



18 August 2010

Hochschild Mining plc
Interim results for the six months ended 30 June 2010

Operational Highlights

- H1 2010 production of 12.8 million attributable silver equivalent ounces: on track to achieve 2010 production target of 26.3 million attributable silver equivalent ounces
- \$50 million exploration programme¹ delivering positive results, \$24.4 million invested in H1 2010:
 - Significant increase in resource life up 11% to 7.9 years², expected to further increase by year end
 - Scoping study commenced at 100% owned Azuca project
 - 100% owned Crespo project progressing towards scoping
 - Impressive drilling results at the Company's core assets, Arcata, Pallancata and San Jose
 - 'Company maker' pipeline expanded to six projects, active drilling to add further opportunities

Financial Highlights*

- Record H1 revenue of \$306.9 million, up 33% year-on-year
- EBITDA of \$150.1 million, up 51% year-on-year
- Profit before tax tripled to \$87.3 million
- EPS of \$0.11 per share, more than doubled year-on-year
- Solid financial position with cash balance of \$91.0 million
- Interim dividend of \$0.02 per share
- Continued focus on profitability and cost control – costs remain in line with full year guidance

* On a pre-exceptional basis

Highlights for the six months ended 30 June 2010

	Six months ended 30 June 2010	Six months ended 30 June 2009	% change
(\$ millions, before exceptional items unless stated)			
Attributable silver production (koz)	8,477	9,250	(8)%
Attributable gold production (koz)	72.5	77.6	(7)%
Revenue	306.9	230.6	33%
EBITDA*	150.1	99.3	51%
Profit for the period from continuing operations	56.1	19.2	192%
Attributable profit after tax	38.9	12.9	195%
Earnings per share	0.11	0.04	173%
Earnings per share (post exceptional)	0.08	0.05	60%

* 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.

¹ For the full year 2010

² Resource figures have not been audited by an independent third party. Fully audited figures will be provided in the 2010 Annual Report

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

"I am delighted to report strong financial and operational results for the first half of 2010. We are on track to achieve our full year production target of 26.3 million attributable silver equivalent ounces, we continue to deliver on maximising resource life of mine, now at 7.9 years, and we remain focused on developing our extensive exploration pipeline with Azuca entering scoping stage. Our operational strength, combined with solid fundamentals for precious metals, support our positive outlook for the business."

Ignacio Bustamante, CEO, said:

"I am pleased to report my first set of interim results since becoming CEO of Hochschild Mining. We have achieved record H1 revenues of \$306.9 million, tripled profit before tax to \$87.3 million and more than doubled EPS to \$0.11. Our strong operating cashflow, up 15% to \$112.2 million, and healthy cash balance of \$91.0 million support the continued delivery of our growth strategy."

A live conference call & audio webcast will be held at 8.30am (London time) on Wednesday 18 August 2010 for analysts and investors. Details as follows:

Conference call:

UK +44 (0)20 7806 1959

Webcast:

http://www.thomson-webcast.net/uk/dispatching/?event_id=8a6eaf0dc32843874765c441b298cbcb&portal_id=b48bca21de6fabf3b2a93c33e33cb205

Replay:

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: 9057274#

Enquiries:

Hochschild Mining plc

Isabel Lutgendorf, Head of Investor Relations

+44 (0)20 7907 2934

Finsbury

Faeth Birch

+44 (0)20 7251 3801

About Hochschild Mining plc:

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCL.L / HOC LN) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild has over forty years' experience in the mining of precious metal epithermal vein deposits and currently operates four underground epithermal vein mines, three located in southern Peru, one in southern Argentina and one open pit mine in northern Mexico. Hochschild also has numerous long-term prospects throughout the Americas.

Forward looking statements

This announcement contains certain forward looking statements, including such statements within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In particular, such forward looking statements may relate to matters such as the business, strategy, investments, production, major projects and their contribution to expected production and other plans of Hochschild Mining plc and its current goals, assumptions and expectations relating to its future financial condition, performance and results.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining plc may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause or contribute to differences between the actual results, performance or achievements of Hochschild Mining plc and current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. These factors, risks and uncertainties are referred to in the section of this announcement entitled 'Risks' which, in turn, refers to matters disclosed in the Risk Management section of the 2009 Annual Report. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser. The forward looking statements reflect knowledge and information available at the date of preparation of this announcement. Except as required by the Listing Rules and applicable law, the Board of Hochschild Mining plc does not undertake any obligation to update or change any forward looking statements to reflect events occurring after the date of this announcement. Nothing in this announcement should be construed as a profit or production forecast.

Chairman's Statement³

I am delighted to report strong operational and financial results for the first half of 2010 with record H1 revenue of \$306.9 million up by 33%, underpinned by higher realised silver and gold prices, which were up 33% and 29% year-on-year respectively.

During the period we produced 12.8 million attributable silver equivalent ounces comprised of 8.5 million ounces of silver and 72.5 thousand ounces of gold and remain firmly on track to achieve our 2010 goal of producing 26.3 million attributable silver equivalent ounces.

As expected, we are seeing inflation relating to labour and supplies, however, I am pleased to say that we are performing well against the industry average with unit cost per tonne in H1 2010 contained at a year-on-year increase of 6%. We are rigorously managing the costs that are within our control and remain confident that unit cost per tonne for the full year will be in line with our guidance of a 10% increase on 2009. Notwithstanding this and higher depreciation in cost of sales, we have reported a strong increase in pre-exceptional gross profit to \$154.8 million, up 63% on the equivalent period last year.

Operating profit before exceptional items is up 75% to \$97.8 million resulting in a pre-exceptional EPS of \$0.11 for the first six months, more than double the equivalent period last year. These impressive half year results drive our confidence in the business going forward and support our declaration of an interim dividend of \$0.02 per ordinary share.

We have also reported strong operating cashflow during the period, up 15% to \$112.2 million. This, together with our cash balance of \$91.0 million as at 30 June 2010, enables us to deliver our growth strategy which focuses on maximising the potential of our current operations, developing our exploration pipeline and securing carefully selected bolt-on acquisitions.

Exploration

Exploration is a vital part of our growth strategy and we have committed to our largest ever exploration budget in 2010 of \$50 million, up 75% on 2009. We have spent \$24.4 million in the first half and we are already seeing positive results, particularly with regards to our key objective of increasing the resource life of our main operations, up 11% to 7.9 years⁴.

We take a very conservative approach to resource delineation and are one of the few companies that apply the same cut off grades to reserves and resources. As a result, resources are also economic and the Company has an extremely high rate of conversion from resources to reserves.

We are also focused on bringing new projects into production. Our team of geologists are working in key regions across the Americas to identify 'company maintainers', which are projects that have the potential of delivering 5-10 million silver equivalent ounces of production per year and 'company makers' which have the potential of achieving 20-30 million silver equivalent ounces per year.

We are rapidly progressing our key 'company maintainer' projects, Azuca and Crespo and will be updating on further developments in H2 2010. We have initiated a scoping study at Azuca where resources have increased by 13% to 50 million silver equivalent ounces during H1 2010, and expect to have the results in Q3 2010. If scoping is successful, engineering studies and underground exploration will follow with planned completion by the end of 2011. Scoping at Crespo is expected to be completed by the end of 2010 and the team continues to build on the 44.1 million silver equivalent ounces reported as at 31 December 2009.

For further details, please see the Exploration Review on page 6.

³ All figures are on a pre-exceptional basis unless otherwise stated

⁴ Resource figures have not been audited by an independent third party. Fully audited figures will be provided in the 2010 Annual Report

Acquisitions & investments

Securing bolt-on acquisitions is also a key part of our long term strategy and we will continue to pursue opportunities which add value to our portfolio of assets. We remain positive on the outlook for our investments in Lake Shore Gold and Gold Resource Corp ("GRC") in which we hold 37%⁵ and 30% respectively. The companies have a combined market capitalisation of approximately \$2 billion, valuing our total investment at over \$650 million⁶.

GRC successfully commenced commercial production on 1 July 2010 and has a target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in the first 12 months of commercial production, with a three year target to triple annual production to 200,000 gold equivalent ounces (12 million silver equivalent ounces).

Earlier this month, Lake Shore Gold announced that it continues to target mine production of 65,000 ounces of gold (3.9 million silver equivalent ounces) in 2010, however, a portion of the ore mined may either be toll milled or held in inventory at year end for processing at the beginning of 2011, reflecting the timing for commissioning of the expansion of the Bell Creek mill. The Company continues to anticipate ending 2010 at a monthly production rate of 10,000 ounces from the Bell Creek mill with commercial production targeted for the fourth quarter. Longer term, the company is working towards building production with the potential to produce over 300,000 ounces of gold annually (18 million silver equivalent ounces) over the coming years.

As a result of the developments above, we have revised the contribution that we expect from our holdings in Lake Shore Gold and GRC to an additional 1-2 million silver equivalent ounces in 2010.

Dividend

The Board has declared an interim dividend of \$0.02 per ordinary share (H1 2009: \$0.02). We will keep the dividend policy under review in accordance with capital availability and the requirements of the business to ensure that we maximise long term shareholder return.

Summary & outlook

Precious metals prices performed strongly in H1 2010 and management believes that there are strong fundamentals supporting gold and silver over the long term. Ongoing inflationary pressure and weakness in the US dollar continue to drive investment demand for gold and silver as safe haven assets. Furthermore, any improvement in the global economic outlook is likely to have a positive impact on industrial demand for silver.

We are focused on producing profitable ounces and remain on track to deliver our 2010 production target of 26.3 million attributable silver equivalent ounces from our current operations. We are focused on controlling costs and remain confident that we will contain unit cost per tonne inflation within 10% for the full year. We have made excellent progress at our 100% owned advanced projects, Azuca and Crespo, with the results of both scoping studies scheduled for completion by the end of the year.

With our new management team, a solid asset base and extensive project pipeline, we are confident about the long term growth prospects of the Company.

Eduardo Hochschild
Executive Chairman

⁵ Hochschild's ownership decreased from 38% to 37% following Lake Shore Gold's issuance of share capital during H1 2010

⁶ As at 16 August 2010

OPERATIONAL REVIEW

A solid production base

During the first six months of 2010 ("H1 2010"), our four underground mines, Arcata, Pallancata, Ares and San Jose, together with Moris, our open pit mine in northern Mexico, produced 8.5 million ounces of silver and 72.5 thousand ounces of gold equating to 12.8 million attributable silver equivalent ounces. Excluding the Selene mine, which closed in H1 2009, this represents a reduction in attributable silver equivalent production of 2% year-on-year due to lower grades at Arcata and Ares.

As a result of solid production in H1 2010, the Company is on track to deliver 26.3 million attributable silver equivalent ounces in 2010, including approximately 17.6 million ounces of silver and 145,000 ounces of gold, with an additional 1–2 million silver equivalent ounces from the Company's stakes in Lake Shore Gold and GRC.

Main operations

Following the closure of the Selene mine in June 2009, Pallancata is using the full capacity of the Selene plant to process ore and, as a result, Pallancata's treated tonnage is up by 38% year-on-year. Pallancata delivered strong results in H1 2010 with year-on-year silver and gold production up by 53% and 45% respectively as a result of the increased tonnage as well as higher extracted grades.

