



24 March 2010

Hochschild Mining plc
Preliminary Results for the twelve months ended 31 December 2009

Strategic & Operational Highlights

- Record full year production, up 8%, achieving target of 28m attributable silver equivalent ounces
- 11% reduction in unit cost per tonne - exceeding 2009 target of 5%
- Continued delivery of M&A strategy:
 - \$172.9 million invested in Lake Shore Gold, increasing the Group's stake to 38%¹
 - \$58.5 million invested in Gold Resource Corp, increasing the Group's stake to 29%²
 - Acquisition of Southwestern Resources completed for \$19.2 million
- Resource life of mine for main operations up 20% to 7.1 years³
- 2010 exploration budget up 75% to \$50 million
- 2010 production target of 29 million silver equivalent ounces, including 2.7 million silver equivalent ounces from Hochschild's interests in Lake Shore Gold and Gold Resource Corp
- Directorate and management appointments

Financial Highlights

- 24% increase in revenue to \$539.7 million
- Administrative expenses down by 26% to \$51.1 million
- Record attributable profit after tax of \$98.1 million, positively impacted by an exceptional one-off gain of \$42.3 million relating to the Lake Shore Gold/West Timmins Mining transaction
- EPS up from \$(0.08) to \$0.31
- Solid financial position with year end cash balance of \$77.8 million
- Proposed dividend of \$0.02 per share, bringing the total dividend to \$0.04 per share
- \$85.7 million pre-payment of \$200 million syndicated loan facility
- \$260 million convertible bond offering and equity placing⁴

(\$ millions, unless stated)	12 months to 31 December 2009	12 months to 31 December 2008	% change
Attributable silver production (koz)	18,754	16,941	11%
Attributable gold production (koz)	156.8	152.9	3%
Revenue	539,741	433,779	24%
Adjusted EBITDA*	249,869	142,292	76%
Attributable profit after tax (before exceptionals)	52,892	15,782	235%
Attributable profit after tax (after exceptionals)	98,080	(24,718)	n/a
Earnings per share (before exceptionals) ⁵	0.17	0.05	240%
Earnings per share (after exceptionals) ⁵	0.31	(0.08)	n/a

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

¹ On a fully diluted basis, Hochschild's equity interest at 31 December 2009 was 35.7%. In addition, to date in 2010, \$4.9m has been invested increasing Hochschild's stake to 35.9%. On an outstanding basis, Hochschild's interest increased from 37.4% to 37.7% in 2010.

² On a fully diluted basis, Hochschild's equity interest at 31 December 2009 was 25.0%. In addition, to date in 2010, \$9.5m has been invested, increasing Hochschild's stake to 26.7%. On an outstanding basis, Hochschild's interest increased from 27.0% to 28.7% in 2010.

³ Main operations are Arcata, Pallancata and San José. Resource life of mine includes the Company's reported reserves

⁴ Gross proceeds

⁵ Restated to reflect changes in the depreciation calculation (see note 2)

Eduardo Hochschild, Executive Chairman of Hochschild Mining commented:

“This has been a year of delivery for Hochschild with strong financial results and an excellent operational performance. We have delivered record production, exceeded our cost reduction target with an 11% saving and decreased administrative expenses by 26%. We delivered on our M&A strategy with continued investments in Lake Shore Gold and Gold Resource Corp as well as the acquisition of Southwestern Resources. We have made solid progress on exploration with resource life of mine extending to 7.1 years and Azuca’s resources almost doubling to 44.1 million silver equivalent ounces.

It is with regret that the board has accepted the resignation of Miguel Aramburú, CEO, who is leaving Hochschild for personal reasons, and Ignacio Rosado, CFO, who is leaving to further develop his career by pursuing a CEO role. I would like to thank them both for their enormous dedication over a number of years as well as for their contribution in delivering yet another strong set of results.

I would like to welcome Ignacio Bustamante and Ramón Barúa as CEO and CFO, respectively. Both are experienced, well qualified professionals who will continue to develop and deliver our strategy going forward.

With a sound financial position, experienced management team and a positive outlook for precious metals, we are well placed to continue to deliver our long term growth strategy.”

A conference call will be held at 9.30am (London time) on Wednesday 24 March 2010 for analysts and investors.

Dial in details as follows:

UK (& International) +44 (0) 203 003 2666

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

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About Hochschild Mining plc:

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCM.L for Reuters / HOC LN for Bloomberg) 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 five underground epithermal vein mines, four 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. For further details, please visit the Company’s website at www.hochschildmining.com.

Chairman's Statement

After implementing a number of measures to deal with challenging market conditions in 2008, we entered 2009 with a firm focus on producing profitable ounces and a clear strategy for growth. Now, 12 months later, I am proud to say that 2009 has been a year of delivery for Hochschild Mining. Our strategy is supported by three pillars – organic, M&A, and exploration growth and we have delivered in each area with record production, continued strategic investments and an expanding portfolio of assets.

Operationally, we are as strong as ever with five mines in three countries, producing a total of 24.6 million ounces of silver and 211.6 thousand ounces of gold. Our results continue to benefit from the plant expansions completed at the end of 2008, which increased capacity by 29%. A continued focus on cost control has resulted in an impressive 11% decrease in unit cost per tonne at our underground mines, demonstrating management's ability to adapt quickly to changes in the price environment.

On the M&A side, we supported the merger between Lake Shore Gold Corporation ("Lake Shore Gold") and West Timmins Mining ("WTM") investing a further \$91.1 million in the enlarged company⁶ and bringing our ownership to 38% on an outstanding basis. We have also delivered on our strategy by continuing to invest in Gold Resource Corporation ("GRC"), which started production in early 2010. The two companies have impressive production targets and, in aggregate, have a market capitalisation of \$1,463.3 million, valuing Hochschild's stakes at \$504.5 million⁷.

This has also been a year of delivery for our exploration team, with Azuca doubling resources to 44.1 million silver equivalent ounces and Crespo reporting resources of 44.7 million silver equivalent ounces, following extensive drilling campaigns. Azuca has the potential to be our next mine and an addition to our Peruvian operational cluster. We are in the process of initiating a scoping study at this project.

Resource life of mine (which includes reserves) for our three main operations; Arcata, Pallancata and San José increased by 20% from 5.9 to 7.1 years, whilst reserve life of mine has been maintained at 3.3 years. Our total attributable resource tonnage including all our operations, main projects and investments⁸, has more than doubled from 20.7 million to 43.6 million whilst contained silver equivalent ounces, on an attributable basis, increased from 313.4 million to 402.8 million.

We have delivered a strong set of financial results with revenue for the year up 24% to \$539.7 million. Operating profit more than doubled to \$153.6 million and, as a consequence, pre-exceptional EPS has increased from \$0.05 to \$0.17. Our results were also significantly impacted by \$44.7 million of exceptional items, including a one-off gain of \$42.3 million relating to the Lake Shore Gold/WTM transaction, bringing our post exceptional EPS to \$0.31. Higher realised prices combined with lower costs allowed operating cash flow to more than double to \$200.5 million.

In October 2009, we successfully raised \$260 million⁹ through an equity placing and bond offering which provided us with increased financial flexibility and funded some of the investments mentioned above. Our ability to raise capital during a time when financial markets have been relatively unstable reflects investor support for our strategy and confidence in our growth prospects.

We continue to enjoy a healthy balance sheet with a year end cash balance of \$77.8 million. This, in conjunction with cash generated from our operations will allow us to pursue our growth strategy going forward.

Organic growth

I am very proud to say that we have continued to deliver on our production targets since the IPO. 2009 was our best year so far, with record attributable production of 28.2 million attributable silver equivalent ounces – consolidating our position as the world's third largest primary silver producer. Results were particularly strong at Pallancata, where both silver and gold production doubled year-on-year and at San José, where silver and gold production increased 14% and 42% respectively.

Whilst we delivered on production, management were also particularly focused on cost control, and as mentioned above, unit cost per tonne decreased by 11% during the year. Including Moris, our only open pit mine, the reduction was even more impressive with a 15% saving. We have also lowered our administrative

⁶ Amount invested from December 2009 to March 2010 following completion of the Lake Shore Gold/WTM transaction

⁷ As at 19 March 2010 on an outstanding basis

⁸ Arcata, Pallancata, San José, Moris, Ares, Azuca, Crespo, Lake Shore Gold, Inmaculada and San Felipe

⁹ Gross proceeds

expenses by \$17.7 million, including a 28% reduction in personnel expenses and a 34% decrease in professional fees.

M&A growth

In 2009, we continued to execute our cluster consolidation strategy by securing bolt-on acquisitions, joint ventures and strategic investments in a number of key mining districts, investing a total of \$239.5 million during the year.

As I mentioned earlier, Lake Shore Gold and GRC are important strategic investments for Hochschild and provide exposure to impressive production potential and long term growth.

We were fully supportive of Lake Shore Gold's merger with WTM which created the new large-scale, wholly-owned Timmins West Gold Mine Complex, an extension of the world class Timmins gold mining trend. Lake Shore Gold has announced an updated production target of 65,000 ounces of gold (3.9 million silver equivalent ounces) in 2010, building production over the following three years with the potential to produce 350,000 ounces (21 million silver equivalent ounces) by 2013.

To date, we have invested \$63.5 million in GRC, increasing our ownership to 29%¹⁰. Our investment in the company gives us access to high grade, low cost ounces expanding our operational cluster in southern Mexico, a mining friendly country with significant mineral potential. GRC started production in February 2010 with a production target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in the first 12 months of operation.

During the year we have also completed the strategic acquisition of Southwestern Resources Corp ("SWG"), a Canadian mineral exploration company for \$19.2 million. The acquisition consolidated our position in southern Peru by adding a number of early stage projects to our pipeline including Crespo and Josnitoro.

Exploration growth

In addition to the exploration success achieved at our existing operations, we are also confident about a number of projects in our pipeline which are delivering positive results.

Azuca is a 3,000 hectare project located in southern Peru, only 50km northwest of Arcata and within Hochschild's operational cluster. During 2009, we undertook 26,240 metres of drilling and doubled resources, with 3.7 million tonnes at 287.7 g/t Ag and 1.3 g/t Au. As mentioned above, Azuca has the potential to be our next mine and in 2010 we have initiated a scoping study, with a feasibility study to follow.

We have also made progress in Crespo, a low grade gold/silver disseminated deposit in our Peruvian cluster. Hochschild's drilling programme, which is focused on increasing resources, has identified significant high grade ore bodies and as at 31 December 2009, Crespo reported resources of 44.7 million silver equivalent ounces, with 17.8 million tonnes at 38.8 g/t Ag and 0.7 g/t Au.

In 2009, we also made progress at Victoria in northern Chile, which is part of a partnership with Iron Creek Capital Corp. During the year, 28 drill holes totalling 7,626 metres were completed and anomalous gold and silver mineralisation was encountered in all drill holes with significant intercepts.

Responsible mining

Efficient operations can only be achieved through good community support and we are dedicated to maintaining the highest standards of corporate and social responsibility. We are committed to the safety of all our employees and have made significant progress over the past year. In 2009, we reduced our accident frequency rate by 9% compared to 2008. Nonetheless, it is with deep regret that I report three mine fatalities in 2009. We have addressed the underlying safety deficiencies that led to the occurrence of these tragic events and we continue to view any fatalities as unacceptable.

¹⁰ On a fully diluted basis, Hochschild's equity interest at 31 December 2009 was 25.0%. In addition, during 2010, \$9.5m has been invested, increasing Hochschild's stake to 26.7%. On an outstanding basis, Hochschild's interest increased from 27.0% to 28.7% in 2010

Board and management changes

During the year we welcomed a new Non Executive Director, Fred Vinton, to the Board. Fred has over 30 years' banking and commercial experience and brings a wide range of knowledge and skills to Hochschild.

It is with sadness that the Board has accepted the resignation of Miguel Aramburú, who wishes to step down as CEO for personal reasons, with effect from 1 April 2010. I would like to thank Miguel for his enormous contribution to the Company over the last fifteen years and particularly his successful tenure as CEO. I also want to thank him for his dedication to the business and, personally speaking, for his friendship over this period. Ignacio Bustamante, COO, will succeed Miguel Aramburú as CEO and as an Executive Director from 1 April 2010. Ernesto Balarezo, currently head of our Peruvian operations will assume the role of VP of Operations with effect from 1 April 2010.

The board also regrettably announces that it has accepted the resignation of Ignacio Rosado, CFO, who is leaving the Company with effect from 31 May 2010 to develop his career further by pursuing a CEO role. During his tenure as CFO, Ignacio has played a key role in the execution of Hochschild's strategy ensuring a strong financial platform and the continued delivery of the Company's objectives. I would also like to thank Ignacio for his significant contribution over the years and I wish him well in his future career. Ignacio will be succeeded by Ramón Barúa, currently CEO of Fosfatos del Pacifico and previously General Manager of Hochschild's Mexican operations.

I would also like to take this opportunity to thank all our employees for the hard work that has enabled Hochschild to progress its strategic goals.

Dividend

The board has declared a final dividend of \$0.02 per ordinary share resulting in a total dividend for the year of \$0.04 per ordinary share. We will keep dividend policy under review in accordance with the capital availability and requirements of the business.

Outlook

We entered 2010 with a solid foundation for continued growth and a positive precious metals outlook. Our production target for 2010 is 29 million silver equivalent ounces. Production from existing operations is expected to be 26.3 million attributable silver equivalent ounces comprising approximately 17.6 million ounces of silver and 145,000 ounces of gold. The target also includes 2.7 million silver equivalent ounces from our interests in Lake Shore Gold and GRC.

In 2010, the Company expects Arcata's silver grades to be at similar levels to Q409 as accessible mine areas will continue to have narrower veins and changing geotechnical conditions. As anticipated, production and grades at the Company's ageing mine Ares will continue to decline, with closure expected in the second half of 2010.

We take an extremely rigorous approach to managing costs that are within our control and we are currently undertaking a number of initiatives which will contribute to cost containment. However, management expects an increase in unit cost per tonne at our underground mines of around 10% in 2010, mostly as a result of inflation related to labour and supply costs. At Ares, given the ageing nature of the deposit, operating costs are expected to increase through to its expected closure in the second half of 2010.

The Company is pleased to announce that it is significantly increasing its exploration spend from \$28.6 million in 2009 to \$50 million in 2010. The exploration programme will focus on extending the life of Hochschild's existing operations and identifying high-quality, early stage precious metal projects which will provide cost effective growth.

With \$77.8 million in cash at the end of 2009, we are in a sound financial position and well placed to deliver our long term growth strategy. Our focus will continue to be on producing profitable ounces and expanding the business through appropriate investment and acquisition.

Eduardo Hochschild
Executive Chairman

23 March 2010

OPERATING REVIEW

Production

Hochschild successfully achieved its full year production target, producing a record 28.2 million attributable silver equivalent ounces in 2009, representing an 8% increase year-on-year. This comprises 18.8 million attributable ounces of silver, up 11% and 156.8 thousand attributable ounces of gold, up 3%.

