,528)
Consolidation adjustment	55	129	(53)	(286)	289	(1,123)	(989)
Cost of sales (Post consolidation)	(41,707)	(74,655)	(99,759)	(106,996)	(30,422)	–	(353,539)
Production cost w/o depreciation	(32,018)	(46,017)	(56,345)	(71,711)	(19,065)	–	(225,156)
Depreciation in production cost	(2,649)	(18,991)	(34,409)	(34,664)	(10,865)	–	(101,578)
Other items	(6,658)	(9,146)	(12,454)	(2,227)	–	–	(30,485)
Change in inventories	(382)	(501)	3,449	1,606	(492)	–	3,680
Gross profit	15,172	107,252	162,065	113,543	766	(1,004)	397,794
Administrative expenses	–	–	–	–	–	(66,221)	(66,221)
Exploration expenses	–	–	–	–	–	(41,537)	(41,537)
Selling expenses	(119)	(2,575)	(3,537)	(20,739)	–	50	(26,920)
Other income/expenses	–	–	–	–	–	71,846	71,846
Operating profit before impairment	15,053	104,677	158,528	92,804	766	(36,866)	334,962
Impairment of assets	–	–	–	–	–	(24,018)	(24,018)
Investments under equity method	–	–	–	–	–	(6,080)	(6,080)
Finance income	–	–	–	–	–	13,344	13,344
Finance costs	–	–	–	–	–	(29,542)	(29,542)
FX gain/(loss)	–	–	–	–	–	29	29
Profit/(loss) from continuing operations before income tax[2]	15,053	104,677	158,528	92,804	766	(83,133)	288,695
Income tax	–	–	–	–	–	(72,030)	(72,030)
Profit/(loss) for the year from continuing operations	15,053	104,677	158,528	92,804	766	(155,163)	216,665

1 On a post exceptional basis.

2 Hochschild profit before income tax reflected in 2010 annual report.

Reserves and resources

ORE RESERVES AND MINERAL RESOURCES ESTIMATES

Hochschild Mining plc reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition ("the JORC Code"). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 57 to 62 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

Hochschild Mining plc employs its own Competent Person who has audited all the estimates set out in this report. Hochschild Mining Group companies are subject to a comprehensive programme of audits which aim to provide assurance in respect of ore reserve and mineral resource estimates. These audits are conducted by Competent Persons provided by independent consultants. The frequency and depth of an audit depends on the risks and/or uncertainties associated with that particular ore reserve and mineral resource, the overall value thereof and the time that has lapsed since the previous independent third party audit.

The JORC Code requires the use of reasonable economic assumptions. These include long-term commodity price forecasts (which, in the Group's case, are prepared by ex-house specialists largely using estimates of future supply and demand and long-term economic outlooks).

Ore reserve estimates are dynamic and are influenced by changing economic conditions, technical issues, environmental regulations and any other relevant new information and therefore these can vary from year to year. Mineral resource estimates can also change and tend to be influenced mostly by new information pertaining to the understanding of the deposit and secondly the conversion to ore reserves.

The estimates of ore reserves and mineral resources are shown as at 31 December 2010, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US$900 per ounce and Ag Price: US$15 per ounce.

ATTRIBUTABLE METAL RESERVES AS AT 31 DECEMBER 2010

Reserve category	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq (moz)
MAIN OPERATIONS[1]						
Arcata						
Proved	998,441	375	1.11	12.0	35.5	14.2
Probable	1,105,447	356	1.09	12.7	38.6	15.0
Total	2,103,888	365	1.10	24.7	74.1	29.1
Pallancata						
Proved	2,012,015	308	1.48	19.9	95.8	25.7
Probable	315,662	313	1.35	3.2	13.7	4.0
Total	2,327,677	308	1.46	23.1	109.5	29.7
San Jose						
Proved	363,389	511	7.26	6.0	84.8	11.1
Probable	385,769	394	5.45	4.9	67.6	8.9
Total	749,158	451	6.33	10.9	152.5	20.0
Main operations total						
Proved	**3,373,845**	**349**	**1.99**	**37.9**	**216.1**	**50.9**
Probable	**1,806,878**	**357**	**2.06**	**20.7**	**120.0**	**27.9**
Total	**5,180,723**	**352**	**2.02**	**58.6**	**336.10**	**78.8**
OTHER OPERATIONS						
Ares						
Proved	111,771	99	4.72	0.4	17.0	1.4
Probable	39,133	109	3.02	0.1	3.8	0.4
Total	150,904	102	4.28	0.5	20.8	1.7
Moris						
Proved	94,401	5	1.48	0.0	4.5	0.3
Probable	330,007	5	1.54	0.1	16.3	1.0
Total	424,408	5	1.52	0.1	20.8	1.3
Other operations total						
Proved	**206,172**	**56**	**3.23**	**0.4**	**21.4**	**1.7**
Probable	**369,140**	**16**	**1.69**	**0.2**	**20.1**	**1.4**
Total	**575,312**	**30**	**2.25**	**0.6**	**41.5**	**3.1**
Group total						
Proved	**3,580,017**	**333**	**2.06**	**38.3**	**237.5**	**52.5**
Probable	**2,176,018**	**299**	**2.00**	**20.9**	**140.0**	**29.3**
TOTAL	**5,756,035**	**320**	**2.04**	**59.2**	**377.6**	**81.8**