Arcata's silver grades have improved since January when the Company announced that grades were being impacted by narrower veins and changing geotechnical conditions. Average extracted grades increased from 442 g/t in Q4 2009 to 483 g/t in Q2 2010, however, management continues to forecast Arcata's silver grades to be close to Q4 2009 levels over the medium term.

As expected, results at San Jose improved over the first half of 2010 due to the ongoing development of the Kospi vein, as well as improved gold recoveries. Operational challenges remain at San Jose, however, the Company continues to expect an increase in the grade profile of the operation over the next two quarters.

For further information on costs by mine, please see page 46.

Life of mine

Mine site exploration

Hochschild is further increasing its resource base and is committed to maximising the resource life of mine of its core operations. The Company continues to build on the significant progress made in 2009, with resource life of mine increasing 11% from 7.1 years as at 31 December 2009 to 7.9 years⁷ as at 30 June 2010. This follows a 20% increase from 5.9 years as at 31 December 2008 to 7.1 years as at 31 December 2009.

Arcata: Peru

The Company continues to increase resources through diamond drilling. During H1 2010, the Company completed 33,567 metres of drilling with significant intercepts at the Mariana, Socorro and Sorpresa veins including:

Vein	Results
Socorro	DDH- 728 0.8m at 2.55 g/t Au & 634 g/t Ag
Mariana	DDH- 729 2.0m at 1.21 g/t Au & 755 g/t Ag
Sorpresa 2	DDH- 733 2.0m at 98.5 g/t Au & 13,591 g/t Ag
Pucara	DDH- 744 0.7m at 2.8 g/t Au & 778 g/t Ag
Ramal Julia	DDH- 771 1.0m at 2.3 g/t Au & 1,235 g/t Ag
Luz	DDH- 734 0.80m at 0.94 g/t Au & 784 g/t Ag

⁷ Resource figures have not been audited by an independent third party. Fully audited figures will be provided in the 2010 Annual Report

Pallancata: Peru

Significant resources have been developed at Pallancata during H1 2010. A 16,402 metre diamond drilling programme was executed at the Cimoide, Pallancata-Oeste, Pallancata Este and San Cayetano veins, with results including:

Vein	Results
Pallancata Este vein	DLP-A35 10.6m at 1.5 g/t Au & 473 g/t Ag
Pallancata Oeste/ Ramal Oeste	DLPL-A495 1.7m at 3.1 g/t Au & 1,076 g/t Ag and 1.0m at 0.5 g/t Au & 290 g/t Ag
Pallancata/Ramal Oeste	DLPL-A501 3.8m at 2.4 g/t Au & 702 g/t Ag and 7.9m at 3.1 g/t Au & 910 g/t Ag
San Cayetano	DLSC-A02 1.6m at 2.9 g/t Au & 1,211 g/t Ag

San Jose: Argentina

During H1 2010, a 27,671 metre diamond drilling programme was completed at the property focusing on the Ayelen, Ramal Frea, Micaela and Antonella veins. Most significant results include:

Vein	Results
Ayelen	SJD 681 4.0m at 6.4 g/t Au & 1,068 g/t Ag
	SJD 690 2.7m at 6.6 g/t Au & 644 g/t Ag
	SJD 692 0.9 m at 21.0 g/t Au & 859 g/t Ag
Ramal Frea/Micaela	SJD 486 16.1m at 14.6 g/t Au & 1,065 g/t Ag and 0.9m at 2.7 g/t Au & 8 g/t Ag
Antonella	SJD 753 7.2m at 14.8 g/t Au & 524 g/t Ag and 0.4m at 4.9 g/t Au & 617 g/t Ag

Other operations

Production at Ares remains relatively stable with 1.5 million silver equivalent ounces produced in H1 2010. Depending on conditions in Q3 2010, production at Ares may continue beyond the scheduled closure in H2 2010, in line with the Company's policy of mining profitable ounces. Moris, the Company's only open pit operation, which produced 0.8 million silver equivalent ounces in H1 2010, is expected to close in the first half of 2011, as previously indicated.

For detailed production tables, see Production Information on page 44.

EXPLORATION REVIEW

Securing future growth

- Largest ever exploration budget of \$50 million for the full year 2010; \$24.4 million spent to date
- Scoping study commenced at Azuca, results expected in Q3 2010
- Scoping study scheduled to commence at Crespo in Q3 2010, with results expected in Q4 2010
- Active drilling undertaken at potential company maker projects Victoria in Chile, Mercurio in Mexico and Sabina in Peru
- Impressive drilling results at Inmaculada

Exploration is a vital part of Hochschild's growth strategy and the Company is committed to increasing the resource life of its main operations as well as to developing its extensive project portfolio. The exploration team targets 'company maintainers', which are projects that have the potential of delivering 5-10 million silver equivalent ounces of production per year and 'company makers' which have the potential of achieving 20-30 million silver equivalent ounces per year.

Company Makers

Victoria: Chile

Victoria is a joint venture with Iron Creek Capital in which the Group can earn in up to a 60% interest. The project is located along the highly prospective Domekyo fault zone in northern Chile. Drilling is ongoing with correlation between holes indicating east-west mineralisation with significant intercepts of higher grade material. During 2010, 8,046 metres of drilling was completed at the project with a high grade mineralised intersect of 8 metres at 10.5 g/t Au and 30 g/t Ag and lower grade intercepts along strike.

Mercurio: Mexico

Mercurio is a 100% owned, 36,388 hectare prospect located between two high grade mines in Mexico, Sombrerete and Fresnillo. During H1 2010, the Company completed 1,514 metres in five diamond drill holes at the site. Drill hole number five discovered 86 metres at 20 g/t Ag, 0.22% Cu, 0.49% Pb and 1.4% Zn which includes 3.5 metres with 300 g/t Ag, 4.36% Cu, 1.18% Pb, 7.49% Zn.

Sabina: Peru

Sabina is a 100% owned project in Peru where the Company has completed field work and commenced drilling in June 2010.

Josnitoro

Drilling is also ongoing at Josnitoro, a 100% owned project acquired as part of the Southwestern Resources acquisition, with visible gold mineralisation starting at surface. The 2010 programme is focused on understanding the geology and preparation of drill targets.

Other

During H1 2010, Hochschild acquired two new early stage projects which have the potential to be 'company makers', Corazon de Tinieblas in Mexico and Apacheta in Peru. The Company is in the process of completing all permits and plans to commence exploration work as soon as the necessary approvals are in place.

Company Maintainers

Hochschild is developing its advanced, 100% owned 'company maintainer' projects, Azuca and Crespo, which have the potential to be the Company's next operating mines.

Azuca: Peru

The Company has initiated a scoping study at Azuca with results expected in Q3 2010 and continues to progress its aggressive resource development drilling programme that will extend to the year end. If scoping is successful, engineering studies and underground exploration will follow with planned completion by the end of 2011. During H1 2010, resources at Azuca increased by 13% to 50 million silver equivalent ounces⁸ and the Company expects to achieve 60 million silver equivalent ounces by Q3 2010.

Crespo: Peru

The Company continues to build on the 44.1 million silver equivalent ounces reported at Crespo in 2009 and is progressing the project towards scoping, which is expected to be completed by the end of 2010. The 2,864 metre surface drilling programme has been completed and an exploration cross-cut to confirm drill-hole grades and controls of the Au-Ag disseminated mineralisation has advanced 255 metres during the quarter. Underground resource development drilling will follow in H2 2010 when the cross-cut is completed.

⁸ Resource figures have not been audited by an independent third party. Fully audited figures will be provided in the 2010 Annual Report

Inmaculada: Peru

Inmaculada, a gold-silver project owned 49% by Hochschild and 51% by IMZ, Hochschild's partner at the Company's Pallancata operation, has reported high-grade drill results from the Angela Vein, located approximately 25 kilometres from Pallancata. The drill campaign undertaken by IMZ is designed to move inferred resources to the indicated and measured categories, as a requisite to completion of a feasibility study in 2011. Several high-grade intercepts (estimated true widths) were reported in recent drill results, including:

Drill hole	Results
Inma139	2.1m at 17.4 g/t gold and 623 g/t silver
Inma143	4.0m at 24.2 g/t gold and 706 g/t silver
Inma149	6.0m at 15.5 g/t gold and 617 g/t silver
Inma155	10.5m at 6.3 g/t gold and 232 g/t silver
Inma158	10.0m at 7.7 g/t gold and 186 g/t silver
Inma132	5.0m at 19.9 g/t gold and 285 g/t silver
Inma159	4.0m at 33.6 g/t gold and 789 g/t silver
Inma160	8.5m at 8.1 g/t gold and 178 g/t silver
Inma161	4.0m at 5.1 g/t gold and 375 g/t silver
Inma162	6.0m at 11.6 g/t gold and 505 g/t silver
Inma168	3.2m at 19.9 g/t gold and 445 g/t silver

IMZ can earn an additional 19% interest in the Inmaculada project by financing and completing a feasibility study by September 2013 and by issuing 200,000 common shares to Hochschild over a 5 year period, commencing in February 2011.

Other

In addition, Hochschild is advancing various early stage projects across its pipeline. In Argentina, the Company is making advances at its Mosquito project, where 7 new vein targets have been identified, and also at La Flora where two large vein systems have been identified. Drilling programmes are due to commence at both projects in Q3 2010. During H2 2010 the Company will undertake diamond drilling at the 100% owned Astana Farallón and Cerro Blanco Au-Ag epithermal vein projects in its southern Peru cluster, totaling 3,050 metres and 3,200 metres respectively.

ACQUISITIONS & INVESTMENTS

A selective approach

Lake Shore Gold and GRC are important strategic investments for the Company and provide exposure to significant production potential and long term growth. Lake Shore Gold and GRC are already processing ore from their respective operations, however, revenue is only recognised once commercial production has been achieved. Both GRC and Lake Shore Gold are equity accounted by the Group and will appear under the associates line in the Company's income statement.

Since February 2008, Hochschild has invested \$336.9 million in Lake Shore Gold resulting in a current holding of 37%⁹. Earlier this month, Lake Shore Gold announced that it continues to target mine production of 65,000 ounces of gold (3.9 million silver equivalent ounces) in 2010, however, a portion of the ore mined may either be toll milled or held in inventory at year end for processing at the beginning of 2011, reflecting the timing for commissioning of the expansion of the Bell Creek mill. The Company continues to anticipate ending 2010 at a monthly production rate of 10,000 ounces from the Bell Creek mill with commercial production targeted for the fourth quarter. Longer term, the company is working towards building production with the potential to produce over 300,000 ounces of gold annually (18 million silver equivalent ounces) over the coming years. Lake Shore Gold has a current market capitalisation of approximately \$1.2 billion¹⁰, valuing the Company's investment at over \$460 million.

To date, Hochschild has invested a total of \$69.5 million in GRC, a US OTC traded precious metals mining company which successfully commenced commercial production on 1 July 2010. Hochschild now holds

⁹ Hochschild's ownership decreased from 38% to 37% following Lake Shore Gold's issuance of share capital during H1 2010

¹⁰ As at 16 August 2010

30% of GRC which has a current market capitalisation of approximately \$700 million¹¹, valuing the Company's investment at over \$200 million. GRC has a number of high grade, low cost development projects in southern Mexico with a production target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in the first 12 months of commercial production and a longer term target to triple annual production to 200,000 gold equivalent ounces (12 million silver equivalent ounces) within three years.