Attributable silver production was primarily driven by strong performance at our main mines (Arcata, Pallancata and San José), which benefited from the expansions successfully completed in the second half of 2008. The increase in attributable gold production was also primarily a result of the above, partially offset by declining production at Ares.

Life of mine

Hochschild remains committed to maximising the life of its main underground operations with the long term objective of achieving a minimum 8 year total resource life, including a 4 year reserve life. To support this goal, the Company is increasing its investment in brownfield exploration to \$20 million in 2010.

As at 31 December 2009, resource life of mine (which includes reserves) increased by 20% from 5.9 to 7.1 years, whilst reserve life of mine has been maintained at 3.3 years¹¹. Our total attributable resource tonnage including all our operations, main projects and investments¹², has more than doubled from 20.7 million to 43.6 million whilst contained silver equivalent ounces, on an attributable basis, increased from 313.4 million to 402.8 million.

Main operations

Arcata: Peru

Production and sales

Arcata, Hochschild's flagship silver mine, enjoyed another successful year with silver and gold production up 6% and 19% respectively. These increases were driven primarily by the plant expansion completed in 2008 which increased capacity by 46% to 1,750 tonnes per day.

In 2009, Arcata's concentrate production was sold to Cormin, Louis Dreyfus, Teck, Korea Zinc, MRI Trading AG and a small fraction to Doe Run.

Total production	12 mths 2009	12 mths 2008	% change
Ore production (tonnes)	643,059	557,870	15
Average head grade silver (g/t)	503	571	-12
Average head grade gold (g/t)	1.56	1.53	2
Concentrate produced (tonnes)	22,352	20,639	8
Silver grade in concentrate (kg/t)	13.36	13.94	-4
Gold grade in concentrate (kg/t)	0.04	0.04	-
Silver produced (koz)	9,542	9,032	6
Gold produced (koz)	28.64	24.04	19
Silver sold (koz)	8,748	8,564	2
Gold sold (koz)	26.02	22.36	16

¹¹ Reserve life of mine relates to Hochschild's three main underground operations: Arcata, Pallancata and San José. 2008 numbers have been restated to reflect 2009 capacity.

¹² Arcata, Pallancata, San José, Moris, Ares, Azuca, Crespo, Lake Shore Gold, Inmaculada and San Felipe

Exploration

The drilling programme at Arcata delivered positive results in 2009 with the discovery of three new mineralised structures in close proximity to the property's existing Mariana vein. The Company continues to increase resources at the Ramal, Julia and Soledad veins through diamond drilling.

The focus for the 2010 brownfield programme will be to evaluate new targets and develop resources in areas where potential mineralisation was identified in 2009.

Stated on an attributable basis	As at 31 December 2009	As at 31 December 2008	% change
Resources	4.56 mt @ 456 g/t Ag & 1.42 g/t Au	3.94 mt @ 583 g/t Ag & 1.75 g/t Au	
Resource (moz Ag eq)	79.4	87.2	(9%)
Reserves	1.87 mt @ 417 g/t Ag & 1.31 g/t Au	1.61 mt @ 541 g/t Ag & 1.62 g/t Au	
Reserve (moz Ag eq)	29.8	33.1	(10%)

Pallancata: Peru

Production and sales

Pallancata, which commenced production in 2007, is a joint venture with International Minerals Corporation ("IMC") in which Hochschild controls 60% and is the mine operator. Ore from Pallancata is transported 22 kilometres to the Selene plant for processing, demonstrating the Company's cluster consolidation strategy.

Pallancata recorded strong results in 2009 with silver and gold production doubling year-on-year to 8,420 koz of silver and 31.97 koz of gold. This was mainly a result of the plant expansion completed in 2008 which increased Selene's processing capacity from 2,000 to 3,000 tonnes per day, as well as the use of Selene's full capacity to process the ore from Pallancata.

In 2009 the silver/gold concentrate from Pallancata was sold to Teck and Aurubis.

Total production ¹	12 mths 2009	12 mths 2008	% change
Ore production (tonnes)	922,521	468,125	97
Average head grade silver (g/t)	327	312	5
Average head grade gold (g/t)	1.43	1.49	-4
Concentrate produced (tonnes)	7,684	4,265	80
Silver grade in concentrate (kg/t)	34.09	30.54	12
Gold grade in concentrate (kg/t)	0.13	0.12	8
Silver produced (koz)	8,420	4,188	101
Gold produced (koz)	31.97	16.16	98
Silver sold (koz)	8,147	3,852	112
Gold sold (koz)	29.77	14.81	101

¹ The Company has a 60% interest in Pallancata.

Exploration

At Pallancata in Peru, the Company is mainly focused on the newly discovered eastern extension of the main Pallancata vein and on the Virgen del Carmen vein. Wide spaced drilling at the Pallancata east vein defined mineralisation with intercepts including 3 metres at 829 g/t of silver and 2.5 g/t of gold. Underground mine preparation is progressing well with the Santa Angela ramp scheduled for completion in June 2010.

The focus for the 2010 brownfield programme will be to define resources along the Pallancata east vein and to explore new targets.

Stated on an attributable basis	As at 31 December 2009	As at 31 December 2008	% change
Resources	3.97 mt @ 409 g/t Ag & 1.73 g/t Au	3.32 mt @ 411 g/t Ag & 1.68 g/t Au	
Resource (moz Ag eq)	65.3	54.6	20%
Reserves	2.35 mt @ 354 g/t Ag & 1.52 g/t Au	2.58 mt @ 366 g/t Ag & 1.51 g/t Au	
Reserve (moz Ag eq)	33.5	37.8	(11%)

San José: Argentina

Production and sales

The Group's operation in Argentina, San José, commenced production in 2007 and is a joint venture with Minera Andes in which Hochschild controls 51% and acts as the mine operator.

San José reported strong results in 2009, with production up 14% and 42% year on year, for silver and gold respectively. This is mainly a result of the plant expansion undertaken in 2008, which doubled capacity from 750 to 1,500 tonnes per day and also due to the high grade Kospi vein, which was brought into production at the end of June 2009. The Kospi vein contributed over 80,000 tonnes of ore to the mine's production and is positively impacting the grade profile of the operation.

In 2009, the doré produced at San José was sold to Argor Heraeus S.A. and Johnson Matthey Inc. The concentrate produced at the operation was sold to Cormin, Aurubis and LS-Nikko.

Total production ¹	12 mths 2009	12 mths 2008	% change
Ore production (tonnes)	460,971	295,963	56
Average head grade silver (g/t)	398	559	-29
Average head grade gold (g/t)	6.19	6.69	-7
Silver produced (koz)	4,998	4,381	14
Gold produced (koz)	77.08	54.26	42
Silver sold (koz)	5,072	4,588	11
Gold sold (koz)	77.22	57.70	34

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

Exploration

In Argentina, the Company has discovered two new split vein systems of the Kospi and Ayelen structures at San José which are rapidly being drilled to increase the resource and reserve base of the operation. Results included 1.5 metres at 1,376 g/t silver and 60.9 g/t gold and 1 metre at 655 g/t silver and 5.8 g/t gold.

The focus for the 2010 brownfield programme will be to evaluate the new Aguas Vivas target located 10 kilometres from the San José operation, to develop resources at the Saavedra target and to extend knowledge of the vein geology.

Stated on an attributable basis	As at 31 December 2009	As at 31 December 2008	% change
Resources	2.26 mt @ 406 g/t Ag & 6.08 g/t Au	1.68 mt @ 467 g/t Ag & 7.30 g/t Au	

Resource (moz Ag eq)	56.1	49.0	14%
Reserves	0.78 mt @ 454 g/t Ag & 7.32 g/t Au	0.83 mt @ 522 g/t Ag & 7.90 g/t Au	
Reserve (moz Ag eq)	22.3	26.7	(16%)

Other operations

Ares: Peru

Production and sales

As anticipated and previously disclosed, the average reserve grade at Ares is declining due to the geological nature of the deposit and the ageing of the mine and, as a consequence, gold and silver production decreased 34% and 41% respectively year on year. In line with the Company's focus on producing profitable ounces, Ares is expected to close in the second half of 2010.

Ares produces 100% doré, all of which was sold to Johnson Matthey in 2009.

	12 mths 2009	12 mths 2008	% change
Total production			
Ore production (tonnes)	341,273	347,910	-2
Average head grade silver (g/t)	96	157	-39
Average head grade gold (g/t)	4.17	6.06	-31
Doré total (koz)	947	1,608	-41
Silver produced (koz)	900	1,538	-41
Gold produced (koz)	42.59	64.16	-34
Silver sold (koz)	873	2,398	-64
Gold sold (koz)	41.82	77.44	-46

Moris: Mexico

Production and sales

Moris, which is 100% owned, is the Group's only open pit mine and provided a key stepping stone into Mexico, which is of key strategic importance to the Group. Moris produced 97 thousand ounces of silver and 28.34 thousand ounces of gold in 2009 and has an estimated one year mine life, with expected closure in 2011.

In 2009, all of the gold/silver doré produced at Moris was sold to Johnson Matthey.

	12 mths 2009	12 mths 2008	% change
Total production			
Ore production (tonnes)	1,282,461	876,148	46
Average head grade silver (g/t)	5.02	5.71	-12
Average head grade gold (g/t)	1.38	1.57	-12
Silver produced (koz)	97	65	49
Gold produced (koz)	28.34	26.85	6
Silver sold (koz)	87	68	28
Gold sold (koz)	26.29	28.01	-6

Selene: Peru

Production and sales

As previously reported, Selene's mine ceased production at the end of May 2009 due to the high level of capital expenditure required to extract profitable ounces. Selene's plant, which was upgraded during the year, continues to process ore from the Pallancata operation, which is located approximately 22 kilometres from Selene.

In 2009, approximately a quarter of Selene's production was converted into doré at the Ares plant and sold to Johnson Matthey. The remaining production was treated as concentrate and sold on a spot basis primarily to Aurubis and Teck.

Total production¹	12 mths 2009	12 mths 2008	% change
Ore production (tonnes)	109,893	269,150	-59
Average head grade silver (g/t)	217	210	3
Average head grade gold (g/t)	1.09	1.21	-10
Concentrate produced (tonnes)	1,057	3,201	-67
Silver grade in concentrate (kg/t)	18.55	15.04	23
Gold grade in concentrate (kg/t)	0.09	0.08	13
Silver produced (koz)	628	1,579	-60
Gold produced (koz)	3.02	8.50	-64
Silver sold (koz)	636	1,929	-67
Gold sold (koz)	2.96	9.93	-70

¹*Selene was closed on 28 May 2009*

ACQUISITIONS & INVESTMENTS

Growth through investment and acquisition is a key element of Hochschild's strategy. The Company has maintained its disciplined approach in 2009, focusing on high grade, underground precious metals assets in the Americas, which have the potential to create long term shareholder value. The Company is continually evaluating opportunities with particular interest in existing operational clusters: the highlands of southern Peru, southern Mexico, the Argentine Patagonia, northern Chile and the Timmins region in Canada, as well as in other new mineral rich regions of the Americas.

In October 2009, the Company undertook a successful capital raising to provide the increased financial flexibility to pursue its acquisition strategy and during the year secured a number of strategic investments with a total spend of \$239.5 million:

Lake Shore Gold

In August 2009, Lake Shore Gold Corp. ("Lake Shore Gold"), announced a definitive business combination agreement to acquire all of the outstanding common shares of West Timmins Mining Inc. ("WTM"). The transaction created the new large-scale, wholly-owned Timmins West Gold Mine Complex, an extension of the world class Timmins gold mining trend which has supplied approximately 70 million ounces of gold over the last century. As a result of the business combination, Hochschild's 40% stake in Lake Shore Gold was diluted to approximately 27% (on an outstanding basis).

In line with its stated strategy, Hochschild invested a further \$172.8 million¹³ in Lake Shore Gold following the announcement of the WTM transaction, increasing its stake to 38% (36% on a fully diluted basis). This included the purchase of WTM shares totalling \$63.8 million.

Lake Shore Gold is progressing towards commercial gold production at its Timmins Mine, expected during the fourth quarter of 2010, and is advancing towards its objective of becoming a mid-tier gold producer. Lake Shore Gold has announced an updated production target of 65,000 ounces of gold (3.9 million silver equivalent ounces) in 2010, building production over the following three years with the potential to produce 350,000 ounces (21 million silver equivalent ounces) by 2013.

Since its initial acquisition in February 2008, Hochschild has invested a total of \$336.9 million in Lake Shore Gold reflecting its confidence in the significant production potential and long-term growth of the company. Lake Shore Gold has a current market capitalisation of approximately \$936.4 million, valuing Hochschild's investment at \$353.0 million.¹⁴

Lake Shore Gold is an important strategic investment for Hochschild and it maintains three positions on the company's board.

Gold Resource Corp

In 2009, Hochschild invested \$49.0 million in Gold Resource Corporation ("GRC"), increasing its ownership from 5% to 27% (on an outstanding basis). In March 2010, the Company further increased its ownership to 29% bringing its total investment in the Company to \$63.5 million. GRC is an underground precious metals mining company with a number of prime development projects in Mexico's southern state of Oaxaca, including a 100% interest in five potential high-grade gold and silver properties. This additional investment increases Hochschild's exposure to GRC's high grade, low cost ounces and expands the Company's southern Mexico operational cluster.

GRC commenced production from its El Aguila operation in February 2010 and has a stated production target of 70,000 ounces of gold (4.2 million silver equivalent ounces) in the first year of operation. In addition, GRC is accelerating the underground mine development at Arista, a gold and silver polymetallic deposit which is one of three high grade deposits discovered to date at the El Aguila project.

GRC has a current market capitalisation of approximately \$526.9 million, valuing Hochschild's investment at \$151.4 million¹⁴. GRC is also an important strategic investment for Hochschild and it maintains one position on the company's board.

Southwestern Resources Corp

¹³ Amount invested from August 2009 to March 2010 following announcement of the Lake Shore Gold/WTM merger. In 2009, the Company invested \$168m. In 2010, the Company invested \$4.9 million

¹⁴ As at 19 March 2010 on an outstanding basis

In March 2009, Hochschild completed the strategic acquisition of Southwestern Resources Corp (“SWG”), a Canadian mineral exploration company for \$19.2 million. The acquisition consolidated the Company’s position in southern Peru by adding a number of early stage gold, silver and base metals projects to its pipeline including 100% ownership of the Liam property, of which the Company originally acquired a 50% interest in August 2008. The 282,000 hectare land package is in close proximity to Hochschild’s existing operational cluster: Arcata, Ares and Pallancata and therefore enables the Group to leverage existing infrastructure and knowledge of the regional geology.

Hochschild’s exploration team is currently evaluating numerous exploration targets at Liam as well as other properties included in the acquisition, and is progressing drilling in areas which have reported positive results, including Crespo and Cristo Los Andes.

The SWG land package included an increased stake in the Pacapausa project which comprises 7,933 hectares of exploration concessions and is a potential satellite source of material for Hochschild’s Pallancata operation as well as 50% of Millo, a high grade deposit located adjacent to Hochschild’s 100% owned Azuca project.