Note: Where reserves are attributable to a joint venture partner, reserve figures reflect the Company’s ownership only. Includes discounts for ore loss and dilution.

1 Main operations were audited by P&E Consulting.

ATTRIBUTABLE METAL RESOURCES AS AT 31 DECEMBER 2010

Resource category		Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (Moz)	Zn (kt)	Pb (kt)	Cu (kt)
MAIN OPERATIONS[1]													
Arcata													
Measured	1,411,118	489	1.47				578	22.2	66.6	26.2			
Indicated	1,241,366	451	1.34				532	18.0	53.3	21.2			
Total	2,652,484	472	1.41				556	40.2	120.0	47.4			
Inferred	3,282,100	402	1.40				486	42.5	147.5	51.3			
Pallancata													
Measured	2,561,183	390	1.82				500	32.1	150.0	41.1			
Indicated	377,990	345	1.48				434	4.2	18.0	5.3			
Total	2,939,173	385	1.78				491	36.3	168.0	46.4			
Inferred	1,441,039	329	1.35				410	15.3	62.5	19.0			
San Jose													
Measured	527,951	570	8.10				1,056	9.7	137.5	17.9			
Indicated	1,029,953	426	6.14				795	14.1	203.3	26.3			
Total	1,557,904	475	6.80				883	23.8	340.8	44.2			
Inferred	1,522,859	373	5.96				731	18.3	291.8	35.8			
Main operations total													
Measured	**4,500,252**	**443**	**2.45**				**589**	**64.0**	**354.1**	**85.3**			
Indicated	**2,649,309**	**426**	**3.22**				**620**	**36.3**	**274.6**	**52.8**			
Total	**7,149,561**	**437**	**2.74**				**601**	**100.4**	**628.7**	**138.1**			
Inferred	**6,245,998**	**379**	**2.50**				**528**	**76.0**	**501.8**	**106.1**			
OTHER OPERATIONS													
Ares													
Measured	452,204	161	6.02				522	2.3	87.5	7.6			
Indicated	124,667	145	3.78				372	0.6	15.1	1.5			
Total	576,871	157	5.54				489	2.9	102.7	9.1			
Inferred	285,782	183	3.03				365	1.7	27.8	3.3			
Moris													
Measured	281,909	4.1	1.12				71	0.0	10.1	0.6			
Indicated	375,383	4.9	1.44				91	0.1	17.4	1.1			
Total	657,292	4.5	1.30				83	0.1	27.5	1.7			
Inferred	26,335	3.7	1.13				71	0.0	1.0	0.1			
Other operations total													
Measured	**734,113**	**101**	**4.14**				**349**	**2.4**	**97.7**	**8.2**			
Indicated	**500,050**	**40**	**2.02**				**161**	**0.6**	**32.5**	**2.6**			
Total	**1,234,163**	**76**	**3.28**				**273**	**3.0**	**130.2**	**10.8**			
Inferred	**312,117**	**168**	**2.87**				**340**	**1.7**	**28.8**	**3.4**			
ADVANCED PROJECTS													
Azuca													
Measured	0	0	0.00				0	0.0	0.0	0.0			
Indicated	2,048,718	226	0.96				284	14.9	63.0	18.7			
Total	2,048,718	226	0.96				284	14.9	63.0	18.7			
Inferred	5,945,438	206	1.07				270	39.3	204.9	51.6			

Resource category		Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (Moz)	Zn (kt)	Pb (kt)	Cu (kt)
Crespo													
Measured	2,966,294	51	0.65				90	4.8	62.1	8.6			
Indicated	13,922,275	31	0.55				63	13.7	245.8	28.4			
Total	16,888,568	34	0.57				68	18.5	307.9	37.0			
Inferred	8,872,647	11	0.42				37	3.2	121.1	10.4			