¹¹ As at 16 August 2010

FINANCIAL REVIEW

The reporting currency of Hochschild Mining plc is U.S. dollars. In our discussion of financial performance we remove the effect of exceptional items, unless otherwise indicated, and in our income statement we show the results both pre and post such exceptional items. Exceptional items are those significant items, which due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and to facilitate comparison with prior years.

Revenue

Revenue from continuing operations, net of commercial discounts was \$306.9 million in H1 2010, representing an increase of 33% on H1 2009, driven by higher silver and gold prices which were up 33% and 29% respectively. This was partially offset by a 4% year-on-year decrease in the Group's total silver equivalent production due to the closure of the Selene mine in June 2009 and lower grades at Arcata and Ares.

Silver: Gross revenue from silver increased 28% in the first half of 2010 to \$210.6 million (H1 2009: \$164.4 million) as a result of higher silver prices. Despite a 3% year-on-year decrease in the Group's total silver production, total amount of silver ounces sold in H1 2010 increased to 11,203 koz (H1 2009: 10,906 koz) as a result of higher inventories.

Gold: Gross revenue from gold increased 25% in the first half of 2010 to \$116.6 million (H1 2009: \$93.5 million) as a result of higher gold prices, partially offset by a 6% year-on-year decrease in the Group's total gold production. The total amount of gold ounces sold in H1 2010 was 97.0 koz (H1 2009: 98.6 koz).

Commercial discounts: Commercial discounts primarily refer to refinery charges for processing mineral ore and are discounted from revenue on a per tonne or per ounce basis. Commercial discounts of \$23.3 million in H1 2010 were flat year-on-year. The ratio of commercial discounts to gross revenue decreased from 9% in H1 2009 to 7% in H1 2010.

Average realised sale prices

	Six months to 30 June 2010	Six months to 31 December 2009	Six months to 30 June 2009
Silver (\$/oz)	17.3	15.8	13.0
Gold (\$/oz)	1,160.7	1,036.2	899.9

Costs

Total cost of sales increased 12% to \$152.0 million in H1 2010 (H1 2009: \$135.4 million) mainly as a result of the expected increase in unit cost per tonne as well as higher depreciation and amortisation.

In line with guidance, unit cost per tonne at the Group's underground operations increased 6% from \$73.9 in H1 2009 to \$78.6 in H1 2010. Including Moris, the Group's only open pit mine, unit cost per tonne increased 5% from \$53.1 to \$55.6. The increase is a result of expected inflation relating to labour and supply costs, particularly in Argentina as well as the appreciation of local currencies. The Group is focused on controlling costs and is confident that it will contain unit cost per tonne inflation within 10% for the full year.

Depreciation and amortisation in cost of goods sold increased year-on-year due to the higher capital expenditure and throughput relating to the significant expansions completed by the Group in the previous three years (H1 2010: \$43.4 million compared to H1 2009: \$40.2 million). The Group's depreciation calculation was revisited in 2009.

For further information on costs by mine, please see page 46.

Cash costs

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

Co-product cash costs for the period increased from \$7.52 to \$8.58 per ounce for silver and from \$521 to \$574 per ounce for gold, mainly explained by the higher production costs detailed above and the expected decline in extracted grades, particularly at Ares.

By-product cash costs include cost of sales, commercial discounts and selling expenses, less depreciation included in cost of sales. Silver/gold cash costs are total cash costs less revenue from gold/silver, divided by the number of silver/gold ounces sold in the year. By-product cash costs for the period were \$3.09 per silver ounce and (\$630) per gold ounce. (H1 2009: \$3.73 per silver ounce and (\$276) per gold ounce).

Administrative Expenses

Administrative expenses before exceptional items increased to \$29.7 million in H1 2010 (H1 2009: \$23.5 million). This was a result of higher personnel expenses and professional fees of which \$3.5 million is considered by the Company as non-recurring and refers mainly to the reversal in H1 2009 of a \$1.5 million over accrual at 31 December 2008 in respect of professional fees as well as senior management termination benefits of \$1.2 million.

Exploration Expenses

Exploration expenses, which primarily relate to greenfield exploration, have more than doubled to \$14.3 million in H1 2010 (H1 2009: \$6.2 million), following the Group's decision to substantially increase its exploration budget by 75% to \$50 million for the full year 2010. In addition, the Group has invested \$10.1 million (H1 2009: \$2.8 million) in its brownfield exploration programme which is aimed at increasing the resource life of the Group's operations. Brownfield exploration is capitalised.

Selling Expenses

Selling expenses increased by 30% to \$11.0 million primarily as a result of higher export duties in Argentina due to higher prices as well as higher transport costs. Export duties in Argentina are levied at 10% of revenue for concentrate and 5% of revenue for doré.

Profit from continuing operations

Profit from continuing operations before exceptional items, net finance costs and income tax increased to \$97.8 million (H1 2009: \$56.0 million) as a result of the effects detailed above.

EBITDA

EBITDA increased by 51% over the period to \$150.1 million (H1 2009: \$99.3 million) driven primarily by higher silver and gold prices. 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.

EBITDA reconciliation

\$ thousands (unless otherwise stated)	Six months ended 30 June 2010	Six months ended 30 June 2009	% change
Profit from continuing operations before exceptional items, net finance costs and income tax	97,762	56,018	75%
<i>Operating margin</i>	<i>32%</i>	<i>24%</i>	
Plus:			
Depreciation in Cost of Goods Sold	43,409	40,233	8%
Depreciation in Administrative Expenses	950	385	147%
Exploration Expenses	14,340	6,217	131%
Minus:			
Personnel and other Exploration Expenses	6,333	3,523	80%

EBITDA	150,128	99,330	51%
<i>EBITDA margin</i>	<i>49%</i>	<i>43%</i>	

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

The Group's share of the loss of equity accounted investments in joint ventures and associates resulted in a loss of \$1.2 million (2009: \$1.3 million) which mainly relates to its investments in Lake Shore Gold and GRC.

Finance income

Finance income decreased to \$3.1 million (H1 2009: \$3.8 million) as a result of lower interest on the Company's liquidity funds as well as a lower discount rate applied to the VAT receivable by Minera Santa Cruz. This was partly offset by a gain of \$0.8 million relating to changes in the fair value of the zero cost collar contracts secured in 2009 for 5.2 million ounces of the Company's 2010 silver production with an average 'floor' at \$12.7/oz and an average 'cap' at \$19.7/oz. The contracts expire between January and December 2010.

Finance costs

Finance costs totaled \$12.1 million in H1 2010 (H1 2009: \$27.2 million) mainly comprising an interest expense of \$5.8 million relating to the Company's debt facility (H1 2009: \$7.7 million) and an interest expense of \$4.2 million related to the Company's convertible bond issued in October 2009.

The year-on-year decrease was a result of the one-off \$18.0 million expense recorded in H1 2009 relating to the Company's forward sales contracts.

Foreign exchange losses

The Company recognised a foreign exchange loss of \$0.2 million (H1 2009: loss of \$3.5 million) as a result of transactions in currencies other than the Company's functional currency.

Income tax

The Company's pre-exceptional tax rate was 36% in H1 2010 (H1 2009: 31%). This year-on-year difference is mainly explained by a number of non-recurring items which positively impacted the tax rate in H1 2009 including a positive tax effect of \$3.5 million relating to the tax restructuring in Mexican companies and a negative tax effect of \$2.6 million due to the foreign exchange effect from converting tax bases and monetary items from local currency to the functional currency. These effects reduced the effective tax rate by 3% in H1 2009.

The Company's post-exceptional effective tax rate was 38% in H1 2010 (H1 2009: 10%). The year-on-year difference is mainly explained by a number of exceptional items which positively impacted the tax rate in H1 2009 including: (i) non-taxable income of \$9.8 million arising on the acquisition of Southwestern Group, and (ii) non-taxable income of \$6.6 million arising on the acquisition of Gold Resource Corp. In H1 2010, the main exceptional items affecting the tax rate were: (i) non-taxable income of \$7.5 million arising on the sale of Zincore shares (ii) non-taxable income of \$6.0 million arising on the sale of the El Quevar project and (iii) the non-deductible impairment of the San Felipe project of \$14.7million.

Exceptional items

Exceptional items totalled \$10.1 million after tax (H1 2009: (\$2.4 million)).

Positive exceptional items mainly include:

- (i) Other income of \$13.5 million relating to the sale of the Company's investments in Zincore (\$7.5 million) and El Quevar (\$6.0 million).

Negative exceptional items mainly include:

- (i) Bonus of \$8.9 million paid to workers at the Peruvian mines as a result of negotiations undertaken in H1 2010

- (ii) The Company has impaired the San Felipe property by \$14.7 million to \$25 million. The impairment was triggered by the conclusion of the marketing process conducted during H1 2010 and reflects the Company's estimate of the fair value less cost to sell.
- (iii) Share of post tax losses and negative goodwill of associates and joint ventures accounted under the equity method of \$2.0 million, relating to the dilution of Hochschild's holding in Lake Shore Gold from 38% to 37%, following Lake Shore Gold's issuance of share capital during H1 2010.

Cash flow & balance sheet review:

Cash flow

\$ thousands	Six months ended 30 June 2010	Six months ended 30 June 2009
Net cash generated from operating activities	112,191	97,844
Net cash used in investing activities	(73,866)	(126,473)
Cash flows (used)/generated in financing activities	(25,096)	(28,316)
Net increase/(decrease) in cash and cash equivalents during the period	13,209	(56,945)

Total cash generated increased from \$(57.0) million to \$13.2 million. This was primarily as a result of lower cash outflows used in investing activities which decreased from \$126.5 million to \$73.9 million due to lower capital expenditure and a decline in the Company's investments in associates as well as higher cash flow from operating activities which increased from \$97.8 million to \$112.2 million

Working capital:

\$ millions	As at 30 June 2010	As at 31 December 2009
Trade and other receivables	153.9	168.0
Inventories	47.6	45.8
Derivative financial instruments	0.0	(1.9)
Income tax	0.4	(10.8)
Trade and other payables	(139.7)	(135.2)
Working capital	62.2	66.0

The Company's working capital position decreased from \$66.0 million at 31 December 2009 to \$62.2 million as at 30 June 2010, mainly as a result of lower trade and other receivables, partially offset by lower income tax liabilities.

Net debt:

\$ thousands	As at 30 June 2010	As at 31 December 2009
Cash and cash equivalents	(90,989)	(77,844)
Long term borrowings	255,883	219,681
Short term borrowings less pre-shipment loans	53,545	84,158
Net debt	218,439	225,995

Net debt decreased 3% to \$218.4 million due to mainly due to a higher cash balance of \$91.0 million resulting from strong cash generation and lower year-on-year M&A spend.

Capital expenditure¹

\$ thousands	Six months ended 30 June 2010	Six months ended 30 June 2009
Arcata	12,997	10,779
Ares	721	976
Selene	3,947	12,084
Pallancata	14,641	9,977
San Jose	26,074	21,931
Moris	1,034	179
San Felipe	52	199
Other (including capital advances)	5,632	2,492
Total	65,098	58,617

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

Total capital expenditure totalled \$65.1 million in H1 2010 (H1 2009: \$58.6 million) including mine development of \$30.5 million, equipment of \$24.5 million and exploration of \$10.1 million. The year-on-year increase is primarily driven by higher investment at the Company's main operations, Arcata, Pallancata and San Jose.