The SWG acquisition also included a 37% stake in Zincore Metals Inc (“Zincore”), a listed mining exploration company with zinc projects in Peru. On 5 March 2010, Hochschild divested its interest in Zincore for total proceeds of C\$10.3 million as it did not constitute a core asset for the Company. The purchase of SWG also included minor stakes in Empire Petroleum, Northern Superior and Lara Exploration, which have a combined value of \$2.0 million¹⁵, as well as in copper projects Jasperoide and Alpacochoa.

Other acquisitions & investments

During the year, the Company also undertook a number of smaller investments in early stage exploration companies and joint ventures which provide the potential for cost effective future growth.

In October 2009, Hochschild signed an agreement with Mariana Resources in which it already holds an 11% stake following its \$1.5 million investment in December 2008. The agreement builds on the relationship between the two companies and provides Hochschild with additional exposure to a number of Mariana’s projects.

Under the terms of the agreement, Hochschild has the right to explore three adjoining prospective gold and silver properties totalling 13,455 hectares, located in the Santa Cruz area in the western sector of the Deseado Massif in southern Argentina. These tenements consist of Mariana’s Amigos I and Amigos II license areas and Hochschild’s San Augustin joint venture property with Iamgold which are located approximately 110 kilometres south of the Company’s San José operation. Hochschild can increase its interest to 70% by committing 60% of the \$3 million exploration budget within two years and by taking the project to a pre-feasibility stage.

¹⁵ As at February 2010

EXPLORATION REVIEW

Exploration is a vital part of Hochschild's growth strategy and the Company continues to commit significant investment to its geological programme. In 2009, the Company invested \$28.6 million in this area and is increasing spend to \$50 million in 2010.

Hochschild's exploration is focused in two areas; mine-site exploration & advanced projects (brownfield), which is aimed at increasing reserves and resources at a low cost per ounce, and early stage exploration (greenfield), which focuses on finding new, high-quality deposits.

Brownfield exploration

In addition to Hochschild's mine site exploration programme, which is focused in and around the Company's current mines, the Company also invests in other advanced stage projects, either located in or around one of the Group's existing clusters or in new mining friendly districts. The Company currently has two projects located within its southern Peru operational cluster:

Azuca

Azuca is a 100% owned project located in southern Peru, near the Company's existing operational cluster. Mineralisation is present in intermediate sulfidation silver and gold epithermal quartz veins. The Company is moving the project towards a scoping study and during 2009 undertook 26,240 metres of drilling achieving a significant increase in its resource base to 3.7 million tonnes at 288 g/t silver and 1.3 g/t gold, corresponding to 44.1 million silver equivalent ounces. Azuca's location, 50 kilometres from Hochschild's Arcata operation, could realise economies of scale due to the close proximity of existing plant and transport infrastructure.

Crespo

The Crespo project in southern Peru is 100% owned as a result of the Southwestern acquisition in 2009. Crespo is a low grade gold and silver disseminated deposit with 17.8 million tonnes at 38.8 g/t silver and 0.7 g/t gold, corresponding to 44.7 million silver equivalent ounces. Hochschild's drilling program, which is focused on increasing resources, reported the best historical intercept of the project with 76 metres at 1.0 g/t Au and 95 g/t Ag, including 7.4 metres at 11.9 g/t Au and 1,050 g/t Ag. Further drilling will be undertaken in 2010 to increase resources along strike of this high-grade intercept. Underground workings will help delineate the ore geometry, evaluate the high grade irregular ore bodies identified in the drilling and complete metallurgical testing towards a scoping study.

Greenfield exploration

The Company is continually evaluating new opportunities throughout Argentina, Chile, Mexico and Peru and has an extremely active project pipeline.

Projects enter the Company's pipeline either by way of internal discovery or through joint venture and are subject to a strict evaluation process to ensure that investment is targeted towards quality assets that will ultimately be brought to production. All opportunities are ranked and prioritised based on specific criteria and any project that does not meet the Company's requirements is farmed out or dropped. Projects are either 100% owned or allow Hochschild to earn into majority ownership over time.

Victoria

In Q409, Hochschild reported positive drilling results at the Vaquillas target in northern Chile, which is part of the Victoria project with Iron Creek Capital Corp where Hochschild has the right to earn-in 60% by completing \$6 million of work on the property. The project lies along the prolific Domeyko fault zone in Region II, 120 kilometres east of the coastal town of Taltal. During 2009, 28 drill holes totalling 7,626 metres were completed which, together with previous drilling results, suggest that the Vaquillas project has potential for high-grade gold and silver veins, as well as bulk-tonnage low-grade gold and silver mineralisation. In December 2009, the Victoria project, which covers 29,050 hectares, was expanded to include Iron Creek's remaining properties in their adjoining porphyry copper project, representing an additional 17,000 hectares.

In addition, Hochschild will advance various early stage projects in southern Peru, such as Josnitoro, Astana Farallón and Cerro Blanco. In Argentina, the Company is focused in the Patagonia region and commenced drilling at the La Flora project in late 2009 with the Mosquito and Los Pinos vein systems following in 2010.

In central Mexico, Hochschild is undertaking work in early exploration projects and is expecting to complete a first pass drilling programme at Mercurio.

FINANCIAL REVIEW

Key performance indicators:

(before exceptional items, unless otherwise indicated)

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2009	Year ended 31 December 2008	% change
Net Revenue	539,741	433,779	24%
Attributable silver production (koz)	18,754	16,941	11%
Attributable gold production (koz)	157	153	3%
Cash costs (\$/oz Ag co-product) ¹	7.11	7.05	1%
Cash costs (\$/oz Au co-product) ¹	476	469	1%
Adjusted EBITDA ²	249,869	142,292	76%
Earnings per share ³	\$0.17	\$0.05	240%
Earnings per share (after exceptionals) ³	\$ 0.31	\$(0.08)	n/a
Cash flow from operating activities	200,524	78,641	155%
Reserve life of mine (years) ⁴	3.3	3.3	-

¹ Cash costs are calculated to include cost of sales, treatment charges, and selling expenses before exceptional items less depreciation included in cost of sales.

² Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance cost, foreign exchange loss and income tax plus depreciation, amortisation and exploration costs other than personnel and other expenses.

³ 2008 EPS figures have been restated to reflect changes in the depreciation calculation (see note 2).

⁴ Reserve life of mine relates to our three main underground operations: Arcata, Pallancata and San José. 2008 figure was restated to reflect the Pallancata's 2009 capacity.

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 items, which due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately on the face of the income statement to enable a better understanding of the financial performance of the Group and to facilitate comparison with prior years.

Revenue

Gross revenue: Gross revenue from continuing operations increased 27% to \$589.9 million in 2009 (2008: \$463.4 million) as a result of higher production and higher metal prices during the year.

Silver: Gross revenue from silver increased 32% in 2009 to \$382.4 million (2008: \$288.8 million) as a result of increased production following the H208 capacity expansions at Arcata, Pallancata and San José, as well as higher prices. The total amount of silver ounces sold in 2009 was 23,563 koz (2008: 20,593 koz).

Gold: Gross revenue from gold increased 19% in 2009 to \$207.5 million (2008: \$174.6 million) also as a result of increased production following capacity expansions at Arcata, Pallancata and San José as well as higher prices. The total amount of gold ounces sold in 2009 was 204.1 koz (2008: 198.3 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. In 2009, the Group recorded commercial discounts of \$50.4 million, up \$20.3 million on 2008. This was as a result of the capacity expansions completed in 2008 which led to higher volumes and, consequently, higher commercial discounts at Pallancata and San José. In addition, the Company experienced higher treatment charges at Arcata. Consequently, the ratio of commercial discounts to gross revenue in 2009 increased to 8.5% (2008: 6.5%). For 2010, the company has secured improved commercial terms relating to concentrate sales.

Net revenue: Revenue from continuing operations, net of commercial discounts, increased by 24% to \$539.7 million, comprising silver revenue of \$341.5 million and gold revenue of \$198.0 million. In 2009, silver accounted for 63% and gold 37% of the Company's consolidated revenue compared to 61% and 39% respectively in 2008.

Revenue by mine

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2009	Year ended 31 December 2008	% change
<u>Silver revenue</u>			
Arcata	141,816	119,284	19%
Ares	13,038	38,196	(66%)
Selene	8,805	29,168	(70%)
Pallancata	139,125	48,207	189%
San José	78,352	52,942	48%
Moris	1,245	992	26%
Commercial discounts	(40,904)	(24,712)	66%
Net silver revenue	341,477	264,077	29%
<u>Gold revenue</u>			
Arcata	27,364	20,344	35%
Ares	40,278	67,899	(41%)
Selene	2,819	8,714	(68%)
Pallancata	32,443	13,214	146%
San José	79,430	40,095	98%
Moris	25,195	24,380	3%
Commercial discounts	(9,492)	(5,423)	75%
Net gold revenue	198,037	169,223	17%
Other revenue ¹	227	479	(53%)
Net revenue	539,741	433,779	24%

¹Other revenue includes revenue from base metal components in the concentrate sold from the Arcata mine net of commercial discounts and revenue from sale of energy.

Net average realised sale prices¹

	Twelve months to 31 December 2009	Twelve months to 31 December 2008	% change
Silver (\$/oz)	\$14.49	\$12.82	13%
Gold (\$/oz)	\$970.33	\$853.28	14%

¹Net average realisable prices include commercial discounts.

Costs

Hochschild is committed to producing profitable ounces and diligently controlling costs. The Company committed to reducing unit cost per tonne at its underground operations by 5% in 2009 and has exceeded this target with a full year reduction of 11%, bringing unit cost from \$79.7 in 2008 to \$71.2 in 2009. Including Moris, the Group's only open pit mine, unit cost per tonne decreased 15% to \$51.1.

These savings are mainly a result of the economies of scale achieved by the capacity expansions completed last year and cost control measures implemented during the year as well as external factors such as the devaluation of local currencies.

Depreciation and amortisation within production cost increased to \$83.4 million (2008: \$59.6 million) as a consequence of higher capital expenditure and higher throughput related to the significant expansions completed by the Group in the last three years. During the year the depreciation calculations were amended and the 2008 depreciation charge was restated.

Cash costs

Co-product cash costs include cost of sales, commercial deductions and selling expenses before exceptional items, 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.

Silver and gold cash costs increased from \$7.05 to \$7.11 per ounce and \$469 to \$476 per ounce respectively. The increase was mainly explained by higher commercial discounts and selling expenses and lower extracted grades.

By-product cash costs include cost of sales, commercial deductions and selling expenses before exceptional items, 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 \$2.43 per silver ounce (2008: \$3.08 per ounce) and (\$576) per gold ounce (2008: (\$256) per gold ounce).

Administrative expenses

Administrative expenses before exceptional items decreased by 26% from \$68.8 million to \$51.1 million as a result of the measures undertaken by management at the end of 2008 to reduce expenses and preserve cash. These included a 28% reduction in personnel expenses, which decreased from \$35.5 to \$25.4 million and a 34% reduction in professional fees, decreasing from \$10.0 to \$6.6 million.

Exploration expenses

Exploration expenses, which primarily relate to greenfield exploration, decreased to \$19.9 million in 2009 (2008: \$23.8 million) as a result of the Group's decision to reduce expenditure and preserve cash following the deterioration in market conditions at the end of 2008.

In addition to exploration expenses, the Group capitalises part of its brownfield exploration, which mostly relates to costs incurred converting potential resource to the inferred or measured and indicated category. In 2009, the Group capitalised \$8.6 million relating to brownfield exploration compared to \$6.7 million in 2008.

The Company is pleased to announce that it is significantly increasing its total exploration planned expenditure (including greenfield and brownfield investment) by 75% to \$50 million in 2010. The exploration programme will focus on identifying high-quality, early stage precious metal projects which will provide cost effective growth and also on extending the life of Hochschild's existing operations.

Selling expenses

Selling expenses increased to \$21.0 million (2008: \$11.3 million) mainly as a result of the higher volume of concentrate sold at San José and Pallancata. The increase was also a result of higher export duties relating to higher production and metal prices in San José (export duties in Argentina are levied at 10% of revenue for concentrate and 5% of revenue for doré).

Other income/expenses

Other income before exceptional items decreased marginally from \$5.0 million in 2008 to \$4.5 million in 2009.

Other expenses before exceptional items increased to \$19.3 million (2008: \$8.2 million) and are mainly comprised of a non cash \$11.8 million increase in the provision for mine closure relating to Selene and Sipan and other expenses such as a labour contingency (\$1.8 million), a loss on sale of other assets (\$1.6 million) and provision for obsolescence of supplies (\$1.1 million).

Profit from continuing operations

Profit from continuing operations before exceptional items, net finance costs and income tax increased to \$153.6 million (2008: \$70.1 million) as a result of the effects detailed above.

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

An associate is an entity in which Hochschild has significant influence but not control. The Group accounts for the following entities as associates: Lake Shore Gold (35.7%)¹⁶, GRC (25.0%)¹, Zincore (36.8%), Cabo Sur (51%) and Minas Pacapausa (80%). The Group's investments in associates are accounted for using the equity method of accounting.

Hochschild's share of the profit after tax of the associate totalled \$7.6 million in 2009 compared to an \$8.2 million loss in 2008. The 2009 profit included a \$9.2 million gain in Lake Shore Gold mainly due to a progressive decrease in the statutory income tax rate in Canada and the subsequent impact on the deferred tax liability recognised on Hochschild's acquisitions of Lake Shore Gold and Lake Shore Gold's acquisition of WTM. This gain was partially offset by the share of net losses in GRC (\$1 million) and Zincore (\$0.4 million).

Adjusted EBITDA

Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax excluding depreciation, amortisation and exploration costs other than personnel and other expenses. Adjusted EBITDA increased by 76% over the period to \$249.9 million (2008: \$142.3 million) primarily driven by higher sales, lower costs and lower administrative expenses, which were partially offset by higher selling and other expenses.

<i>US\$(000) unless otherwise indicated</i>	<u>Year ended 31 December 2009</u>	<u>Year ended 31 December 2008</u>	<u>% change</u>
Profit from continuing operations before exceptional items, net finance cost, foreign exchange loss and income tax	<u>153,600</u>	<u>70,101</u>	<u>119%</u>
<i>Operating margin</i>	<u>28%</u>	<u>16%</u>	
Depreciation and amortisation in cost of sales	<u>85,789</u>	<u>57,540</u>	<u>49%</u>
Depreciation and amortisation in administrative expenses	<u>796</u>	<u>1,125</u>	<u>(29%)</u>
Exploration expenses	<u>19,941</u>	<u>23,841</u>	<u>(16%)</u>
Personnel and other exploration expenses	<u>10,257</u>	<u>10,315</u>	<u>(1%)</u>
Adjusted EBITDA	<u>249,869</u>	<u>142,292</u>	<u>76%</u>
<i>Adjusted EBITDA margin</i>	<u>46%</u>	<u>33%</u>	

Finance income

Finance income before exceptional items decreased by 32% to \$6.4 million (2008: \$9.4 million) mainly as a result of the lower rate of interest on the Company's liquidity funds. In 2009, the Company reported a weighted average annual effective interest rate of 0.71% on these funds compared to 3.98% in 2008.