Resource category		Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Ag Eq (M oz)	Zn (kt)	Pb (kt)	Cu (kt)
Inmaculada													
Measured	656,374	125	4.65				405	2.6	98.2	8.5			
Indicated	2,710,576	177	4.65				456	15.4	405.6	39.8			
Total	3,366,949	167	4.65				446	18.1	503.7	48.3			
Inferred	2,131,994	199	4.97				498	13.7	340.7	34.1			
San Felipe													
Measured	1,393,716	69	0.02	7.12	3.10	0.39	315	3.1	0.9	14.1	99.3	43.1	5.5
Indicated	1,354,261	82	0.06	6.14	2.73	0.31	295	3.6	2.4	12.9	83.2	37.0	4.2
Total	2,747,977	76	0.04	6.64	2.92	0.35	305	6.7	3.3	27.0	182.4	80.1	9.7
Inferred	1,257,731	84	0.05	6.18	2.26	0.19	283	3.4	1.9	11.5	77.8	28.5	2.3
Advanced projects total													
Measured	**5,016,383**	**66**	**1.00**	**1.98**	**0.86**	**0.11**	**194**	**10.6**	**161.2**	**31.2**	**99.3**	**43.1**	**5.5**
Indicated	**20,035,829**	**74**	**1.11**	**0.42**	**0.18**	**0.02**	**155**	**47.6**	**716.8**	**99.7**	**83.2**	**37.0**	**4.2**
Total	**25,052,213**	**72**	**1.09**	**0.73**	**0.32**	**0.04**	**163**	**58.1**	**878.0**	**130.9**	**182.4**	**80.1**	**9.7**
Inferred	**18,207,809**	**102**	**1.14**	**0.43**	**0.16**	**0.01**	**184**	**59.5**	**668.6**	**107.6**	**77.8**	**28.5**	**2.3**
TOTAL													
Measured	**10,250,749**	**234**	**1.86**	**0.97**	**0.42**	**0.05**	**379**	**77.0**	**613.0**	**124.7**	**99.3**	**43.1**	**5.5**
Indicated	**23,185,188**	**113**	**1.37**	**0.36**	**0.16**	**0.02**	**208**	**84.5**	**1,023.9**	**155.1**	**83.2**	**37.0**	**4.2**
Total	**33,435,937**	**150**	**1.52**	**0.55**	**0.24**	**0.03**	**260**	**161.5**	**1,636.9**	**279.8**	**182.4**	**80.1**	**9.7**
Inferred	**24,765,924**	**172**	**1.51**	**0.31**	**0.11**	**0.01**	**273**	**137.2**	**1,199.1**	**217.1**	**77.8**	**28.5**	**2.3**

Note: Resources include undiscounted reserves, where resources are attributable to a joint venture partner, resources figures reflect the Company's ownership only. No ore loss or dilution has been included, and stockpiled ore excluded.

1 Main operations were audited by P&E Consulting.

CHANGE IN TOTAL RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	December 2009	Production[1]	Movements[2]	**December 2010**	Net difference	% change
Arcata	Resource	79.4		19.4	**98.7**	19.4	24.4%
	Reserve	29.8	12.9	12.2	**29.1**	(0.7)	(2.4)%
Pallancata	Resource	108.9		0.1	**109.0**	0.1	0.1%
	Reserve	55.9	15.2	8.7	**49.4**	(6.5)	(11.6)%
San Jose	Resource	110.0		47.0	**156.9**	47.0	42.7%
	Reserve	43.7	12.7	8.3	**39.2**	(4.5)	(10.2)%
Main operations total	Resource	298.3		66.5	**364.7**	66.5	22.3%
	Reserve	129.4	40.8	29.2	**117.8**	(11.6)	(8.9)%
Ares	Resource	14.7		(2.2)	**12.4**	(2.2)	(15.3)%
	Reserve	3.7	2.9	0.9	**1.7**	(2.0)	(54.5)%
Moris	Resource	4.5		(2.7)	**1.8**	(2.7)	(59.8)%
	Reserve	2.8	2.4	0.9	**1.3**	(1.5)	(53.6)%
Other operations total	Resource	19.2		(4.9)	**14.2**	(4.9)	(25.8)%
	Reserve	6.5	5.3	1.9	**3.1**	(3.4)	(52.6)%
Azuca	Resource	44.1		26.2	**70.3**	26.2	59.4%
	Reserve	0.0	0	0.0	**0.0**	0.0	–
Crespo	Resource	44.7		2.7	**47.4**	2.7	6.0%
	Reserve	0.0	0	0.0	**0.0**	0.0	–
Inmaculada	Resource	66.9		70.4	**137.3**	70.4	105.3%
	Reserve	0.0	0	0.0	**0.0**	0.0	–
San Felipe	Resource	38.5		0.0	**38.5**	0.0	0.0%
	Reserve	0.0	0	0.0	**0.0**	0.0	–
Advanced projects total	Resource	194.2		99.3	**293.5**	99.3	51.1%
	Reserve	0.0	0	0.0	**0.0**	0.0	–
Total	Resource	511.6		160.8	**672.4**	160.8	31.4%
	Reserve	135.9	46.1	31.0	**120.8**	(15.1)	(11.1)%