Dividends:

Dividend dates	2010
Ex-dividend date	01 September
Record date	03 September
Deadline for return of currency election forms	07 September
Payment date	22 September

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

RISKS

The principal risks and uncertainties facing the Group in respect of the year ended 31 December 2009 were set out in detail in the Risk Management section of the 2009 Annual Report and in Note 38 to the 2009 Consolidated Financial Statements. These risks continue to apply to the Group in respect of the remaining six months of the current financial year.

The key risks disclosed in the 2009 Annual Report were categorised as:

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

The 2009 Annual Report is available at www.hochschildmining.com

GOING CONCERN

The Directors confirm that they are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future. Accordingly, adoption of the going concern basis in the preparation of the financial statements contained herein is considered to be appropriate.

RELATED PARTY TRANSACTIONS

Details regarding related party transactions are included in Note 18 on page 41.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

A list of current Directors is maintained on the Company's website which can be found at www.hochschildmining.com.

For and on behalf of the Board

Ignacio Bustamante
Chief Executive Officer

17 August 2010

INDEPENDENT REVIEW REPORT TO HOCHSCHILD MINING PLC

Introduction

We have been engaged by Hochschild Mining plc (the Company) to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of financial position, the interim consolidated statement of cash flows, the interim consolidated statement of changes in equity and the related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP

London

17 August 2010

Interim consolidated income statement

	Notes	Six-months ended 30 June 2010 (Unaudited)			Six-months ended 30 June 2009 (Unaudited-Restated) ¹		
		Before exceptional items	Exceptional items ^{Note 6}	Total	Before exceptional items	Exceptional items ^{Note 6}	Total
<i>US\$ (000)</i>							
Continuing operations							
Revenue	5	306,860	—	306,860	230,584	—	230,584
Cost of sales		(152,017)	(8,861)	(160,878)	(135,444)	(6,918)	(142,362)
Gross profit		154,843	(8,861)	145,982	95,140	(6,918)	88,222
Administrative expenses		(29,684)	—	(29,684)	(23,533)	—	(23,533)
Exploration expenses		(14,340)	—	(14,340)	(6,217)	(1,049)	(7,266)
Selling expenses		(11,016)	—	(11,016)	(8,480)	—	(8,480)
Other income		1,932	13,543	15,475	3,268	10,367	13,635
Other expenses		(3,973)	—	(3,973)	(4,160)	(825)	(4,985)
Impairment and write-off of assets (net)		—	(14,702)	(14,702)	—	(12,298)	(12,298)
Profit/(loss) from continuing operations before net finance income/(cost), foreign exchange gain/(loss) and income tax		97,762	(10,020)	87,742	56,018	(10,723)	45,295
Share of post tax losses and negative goodwill of associates and joint ventures accounted under the equity method		(1,168)	(2,021)	(3,189)	(1,331)	225	(1,106)
Finance income	7	3,077	—	3,077	3,748	6,632	10,380
Finance costs	7	(12,143)	(689)	(12,832)	(27,196)	—	(27,196)
Foreign exchange loss		(180)	—	(180)	(3,498)	—	(3,498)
Profit/(loss) from continuing operations before income tax		87,348	(12,730)	74,618	27,741	(3,866)	23,875
Income tax expense	8	(31,250)	2,600	(28,650)	(8,513)	6,218	(2,295)
Profit/(loss) for the period from continuing operations		56,098	(10,130)	45,968	19,228	2,352	21,580
Attributable to:							
Equity shareholders of the Company ...		38,856	(9,616)	29,240	12,932	2,675	15,607
Non-controlling interests		17,242	(514)	16,728	6,296	(323)	5,973
		56,098	(10,130)	45,968	19,228	2,352	21,580
Basic earnings per ordinary share from continuing operations and for the period (expressed in U.S. dollars per share)	9	0.11	(0.03)	0.08	0.04	0.01	0.05
Diluted earnings per ordinary share from continuing operations and for the period (expressed in U.S. dollars per share)	9	0.11	(0.03)	0.08	0.04	0.01	0.05

(1) Refer to note 2(b)

Interim consolidated statement of comprehensive income

	Notes	Six-months ended 30 June	
		2010 (Unaudited)	2009 (Unaudited- Restated) ¹
		US\$ (000)	
Profit for the period		45,968	21,580
Other comprehensive income			
Exchange differences on translating foreign operations.....		(4,657)	854
Change in fair value of available-for-sale financial assets.....		(203)	(162)
Change in fair value of cash flow hedges taken to equity.		(2,444)	1,074
Income tax relating to components of other comprehensive income		(141)	218
Other comprehensive (loss)/income for the period, net of tax		(7,445)	1,984
Total comprehensive income for the period		38,523	23,564
Total comprehensive income attributable to:			
Equity shareholders of the Company		21,795	17,611
Non-controlling interests.....		16,728	5,953
		38,523	23,564

(1) Refer to note 2(b)

Interim consolidated statement of financial position

	Notes	As at 30 June 2010 (Unaudited)	As at 31 December 2009
<i>US\$ (000)</i>			
ASSETS			
Non-current assets			
Property, plant and equipment	10	450,834	438,958
Evaluation and exploration assets	11	52,401	55,828
Intangible assets	12	21,359	22,425
Investments accounted under equity method	4	459,759	450,665
Available-for-sale financial assets	13	24,532	19,181
Trade and other receivables		3,706	3,150
Income tax receivable		1,973	1,302
Deferred income tax assets		6,880	15,852
		<u>1,021,444</u>	<u>1,007,361</u>
Current assets			
Inventories		47,584	45,813
Trade and other receivables		150,236	164,864
Income tax receivable		6,165	9,280
Other financial assets	14	3,789	695
Cash and cash equivalents	15	90,989	77,844
		<u>298,763</u>	<u>298,496</u>
Total assets		<u><u>1,320,207</u></u>	<u><u>1,305,857</u></u>
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		(220,366)	(212,921)
Retained earnings		408,179	385,700
		<u>742,378</u>	<u>727,344</u>
Non-controlling interests		<u>76,854</u>	<u>76,126</u>
Total equity		<u>819,232</u>	<u>803,470</u>
Non-current liabilities			
Trade and other payables		86	81
Borrowings	16	255,883	219,681
Provisions		57,729	55,176
Deferred income tax liabilities		11,559	10,662
		<u>325,257</u>	<u>285,600</u>
Current liabilities			
Trade and other payables		67,769	68,501
Other financial liabilities	14	3,820	2,640
Borrowings	16	82,295	112,908
Provisions		14,076	11,405
Income tax payable		7,758	21,333
		<u>175,718</u>	<u>216,787</u>
Total liabilities		<u>500,975</u>	<u>502,387</u>
Total equity and liabilities		<u><u>1,320,207</u></u>	<u><u>1,305,857</u></u>

Interim consolidated statement of cash flows

	Notes	Six-months ended 30 June	
		2010 (Unaudited)	2009 (Unaudited- Restated)
		<i>US\$ (000)</i>	
Cash flows from operating activities			
Cash generated from operations	19	129,866	103,187
Interest received		316	714
Interest paid		(3,970)	(7,236)
Payments of mine closure costs		(1,311)	(1,309)
Income tax (paid)/received		(12,710)	2,488
Net cash generated from operating activities.....		112,191	97,844
Cash flows from investing activities			
Purchase of property, plant and equipment.....		(53,175)	(68,407)
Purchase of evaluation and exploration assets		(10,070)	(2,797)
Investment in an associate		(20,336)	(35,993)
Acquisition of subsidiary		—	(19,246)
Purchase of available-for-sale financial assets		(568)	—
Purchase of intangibles		(35)	(41)
Proceeds from sale of property, plant and equipment.....		664	11
Proceeds from sale of available-for-sale financial assets.....		286	—
Proceeds from sale of investment in associate		9,348	—
Net cash used in investing activities		(73,886)	(126,473)
Cash flows from financing activities			
Proceeds of borrowings	16	12,611	100,023
Repayment of borrowings.....	16	(14,946)	(131,807)
Acquisition of non-controlling interests		—	(1,500)
Dividends paid	17	(22,761)	(6,147)
Capital contribution from minority shareholders		—	11,115
Cash flows used in financing activities.....		(25,096)	(28,316)
Net increase/(decrease) in cash and cash equivalents during the period.....		13,209	(56,945)
Exchange difference.....		(64)	(279)
Cash and cash equivalents at beginning of period.....		77,844	116,147
Cash and cash equivalents at end of period	15	90,989	58,923

Interim consolidated statement of changes in equity

	Notes	Equity share capital	Share premium	Unrealised (loss)/gain on available-for-sale financial assets	Initial valuation of cash flow hedges	Other reserves			Total other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Non-controlling interests	Total Equity
						Bond equity component	Cumulative translation adjustment	Merger reserve					
													US\$(000)
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 (loss)/income		—	—	(344)	(2,444)	—	(4,657)	—	(7,445)	—	(7,445)	—	(7,445)
Profit for the period		—	—	—	—	—	—	—	—	29,240	29,240	16,728	45,968
Total comprehensive (loss)/income for the period		—	—	(344)	(2,444)	—	(4,657)	—	(7,445)	29,240	21,795	16,728	38,523
Dividends paid to non-controlling interests	17	—	—	—	—	—	—	—	—	—	—	(16,000)	(16,000)
Dividends	17	—	—	—	—	—	—	—	—	(6,761)	(6,761)	—	(6,761)
Balance at 30 June 2010		158,637	395,928	2,995	(2,457)	8,432	(19,290)	(210,046)	(220,366)	408,179	742,378	76,854	819,232
Balance at 31 December 2008 (restated)		146,466	395,928	(410)	—	—	(40,375)	(210,046)	(250,831)	167,767	459,330	66,293	525,623
Other comprehensive income/(loss)		—	—	50	1,074	—	880	—	2,004	—	2,004	(20)	1,984
Profit for the period (restated)		—	—	—	—	—	—	—	—	15,607	15,607	5,973	21,580
Total comprehensive income for the period		—	—	50	1,074	—	880	—	2,004	15,607	17,611	5,953	23,564
Purchase of shares from non-controlling interests (restated)		—	—	—	—	—	—	—	—	4,150	4,150	(5,650)	(1,500)
Dividends	17	—	—	—	—	—	—	—	—	(6,147)	(6,147)	—	(6,147)
Balance at 30 June 2009 (restated) ¹		146,466	395,928	(360)	1,074	—	(39,495)	(210,046)	(248,827)	181,377	474,944	66,596	541,540

(1) Refer to note 2(b)

Notes to the interim consolidated financial statements

1 Corporate Information

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

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

These interim consolidated financial statements were approved for issue on behalf of the Board of Directors on 17 August 2010.

2 Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements set out the Group’s financial position as at 30 June 2010 and 31 December 2009 and its financial performance and cash flows for the periods ended 30 June 2010 and 30 June 2009.

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union. Accordingly, the interim consolidated financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the Group’s 2009 annual consolidated financial statements as published in the 2009 Annual Report.

The interim consolidated financial statements do not constitute statutory accounts as defined in the Companies Act 2006. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2009. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards (‘IFRS’) as adopted by the European Union has been delivered to the Registrar of Companies. The auditors’ report under section 495 of the Companies Act 2006 in relation to those accounts was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s498(2) or s498(3) of the Companies Act 2006.