Finance costs

Finance costs before exceptional items of \$46.0 million (2008: \$18.8 million) include a realised loss of \$26.0 million relating to the Group's 2009 forward sales contracts. It also includes an unrealised loss of \$2.5 million

¹⁶ On a fully diluted basis.

relating to the Company's 2010 'zero cost collar' which was secured in mid 2009 to ensure an ongoing level of cash flow stability. The collar relates to 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 company recorded an interest expense of \$15.6 million related mainly to the outstanding syndicated loan (\$114.3 million) and the convertible bond issued in August 2009 (\$115 million). In July 2009, the Group fixed the interest rate on the syndicated loan at 2.75%.

Foreign exchange losses

The Group recognised a foreign exchange loss of \$0.3 million (2008: \$7.2 million loss) as a result of transactions in currencies other than the functional currency.

Income tax

The Company's pre-exceptional effective tax rate decreased to 36.8% in 2009 (2008: 54.7%) mainly as a result of:

- (i) A lower proportion of non-deductible expenses and non-recognised tax losses to profit before income tax
- (ii) A lower negative tax effect from the conversion of the tax bases of local currencies to US dollars
- (iii) A non taxable gain of \$6.8 million in Hochschild's share on results of associates
- (iv) A gain of \$4.2 million as a result of tax restructuring in Mexico

These effects were partially offset by

- (v) A \$2.4 million provision related to tax credits in the Project Finance loan in Santa Cruz. (See note 7, (8) for further details).
- (vi) A negative tax effect of \$5.5 million due to lower expenses allowed for double deductions in Argentina. (See note 7, (i) for further details).
- (vii) A negative impact of \$3.5 million related to the increase in mine closure provision.

In addition, the post-exceptional effective tax rate decreased to 21.6% (2008: 847.6%) primarily driven by a non-taxable income of \$74.4 million in 2009 including a \$42.3 million gain from the merger between Lake Shore Gold and WTM, a \$12.1 million gain on the exchange of WTM shares for Lake Shore Gold shares, a \$7.7 million gain on the Southwestern acquisition and finance income of \$7.4 million relating to GRC.

Exceptional items

Exceptional items totalled \$44.7 million after tax (2008: (\$42.0 million)). This mainly includes:

Positive exceptional items principally include:

	\$	Description of main items
Impact of the Group's investments in joint ventures and associates	39.6 million	In November 2009, Lake Shore Gold acquired all of the outstanding common shares of WTM creating a new large-scale, wholly-owned Timmins West Gold Mine Complex. As a consequence of this all-share transaction, Hochschild's 40.0% stake in Lake Shore Gold was diluted to approximately 26.1%. Upon completion of the business combination between Lake Shore Gold and WTM, Lake Shore Gold's equity value increased by \$386 million. As a result, Hochschild recognised an exceptional gain of \$42.3 million in 2009, reflecting its share of the increased equity value of Lake Shore Gold, net of the loss on the dilution of Hochschild's interest in Lake Shore Gold. In December, after the Group acquired an additional interest in Lake Shore Gold of 3.9%, Lake Shore Gold issued a package of shares, options and warrants. As a result, Hochschild's stake of 36.1% was diluted to 35.7% and the Group recognised an exceptional loss of \$4.5 million.
Finance Income	22.3 million	The Company reported finance income of \$28.7 million (2008: \$13.3 million) due to the \$12.1 million gain generated

		from the exchange of shares held in West Timmins Mining for shares in Lake Shore Gold and the \$7.4 million gain realised from the exercise of options held in GRC. (See note 6 for further details).
Other income	8.8 million	Other income increased to \$13.3 million (2008: \$5.3 million). This was mainly generated due to a gain of \$7.7 million arising from the acquisition of Southwestern Resources as a result of the difference between the total acquisition cost of \$19.3 million and the fair value of the net assets of \$26.9 million on the acquisition date.

Negative exceptional items principally include:

	\$	Description of main items
Impairment of fixed assets ¹	26.7 million	<p>In 2009, Hochschild has recorded a total impairment charge before tax of \$26.7 million, mainly as a result of:</p> <p>Ares - The Group has impaired the carrying amount of the assets related to the Ares mine by \$15.3 million, due to the mine's expected closure in the second half of 2010 and the resulting revision to the remaining recoverable reserves and resources.</p> <p>Liam - In the first half of 2009, the Liam property was written down by \$10.0 million following a reassessment of the value of the property which was acquired in August 2008 for a total consideration of \$33.3 million.</p> <p>Selene - As a result of the closure of the Selene mine in June 2009, the Company has written down the remaining net book value of assets of \$4.8 million.</p> <p>Reversal of impairment - In June 2009, the Company reported an impairment charge of \$5.7 million for Moris due to the small reserve and resource base at the operation. However, following the positive price environment during the year, this impairment has been reversed and the Company is therefore reporting an exceptional gain of \$3.4 million.</p> <p>After tax, the total impairment charge was \$17.7 million representing an impact of \$0.06 on EPS.</p>
Cost of sales	\$6.9 million	One-off bonus paid to workers at the Peruvian mines as a result of the negotiations with workers which were successfully resolved in March 2009

¹ Impairment testing should be performed at an individual asset or cash-generating unit level. As required by IFRS, the Group conducts an impairment review on an annual basis every time any goodwill was allocated to an asset and every time indicators of impairment exist. Impairment indicators include: declines in metal prices; increases in costs, royalties or taxes; falling grades; lower reserves; production cut backs and significant project development over-runs. The presence of one or more indicators does not necessarily mean that the asset would be impaired but that it must be tested for impairment. See notes 9 & 10 for further details.

Cash flow & balance sheet review:

Cash flow:

\$ thousands	12 months ended 31 December 2009	12 months ended 31 December 2008	Change
Net cash generated from operating activities	200,524	78,641	155%
Net cash used in investing activities	(373,021)	(475,790)	(22%)
Cash flows generated/(used) in financing activities	134,443	212,728	(37%)
Net (decrease)/increase in cash and cash equivalents during the period	(38,054)	(184,421)	(79%)

Total cash decreased to \$38.1 million (2008: \$184.4 million) driven by significant M&A activity. This was partially offset by strong operating cashflow as well as the capital raising undertaken in October 2009.

Cash flow from operating activities increased 155% to \$200.5 million (2008 \$78.6 million) as a consequence of higher production and prices and lower production costs and administrative expenses.

Cash outflows used in investing activities of \$373.0 million (2008: \$475.8 million) were comprised of investment in M&A, which totalled \$239.5 million including \$168.0 million in Lake Shore Gold, \$49.0 million in Gold Resource Corp and \$19.2 million in Southwestern Resources. In addition, the Company invested (\$141.0 million) in PP&E.

Cash generated from financing activities increased to \$134.4 million (2008: \$212.7 million) as a result of the capital raising completed in October 2009 which included gross proceeds of \$145 million from the equity placing and \$115 million from the convertible bond offering. This was partially offset by Hochschild's repayment of \$85.7 million of its \$200 million syndicated loan.

Working capital:

\$ millions	12 months ended 31 December 2009	12 months ended 31 December 2008
Trade and other receivables	168.0	162.0
Inventories	45.8	51.9
Derivative financial instruments	(1.9)	5.6
Income tax	(10.8)	14.3
Trade and other payables	(135.2)	(124.9)
Working capital	66.0	108.8

The Company's working capital position decreased to \$66.0 million (2008: \$108.8 million), primarily as a result of higher trade and income tax payables.

Net debt:

<i>US\$(000) unless otherwise indicated</i>	As at 31 December 2009	As at 31 December 2008
Cash and cash equivalents	77,844	116,147
Long term borrowings	219,681	231,692
Short term borrowings less pre-shipment loans	84,158	48,410
Net debt/(net cash)	225,995	163,955

Net debt increased to \$226.0 million (2008: \$164.0 million) as a result of the issuance of the \$115 million convertible bond, partially offset by the \$85.7 million repayment of the Company's \$200 million syndicated loan and lower cash balance as a consequence of a strong M&A activity.

Capital expenditure¹

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2009	Year ended 31 December 2008
Arcata	29,688	43,977
Ares	3,484	10,438
Selene	16,579	47,226
Pallancata ¹	24,117	14,619
San José ¹	26,113	80,398
Moris ¹	480	2,234
San Felipe ¹	150	63,318
Other	7,924	49,061
Total	108,535	311,271

¹ Includes additions in property, plant and equipment and evaluation and exploration assets and excludes increases in closure of mine assets.

2009 capital expenditure of \$108.5 million (2008: \$311.3 million) includes mine developments of \$51.0 million, equipment of \$48.9 million and exploration of \$8.6 million. The year-on-year decrease is mainly explained by the completion of capacity expansions at the Company's Arcata, Pallancata and San José operations in 2008.

Mine closure provision

The Group has updated its mine closure provision from \$39.0 million to \$61.3 million, partly as a result of the plant expansions completed in 2008 and also to ensure that it continues to fully comply with government requirements. From the \$22.3 million increase, \$11.8 million refers to mines that are already closed and is recorded under other expenses in the income statement, whilst \$15.2 million refer to current operations and is recorded under provisions in the statement of financial position. These effects were partially offset by the expenditure in mine rehabilitation during the year and the change in discount rate. (See note 13 for further details).

Dividends:

The directors recommend a final dividend of \$0.02 per ordinary share which, subject to shareholder approval at the 2010 AGM, will be paid on 27 May 2010 to those shareholders appearing on the register on 30 April 2010. If approved, this will result in a total dividend for the year of \$0.04 per share. Dividends are declared in US dollars. Unless a shareholder elects to receive dividends in US dollars, they will be paid in pounds sterling with the US dollar dividend converted into pound sterling at exchange rates prevailing at the time of payment. Our dividend policy takes into account the profitability of the business and the underlying growth in earnings of the Company, as well as its capital requirements and cash flow.

Dividend dates	2010
Ex-dividend date	28 April
Record date	30 April
Deadline for return of currency election forms	4 May
Payment date	27 May

A conference call will be held at 9.30am (London time) on Wednesday 24 March 2010 for analysts and investors.

Dial in details as follows:

UK (& International) +44 (0) 203 003 2666

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

UK +44 (0) 208 196 1998
Access code: 7993057#

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About Hochschild Mining plc:

Forward looking Statements

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

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects", "anticipates", "targets", "plans", "estimates" and words of similar import. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining plc may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause or contribute to differences between the actual results, performance or achievements of Hochschild Mining plc and current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

The forward looking statements reflect knowledge and information available at the date of preparation of this announcement. Except as required by the Listing Rules and applicable law, Hochschild Mining plc does not undertake any obligation to update or change any forward looking statements to reflect events occurring after the date of this announcement. Nothing in this announcement should be construed as a profit forecast.

Directors

The names and biographical details of the Directors serving at the date of this report are listed in the 2009 Annual Report.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Year ended 31 December 2009			Year ended 31 December 2008			
	Notes	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000	(Restated) ¹ Before exceptional items US\$000	(Restated) ¹ Exceptional items US\$000	(Restated) ¹ Total US\$000
Continuing operations							
Revenue		539,741	–	539,741	433,779	–	433,779
Cost of sales		(279,298)	(6,918)	(286,216)	(256,608)	(234)	(256,842)
Gross profit		260,443	(6,918)	253,525	177,171	(234)	176,937
Administrative expenses		(51,068)	–	(51,068)	(68,751)	(1,127)	(69,878)
Exploration expenses		(19,941)	(1,049)	(20,990)	(23,841)	(69)	(23,910)
Selling expenses		(21,005)	–	(21,005)	(11,257)	–	(11,257)
Other income	5	4,501	8,782	13,283	5,025	252	5,277
Other expenses	5	(19,330)	(1,247)	(20,577)	(8,246)	(1,984)	(10,230)
Impairment and write-off of assets (net)	9	–	(26,713)	(26,713)	–	(30,212)	(30,212)
Profit from continuing operations before net finance income/(cost), foreign exchange loss and income tax		153,600	(27,145)	126,455	70,101	(33,374)	36,727
Share of post tax losses of associates and joint ventures accounted under equity method	4,11	7,617	39,606	47,223	(8,214)	–	(8,214)
Finance income	6	6,384	22,300	28,684	9,382	3,914	13,296
Finance costs	6,12	(46,040)	(1,256)	(47,296)	(18,833)	(18,088)	(36,921)
Foreign exchange loss		(256)	–	(256)	(7,161)	–	(7,161)
Profit/(loss) from continuing operations before income tax		121,305	33,505	154,810	45,275	(47,548)	(2,273)
Income tax expense	7	(44,688)	11,218	(33,470)	(24,767)	5,500	(19,267)
Profit/(loss) for the year from continuing operations		76,617	44,723	121,340	20,508	(42,048)	(21,540)
Attributable to:							
Equity shareholders of the Company		52,892	45,188	98,080	15,782	(40,500)	(24,718)
Minority shareholders		23,725	(465)	23,260	4,726	(1,548)	3,178
		76,617	44,723	121,340	20,508	(42,048)	(21,540)
Basic earnings per Ordinary Share from continuing operations and for the year (expressed in US dollars per share)	8	0.17	0.14	0.31	0.05	(0.13)	(0.08)
Diluted earnings per Ordinary Share from continuing operations and for the year (expressed in US dollars per share)	8	0.17	0.14	0.31	0.05	(0.13)	(0.08)

¹ Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in note 2.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Year ended 31 December	
	2009	2008
Notes	US\$000	US\$000
Profit for the year	121,340	(21,540) ¹
Other comprehensive income		
Exchange differences on translating foreign operations	25,707	(43,079)
Change in fair value of available-for-sale financial assets	4,313	(1,454)
Recycling of the gain on Fortuna Silver Mines	(623)	(1,613)
Change in fair value of cash flow hedges taken to equity	(13)	–
Share in gains directly recognised in equity by associates	–	620
Income tax relating to components of other comprehensive income	71	664
Other comprehensive income for the period, net of tax	29,455	(44,862)
Total comprehensive income for the year	150,795	(66,402)
Total comprehensive income attributable to		
Equity shareholders of the Company	127,558	(69,373)
Minority interests	23,237	2,971
	150,795	(66,402)

¹ This number shown here does not correspond to the 2008 financial statements and reflect adjustments made as detailed in note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	As at 31 December 2009 US\$000	(Restated) ¹ As at 31 December 2008 US\$000	(Restated) ¹ As at 1 January 2008 US\$000
ASSETS				
Non-current assets				
Property, plant and equipment	9	438,958	416,565	243,027
Evaluation and exploration assets	10	55,828	44,726	6,034
Intangible assets		22,425	2,668	2,896
Investments accounted under equity method	11	450,665	136,019	–
Available-for-sale financial assets		19,181	17,794	15,100
Trade and other receivables		3,150	38,304	25,518
Income tax receivable		1,302	802	616
Deferred income tax assets		15,852	21,811	26,162
		1,007,361	678,689	319,353
Current assets				
Inventories		45,813	51,855	47,628
Trade and other receivables		164,864	123,726	134,180
Income tax receivable		9,280	14,470	1,003
Financial assets at fair value through profit and loss		695	5,569	8,039
Cash and cash equivalents		77,844	116,147	301,426
		298,496	311,767	492,276
Total assets		1,305,857	990,456	811,629
EQUITY AND LIABILITIES				
Capital and reserves attributable to shareholders of the Parent				
Equity share capital		158,637	146,466	146,466
Share premium		395,928	395,928	395,928
Other reserves		(212,921)	(250,831)	(205,556)
Retained earnings		385,700	167,767	220,072
		727,344	459,330	556,910
Minority interest		76,126	66,293	49,769
Total equity		803,470	525,623	606,679
Non-current liabilities				
Trade and other payables		81	627	859
Borrowings	12	219,681	231,692	55,209
Provisions	13	55,176	37,687	30,821
Deferred income tax liabilities		10,662	9,192	8,837
		285,600	279,198	95,726
Current liabilities				
Trade and other payables		68,501	82,291	52,176
Financial liabilities at fair value through profit and loss		2,640	–	–
Borrowings	12	112,908	98,070	33,169
Provisions	13	11,405	4,277	13,029
Income tax payable		21,333	997	10,850
		216,787	185,635	109,224
Total liabilities		502,387	464,833	204,950
Total equity and liabilities		1,305,857	990,456	811,629

¹ Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in note 2.