1 Depletion: reduction in reserves based on ore delivered to the mine plant.

2 Increase in reserves and resources due mainly to mine site exploration but also to price increases.

CHANGE IN ATTRIBUTABLE RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	Percentage attributable	December 2009 Att.[1]	**December 2010 Att.[1]**	Net difference	% change
Arcata	Resource	100%	79.4	**98.7**	19.4	24.4%
	Reserve		29.8	**29.1**	(0.7)	(2.4)%
Pallancata	Resource	60%	65.3	**65.4**	0.1	0.1%
	Reserve		33.5	**29.7**	(3.9)	(11.6)%
San Jose	Resource	51%	56.1	**80.0**	23.9	42.7%
	Reserve		22.3	**20.0**	(2.3)	(10.2)%
Main operations total	Resource		200.8	**244.2**	43.4	21.6%
	Reserve		85.6	**78.8**	(6.9)	(8.0)%
Ares	Resource	100%	14.7	**12.4**	(2.2)	(15.3)%
	Reserve		3.7	**1.7**	(2.0)	(54.5)%
Moris	Resource	100%	4.5	**1.8**	(2.7)	(59.8)%
	Reserve		2.8	**1.3**	(1.5)	(53.6)%
Other operations total	Resource		19.2	**14.2**	(4.9)	(25.8)%
	Reserve		6.5	**3.1**	(3.5)	(54.1)%
Azuca	Resource	100%	44.1	**70.3**	26.2	59.4%
	Reserve		0.0	**0.0**	0.0	–
Crespo	Resource	100%	44.7	**47.4**	2.7	6.0%
	Reserve		0.0	**0.0**	0.0	–
Inmaculada	Resource	49% – 60%	32.8	**82.4**	49.6	151.3%
	Reserve		0.0	**0.0**	0.0	–
San Felipe	Resource	100%	38.5	**38.5**	0.0	0.0%
	Reserve		0.0	**0.0**	0.0	–
Advanced projects total	Resource		160.1	**238.5**	78.4	49.0%
	Reserve		0.0	**0.00**	0.0	–
Total	Resource		380.1	**497.0**	116.9	30.8%
	Reserve	100%	92.1	**81.8**	(10.4)	(11.3)%

1 Attributable reserves and resources based on the Group's percentage ownership of its joint venture projects.

Production

TOTAL GROUP PRODUCTION[1]

	Year ended 31 December 2010	Year ended 31 December 2009	% change
Silver production (koz)	**24,430**	24,585	(1)
Gold production (koz)	**200.05**	211.64	(5)
Total silver equivalent (koz)	**36,434**	37,283	(2)
Total gold equivalent (koz)	**607.23**	621.38	(2)
Silver sold (koz)	**24,283**	23,563	3
Gold sold (koz)	**199.9**	204.09	(2)

1 Total production includes 100% of all production, including production attributable to joint venture partners at San Jose and Pallancata.

ATTRIBUTABLE GROUP PRODUCTION[1]

	Year ended 31 December 2010	Year ended 31 December 2009	% change
Silver production (koz)	**17,768**	18,754	(5)
Gold production (koz)	**144.40**	156.77	(8)
Attrib. silver equivalent (koz)	**26,432**	28,160	(6)
Attrib. gold equivalent (koz)	**440.53**	469.34	(6)

1 Attributable production includes 100% of all production from Arcata, Ares and Moris, 60% from Pallancata and 51% from San Jose.

2010 production by mine

Arcata

Product	**Year ended 31 December 2010**	Year ended 31 December 2009	% change
Ore production (tonnes)	**645,974**	643,059	0
Average head grade silver (g/t)	**439**	503	(13)
Average head grade gold (g/t)	**1.40**	1.56	(10)
Silver produced (koz)	**8,099**	9,542	(15)
Gold produced (koz)	**25.83**	28.64	(10)
Silver equivalent produced (koz)	**9,649**	11,261	(14)
Silver sold (koz)	**8,095**	9,138	(11)
Gold sold (koz)	**24.96**	27.17	(8)