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

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

(b) Restatement of June 2009 comparative information

- *Restrospective restatement for change to depreciation calculation*

The Group applies the unit of production depreciation methodology in the calculation of depreciation of its mining assets. When this approach was adopted in connection with the Group's listing during 2006, the future capital expenditure associated with developing the undeveloped reserves and resources was not significant to the calculation and therefore these depreciation calculations included only the future costs of converting resources to reserves. Since its listing, the Group has extended both the life, and throughput, of certain mines, and has opened, and subsequently expanded, two new mines. These actions, which were completed in 2009, have led to an increase in the amount of undeveloped resources, and a disproportionate increase to the associated future capital expenditure required to develop and access these reserves and resources.

As a result of these changed circumstances, during the year 2009 management identified that the existing depreciation calculations were no longer effectively matching costs to production in the manner in which the unit of production approach is designed. Consequently the depreciation calculations were revised to include all the future capital expenditure associated with developing these reserves and resources. Management believes that this revision will enable improved matching of costs to production in the relevant period, and thereby will better reflect the Group's economic performance.

As required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the Group retrospectively applied this revised depreciation methodology in the 2009 Annual Report and has adjusted the comparative financial information contained in these financial statements.

- Acquisition of non-controlling interests

In compliance with the Group's accounting policy, the difference between the consideration paid and the carrying value of the non-controlling interests at the time of the acquisition is recognised in retained earnings in equity. At 30 June 2009 \$4,150,000 had been recognised in the Income Statement in "Other Income" rather than in equity in accordance with the Group's accounting policy. The Group has restated the comparative financial statements for June 2009 to be consistent with the Group's policy.

The effect of both of these restatements is as follows:

Consolidated income statement	(Reported) Period ended 30 June 2009 US\$000	(Restated) Period ended 30 June 2009 US\$000	Effect of restatement US\$000
Continuing operations			
Cost of sales	(131,531)	(142,362)	(10,831)
Gross profit	99,053	88,222	(10,831)
Other income ¹	17,785	13,635	(4,150)
Impairment of property, plant and equipment	(13,488)	(12,298)	1,190
Profit from continuing operations before net finance income/(cost), foreign exchange (loss)/gain and income tax	59,086	45,295	(13,791)
Profit from continuing operations before income tax	37,666	23,875	(13,791)
Income tax expense	(5,303)	(2,295)	3,008
Profit for the period from continuing operations	32,363	21,580	(10,783)
Attributable to:			
Equity shareholders of the Company	24,733	15,607	(9,126)
Minority shareholders	7,630	5,973	(1,657)
Basic and diluted earnings per ordinary share from continuing operations and for the period (expressed in US dollars per share)	0.08	0.05	(0.03)

(1) Includes acquisition of non-controlling interests of US\$4,150,000.

These restatements had no impact on the statement of comprehensive income and the statement of cash flows other than the change in profit for the period.

(c) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statement for the year ended 31 December 2009, except for the adoption of the following standards and interpretations:

- IFRS 3 'Business Combinations (Revised)' 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 interim financial statements.

- IAS 27 'Consolidated and Separate Financial Statements (Amendment)', 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.

- IAS 39 'Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)', 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.

- 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 nor 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 nor 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.

(d) Comparatives

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

3 Segment Reporting

The Group's activities are principally related to mining operations which involve the exploration, production and sale of gold and silver. Products are subject to the same risks and returns and are sold through the same distribution channels. The Group 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 José, which generates revenue from the sale of gold, silver and concentrate.
- Operating unit – Moris, which generates revenue from the sale of gold and silver.
- Exploration, which explores and evaluates areas of interest in brownfield and greenfield sites with the purpose of extending the life of mine of existing operations and to assess the feasibility of new mines. The exploration segment includes expenses reflected through profit and loss and capitalised as assets.
- Other – for the six months ended 30 June 2010 the amount disclosed includes the profit or loss generated by Empresa de Trasmision Callalli S.A.C (a power generation company), Servicios Corporativos Hochschild Mining Mexico S.A de C.V (a service company in Mexico), and the Selene mine that closed in 2009 which, as a consequence, was not considered to be a reportable segment. For the six months ended 30 June 2009 the amount disclosed includes the profit or loss generated by Empresa de Trasmision 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 and exploration expenses.

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

(a) Reportable segment information

Six-months ended 30 June 2010	Ares	Arcata	Pallancata	San José	Moris	Exploration	Other ⁽¹⁾	Adjustments and eliminations	Total
Revenue from external customers	27,035	77,473	107,441	77,225	17,643	—	43	—	306,860
Inter segment revenue	—	—	—	—	—	—	3,384	(3,384)	—
Total revenue	27,035	77,473	107,441	77,225	17,643	—	3,427	(3,384)	306,860
Segment profit/(loss) ⁽²⁾	7,638	41,014	57,875	22,357	4,698	(16,152)	1,981	1,215	120,626
Others ⁽³⁾	—	—	—	—	—	—	—	—	(46,008)
Profit/(loss) from continuing operations before income tax	—	—	—	—	—	—	—	—	74,618
Other segment information	(2,349)	(8,041)	(14,374)	(15,743)	(2,754)	—	(921)	—	(44,182)
Depreciation	—	—	—	(941)	—	—	(159)	—	(1,100)
Amortisation	—	—	—	—	—	(14,702)	—	—	(14,702)
Non-cash expenses	—	—	—	—	—	—	—	—	—
Assets	5,955	20,875	41,857	34,589	7,774	—	1,051	—	112,101
Current assets	721	12,997	18,588	26,074	1,034	2,979	2,705	—	65,098
Capital expenditure	4,871	65,919	102,959	183,405	6,635	83,142	12,348	—	459,279
Other non-current assets	—	—	—	—	—	—	—	—	—
Total segment assets	11,547	99,791	163,404	244,068	15,443	86,121	16,104	—	636,478
Not reportable assets	—	—	—	—	—	—	683,729	—	683,729
Total assets	11,547	99,791	163,404	244,068	15,443	86,121	699,833	—	1,320,207

- (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 (refer to note 6).
- (3) Others is comprised of administrative expenses of US\$29,684,000, other income of US\$15,475,000, other expenses of US\$3,973,000, impairment of assets of US\$14,702,000, share of losses of associates and joint ventures of US\$3,189,000, finance income of US\$3,077,000, finance cost of US\$12,832,000, and foreign exchange loss of US\$180,000.

US\$(000)

Six-months ended 30 June 2009 (Restated)	Ares	Arcata	Selene	Pallancata	San José	Moris	Exploration	Other⁽¹⁾	Adjustments and eliminations	Total
Revenue from external customers	26,792	59,447	9,311	57,824	62,086	15,047	—	77	—	230,584
Inter segment revenue	—	—	—	—	—	—	—	1,685	(1,685)	—
Total revenue	26,792	59,447	9,311	57,824	62,086	15,047	—	1,762	(1,685)	230,584
Segment profit/(loss) ⁽²⁾	7,843	26,264	(3,585)	23,665	15,948	4,947	(7,368)	1,212	3,450	72,376
Others ⁽³⁾										(48,501)
Profit/(loss) from continuing operations before income tax										23,875
Other segment information (Restated)										
Depreciation ⁽⁴⁾	(2,668)	(10,640)	(4,660)	(6,524)	(11,158)	(2,187)	(6)	(1,280)	—	(39,123)
Amortisation	—	—	—	—	—	—	—	(153)	—	(153)
Non-cash expenses	—	—	(2,207)	—	—	—	(10,091)	—	—	(12,298)
Year-ended 31 December 2009										
Assets										
Current assets	5,239	21,004	2,708	51,228	33,190	8,307	—	1,118	—	122,794
Capital expenditure	3,484	29,688	16,579	24,117	26,113	480	5,778	2,296	—	108,535
Other non-current assets	3,630	43,291	43,995	31,765	174,057	9,009	91,322	11,265	—	408,334
Total segment assets	12,353	93,983	63,282	107,110	233,360	17,796	97,100	14,679	—	639,663
Not reportable assets	—	—	—	—	—	—	—	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 (refer to note 6).

(3) Others is comprised of administrative expenses of US\$23,533,000, other income of US\$13,635,000, other expenses of US\$4,985,000, impairment of property, plant and equipment of US\$12,298,000, share of losses of associates and joint ventures of US\$1,106,000, finance income of US\$10,380,000, finance cost of US\$27,196,000 and foreign exchange loss of US\$3,498,000.

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

(b) Geographical information

The revenue for the period based on the country in which the customer is located is as follows:

	Six-months ended 30 June (Unaudited)	
	2010	2009
	<i>US\$(000)</i>	
External customer		
USA.....	57,585	63,644
Peru	69,353	64,731
United Kingdom	18,554	—
Canada	54,864	39,447
Germany	57,740	31,358
Switzerland	36,625	28,548
Korea	12,139	2,856
	306,860	230,584
Inter-segment		
Peru	497	623
Mexico.....	2,887	1,062
	310,244	232,269

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

	Six-months ended 30 June 2010 (Unaudited)			Six-months ended 30 June 2009 (Unaudited)		
	<i>US\$(000)</i>	<i>% Revenue</i>	<i>Segment</i>	<i>US\$(000)</i>	<i>% Revenue</i>	<i>Segment</i>
Consortio Minero S.A.	69,353	22.6%	Arcata, San José	58,481	25.4%	Arcata, San José, Pallancata
Aurubis AG (formerly Nordeutsche Affinerie AG).....	57,740	18.8%	Selene, Pallancata, San José	31,358	13.6%	Selene, San José, Pallancata
Teck Metals Ltd. (formerly Teck Cominco Metals Ltd) ..	54,864	17.9%	Arcata, Pallancata	39,447	17.1%	Selene, Pallancata
International Commodities Inc.	22,599	7.4%	Ares, Arcata, Moris	38,996	16.9%	Ares, Arcata, Selene, Moris
Argor Heraus.....	18,535	6.0%	San José	28,548	12.4%	San José

The non-current assets, excluding financial instruments and income tax assets, were allocated based on the geographical area where the assets are located as follows:

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
	<i>US\$(000)</i>	
Peru	280,524	242,170
Argentina.....	209,691	200,384
Mexico.....	33,994	49,328
Chile.....	69	54
Canada	—	24,902
United Kingdom ⁽¹⁾	460,075	451,038
Total non-current segment assets	<u>984,353</u>	<u>967,876</u>
Available-for-sale financial assets.....	24,532	19,181
Trade and other receivables	3,706	3,150
Deferred income tax assets	6,880	15,852
Income tax receivable	1,973	1,302
Total non-current assets	<u>1,021,444</u>	<u>1,007,361</u>

(1) Primarily relates to the Group's interests in Lake Shore Gold Corporation and Gold Resource Corporation, which are held in the United Kingdom.

4 Investments accounted under the equity method

Gold Resource Corporation

Between 26 January 2010 and 5 February 2010 the Group acquired 440,500 further common shares of Gold Resource Corporation in the open market for a cash consideration of US\$4,351,000. In addition, on 8 March 2010, the Company signed a subscription agreement with Gold Resource Corporation under which the Group acquired 600,000 common shares for a total consideration of US\$5,172,000. The Group made an additional purchase of 631,579 common shares on 26 May 2010 for US\$6,000,000. After completion of these transactions, the Group's ownership in Gold Resource Corporation increased to 29.6% (27.6% on a fully diluted basis).