These financial statements were approved by the Board of Directors on 23 March 2010 and signed on its behalf by:

Ignacio Rosado
Chief Financial Officer

23 March 2010

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	Year ended 31 December	
		2009 US\$000	(Restated) ¹ 2008 US\$000
Cash flows from operating activities			
Cash generated from operations		215,698	102,167
Interest received		1,041	7,512
Interest paid		(12,902)	(4,302)
Payments of mine closure costs		(2,831)	(1,476)
Tax paid		(482)	(25,260)
Net cash generated from operating activities		200,524	78,641
Cash flows from investing activities			
Purchase of property, plant and equipment		(116,009)	(296,027)
Purchase of evaluation and exploration assets		(8,636)	–
Acquisition of subsidiary	4	(19,246)	–
Investment in an associate	4	(216,943)	(164,211)
Purchase of available-for-sale financial assets		(1,857)	(19,240)
Purchase of intangibles		(16,330)	(37)
Proceeds from sale of available-for-sale financial assets		3,861	3,321
Proceeds from sale of property, plant and equipment		2,139	392
Other		–	12
Net cash used in investing activities		(373,021)	(475,790)
Cash flows from financing activities			
Proceeds of borrowings	12	285,461	484,041
Repayment of borrowings	12	(277,185)	(257,300)
Transaction costs associated with borrowing		(3,568)	(2,408)
Acquisition of minority interest	4	(1,500)	–
Dividends paid		(20,048)	(28,531)
Proceeds from issue of ordinary shares under Global offer		143,621	–
Transaction costs associated with issue of shares		(3,453)	–
Capital contribution from minority shareholders		11,115	16,926
Cash flows generated from financing activities		134,443	212,728
Net decrease in cash and cash equivalents during the year		(38,054)	(184,421)
Exchange difference		(249)	(858)
Cash and cash equivalents at beginning of year		116,147	301,426
Cash and cash equivalents at end of year		77,844	116,147

¹ Certain numbers shown here do not correspond to the 2008 financial statements and reflect adjustments made as detailed in note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

Notes	Other reserves										
	Equity share capital US\$000	Share premium US\$000	Unrealised gain/(loss) on available-for-sale financial assets and initial valuation of hedging US\$000	Bond equity component US\$000	Cumulative translation adjustment US\$000	Merger reserve US\$000	Total Other reserves US\$000	Retained earnings US\$000	Capital and reserves attributable to shareholders of the Parent US\$000	Minority interest US\$000	Total equity US\$000
Balance at 1 January 2008 as reported	146,466	395,928	1,862	–	2,628	(210,046)	(205,556)	229,202	566,040	50,008	616,048
Adjustments due to restatement of financial statements	–	–	–	–	–	–	–	(9,130)	(9,130)	(239)	(9,369)
Balance at 1 January 2008, restated	146,466	395,928	1,862	–	2,628	(210,046)	(205,556)	220,072	556,910	49,769	606,679
Other comprehensive loss/income	–	–	(2,272)	–	(43,003)	–	(45,275)	620	(44,655)	(207)	(44,862)
Profit for the year	–	–	–	–	–	–	–	(24,718)	(24,718)	3,178	(21,540)
Total comprehensive loss for 2008	–	–	(2,272)	–	(43,003)	–	(45,275)	(24,098)	(69,373)	2,971	(66,402)
Dividends	–	–	–	–	–	–	–	(28,331)	(28,331)	–	(28,331)
Adjustment to deferred consideration ¹	–	–	–	–	–	–	–	–	–	1,220	1,220
Expiration of dividends payable	–	–	–	–	–	–	–	124	124	4	128
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	12,329	12,329
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 loss/income	–	–	3,736	–	25,742	–	29,478	–	29,478	(23)	29,455
Profit for the year	–	–	–	–	–	–	–	98,080	98,080	23,260	121,340
Total comprehensive loss/income for 2009	–	–	3,736	–	25,742	–	29,478	98,080	127,558	23,237	150,795
Issuance of shares	12,171	–	–	–	–	127,997	127,997	–	140,168	–	140,168
Transfer to retained earnings	–	–	–	–	–	(127,997)	(127,997)	127,997	–	–	–
Issuance of convertible bond	–	–	–	8,432	–	–	8,432	–	8,432	–	8,432
Purchase of shares from minority interest	4	–	–	–	–	–	–	4,150	4,150	(5,650)	(1,500)
Dividends declared during the year	–	–	–	–	–	–	–	(12,294)	(12,294)	–	(12,294)
Dividends paid to minority interest	–	–	–	–	–	–	–	–	–	(7,754)	(7,754)
Balance at 31 December 2009	158,637	395,928	3,326	8,432	(14,633)	(210,046)	(212,921)	385,700	727,344	76,126	803,470

1. This amount represents the increase in the minority interests share of the assets of Pallancata, following the Group's investment during the year 2008 in accordance with the agreement signed with Minera Oro Vega S.A.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

The financial information for the year ended 31 December 2009 and 2008 contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the years ended 31 December 2009 and 2008 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2009 which have been approved by the directors on 23 March 2009 and will be delivered to the Registrar of Companies in due course. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial information are consistent with those applied to the year ended 31 December 2008 except for the adoption of new and amended standards and the retrospective restatement for change to the depreciation calculation (see note 2).

(a) Adoption of new and amended standards

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

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

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

The Group concluded that the operating segments determined in accordance with IFRS 8 were different in comparison with 2008 segments reported.

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

The Group has adopted the standard on a prospective basis. It did not have an impact on the financial position or performance of the Group.

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

The most important change was the obligation to include the statement of comprehensive income.

- IFRS 2 'Amendment to IFRS 2 – Vesting Conditions and Cancellations', applicable for annual periods beginning on or after 1 January 2009.

It did not have an impact on the financial position or performance of the Group.

- IAS 32 and IAS 1 Amendment 'Puttable Financial Instruments and Obligations Arising on Liquidation', applicable for annual periods beginning on or after 1 January 2009.

It did not have an impact on the financial position or performance of the Group.

- IFRS 1 and IAS 27 Amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate', applicable for annual periods beginning on or after 1 January 2009.

It did not have an impact on the financial position or performance of the Group.

- 2008 Annual Improvements to IFRS, applicable for annual periods beginning on or after 1 January 2009.

These amendments had no impact on the financial performance of the Group as they only affected the disclosure of financial information.

- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation', applicable for annual periods beginning on or after 1 October 2008.

It did not have an impact on the financial position or performance of the Group.

- IFRS 7 'Financial Instruments: Disclosures', applicable for annual periods beginning on or after 1 January 2009.

The main change was related to the disclosure of hierarchy of financial instruments at fair value.

- IFRIC 13 'Customer Loyalty Programmes', applicable for periods beginning on or after 1 July 2008.

It did not have an impact on the financial position or performance of the Group.

- IFRIC 15 'Agreements for the Construction of Real Estate', applicable for periods beginning on or after 1 January 2009.

It did not have an impact on the financial position or performance of the Group.

- IFRIC 18 'Transfer of Assets from Customers', applicable to assets transferred on or after 1 July 2009.

It did not have an impact on the financial position or performance of the Group.

- IAS 39 & IFRS 7 Amendments 'Reclassification of Financial Instruments', applicable for periods beginning on or after 1 July 2008.

It did not have an impact on the financial position or performance of the Group.

- IAS 39 Amendment 'Reclassification of Financial Assets: Effective Date and Transition', applicable for periods beginning on or after 1 July 2008.

It did not have an impact on the financial position or performance of the Group.

- IFRIC 9 & IAS 39 Amendments 'Embedded Derivatives', applicable for periods ending on or after 30 June 2009.

It did not have an impact on the financial position or performance of the Group.

2. RETROSPECTIVE RESTATEMENT FOR CHANGE TO DEPRECIATION CALCULATION

The Group applies the unit of production depreciation methodology in the calculation of depreciation of its mine assets. When this approach was adopted in connection with the Group's listing during 2006, as the future capital expenditure associated with developing the undeveloped reserves and resources was not significant to the calculation, these depreciation calculations included only the future costs of converting resource to reserve. Since the 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 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 has retrospectively applied this revised depreciation methodology by adjusting the comparative financial information contained in these financial statements. The effect of this prior year, non-cash restatement on each of the primary financial statements is as follows:

	(Reported) Year ended 31 December 2008 US\$000	(Restated) Year ended 31 December 2008 US\$000	Effect of restatement US\$000
Pre exceptional consolidated income statement			
Continuing operations			
Cost of sales	(240,441)	(256,608)	(16,167)
Gross profit	193,338	177,171	(16,167)
Profit from continuing operations before net finance income/(cost), foreign exchange (loss)/gain and income tax	86,268	70,101	(16,167)
Profit from continuing operations before income tax	61,442	45,275	(16,167)
Income tax expense	(29,762)	(24,767)	4,995
Profit/(Loss) for the year from continuing operations	31,680	20,508	(11,172)
Attributable to:			
Equity shareholders of the Company	24,643	15,782	(8,861)
Minority shareholders	7,037	4,726	(2,311)
Basic and diluted earnings per ordinary share from continuing operations and for the year (expressed in US dollars per share)	0.08	0.05	(0.03)

	(Reported) Year ended 31 December 2008 US\$000	(Restated) Year ended 31 December 2008 US\$000	Effect of restatement US\$000
Consolidated income statement			
Continuing operations			
Cost of sales	(240,675)	(256,842)	(16,167)
Gross profit	193,104	176,937	(16,167)
Impairment of property, plant and equipment	(34,706)	(30,212)	4,494
Profit from continuing operations before net finance income/(cost), foreign exchange (loss)/gain and income tax	48,400	36,727	(11,673)
Profit from continuing operations before income tax	9,400	(2,273)	(11,673)
Income tax expense	(22,914)	(19,267)	3,647
Loss for the year from continuing operations	(13,514)	(21,540)	(8,026)
Attributable to:			
Equity shareholders of the Company	(19,003)	(24,718)	(5,715)
Minority shareholders	5,489	3,178	(2,311)
Basic and diluted earnings per ordinary share from continuing operations and for the year (expressed in US dollars per share)	(0.06)	(0.08)	(0.02)

	(Reported) As at 31 December 2008 US\$000	(Restated) As at 31 December 2008 US\$000	Effect of restatement US\$000
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property, plant and equipment (including evaluation and exploration assets)	488,984	461,291	(27,693)
Deferred income tax assets	20,795	21,811	1,016
Total non-current assets	705,366	678,689	(26,677)
Current assets			
Inventories	49,220	51,855	2,635
Total current assets	309,132	311,767	2,635
Total assets	1,014,498	990,456	(24,042)
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Retained earnings	182,612	167,767	(14,845)
Minority interest	68,843	66,293	(2,550)
Total equity	543,018	525,623	(17,395)
Non-current liabilities			
Deferred income tax liabilities	15,839	9,192	(6,647)
Total equity and liabilities	1,014,498	990,456	(24,042)

	(Reported) As at 1 January 2008 US\$000	(Restated) As at 1 January 2008 US\$000	Effect of restatement US\$000
Consolidated statement of financial position			
ASSETS			
Non-current assets			
Property, plant and equipment (including evaluation and exploration assets)	263,062	249,061	(14,001)
Deferred income tax assets	22,400	26,162	3,762
Total non-current assets	329,592	319,353	(10,239)
Current assets			
Inventories	47,012	47,628	616
Total current assets	491,660	492,276	616
Total assets	821,252	811,629	(9,623)
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Retained earnings	229,202	220,072	(9,130)
Minority interest	50,008	49,769	(239)
Total equity	616,048	606,679	(9,369)
Non-current liabilities			
Deferred income tax liabilities	9,091	8,837	(254)
Total equity and liabilities	821,252	811,629	(9,623)

	(Reported) Year ended 31 December 2008 US\$000	(Restated) Year ended 31 December 2008 US\$000	Effect of restatement US\$000
Consolidated statement of comprehensive income			
Profit for the year	(13,514)	(21,540)	(8,026)
Total comprehensive income for the year	(58,376)	(66,402)	(8,026)
Total comprehensive income attributable to			
Equity shareholders of the Company	(63,658)	(69,373)	(5,715)
Minority interest	5,282	2,971	(2,311)

This restatement was non-cash in nature, and therefore had no impact on the Consolidated cash flow statement.

The impact on the Consolidated statement of changes in equity is set out in that statement.

3. SEGMENT REPORTING

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

(a) Reportable segment information

	Ares US\$000	Arcata US\$000	Selene US\$000	Pallancata US\$000	San José US\$000	Moris US\$000	Exploratio n US\$000	Other US\$000	Adjustment and eliminations US\$000	Total US\$000
Year ended 31 December 2009										
Revenue for external costumers	53,312	141,574	10,757	160,416	147,102	26,440	–	140	–	539,741
Inter segment revenue	–	–	–	–	–	–	–	3,027	(3,027)	–
Total revenue	53,312	141,574	10,757	160,416	147,102	26,440	–	3,167	(3,027)	539,741
Profit/(loss) from continuing operations before impairment and income tax ^{1,2}	18,907	74,922	(2,874)	84,810	41,767	7,674	(24,558)	(54,560)	8,722	154,810
Other segment information										
Depreciation ³	(5,362)	(19,292)	(8,235)	(15,324)	(29,510)	(4,868)	(202)	(1,129)	–	(83,922)
Non-cash expenses	–	–	–	–	–	–	–	(6,185)	–	(6,185)
Impairment of assets	(15,263)	–	(4,805)	–	–	3,446	(10,091)	–	–	(26,713)
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 ⁴	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. The profit for each operating segment does not include administrative expenses of US\$51,068,000, other income of US\$13,283,000, other expenses of US\$20,577,000, impairment of property, plant and equipment of US\$26,713,000, share of gains of associates and joint ventures of US\$47,223,000, finance income of US\$28,684,000, finance cost of US\$47,296,000, foreign exchange loss of US\$256,000 and the positive effect of others of US\$2,160,000.