Ares

Product	**Year ended 31 December 2010**	Year ended 31 December 2009	% change
Ore production (tonnes)	**301,726**	341,273	(12)
Average head grade silver (g/t)	**92**	96	(4)
Average head grade gold (g/t)	**3.58**	4.17	(14)
Doré total (koz)	**822**	947	(13)
Silver produced (koz)	**786**	900	(13)
Gold produced (koz)	**32.53**	42.59	(24)
Silver equivalent produced (koz)	**2,738**	3,455	(21)
Silver sold (koz)[1]	**810**	873	(7)
Gold sold (koz)[2]	**32.70**	41.82	(22)

Pallancata[1]

Product	**Year ended 31 December 2010**	Year ended 31 December 2009	% change
Ore production (tonnes)	**1,071,617**	922,521	16
Average head grade silver (g/t)	**344**	327	5
Average head grade gold (g/t)	**1.41**	1.43	(1)
Silver produced (koz)	**10,135**	8,420	20
Gold produced (koz)	**35.85**	31.97	12
Silver equivalent produced (koz)	**12,286**	10,339	19
Silver sold (koz)	**9,998**	8,405	19
Gold sold (koz)	**33.7**	30.7	10

1 The Company has a 60% interest in Pallancata.

San Jose[1]

Product	**Year ended 31 December 2010**	Year ended 31 December 2009	% change
Ore production (tonnes)	**461,134**	460,971	0
Average head grade silver (g/t)	**397**	398	0
Average head grade gold (g/t)	**6.14**	6.19	(1)
Silver produced (koz)	**5,324**	4,998	7
Gold produced (koz)	**84.30**	77.08	9
Silver equivalent produced (koz)	**10,382**	9,622	8
Silver sold (koz)	**5,284**	5,174	2
Gold sold (koz)	**84.96**	78.80	8

1 The Company has a 51% interest in San Jose.

Moris

Product	**Year ended 31 December 2010**	Year ended 31 December 2009	% change
Ore production (tonnes)	**1,148,826**	1,282,461	(10)
Average head grade silver (g/t)	**4.44**	5.02	(11)
Average head grade gold (g/t)	**1.14**	1.38	(17)
Silver produced (koz)	**86.41**	96.58	(11)
Gold produced (koz)	**21.53**	28.34	(24)
Silver equivalent produced (koz)	**1,378**	1,797	(23)
Silver sold (koz)	**95.07**	86.69	(10)
Gold sold (koz)	**23.54**	26.29	(10)

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 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

Average head grade

Average ore grade fed into the mill

Board

The Board of Directors of the Company

Company

Hochschild Mining plc

CSR

Corporate social responsibility

Cu

Copper

Directors

The Directors of the Company

DNV

Det Norske Veritas is an independent foundation with the purpose of safeguarding life, property, and the environment

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 after 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

g/t

Grammes per metric tonne

GAAP

Generally Accepted Accounting Principles

Group

Hochschild Mining plc and subsidiary undertakings

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

LTI

Lost Time Injury, meaning an occupational injury or illness that results in days away from work

LTIFR

Lost Time Injury Frequency Rate = LTI x 1,000,000/hours worked

moz

Million ounces

Ordinary Shares

Ordinary Shares of 25p each in the Company

Pb

Lead

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

tpa

tonnes per annum

tpd

tonnes per day

Zn

Zinc

Shareholder information

Annual General Meeting ('AGM')

The AGM will be held at 10am on 2 June 2011 at the offices of Linklaters LLP, One Silk Street, London, EC2Y 8HQ.

Company website

Hochschild Mining plc Interim and Annual Reports and results announcements are available via the internet on our website at 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.

Registrars

The Registrars can be contacted as follows for information about the AGM, shareholdings, dividends and to report changes in personal details:

– By post

Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

– By telephone

If calling from the UK: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30am – 5.30pm Mon to Fri) If calling from overseas: +44 20 8639 3399

– By fax

+44 (0)1484 600 911

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 17 May 2011.

The Company's registrars can also arrange for the dividend to be paid directly into a shareholder's UK bank account. To take advantage of this facility, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 17 May 2011. 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.

Investor relations

For investor enquiries please contact: Jane Flynn, Investor Relations Associate by writing to the London Office address (see below), by phone on 020 7907 2933 or by email at jane.flynn@hocplc.com.

Financial calendar

Dividend payments	
Ex-dividend date	11 May 2011
Record date	13 May 2011
Deadline for return of currency election form	17 May 2011
Final dividend payable	7 June 2011

Other dates

Annual General Meeting	2 June 2011
Half-yearly results announced	August 2011

London Office and Registered Office address

46 Albemarle Street
London
W1S 4JL
United Kingdom

Company Secretary

R D Bhasin