Lake Shore Gold Corporation

On 16 February 2010 the Group acquired a further 1,273,036 shares in Lake Shore Gold Corporation ("Lake Shore Gold") for CAD\$5,130,000 (US\$4,813,000). After completion of this transaction, the Group's ownership in Lake Shore Gold increased to 37.3% (35.7% on a fully diluted basis).

Zincore Metals Inc.

On 21 May 2009 the Group acquired 100% of Southwestern Resources Corporation. Within the assets of the group were 38,100,000 shares of Zincore Metals Inc.

On 5 March 2010, Executive Chairman, Eduardo Hochschild, purchased the Group's investment in Zincore Metals Inc. at a price of C\$0.27 per share representing a 11.6% premium over the 20 day average closing price. The shares were purchased through Inversiones Pacasmayo SA. for a total cash consideration of C\$10,287,000. As a result of the transaction, the Group has no further interest in Zincore Metals Inc. (refer to note 18).

5 Revenue

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>US\$(000)</i>	
Gold (from doré bars)	58,419	56,827
Silver (from doré bars)	36,226	35,309
Concentrate	212,186	138,371
Services	29	77
	306,860	230,584

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

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>US\$(000)</i>	
Gold	54,216	31,916
Silver	157,970	106,361
Other minerals	—	94
Total concentrate	212,186	138,371

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

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>(in thousands of ounces)</i>	
Gold	97	99
Silver	11,203	10,906

6 Pre-tax exceptional items¹

The Group recognised the following pre-tax exceptional items:

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited- Restated)
	<i>US\$(000)</i>	
Cost of sales		
Exceptional bonus to mining workers ²	(8,861)	(6,918)
	<u>(8,861)</u>	<u>(6,918)</u>
Exploration expenses:		
Termination benefits ³	—	(1,049)
	<u>—</u>	<u>(1,049)</u>
Other income:		
Negative goodwill on acquisition of subsidiary ⁴	—	9,807
Gain on sale of investment in El Quevar ⁵	6,010	—
Gain on sale of investment in Zincore Metals Inc. ⁶	7,533	—
Recovery of impairment of deposits in Kaupthing, Singer and Friedlander Bank	—	560
	<u>13,543</u>	<u>10,367</u>
Other expenses:		
Termination benefits of Selene mine ⁷	—	(414)
Electroperu contingency	—	(32)
Write off of inventory ⁸	—	(178)
Obsolescence of supplies ⁹	—	(181)
Others	—	(20)
	<u>—</u>	<u>(825)</u>
Impairment and write-off of assets (net):		
Impairment of San Felipe property (refer to note 11)	(14,702)	—
Impairment of Liam property	—	(10,091)
Impairment of assets in Selene unit	—	(2,207)
	<u>(14,702)</u>	<u>(12,298)</u>
Share of post tax losses and negative goodwill of associates and joint ventures accounted under equity method:		
Negative goodwill on acquisition of Gold Resource Corp. (refer to note 4)	—	225
Loss from dilution of the Group's interest in Lake Shore Gold Corp. (refer to note 4)	(2,021)	—
	<u>(2,021)</u>	<u>225</u>
Finance income:		
Gain from changes in the fair value of financial instruments ¹⁰	—	6,632
	<u>—</u>	<u>6,632</u>

Finance cost:

Loss from changes in the fair value of financial instruments ¹¹	(689)	—
	<u>(689)</u>	<u>—</u>

1 Exceptional items are those significant items which due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and facilitate comparison with prior periods. Exceptional items mainly include the following, where significant:

- Impairments of assets, including goodwill, assets held for sale, and property, plant and equipment;
- Gains or losses arising on the disposal of subsidiaries, investments or property, plant and equipment;
- Fair value gains or losses arising on financial instruments not held in the normal course of trading;
- Any gain or loss resulting from any restructuring within the Group, and
- The related tax impacts of these items.

2 Corresponds to the bonus paid in March 2010 to the workers at the Peruvian mines as a result of negotiations with the unions in relation to the 2009 financial year. In the prior year, the equivalent bonus was paid in April 2009 in relation to the 2008 financial year. The Group now believes that a constructive obligation has been created for these bonuses, and future bonuses will be accrued each year and recorded as a pre-exceptional item.

3 Corresponds to the termination benefits paid to the workers of the companies forming part of the Southwestern Gold Resources Group.

4 Corresponds to the negative goodwill generated from the acquisition of the Southwestern Gold Resources Group.

5 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.

6 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 (refer to note 18).

7 Represents the termination benefits paid to the employees due to the closing of the Selene mine.

8 Corresponds to the write-off of supplies at the Sipán mine that could not be sold or used in the Group's other mine units in Peru.

9 Corresponds to the obsolescence of supplies at the Selene mine due to the closure of the mine.

10 Mainly results from (i) the gain realised upon exercise of the option shares in Gold Resource Corporation on 25 February 2009 of US\$5,493,000; (ii) the change in the fair value of the forward contract to buy 3,750,000 shares of Gold Resource Corporation of US\$675,000 and (iii) the change in the fair value of 2,475,355 warrants over the same number of shares in Fortuna Silver Mine Inc. of US\$464,000. The expiry date of the warrants is 27 June 2010 and 17 November 2010 (in respect of 862,117 and 1,613,238 warrants respectively).

11 Mainly results from a loss arising from the fair value adjustment of the Golden Minerals Co warrants.

7 Finance income and finance cost before exceptional items

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

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>US\$(000)</i>	
Finance income:		
Interests on time deposits ¹	88	530
Gain from changes in the fair value of derivative instruments ²	826	—
Interest on loans to minority shareholders.	1,297	1,297
Change in discount rate ³	440	1,852
Gain on exchange of available-for-sale financial assets ⁴	211	—
Others	215	69
	<u>3,077</u>	<u>3,748</u>
Finance cost:		
Interest on bank loans and long-term debt.....	(5,760)	(7,693)
Interest on convertible bond.....	(4,235)	—
Unwind of discount rate.....	(354)	(47)
Loss from changes in the fair value of forward contracts ⁵	—	(18,031)
Loss from changes in the fair value of derivative instruments ⁶	(1,133)	(554)
Others	(661)	(871)
	<u>(12,143)</u>	<u>(27,196)</u>

1 Mainly corresponds to interest on liquidity funds.

2 Corresponds to the gain arising from changes in the time value of the zero cost collar contracts signed by Cia. Minera Ares S.A.C. during 2009. These contracts are in respect of 5,200,000 ounces of silver, with a cap of US\$17/oz in respect of 1,400,000 ounces, US\$19.5/oz in respect of 400,000 ounces and US\$19.95/oz in respect of 400,000 ounces, and a floor of US\$11.00/oz., and contracts with a cap of US\$20.92/oz and a floor of US\$13.80/oz in respect of 1,500,000 ounces, and a cap of US\$21/oz and a floor of US\$14/oz in respect of 1,500,000 ounces. These contracts expire in December 2010.

3 Corresponds to the gain arising on the reduction in the discount rate used to discount the VAT of Minera Santa Cruz S.A.

4 Includes the gain arising from the receipt of shares in International Minerals Corporation following its merger with Ventura Gold Corp.

5 Corresponds to the loss arising from changes in the fair value of derivative instruments under the terms of contracts signed with Citibank, JP Morgan and INTL Commodities Inc. intended to mitigate the risk of fluctuations in metal prices. Of the total loss, US\$5,926,000 corresponds to forward contracts settled during the first half of 2009. At 30 June 2009, the Group held forward contracts with Citibank and JP Morgan in respect of a total of 4,634,394 ounces of silver at an average price of US\$12/oz and in respect of 18,000 ounces of gold at a price of US\$972/oz, settled between July and December 2009.

6 Mainly results from a loss of US\$1,133,000 arising from the swap contract signed with BBVA and Citibank to fix the interest rate of the JP Morgan led syndicated loan at 1.75% that is accounted for as a fair value hedge. The amount disclosed in respect of 2009 corresponds to the loss arising from changes in the time value of the zero cost collar contracts signed by Cia. Minera Ares S.A.C. during the period. These contracts are in respect of 2,200,000 ounces of silver, with a cap of US\$17/oz in respect of 1,400,000 ounces, US\$19.5/oz in respect of 400,000 ounces and US\$19.95/oz in respect of 400,000 ounces, and a floor of US\$11.00/oz. These contracts expire in December 2010.

8 Income tax expense

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>US\$(000)</i>	
Current tax from continuing operations	18,286	11,167
Deferred income tax relating to origination and reversal of temporary differences from continuing operations	10,091	(9,313)
Withholding taxes	273	441
Total taxation charge in the income statement.....	28,650	2,295

Amounts relating to items classified as exceptional items for the six-months ended 30 June 2010 and 30 June 2009 comprised of tax credits of US\$2,600,000 and US\$6,218,000 respectively.

9 Basic and diluted earnings per share

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

The Company has potentially dilutive ordinary shares.

As at 30 June 2010 and 30 June 2009, earnings per share has been calculated as follows:

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited- Restated)
Profit from continuing operations attributable to equity holders of the Company (US\$000)	29,240	15,607
Weighted average number of ordinary shares in issue ('000).....	338,085	307,350
Weighted average number of ordinary shares in issue and potentially dilutive ordinary shares ('000)	356,246	307,350
Basic earnings per share:		
Before exceptional items (US\$)	0.11	0.04
Exceptional items (US\$).....	(0.03)	0.01
Total for the period and from continuing operations (US\$)	0.08	0.05
Diluted earnings per share:		
Before exceptional items (US\$)	0.11	0.04
Exceptional items (US\$).....	(0.03)	0.01
Total for the period and from continuing operations (US\$)	0.08	0.05

10 Property, plant and equipment

	Mining properties and development costs	Land and buildings	Plant and equipment ^(a)	Vehicles	Mine closure asset	Construction in progress and capital advances	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.....	<u>283,887</u>	<u>109,127</u>	<u>215,577</u>	<u>3,708</u>	<u>55,131</u>	<u>59,284</u>	<u>726,714</u>
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.....	(26,666)	(1,147)	(2,924)	(80)	130	–	(30,687)
Impairment ^(b)	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.....	<u>135,750</u>	<u>37,667</u>	<u>74,768</u>	<u>1,541</u>	<u>36,932</u>	<u>1,098</u>	<u>287,756</u>
Net book amount at 31 December 2009	<u>148,137</u>	<u>71,460</u>	<u>140,809</u>	<u>2,167</u>	<u>18,199</u>	<u>58,186</u>	<u>438,958</u>
Period ended 30 June 2010							
Cost							
At 1 January 2010	283,887	109,127	215,577	3,708	55,131	59,284	726,714
Additions ^(c)	30,273	130	7,266	15	–	17,342	55,026
Change in discount rate	–	–	–	–	1,836	–	1,836
Disposals.....	–	–	(754)	(751)	–	–	(1,505)
Transfers and other movements.....	274	934	1,946	206	–	(3,360)	–
Foreign exchange.....	42	4	(137)	6	–	3	(82)
At 30 June 2010	<u>314,476</u>	<u>110,195</u>	<u>223,898</u>	<u>3,184</u>	<u>56,967</u>	<u>73,269</u>	<u>781,989</u>
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 period	24,111	7,357	10,839	167	1,708	–	44,182
Disposals.....	–	–	(71)	(720)	–	–	(791)
Foreign exchange.....	–	1	(6)	13	–	–	8
At 30 June 2010	<u>159,861</u>	<u>45,025</u>	<u>85,530</u>	<u>1,001</u>	<u>38,640</u>	<u>1,098</u>	<u>331,155</u>
Net book amount at 30 June 2010	<u>154,615</u>	<u>65,170</u>	<u>138,368</u>	<u>2,183</u>	<u>18,327</u>	<u>72,171</u>	<u>450,834</u>

a) The carrying value of plant and equipment held under finance leases at 30 June 2010 was US\$11,783,178 (31 December 2009: US\$11,177,000). Additions during the period include US\$1,239,000 (31 December 2009: US\$6,058,000) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.

b) There was no impairment loss recognised in profit and loss during the six months ended 30 June 2010.