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

3. Includes US\$11,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.

4. Includes the goodwill of San José unit amounting to US\$2,091,000.

(a) Reportable segment information

	Ares US\$000	Arcata US\$000	Selene US\$000	Pallancata US\$000	San José US\$000	Moris US\$000	Exploration US\$000	Other US\$000	Adjustments and eliminations US\$000	Total US\$000
Year ended 31 December 2008										
Revenue for external costumers	105,998	119,945	37,142	56,307	88,891	25,372	–	124	–	433,779
Inter segment revenue	–	–	163	1,381	22,805	–	–	5,270	(29,619)	–
Total revenue	105,998	119,945	37,305	57,688	111,696	25,372	–	5,394	(29,619)	433,779
Profit/(loss from continuing operations before impairment and income tax ^{1,2,3})	44,936	60,045	4,358	18,544	31,751	2,314	(24,077)	(139,308)	(836)	(2,273)
Other segment information										
Depreciation ^{3,4}	(5,381)	(16,842)	(6,837)	(9,428)	(15,763)	(5,013)	(111)	(1,154)	–	(60,529)
Non-cash expenses	–	–	–	–	–	–	–	(23,975)	–	(23,975)
Impairment of assets ³	–	–	(9,157)	–	–	(5,652)	(15,403)	–	–	(30,212)
Assets										
Current assets	9,149	22,944	6,859	27,671	26,580	4,867	–	1,133	–	99,203
Capital expenditure	10,438	43,977	47,226	14,619	80,398	2,234	63,386	48,993	–	311,271
Other non-current assets ^{3,5}	9,271	15,010	12,681	22,745	106,102	7,354	11,714	(32,766)	–	152,111
Total segment assets	28,858	81,931	66,766	65,035	213,080	14,455	75,100	17,360	–	562,585
Not reportable assets	–	–	–	–	–	–	–	427,871	–	427,871
Total assets	28,858	81,931	66,766	65,035	213,080	14,455	75,100	445,231	–	990,456

1. The profit for each operating segment does not include administrative expenses of US\$69,878,000, other income of US\$5,277,000, other expenses of US\$10,230,000, impairment of assets of US\$30,212,000, share of losses of associates and joint ventures of US\$8,214,000, finance income of US\$13,296,000, finance cost of US\$36,921,000, foreign exchange loss of US\$7,161,000 and the positive effect of others of US\$4,735,000.

2. The profit for the operating segments Ares, Arcata, Selene and Pallancata includes an exceptional item in cost of sales of US\$234,000.

3. The amounts presented have been restated due to the retrospective restatement for change to depreciation calculation disclosed in note 2.

4. Includes US\$111,000 of depreciation capitalised in Minera Hochschild Mexico S.A. de C.V. due to the San Felipe project.

5. Includes the goodwill of San José unit amounting to US\$2,091,000.

(b) Geographical segment reporting

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

	Year ended 31 December	
	2009 US\$000	2008 US\$000
External customer		
USA	130,126	130,631
Peru	159,339	125,171
Mexico	–	15
Belgium	–	6,011
Canada	98,960	50,465
Germany	84,121	54,570
Switzerland	57,549	66,883
United Kingdom	1,925	–
Korea	7,721	–
Chile	–	33
Total	539,741	433,779
Inter-segment		
Peru	1,161	25,164
Mexico	1,866	4,455
Total	542,768	463,398

4. ACQUISITIONS

(a) Acquisition of subsidiaries

Southwestern Resources Corporation

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

As at 30 June 2009, net assets were determined on a provisional basis. During the second semester of 2009 the determination of fair value has been finalised and adjustments have been made to the balances previously reported.

The net assets acquired in the transaction and the negative goodwill arising were as follows:

	Provisional fair value US\$000	Adjustments to fair value	Updated fair value
Cash and cash equivalents	5,349	–	5,349
Available-for-sale financial assets	949	–	949
Investment in associate	1,669	(1,308)	361
Property, plant and equipment	24,266	–	24,266
Other assets	360	(160)	200
Deferred income tax liability	(2,959)	(704)	(3,663)
Other current liabilities	(581)	59	(522)
Net assets	29,053	(2,113)	26,940
Negative goodwill arising on acquisition	(9,807)	2,113	(7,694)
Total acquisition cost	19,246	–	19,246

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

The revenue of the entity if the acquisition date was the start of the period was nil.

The loss of the entity if the acquisition date was the start of the period was US\$75,073.5 Acquisitions (continued)

(b) Acquisition of associates

Lake Shore Gold Corp.

During 2008, the Group acquired a 39.99% interest in Lake Shore Gold Corp. ('Lake Shore Gold'), a gold mining company listed on the Toronto Stock Exchange for a total consideration of US\$163,997,000. The acquisition was made in the following tranches:

- 19.99% acquired through a share issue on 19 February 2008 for US\$64,806,000.
- 15.00% acquired through a share issue on 13 June 2008 for US\$78,029,000.
- 5.00% acquired from a third party on 23 June 2008 for US\$21,162,000.

The interest in Lake Shore Gold gives the Group the right to exercise significant influence over that company. In compliance with the Group's policy and IAS 28, the investment has been treated as an associate and accounted for using the equity method.

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

On 6 November 2009 Lake Shore Gold acquired all of the outstanding common shares of West Timmins Mining Inc. ("West Timmins") by issuing 103,951,125 common shares and 8,550,264 options and warrants. At the date of the transaction the Group held an interest of 18.40% in West Timmins (acquired between August and November of 2009 for a total consideration of US\$63,782,000). As a consequence of the transaction the Group's interest in Lake Shore Gold was diluted from 39.99% to 26.10% and a net gain of US\$42,279,000 was recognised as an exceptional item in the profit and loss statement within the caption "Share on post tax profit/loss of associates", refer to note 11. On the same day, 28.3 million shares held by the Group on West Timmins were converted into 20.7 million shares in Lake Shore Gold, increasing the Group's interest in Lake Shore Gold to 32.20%.

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

Gold Resource Corporation

In connection with the Strategic Alliance Agreement signed with Gold Resource Corporation, an underground precious metals mining company with a number of development projects in Mexico, the Group purchased 1,670,000 common shares (4.9%) for US\$5,010,000 on 5 December 2008. The Group also acquired an option to purchase a further 4,330,000 common shares for US\$12,990,000 (US\$3 per share).

On 25 February 2009, the Group exercised its option to purchase a further 4,330,000 common shares. As a result of the acquisition of the second tranche, the Group held a 13.6% interest in Gold Resource Corporation and appointed one of the four directors, giving the Group significant influence over that company. In compliance with the Group's policy and IAS 28, the investment has been treated as an associate and accounted for using the equity method since 25 February 2009.

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

The purchase was completed in two tranches: US\$5,000,000 which closed on 30 June 2009 and a second tranche of US\$15,000,000 which closed on 20 July 2009.

On 16 December 2009, the Group purchased 1,954,795 common shares for a total cash consideration of US\$16,000,000. As at 31 December 2009 the Group owns a 25.0% interest in Gold Resource Corp.

(c) Acquisition of minority interest

Minas Santa Maria de Moris

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

In compliance with the Group's accounting policy, the difference between the consideration paid of US\$1,500,000 and the carrying value of the minority interest at the acquisition date of US\$5,650,000 has been recognised as an increase of retained earnings.

The revenue of the entity in the period, if the acquisition date was the start of the period was US\$26,440,000.

The profit of the entity in the period, if the acquisition date was the start of the period was US\$9,074,000.

5. OTHER INCOME AND OTHER EXPENSES

	Year ended 31 December 2009			Year ended 31 December 2008		
	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000
Other income:						
Export incentive	1,921	–	1,921	2,622	–	2,622
Gain on recovery of expenses	472	–	472	225	–	225
Gain on sale of property, plant and equipment	–	153	153	–	252	252
Lease rentals	302	–	302	217	–	217
Recovery of impairment of deposits in Kaupthing, Singer and Friedlander Bank ¹	–	584	584	–	–	–
Negative goodwill on acquisition of subsidiary (refer to note 4)	–	7,694	7,694	–	–	–
Reversal of Electroperu contingency ²	–	351	351	–	–	–
Other	1,806	–	1,806	1,961	–	1,961
Total	4,501	8,782	13,3283	5,025	252	5,277
Other expenses:						
Increase in provision for mine closure ³	(11,526)	–	(11,526)	(3,216)	–	(3,216)
Impairment of deposits in Kaupthing, Singer and Friedlander Bank ¹	–	–	–	–	(1,292)	(1,292)
Electroperu contingency ²	–	–	–	–	(692)	(692)
Cost of maintenance of equipment	–	–	–	(1,165)	–	(1,165)
Termination benefits ⁴	–	(662)	(662)	–	–	–
Loss on sale of other assets	(1,635)	–	(1,635)	–	–	–
Compensation claims provision ⁵	(1,850)	–	(1,850)	(354)	–	(354)
Provision for obsolescence of supplies ⁶	(1,128)	(585)	(1,713)	(634)	–	(634)
Impairment of trade receivables ⁷	(1,116)	–	(1,116)	(336)	–	(336)
Other	(2,075)	–	(2,075)	(2,541)	–	(2,541)
Total	(19,330)	(1,247)	(20,577)	(8,246)	(1,984)	(10,230)

1 Most of those funds were recovered during 2009 and therefore an exceptional gain recognised to reverse part of the impairment recorded during 2008. In 2008, this amount represents the impairment of cash deposits with Kaupthing, Singer and Friedlander Bank which went into administration in October 2008.

2 Compañía Minera Ares has a dispute with Electroperú S.A. regarding the electric power it used during November and December 2002, and January, February and March 2003 which was simultaneously billed by Electroperú and Sociedad Eléctrica del Sur Oeste S.A. (SEAL). Compañía Minera Ares has filed a claim with Osinergim (the Peruvian power regulator) claiming that the billing should be only for the actual power consumed by the company and that Electroperú and SEAL should each have half the billing. Electroperú has filed an administrative court action against the resolution issued by Osinergim and initiated an arbitration process seeking to additionally collect S/ 832,135 (US\$264,842) plus interest. Management, having consulted legal counsel, considered that there was a reasonable possibility that the outcome of these proceedings would not be favourable for Compañía Minera Ares, and accordingly had provided in full for the claim during 2008. At the end of 2009 the calculation was updated, determining a reversal of US\$351,000 to reflect the actual estimation of the claim amount.

3 In 2009 corresponds to changes in the estimated mine closure costs of closed operations in Peru of US\$11,800,000 (2008: US\$2,288,000), net by the gain generated due to the change in the discount rate of US\$274,000 (2008: loss of US\$928,000).

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

5 Corresponds to compensation claims provisions related to the Peruvian companies.

6 Mainly corresponds to the write-off of supplies at the Sipán mine that could not be sold or used in the other mine units of Perú and the obsolescence of supplies at the Selene mine due to the closure of the mine.

7 Mainly corresponds to the impairment of a trade receivable from a customer in Perú. In 2008 mainly corresponds to the amount accrued for impairment of other receivables.

6. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December 2009			Year ended 31 December 2008		
	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000
Finance income:						
Interest on time deposits ¹	819	–	819	5,934	–	5,934
Gain from changes in the fair value of financial instruments ²	–	9,045	9,045	304	2,301	2,605
Gain on sale of available-for-sale financial assets ³	–	623	623	–	1,613	1,613
Gain on exchange of available-for-sale financial assets ⁴	–	12,632	12,632	–	–	–
Interest on loans to minority shareholders (note 12)	2,609	–	2,609	2,623	–	2,623
Change in discount rate ⁵	2,837	–	2,837	–	–	–
Interest on loans to third parties	–	–	–	47	–	47
Other	119	–	119	474	–	474
Total	6,384	22,300	28,684	9,382	3,914	13,296
Finance costs:						
Interest on bank loans and long-term debt	(13,976)	–	(13,976)	(13,387)	–	(13,387)
Interest on convertible bond (note 12)	(1,663)	–	(1,663)	–	–	–
Unwind of discount rate ⁶	(278)	–	(278)	(4,590)	–	(4,590)
Loss from changes in the fair value of forward contracts ⁷	(25,962)	–	(25,962)	–	–	–
Loss from changes in the fair value of financial instruments ⁸	(2,452)	(1,256)	(3,708)	–	(6,246)	(6,246)
Impairment of available-for-sale financial assets ⁹	–	–	–	–	(11,421)	(11,421)
Premium paid on purchase of available-for-sale financial assets ¹⁰	–	–	–	–	(421)	(421)
Other	(1,709)	–	(1,709)	(856)	–	(856)
Total	(46,040)	(1,256)	(47,296)	(18,833)	(18,088)	(36,921)

1 Mainly corresponds to interest on liquidity funds.

2 In 2009 the amount mainly corresponds to the gain realised upon the exercise of an option over shares in Gold Resource Corp. on 25 February 2009 of US\$5,493,000, the gain of the option contract to buy 3,750,000 shares of Gold Resource Corp. of US\$1,912,500 and the change in the fair value of Fortuna Silver Mine Inc. warrants of US\$1,639,000. In 2008 the amount corresponds to the change in the fair value of the option over 4,330,000 shares of Gold Resource Corp. of US\$2,301,000 and a gain of US\$304,000 due to changes in the fair value of derivative instruments according to the contracts signed in December 2008 with Citibank and INTL Commodities Inc. with the intention of removing the risk of fluctuations in metal prices.

3 In 2009 corresponds to the sale of 3,287,570 shares in Fortuna Silver Mines Inc. resulting in a realised gain of US\$623,000 which has been recycled from equity into the income statement. In 2008 corresponds to the sale of 1,660,150 shares in Fortuna Silver Mines Inc. at a price of CAD\$2 per share for a total consideration of CAD\$3,320,300 (US\$3,321,450) resulting in a realised gain of US\$1,613,000 which has been recycled from equity into the income statement.

4 Mainly corresponds to the gain from change in the fair value of West Timmins Mining Inc. shares. Between August and November of 2009 the Group acquired 18.4% interest in West Timmins Mining Inc. for a total consideration of US\$63,782,000. These shares were subsequently exchanged for Lake Shore Gold shares on 6 November 2009 realising a gain of US\$12,129,000 (includes transaction costs of US\$394,000). In addition includes the gain for receiving shares of Dia Bras Exploration due to the merger with EXMIN Resources Inc. of US\$391,000 and for receiving shares of Lara Exploration Ltd. due to the merger with Maxy Gold Corp. of US\$112,000.

5 Corresponds to the gain arising on the reduction in the discount rate used to the calculation of the recoverable amount of VAT of Minera Santa Cruz of US\$2,837,000 (2008:Nil)

6 In 2009 corresponds to the unwind of the discount on the provision for mine closure of US\$278,000. In 2008 corresponds to the unwind of the discount on the provision for mine closure of US\$669,000 (refer to note 13) and the unwind of discount on VAT of Minera Santa Cruz of US\$3,921,000.