The methodology adopted for impairment testing is consistent with that applied as at 31 December 2009 as more fully described in Note 16 to the 2009 consolidated financial statements. During the year ended 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 addition, the Group reassessed the fair value of the Liam properties following the acquisition of Southwestern Resources (please refer to note 5 to the 2009 consolidated financial statements).

- c) Mainly corresponds to: (i) additions of leasing equipments in Ares of US\$1,239,000,(ii) additions related to a tailing dam of US\$1,250,225 and a paste fill plant of US\$1,086,380 in Pallancata, (iii) improvements in San Jose mine of US\$1,500,000, and (iv) development costs of US\$30,273,000.

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

11 Evaluation and exploration assets

	Period ended 30 June 2010 (Unaudited)	Year ended 31 December 2009
	<i>US\$(000)</i>	
Beginning balance	55,828	44,726
Additions ¹	10,070	8,636
Impairment and write-off ²	(14,702)	(506)
Transfers and other movements	—	1,921
Foreign exchange	1,205	1,051
Ending balance	<u>52,401</u>	<u>55,828</u>

1 There were no borrowing costs capitalised in evaluation and exploration assets.

2 The Group has impaired the San Felipe property by US\$14,702,000 to US\$25,000,000. The impairment was triggered by the conclusion of the marketing process conducted during the period and reflects the Company's estimate of the fair value less cost to sell.

12 Intangible assets

	Goodwill	Transmission line	Software licences	Total
	<i>US\$(000)</i>			
Cost				
Balance at 1 January 2009	2,091	–	913	3,004
Additions	–	16,266	76	16,342
Reclassification	–	5,891	–	5,891
Balance at 31 December 2009	2,091	22,157	989	25,237
Additions	–	–	35	35
Balance at 30 June 2010	2,091	22,157	1,024	25,272
Accumulated amortisation				
Balance at 1 January 2009	–	–	336	336
Amortisation for the year	–	2,078	311	2,389
Reclassification	–	87	–	87
Balance at 31 December 2009	–	2,165	647	2,812
Amortisation for the period	–	941	159	1,100
Foreign exchange difference	–	–	1	1
Balance at 30 June 2010	–	3,106	807	3,913
Net book value as at 31 December 2009	2,091	19,992	342	22,425
Net book value as at 30 June 2010	2,091	19,051	217	21,359

13 Available-for-sale financial assets

	Period ended 30 June 2010	Year ended 31 December 2009
	<i>US\$(000)</i>	
Beginning balance	19,181	17,794
Additions ¹	5,635	70,022
Increase in value of available-for-sale financial assets due to merger of companies	6	357
Fair value change recorded in equity	437	22,592
Foreign exchange	(433)	427
Disposals ²	(294)	(4,749)
Reclassification to investments accounted under equity method	–	(87,262)
Ending balance	24,532	19,181

The breakdown of the investments in equity securities held is as follows (number of shares):

	Number of shares at 31 December 2009	Additions	Transfers	Disposals	Number of shares at 30 June 2010
Fortuna River ²	663,600	–	–	(663,600)	–
Mirasol Resources Ltd.	500,000	–	–	–	500,000
Pembroke Mining Corp.	6,825,397	–	–	–	6,825,397
Electrum Capital Inc.	4,205,462	–	–	–	4,205,462
Iron Creek Capital Corp. ¹	2,000,000	280,000	–	–	2,280,000
Mariana Resources Ltd.	11,002,948	–	–	–	11,002,948
Ventura Gold Corp. ³	1,000,000	–	(1,000,000)	–	–
International Minerals Corporation ³	–	–	100,000	–	100,000
Northern Superior Resources Inc.	10,053,007	–	–	–	10,053,007
Empire Petroleum Corp.	1,333,333	–	–	–	1,333,333
Dia Bras Exploration Inc	3,751,047	–	–	–	3,751,047
Lara Exploration Ltd. ²	495,200	–	–	(325,500)	169,700
Brionor Resources Inc ¹	–	2,730,000	–	–	2,730,000
Golden Minerals Company ¹	–	400,000	–	–	400,000

1 The amount represents the fair value of shares at the date of acquisition and mainly includes the purchase of shares of Iron Creek Capital Corp of US\$67,000, Brionor Resources of US\$568,000 and Golden Minerals of US\$5,000,000.

2 Mainly corresponds to the sale of 663,600 shares in Fortuna River of US\$55,000 and 325,500 shares in Lara Exploration Ltd. of US\$231,000.

3 In 2010 the Group received shares in International Minerals Corporation in exchange for its holding of Ventura Gold Corp. shares, following the merger of these companies.

14 Other financial assets and liabilities

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
	<i>US\$ (000)</i>	
Other financial assets		
Embedded derivatives.....	3,468	695
Warrants in Golden Minerals Company	307	–
Warrants on Iron Creek Capital Corp.....	14	–
Total financial assets at fair value through profit or loss	3,789	695
Other financial liabilities		
Embedded derivatives.....	–	175
Total financial liabilities at fair value through profit or loss	–	175
Zero cost collar contracts	2,076	2,452
Swap contracts.....	1,744	13
Total derivatives designated as hedge instruments.....	3,820	2,465
Total financial liabilities.....	3,820	2,640

15 Cash and cash equivalents

	As at 30 June 2010 (Unaudited)	As at 31 December 2009
	<i>US\$ (000)</i>	
Cash at bank	272	1,430
Liquidity funds ¹	53,033	28,294
Current demand deposit accounts ²	29,537	40,447
Time deposits ³	8,147	7,673
Cash and cash equivalents	<u>90,989</u>	<u>77,844</u>

1 The liquidity funds are mainly invested in certificate of deposits, commercial papers and floating rate notes with a weighted average annual effective interest rate of 0.23% and a weighted average maturity between 33 to 55 days as at 30 June 2010 (0.71% and 30 to 55 days as at 31 December 2009).

2 Relates to bank accounts which are readily accessible to the Group and do not bear interest.

3 The effective interest rates as at 30 June 2010 were 1.71% (As at 31 December 2009: 3.00%). These deposits have an average maturity of 1 to 30 days (as at 31 December 2009: 1 to 30 days).

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

16 Borrowings

	As at 30 June 2010 (Unaudited)		As at 31 December 2009	
	Non- current	Current	Non- current	Current
	<i>US\$(000)</i>			
Secured bank loans ¹	114,476	35,446	115,854	34,773
Amounts due to minority shareholders ²	37,580	41,859	—	75,570
Convertible bond payable ³	103,827	4,098	103,827	1,663
Amounts due to related parties	—	892	—	902
	<u>255,883</u>	<u>82,295</u>	<u>219,681</u>	<u>112,908</u>

1 Secured bank loans

The balance corresponds to:

- Pre shipment loans for a total amount of US\$8,750,000 in Compañía Minera Ares S.A.C. and US\$20,000,000 in Minera Santa Cruz S.A. (at 31 December 2009: US\$8,750,000 and US\$20,000,000 respectively). These obligations accrue an effective annual interest rate ranging from 1.38% to 3.9% and are guaranteed by the inventories and the trade receivables of the Company (at 31 December 2009: 1.05% to 4.75%). Pre-shipments are credit lines given by the Banks to meet payment obligations related to the exports of the Group.
- Leasing agreement with Banco de Credito for an amount of US\$5,594,000 in Compañía Minera Ares S.A.C. (2009: US\$5,693,000). This obligation accrues an effective annual interest rate of 3.25% (2009: 6.80% to 7.60%)
- Leasing agreement with BIF for an amount of US\$2,108,000 in Compañía Minera Ares S.A.C. (2009: US\$3,016,000). This obligation accrues an effective annual interest rate ranging from 7.45% to 8.25% (2009: 7.15% to 8.25%).
- Leasing agreement with Interbank for an amount of US\$217,000 in Compañía Minera Ares S.A.C. (2009: US\$296,000). This obligation accrues an effective annual interest rate of 9.01% (2009: 9.01%).
- Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the administrative agent. The balance as at 30 June 2010 is comprised of the secured term loan facility of US\$114,320,000 (2009: US\$ 114,320,000) plus accrued interest of US\$2,168,000 (2009: US\$1,787,000) and net of transaction costs of US\$3,235,000 (2009: US\$3,235,000). This obligation

accrues an effective interest rate of LIBOR + 1% and is guaranteed by all the equity share capital, free and clear of any liens, of Compañía Minera Ares S.A.C. During 2009 the Group signed a swap contract with BBVA and Citibank to fix the interest rate at 1.75%.

2 Amounts due to minority shareholders

The balance as at 30 June 2010 mainly corresponds to loans from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US\$70,724,000 (2009: US\$67,124,000) which bear interest between 7.86% and 12% (2009: 7.86% and 12%). In addition, there is also a loan of US\$8,715,000 advanced to Minera Santa Cruz S.A. by Minera Andes S.A. (2009: US\$8,446,000) which bears interest at a rate of 12%.

3 Convertible bond payable

Placement of US\$115,000,000 of senior unsecured convertible bonds, due 2014, which are convertible into ordinary shares of the Company. The bonds have a coupon of 5.75% per annum payable semi-annually on 28 January and 28 July of each year. The Company has the option to redeem the bonds on or after 20 October 2012 but before maturity in the event the trading price of the Company's ordinary shares exceeds 130% of the conversion price over a prescribed 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 15% or less of the aggregate principal amount of the bonds initially issued.

The following information has to be considered for the conversion 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 30 June 2010 is comprised of the principal of US\$115,000,000 (at 31 December 2009: US\$115,000,000) plus accrued interest of \$4,098,000 (at 31 December 2009: US\$1,663,000) and net of transaction costs of US\$2,741,000 (at 31 December 2009: US\$2,741,000) and the bond equity component of US\$8,432,000 (at 31 December 2009: US\$8,432,000).

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

	<u>As at 1 January 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Reclassification</u>	<u>As at 30 June 2010</u>
			<i>US\$ (000)</i>		
Non-current	219,681	—	(170)	36,372	255,883
Current	<u>112,908</u>	<u>23,153</u>	<u>(17,394)</u>	<u>(36,372)</u>	<u>82,295</u>
	332,589	23,153	(17,564)	—	338,178
Accrued Interest:					
Non-current and current	<u>22,957</u>	<u>9,303</u>	<u>(2,618)</u>	—	<u>29,642</u>
Net of accrued interest	<u><u>309,632</u></u>	<u><u>13,850^(a)</u></u>	<u><u>(14,946)</u></u>	<u>—</u>	<u><u>308,536</u></u>

(a) US\$1,239,000 corresponds to the addition of leases that do not affect cash.