7 Corresponds to the realised loss due to changes in the fair value of derivative instruments, being the future contracts of gold and silver signed with Citibank, JP Morgan and INTL Commodities Inc. with the intention to remove the risk of the fluctuations in metal prices.

8 In 2009 corresponds to the loss due to changes in the fair value of the zero cost collar contracts signed by Cia. Minera Ares during the period. These contracts are over 5,200,000 ounces of silver, with a cap of US\$17/oz for 1,400,000 ounces, US\$19.5/oz for 400,000 ounces and US\$19.95/oz for 400,000 ounces, and a floor of US\$11.00/oz. and contracts with a cap of US\$20.92/oz and floor of US\$13.80/oz for 1,500,000 ounces, and a cap of US\$21/oz and a floor of US\$14/oz for 1,500,000 ounces. The contracts expire between January and December 2010. In addition includes a loss of US\$1,256,000 relating to the fair value of the swap contract signed with BBVA and Citibank to fix the interest rate of the JP Morgan led syndicated loan in 1.75% (refer to note 12). In 2008 mainly corresponds to the change in fair value of warrants in Fortuna Silver Mines Inc. of US\$6,245,000.

9 Corresponds to the impairment of the investment in the shares of EXMIN (US\$8,229,000), Mirasol Resources Inc. (US\$323,000), Electrum Capital Inc. (US\$2,637,000), Fortuna River (US\$157,000) and Ventura Gold Corp. (US\$75,000).

10 Corresponds to the premium paid on the acquisition of the shares of Iron Creek Capital Corp. and Mariana Resources Ltd. amounting to US\$173,000 and US\$248,000 respectively.

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

	As at 31 December	
	2009 US\$000	2008 US\$000
Interest income from financial assets that are not at fair value through the profit and loss	3,428	8,604
Interest expense from financial liabilities that are not at fair value through the profit and loss	(15,639)	(13,387)
Total	(12,211)	(4,783)

7. INCOME TAX EXPENSE

	Year ended 31 December 2009			Year ended 31 December 2008		
	Before exceptional items US\$000	Exceptional items ¹ US\$000	Total US\$000	Before exceptional items US\$000	Exceptional items US\$000	Total US\$000
Current tax:						
Current tax charge from continuing operations	30,946	(2,275)	28,671	13,058	(56)	13,002
	30,946	(2,275)	28,671	13,058	(56)	13,002
Deferred taxation:						
Origination and reversal of temporary differences from continuing operations	12,486	(8,943)	3,543	10,814	(5,444)	5,370
	12,486	(8,943)	3,543	10,814	(5,444)	5,370
Withholding taxes	1,256	–	1,256	895	–	895
Total taxation charge in the income statement	44,688	(11,218)	33,470	24,767	(5,500)	19,267

1. This amount corresponds to the related tax impact of exceptional items. This principally relates to a current tax credit of US\$2,076,000 in connection with the one off bonus paid to the mining workers in Peru (2008: Nil) and US\$9,048,000 deferred tax credit in connection with an impairment loss recognised in the period (2008: US\$3,736,000).

The weighted average statutory income tax rate was 30.1% for 2009 and 7.5% for 2008. This is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profit/(loss) before tax of the Group companies in their respective countries as included in the consolidated financial statements.

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

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

	As at 31 December	
	2009 US\$000	(Restated) 2008 US\$000
Profit from continuing operations before income tax	154,810	(2,273)
At average statutory income tax rate of 30.1% (2008: (7.5)%)	46,702	171
Expenses not deductible for tax purposes	2,049	5,315
Non-taxable income	(6,662)	(2,055)
Non-taxable negative goodwill ¹	(2,308)	–
Deferred tax recognised on special investment regime ²	(629)	(6,063)
Recognition of previously unrecognised deferred tax assets ³	(4,222)	(1,102)
Non-taxable share of (gains)/losses of associates	(13,276)	2,534
Net deferred tax assets generated in the year not recognised	11,204	13,871
Change in tax regime ⁴	(2,002)	(1,544)
Change in statutory Income Tax Rate ⁵	(786)	786
Foreign exchange rate effect ⁶	25	7,731
Derecognition of deferred tax assets previously recognised ⁷	4,790	–
Other	(1,415)	(377)
At average effective income tax rate of 21.62% (2008: 847.65%)	33,470	19,267

Taxation charge attributable to continuing operations	33,470	19,267
Total taxation charge in the income statement	33,470	19,267

1. Corresponds to non-taxable negative goodwill on acquisition of Southwestern Group.

2. Corresponds to the deferred tax income asset recognised for the additional tax losses generated during the year arising from the double deduction claimed for tax purposes by Minera Santa Cruz during the year (refer to note (i)).

3. Increase in 2009 mainly corresponds to recognised tax losses upon tax restructuring in Mexican companies of US\$7,392,000 and the use of previously unrecognised tax losses in 2009 of US\$7,687,000. In 2008, mainly corresponds to the tax effect of certain mine closure expenses which are now expected to be deductible against taxable income, when incurred.

4. Corresponds to the effect of the change in the Mexican tax regime (refer to note (ii)).

5. Corresponds to an increase in the statutory corporate income tax rate for the Arcata mining unit from 30% to 32% with effect from 1 January 2009. This increase was reversed during 2009 as the Group opted out of certain clauses of the stability agreement, including the increase of 2% in income tax.

6. Mainly corresponds to the foreign exchange effect from converting tax bases and monetary items from local currency to the functional currency.

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

(i) Special investment regime

Minera Santa Cruz benefits from a special investment regime that allows for a double deduction in the calculation of its corporate income tax liability for all costs relating to prospecting, exploration and metallurgical analysis, pilot plants and other expenses incurred for the feasibility studies for mining projects. The investment recognised under this regime amounted to US\$1,800,000 in 2009 (2008: US\$17,300,000). No significant further deduction under this special investment regime is expected in 2010 and subsequent years.

(ii) Change in Mexican tax regime

On 28 September 2007, the Mexican Government enacted a bill for tax reform that significantly changed the current income tax structure in Mexico. Effective from 1 January 2008, the tax reform requires companies to pay tax equal to the greater of the tax charge calculated under the new flat rate business tax ('IETU' as abbreviated in Spanish) or the tax charge calculated under the current income corporate tax regime ('ISR' as abbreviated in Spanish).

The Group has performed an analysis of the future impact of this tax reform on its Mexican companies and has determined that Santa Maria de Moris S.A. de C.V. (the operator of the Moris mine) will be required to pay ISR Tax instead of IETU in each period until the end of the mine's life. Therefore, at 31 December 2009 the Group reversed the deferred tax liability of US\$2,002,000 recognised at 31 December 2008 in connection with IETU.

8. BASIC AND DILUTED EARNINGS PER SHARE

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

The Company has dilutive potential ordinary shares.

As at 31 December 2009 and 2008, EPS has been calculated as follows:

	As at 31 December	
	2009	2008
Profit/(loss) for the year and from continuing operations attributable to equity holders of the Company US\$000	98,080	(24,718)
Weighted average number of ordinary shares in issue (thousands)	314,043	307,350
Weighted average number of ordinary shares in issue and dilutive potential ordinary shares (thousands)	317,607	307,350
Basic and earning/(loss) per share from:		
Before exceptional items US\$	0.17	0.05
Exceptional items US\$	0.14	(0.13)
Total for the year and from continuing operations US\$	0.31	(0.08)
Diluted earning/(loss) per share from:		
Before exceptional items US\$	0.17	0.05
Exceptional items US\$	0.14	(0.13)
Total for the year and from continuing operations US\$	0.31	(0.08)

9. PROPERTY, PLANT AND EQUIPMENT

	Mining properties and development costs US\$000	Land and buildings US\$000	Plant and equipment ¹ US\$000	Vehicles US\$000	Mine closure asset US\$000	Construction in progress and capital advances US\$000	Total US\$000
Year ended 31 December 2008							
Cost							
At 1 January 2008	157,711	65,435	105,946	2,824	38,288	14,021	384,225
Additions	79,496	4,253	9,375	77	–	149,759	242,960
Change in discount rate	–	–	–	–	3,113	–	3,113
Disposals	–	–	(120)	(158)	–	–	(278)
Write-off	–	–	(24)	–	–	–	(24)
Change in mine closure estimate	–	–	–	–	280	–	280
Transfers and other movements	(2,192)	30,748	68,535	746	–	(97,837)	–
Transfers from Evaluation and exploration assets	2,960	–	–	–	–	–	2,960
Sales during preoperating stage in Minera Santa Cruz	(125)	–	–	–	–	–	(125)
Foreign exchange	(32)	(43)	(467)	(69)	–	(10)	(621)
At 31 December 2008	237,818	100,393	183,245	3,420	41,681	65,933	632,490
Accumulated depreciation and impairment							
At 1 January 2008	50,027	12,858	31,749	860	31,703	–	127,197
Restatement of depreciation	14,001	–	–	–	–	–	14,001
At 1 January 2008, as restated	64,028	12,858	31,749	860	31,703	–	141,198
Depreciation for the year	37,918	7,697	13,729	455	730	–	60,529
Impairment ²	5,582	754	6,286	105	943	788	14,458
Disposals	–	–	(54)	(84)	–	–	(138)
Write-off	–	–	(4)	–	–	–	(4)
Sales during preoperating stage in Minera Santa Cruz	(12)	–	–	–	–	–	(12)
Foreign exchange	–	2	(78)	(30)	–	–	(106)
At 31 December 2008	107,516	21,311	51,628	1,306	33,376	788	215,925
Net book amount at 31 December 2008, as restated	130,302	79,082	131,617	2,114	8,305	65,145	416,565

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

1 The carrying value of plant and equipment held under finance leases at 31 December 2009 was US\$11,177,000 (2008: US\$7,482,000). Additions during the year included US\$6,058,000 (2008: US\$7,872,000) of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.

2 As the result of the planned cessation of mining activities at the Selene mine unit, the remaining net book value of assets of US\$4,523,000 was written off.

3 The amount of impairment losses recognised in profit and loss during the period was US\$21,686,000. As a result of the impairment testing, the Group has impaired the Ares mine unit by US\$15,041,000, the Liam property by US\$10,091,000 and reversed the impairment loss of Moris unit of US\$3,446,000. The trigger for the impairment was the proximity of the closing of Ares and the resulting revision to the remaining recoverable reserves and resources. In addition the company reassessed the fair value of the Liam properties, following the acquisition of Southwestern (refer to note 4). The Group tested for impairment the following mining units: Ares, San José and Moris. In assessing whether impairment is required to the carrying value of the assets related to each mining unit, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. The recoverable amount used in assessing the impairment charges described below is value in use. The Group generally estimates value in use using a discounted cash flow model for each mining unit covering its remaining useful life. During the year ended 31 December 2008, the Group recognised impairments totalling US\$14,458,000, related to Selene mine unit (US\$8,208,000), Moris mine unit (US\$5,652,000) and San Felipe project (US\$598,000). These impairments were triggered primarily by the effect of the economic environment at that time, and the significantly reduced gold, silver and zinc prices.

4 There were no borrowing costs capitalised in property, plant and equipment as no significant qualifying assets were constructed during 2009.

The calculation of value in use is most sensitive to the following assumptions:

- Commodity prices – Commodity prices of gold and silver are based on external market consensus forecasts. Gold prices range from \$1,015/oz to \$837.5/oz (2008: from \$750/oz to \$879/oz) and silver prices range from \$16.0/oz to \$13.22/oz (2008: from \$11.84/oz to \$13/oz).
- Estimation of reserves and resources – Reserves and resources are based on management's estimates using appropriate exploration and evaluation techniques.
- Production volumes and grades – Tonnage produced was estimated at plant capacity with 19 days of maintenance per year (2008: 12 days).
- Capital expenditure – The cash flows for each mining unit include capital expenditures to maintain the mine and to convert resources to reserves.
- Operating costs – Costs are based on historical information from previous years and current mining conditions.

- Discount rates – The cash flows are discounted at real pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the cash-generating unit. These rates are based on the weighted average cost of capital specific to each cash-generating unit.

	2009 Real pre-tax discount rate %	2009 Real post-tax %
Mining unit		
Ares	3.21	3.21
San José	14.3	8.43
Moris	5.43	3.91

	2008 Real pre-tax discount rate %	2008 Real post-tax %
Mining unit		
Ares	28.5	5.1
San José	17.0	9.2
Moris	5.97	4.3

Cash flows used for impairment tests were based on the annual 2010 budget presented and approved by the board in December 2009. The starting point in all cases was January 2010. Individual cash flows are based on the annual 2010 budget and an estimated set of reserve and resource as of December 2009 provided by Explorations and Operations. In addition, for the following years, the Group includes any conservative adjustment to reflect the nature of each operation in an accurate manner. In the case of revenue, production figures were estimated considering reserve grade (after extracted tonnage) and full capacity. In the case of operating expenses, all figures are based on the 2010 budget and the main assumption was that any change in the foreign exchange rate would be offset by a change in the inflation rate. Future capital expenditure is based on 2010 budget, excluding one off expenses and considering operation's view on developments and infrastructure, according the estimated set of reserves and resources.

10. EVALUATION AND EXPLORATION ASSETS

	2009 US\$000	2008 US\$000
At 1 January	44,726	6,034
Additions	8,636	68,311
Impairments ¹	(222)	(15,754)
Write-off	(284)	–
Transfers and other movements	1,921	(2,960)
Foreign exchange	1,051	(10,905)
At 31 December	55,828	44,726

¹ The amount of impairment losses recognised in profit and loss during the period was US\$222,000. As a result of the impairment testing, the Group has impaired the Ares mine unit by US\$222,000. The trigger for the impairment was the proximity of the closing of Ares and the resulting revision to the remaining recoverable reserves and resources. The Group tested for impairment the following mining units: Ares, San José and Moris. In assessing whether impairment is required to the carrying value of the assets related to each mining unit, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the value in use. The recoverable amount used in assessing the impairment charges is value in use. The Group generally estimates value in use using a discounted cash flow model for each mining unit covering its remaining useful life. During the year ended 31 December 2008, the Group recognised impairments totalling US\$15,754,000, related to Selene mine unit (US\$949,000) and San Felipe project (US\$14,805,000). Refer to note 9 for the assumptions considered in the impairment calculation.

² There were no borrowing costs capitalised in evaluation and exploration assets.

³ From the net book value at 31 December 2009, US\$37,825,000 corresponds to the investment in San Felipe (2008: US\$36,552,000) (refer to note 15).