17 Dividends Paid and Declared

	<u>Amount</u>
	<i>US\$(000)</i>
Period ended 30 June 2009	
Total dividends paid during the period ¹	6,147
Total dividends declared after period-end and not provided for ²	6,147
Six months ended 30 June 2010	
Total dividends paid during the period ³	22,761
Total dividends declared after period-end and not provided for	6,762

1 Corresponds to dividends paid and provided for during 2009 of US\$6,147,005.

2 Corresponds to dividends declared after 31 December 2008 to Pelham Investment Corporation, Navajo Overseas Corporation and public shareholders of US\$6,147,005.

3 Corresponds to dividends paid and provided during 2010 of US\$6,761,704, and dividends paid to minority shareholders of Minera Suyamarca of US\$16,000,000.

Dividends per share

A dividend in respect of the year ended 31 December 2009 of US\$0.020 per share, amounting to a total dividend of US\$6,761,704, was approved by shareholders at the Annual General Meeting held on 26 May 2010. An interim dividend of US\$0.020 per share in respect of the year ending 31 December 2010 has been declared by the Directors of the Company which will be paid to shareholders on 22 September 2010 to those shareholders appearing on the register on 3 September 2010. These financial statements do not reflect this dividend payable.

18 Related party transactions

During the period, in addition to the normal arrangements the Group has with its related parties, the Group sold its investment in Zincore Metals Inc. to Inversiones Pacasmayo S.A, a company under common control to that of the Group, for C\$10,287,000 representing an arm's length selling price.

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

19 Notes to the cash flow statement

	Six-months ended 30 June	
	2010 (Unaudited)	2009 (Unaudited)
	<i>US\$(000)</i>	
Reconciliation of profit for the period to net cash generated from operating activities:		
Profit for the period.....	45,968	21,580
Adjustments to reconcile group profit for the period to net cash inflows from operating activities:		
Depreciation	44,182	39,117
Amortisation of intangibles	1,100	153
Impairment of property, plant and equipment	14,702	10,091
Negative goodwill generated on acquisitions of subsidiaries	—	(9,807)
Write off of property, plant and equipment	—	2,207
Gain on sale of investment in Zincore Metals Inc.	(7,533)	—
Gain on sale of investment in El Quevar	(6,010)	—
Share of post tax losses and negative goodwill of associates and joint ventures accounted under equity method	3,189	1,106
Increase in provision for mine closure.....	370	1,116
Finance income	(3,077)	(10,380)
Finance costs (excluding impairment of available-for-sale financial assets).....	12,832	27,196
Income tax expense	28,650	2,295
Other	365	4,636
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities:		
Trade and other receivables	(1,114)	14,720
Derivative financial instruments	(4,344)	748
Inventories.....	(1,771)	3,989
Trade and other payables	(1,617)	(5,241)
Provisions.....	3,974	(339)
Cash generated from operations.....	<u>129,866</u>	<u>103,187</u>

20 Commitments

a) Mining rights purchase options

During the ordinary course of business, the Group enters into agreements to carry out exploration under concessions held by third parties. Generally, under the terms of these agreements, the Group has the option to acquire the concession or invest in the entity holding the concession. In order to exercise the option the Group must satisfy certain financial and other obligations over the agreement term. The options lapse in the event that the Group does not meet the financial requirements. At any point in time, the Group may cancel the agreements without penalty, except in certain specific circumstances.

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

	As at 30 June 2010	As at 31 December 2009
	<i>US\$ (000)</i>	
Commitment for the subsequent twelve months	740	560
Later than one year	13,301	10,436

b) Capital commitments

The future capital commitments of the Group are as follows:

	As at 30 June 2010	As at 31 December 2009
	<i>US\$ (000)</i>	
Peru	31,038	34,089
Argentina	14,950	14,900
Mexico	229	247
	<u>46,217</u>	<u>49,236</u>

21 Litigation update

The 2009 Annual Report referred to the fact that the Group had commenced legal proceedings against its joint venture partner at the San Jose project, Minera Andes SA ("MASA") and its parent company, Minera Andes Inc. ("MAI"), requiring the execution of formal loan agreement documents in respect of the US\$65 million project finance loan, which was provided to Minera Santa Cruz S.A. in 2006. The case is ongoing, and the directors remain confident of the Group's legal position.

22 Subsequent events

At the date of this report there are no significant subsequent events to report.

TOTAL GROUP PRODUCTION (100% of all operations)

	H1 2010	H1 2009 ¹	% change
Silver production (koz)	11,423	11,792	-3%
Gold production (koz)	97.25	103.73	-6%
Total silver equivalent (koz)	17,258	18,016	-4%
Total gold equivalent (koz)	287.64	300.27	-4%
Silver sold (koz)	11,202 ²	10,906	3%
Gold sold (koz)	97.04	98.62	-2%

¹ Includes 0.5 million silver equivalent ounces from the Selene mine which closed in May 2009

² Includes 1,055 ounces of silver from Selene

ATTRIBUTABLE GROUP PRODUCTION (Production attributable to Hochschild¹)

	H1 2010	H1 2009 ²	% change
Silver production (koz)	8,477	9,250	-8%
Gold production (koz)	72.53	77.60	-7%
Attrib. silver equivalent (koz)	12,829	13,906	-8%
Attrib. gold equivalent (koz)	213.81	231.77	-8%

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

² Includes 0.5 million silver equivalent ounces from the Selene mine which closed in May 2009

QUARTERLY PRODUCTION BY MINE**ARCATA** (100% owned)

Product	H1 2010	H1 2009	% change
Ore production (tonnes processed)	295,434	311,506	-5%
Average head grade silver (g/t)	471	541	-13%
Average head grade gold (g/t)	1.59	1.61	-1%
Concentrate produced (tonnes)	9,984	11,388	-12%
Silver grade in concentrate (kg/t)	12.65	13.64	-7%
Gold grade in concentrate (kg/t)	0.04	0.04	0%
Silver produced (koz)	4,024	4,970	-19%
Gold produced (koz)	13.36	14.08	-5%
Silver equivalent produced (koz)	4,826	5,815	-17%
Silver sold (koz)	3,880	4,174	-7%
Gold sold (koz)	12.50	11.98	4%

ARES (100% owned)

Product	H1 2010	H1 2009	% change
Ore production (tonnes processed)	156,606	161,964	-3%
Average head grade silver (g/t)	102	89	14%
Average head grade gold (g/t)	3.78	4.92	-23%
Doré total (koz)	466	425	10%
Silver produced (koz)	446	399	12%
Gold produced (koz)	17.90	24.16	-26%
Silver equivalent produced (koz)	1,520	1,848	-18%
Silver sold (koz)	425	395	8%
Gold sold (koz)	16.85	23.65	-29%

PALLANCATA (60% owned)

Product	H1 2010	H1 2009	% change
Ore production (tonnes processed)	517,343	375,840	38%
Average head grade silver (g/t)	340	303	12%
Average head grade gold (g/t)	1.39	1.34	4%
Concentrate produced (tonnes)	4,898	3,004	63%
Silver grade in concentrate (kg/t)	30.89	32.95	-6%
Gold grade in concentrate (kg/t)	0.11	0.13	-11%
Silver produced (koz)	4,862	3,182	53%
Gold produced (koz)	17.54	12.11	45%
Silver equivalent produced (koz)	5,914	3,909	51%
Silver sold (koz)	4,805	3,190	51%
Gold sold (koz)	16.95	11.44	48%

SAN JOSE (51% owned)

Product	H1 2010	H1 2009	% change
Ore production (tonnes processed)	212,743	238,170	-11%
Average head grade silver (g/t)	334	414	-19%
Average head grade gold (g/t)	5.86	5.47	7%
Silver produced (koz)	2,044	2,564	-20%
Gold produced (koz)	36.14	34.64	4%
Silver equivalent produced (koz)	4,212	4,642	-9%
Silver sold (koz)	2,034	2,547	-20%
Gold sold (koz)	36.49	33.31	10%

MORIS (100% owned)

Product	H1 2010	H1 2009	% change
Ore production (tonnes processed)	648,416	632,497	3%
Average head grade silver (g/t)	4.41	5.01	-12%
Average head grade gold (g/t)	1.25	1.37	-9%
Silver produced (koz)	48	50	-3%
Gold produced (koz)	12.31	15.73	-22%
Silver equivalent produced (koz)	787	993	-21%
Silver sold (koz)	57	50	14%
Gold sold (koz)	14.24	15.69	-9%

PROFIT BY OPERATION¹ (segment report reconciliation) as at June 2010

Company (US\$m)	Ares	Arcata	Pallancata	San José	Moris	Consolidation adjustment	Total/HOC
Revenue	27.0	77.5	107.4	77.2	17.6	-	306.9
Cost of sales (Pre consolidation)	-19.4	-35.2	-47.9	-46.7	-12.9	1.3	-160.9
Consolidation adjustment	-	-	-2.0	-0.2	-	1.3	-1.0
Cost of sales (Post consolidation)	-19.3	-35.2	-45.9	-46.5	-12.9	-	-159.9
<i>Production cost w/o depreciation</i>	-16.1	-20.5	-25.8	-30.3	-9.8	-	-102.4
<i>Depreciation in production cost</i>	-1.8	-8.5	-14.4	-15.7	-2.8	-	-43.2
<i>Other items</i>	-3.2	-5.8	-5.3	-0.4	-	-	-14.7
<i>Change in inventories</i>	1.8	-0.4	-0.4	-0.1	-0.4	-	0.4
Gross profit	7.7	42.2	59.5	30.5	4.7	1.4	146.0
Administrative expenses	-	-	-	-	-	-29.7	-29.7
Exploration expenses	-	-	-	-	-	-14.3	-14.3
Selling expenses	-	-1.2	-1.6	-8.2	-	-	-11.0
Other income/expenses	-	-	-	-	-	11.5	11.5
Operating profit before impairment	7.7	41.0	57.9	22.3	4.7	-31.1	102.5
Impairment of assets	-	-	-	-	-	-14.7	-14.7
Investments under equity method	-	-	-	-	-	-3.2	-3.2
Finance income	-	-	-	-	-	3.0	3.0
Finance costs	-	-	-	-	-	-12.8	-12.8
FX gain/(loss)	-	-	-	-	-	-0.2	-0.2
Profit/(loss) from continuing operations before income tax²	7.7	41.0	57.9	22.3	4.7	-59.0	74.6
Income Tax	-	-	-	-	-	-28.7	-28.7
Profit/(loss) for the year from continuing operations	7.7	41.0	57.9	22.3	4.7	-87.7	45.9

¹ On a post exceptional basis

² Hochschild profit before income tax reflected in 2010 interim report

Shareholder Information

1. Company website

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

2. Registrars

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

By post:

Shareholder Services Department, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA

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-Fri)
- If calling from overseas: +44 20 8639 3399

By fax: +44 (0) 1484 600 911

3. Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 7 September 2010 in respect of the 2010 interim dividend.

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 in respect of the 2010 interim dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 7 September 2010. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

4. Investor Relations

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

5. Financial Calendar

Dividend dates	2010
Ex-dividend date	01 September
Record date	03 September
Deadline for return of currency election forms	07 September
Payment date	22 September