11. INVESTMENTS ACCOUNTED UNDER EQUITY METHOD

	Year end 31 December	
	2009 US\$000	2008 US\$000
Lake Shore Gold Corp ^(a)	386,190	136,376
Minas Pacapausa S.A.C. ^(b)	–	(170)
Cabo Sur ^(c)	(57)	(187)
Gold Resource Corp. ^(d)	62,467	–
Zincore Metals Inc. ^(e)	2,065	–
Total	450,665	136,019

(a) Lake Shore Gold Corp

The following table summarises the financial information of the Group's investment in Lake Shore Gold Corp:

	Year ended 31 December	
	2009 US\$000	2008 US\$000
Share of the associate's statement of financial position:		
Current assets	47,520	29,217
Non-current assets	345,948	128,913
Current liabilities	(7,663)	(5,839)
Non-current liabilities	(50,758)	(28,428)
Net assets	335,047	123,863
Goodwill on acquisition	51,143	12,513
Carrying amount of the investment	386,190	136,376
Share of the associate's revenue and losses:		
Revenue	–	–
Profit/(Losses) ¹	46,951	(3,925)
Carrying amount of the investment	386,190	136,376

¹ Share of the associate's profit in 2009 includes (1) a gain of US\$101,503,000 from the Group's share in Lake Shore Gold's acquisition of 100% of West Timmins' net assets, (2) a gain from the Group's share in the results of the period of Lake Shore Gold of US\$9,165,000, (3) a loss from dilution of the Group's interest from 39.99% to 26.1% at 6 November 2009 of US\$59,224,000, and (4) a loss from dilution of the Group's interest from 36.09% to 35.69% at 31 December 2009 of US\$4,493,000.

(b) Minas Pacapausa S.A.C.

On 21 June 2005, Minera Oro Vega S.A.C. ('Minorva', the partner of the Group's Minera Suyamarca S.A.C. subsidiary) and Minera del Suroeste ('Misosa') entered into an option and joint venture agreement ('Framework Agreement') in respect of the Pacapausa properties located in Peru.

On 16 November 2007, Minera Suyamarca S.A.C. ('Suyamarca') signed an amendment to the Framework Agreement with Misosa and Minorva, incorporating the terms under which Suyamarca would acquire Minorva's contractual position. Under the arrangement, Suyamarca paid US\$200,000 to Minorva in exchange for its contractual position in the Framework Agreement. The new joint venture company, Minas Pacapausa S.A.C. ('Pacapausa'), was incorporated on 4 March 2008 and Suyamarca contributed US\$1,200,000 (solely funded by the Group) in exchange for a 50% interest in Pacapausa. Subsequently, Minorva transferred to Pacapausa all technical reports and other assets obtained as a result of its exploration activities in the properties in exchange for a cash payment of US\$1,200,000.

In compliance with the Group's policy, Pacapausa recognises all expenses related to the project within exploration expenses as the project has not yet reached the inferred mineral resource category.

On 21 May 2009 the Group acquired a 100% interest of Southwestern Resources Corp., the parent company of Misosa and consequently, started to consolidate the financial results of Pacapausa.

The following table summarises the financial information relating to the Group's investment in Pacapausa:

	Year ended 31 December	
	2009 US\$000	2008 US\$000
Share of the joint venture's statement of financial position:		
Current assets	–	10
Non-current assets	–	–
Current liabilities	–	(180)
Non-current liabilities	–	–
Net assets	–	(170)
Share of the joint venture's revenue and loss:		
Revenue	–	–
Loss	(131)	(2,132)
Carrying amount of the investment	–	(170)

(c) Cabo Sur

On 21 February 2007, the Group signed an option and joint venture agreement with Mirasol Resources Ltd. ('Mirasol'). Under the terms of the agreement, the Group has the right to acquire a 51% interest in the Claudia project by investing, over a period of four years, at least US\$6,000,000 and making payments to Mirasol of US\$650,000 within four years.

On 13 March 2007 Mirasol incorporated Cabo Sur S.A. ('Cabo Sur') and during 2008 transferred all the rights of the Claudia property into Cabo Sur. Until the exercise of the Claudia's option, Mirasol and the Group will own 99% and 1% of Cabo Sur, respectively. However, the Group exercises joint control over Cabo Sur as the strategic financial and operating decisions require the consent of both parties. Accordingly, in compliance with the Group's policy and IAS 31, the investment has been treated as a jointly controlled entity accounted for using the equity method.

In compliance with the Group's policy, Cabo Sur recognises all expenses related to the project within exploration expenses as the project has not yet reached the inferred mineral resource category.

The following table summarises the financial information of the Group's investment in Cabo Sur:

	Year ended 31 December	
	2009 US\$000	2008 US\$000
Share of the joint venture's statement of financial position:		
Current assets	6	32
Non-current assets	6	2
Current liabilities	(69)	(221)
Non-current liabilities	–	–
Net assets	(57)	(187)
Share of the joint venture's revenue and loss:		
Revenue	–	–
Loss	(61)	(2,157)
Carrying amount of the investment	(57)	(187)

(d) Gold Resource Corp.

The following table summarises the financial information of the Group's investment in Gold Resource Corp:

	Year ended 31 December	
	2009 US\$000	2008 US\$000
Share of the joint venture's statement of financial position:		
Current assets	5,671	–
Non-current assets	46,873	–
Current liabilities	(181)	–
Non-current liabilities	(11,609)	–
Net assets	40,754	–
Goodwill on acquisition	21,713	
Share of the joint venture's revenue and loss:		
Revenue	–	–
Loss	(1,240)	–
Carrying amount of the investment	62,467	–

(e) Zincore Metals Inc.

On 21 May 2009 the Group acquired 100% of Southwestern Resources Corporation. Within the assets of the group was 38,100,000 shares of Zincore Metals Inc. equivalent to a 48.2% of interest. On September 2009 Zincore Metals Inc. issued 24,060,000 shares resulting in a dilution of the Group's interests to 36.8%. Zincore Metals Inc. raised US\$5,596,000 that generated a Group's gain of US\$2,065,000.

The following table summarises the financial information of the Group's investment in Zincore Metals Inc:

	Year ended 31 December	
	2009 US\$000	2008 US\$000
Share of the joint venture's statement of financial position:		
Current assets	2,110	–
Non-current assets	67	–
Current liabilities	(96)	–
Non-current liabilities	(16)	–
Net assets	2,065	–
Share of the joint venture's revenue and profit:		
Revenue	–	–
Profit	1,704	–
Carrying amount of the investment	2,065	–

12. BORROWINGS

	As at 31 December			
	2009		2008	
	Non-current US\$000	Current US\$000	Non-current US\$000	Current US\$000
Secured bank loans	115,854	34,773	202,094	56,625
Amount due to minority shareholders	–	75,570	29,598	40,409
Convertible bond payable	103,827	1,663	–	–
Amounts due to related parties	–	902	–	1,036
Total	219,681	112,908	231,692	98,070

(a) Secured bank loans

As at 31 December 2009, the balance corresponds to:

- i. Pre shipment loans for a total amount of US\$8,750,000 in Compañía Minera Ares and US\$20,000,000 in Minera Santa Cruz S.A. These obligations accrue an effective annual interest rate ranging from 1.05% to 4.75% and are guaranteed by the inventories and the trade receivables of the company. Pre shipments are credit lines given by the Banks to pay obligations related to the exports of the Group.
- ii. Leasing agreement with Banco de Credito for an amount of US\$5,693,000 in Compañía Minera Ares. This obligation accrues an effective annual interest rate ranging from 6.80% to 7.60%.
- iii. Leasing agreement with BIF for an amount of US\$3,016,000 in Compañía Minera Ares. This obligation accrues an effective annual interest rate ranging from 7.15% to 8.25%.
- iv. Leasing agreement with Interbank for an amount of US\$296,000 in Compañía Minera Ares. This obligation accrues an effective annual interest rate of 9.01%.

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

	As at 31 December	
	2009 US\$000	2008 US\$000
Not later than one year	4,406	2,705
Between 1 and 2 years	3,664	2,604
Between 2 and 5 years	935	1,898
Total	9,005	7,207

The following table demonstrates the reconciliation between the total minimum lease payments and the present value as at 31 December 2009 and 2008:

	As at 31 December	
	2009 US\$000	2008 US\$000
Present value of leases	9,005	7,207
Future interest	718	728
Total minimum lease payments	9,723	7,935

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

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

The Company has granted the following guarantees on its \$114,320,000 bank syndicated loan:

- Pledge of all shares in Compañía Minera Ares (wholly-owned subsidiary).
- Subsidiary guarantees by certain wholly-owned subsidiaries whereby these subsidiaries guarantee with their cash flows the repayment of the loan.

The main administrative and financial covenants that the Company and Compañía Minera Ares must comply with during the term of the syndicated loan are as follows:

- Quarterly unaudited and annual audited financial statements for Hochschild Mining plc and Compañía Minera Ares.
- Investments in restricted and unrestricted subsidiaries based on an agreed upon limit (unlimited within restricted subsidiaries).
- It is intended for every wholly-owned subsidiary to participate in the subsidiary guarantee.
- Maintain the following ratios (at a consolidated and Compañía Minera Ares level) beginning on the date of execution of the agreement and during the term of effect of the loan:
 - Interest expense coverage ratio greater than 3:1.
 - Debt to EBITDA ratio lower than 2.5:1 from 2009 onwards

Compliance with the restrictive covenants described in the preceding paragraph is overseen by Compañía Minera Ares management and the Administrative Agent. The Group and Compañía Minera Ares have complied with the commitments and financial covenants mentioned in the syndicated loan agreement.

As at 31 December 2008, the balance corresponded to:

- Pre-shipment loans for a total amount of US\$18,380,000 in Compañía Minera Ares, US\$11,280,000 in Compañía Minera Suyamarca S.A.C. and US\$20,000,000 in Minera Santa Cruz S.A. These obligations accrue an effective annual interest rate ranging from 5.55% to 8.70% and are guaranteed by the inventories of the company.
- ii. Leasing agreement with Banco de Credito for an amount of US\$7,207,000 in Compañía Minera Ares. This obligation accrues an effective annual interest rate ranging from 6.80% to 7.45%.

iii. Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the Administrative Agent. Total secured term loan facility of US\$200,000,000 that accrues an effective interest rate of LIBOR + 1% and is guaranteed by all the equity share capital, free and clear of any liens, of Compañía Minera Ares S.A.C. The balance as at 31 December 2008 is comprised of the secured term loan facility of US\$200,000,000 plus accrued interests of US\$4,260,000 and net of transaction costs of US\$2,408,000.

(b) Amounts due to minority shareholders

As at 31 December 2009 the balance mainly corresponds to a loan from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US\$67,124,000 (2008: US\$62,105,000) with interests rates between 7.86% and 12%. There is also a loan of US\$8,446,000 to Minera Santa Cruz S.A. from Minera Andes S.A. (2008: US\$7,902,000) with an interest rate of 12%.

(c) Convertible bond payable

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

The following information has to be considered for 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 31 December 2009 is comprised of the principal of US\$115,000,000 plus accrued interest of \$1,663,000 and net of transaction costs of US\$2,741,000 and the bond equity component of US\$8,432,000.

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2009 US\$000	2008 US\$000
Between 1 and 2 years	31,586	81,284
Between 2 and 5 years	188,095	150,408
Total	219,681	231,692

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

	Carrying amount as at 31 December		Fair Values as at 31 December	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Bank loans				
Secured	115,854	202,094	116,358	213,408
Amounts due to minority interest and related parties (fixed rates)	–	29,598	–	33,263
Convertible bond payable	103,827	–	126,331	–
Total	219,681	231,692	242,689	246,671

13. PROVISIONS

	Provision for mine closure ¹ US\$000	Workers' profit sharing US\$000	Contributions to Peruvian Government US\$000	Executive long-term incentive plan ² US\$000	Other US\$000	Total US\$000
At 1 January 2008	32,150	9,195	1,434	799	272	43,850
Increase to existing provision	2,105	4,273	944	302	962	8,586
Accretion resulting from unwinding of discount rate	669	–	–	–	–	669
Change in discount rate	4,042	–	–	–	–	4,042
Change in estimate	1,409	–	–	–	–	1,409
Payments	(1,476)	(13,248)	(1,368)	(1,101)	(21)	(17,214)
Foreign exchange	–	641	(19)	–	–	622
At 31 December 2008	38,899	861	991	–	1,213	41,964
Less current portion	(1,379)	(861)	(991)	–	(1,046)	(4,277)
Non-current portion	37,520	–	–	–	167	37,687

At 1 January 2009	38,899	861	991	–	1,213	41,964
Increase to existing provision	–	2,073	870	–	1,499	4,442
Accretion resulting from unwinding of discount rate	278	–	–	–	–	278
Change in discount rate	(2,045)	–	–	–	–	(2,045)
Change in estimate	27,020	–	–	–	–	27,020
Payments	(2,831)	(948)	(956)	–	(371)	(5,106)
Foreign exchange	–	(78)	(12)	–	30	(60)
Other	–	88	–	–	–	88
At 31 December 2009	61,321	1,996	893	–	2,371	66,581
Less current portion	6,640	1,996	893	–	1,876	11,405
Non-current portion	54,681	–	–	–	495	55,176

1. The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the expected date of depletion of each of the deposits. The present value of the provision has been calculated using a real pre-tax annual discount rate, based on a US Treasury bond of an appropriate tenure as at 31 December 2009 and 2008 respectively, and the cash flows have been adjusted to reflect the risk attached to these cash flows. Uncertainties in the timing for using this provision includes changes in the future that could impact the time of closing the mines, as new resources and reserves are discovered. During 2009 the Group made an internal review of the provision for mine closure for all its mining units. Consequently, at 31 December 2009 an increase of US\$27,020,000 has been recognised in the provision mainly related to changes in the waste dam and tailing dam closure plans, increased contractors costs and the construction of a new water treatment plant in Sipan mining unit. From the total amount, US\$15,220,000 has been recognised as an increase in the mine closure asset (refer to note 9) and the remaining US\$11,800,000 has been recognised within other expenses (refer to note 5). This increase in estimate relates to Ares unit (US\$2,212,000), Selene unit (US\$5,864,000), Sipan unit (US\$5,976,000), Arcata unit (US\$4,903,000), Pallancata unit (US\$5,038,000), Moris unit (US\$990,000), San José unit (US\$2,075,000) and the decrease relates to the San Felipe project (US\$38,000).

2 The 2007 Executive Long-Term incentive plan was replaced by a new plan with different variables. To terminate the first plan, the Group paid to the employees under the plan an amount of US\$1,101,000, during the first semester of 2008, recognising administrative expenses of US\$275,000 and exploration expenses of US\$27,000.

3. The new plan reduces the number of variables and only considers Total Shareholder Return ('TSR'). The plan comprises an amount to be paid in cash to participants depending on the achievement of the three-year performance measures during the performance period which ends on 31 December 2010. The cash award will be held for an additional period and delivered 50% on 31 December 2010 and the remaining 50% on 31 December 2011, accumulating notional interest at the prevailing inter-bank interest rate. Only employees who remain with the Company until this date will have right of the benefit, with some exemptions that have to be approved by the Remuneration Committee of the Board. The provision represents the discounted values of the estimated cost of the long-term employee benefit. There is no provision in 2009 and 2008 because TSR over the period did not reach the performance level required under the rules of the plan.

14. RELATED-PARTY BALANCES AND TRANSACTIONS

(a) Related-party accounts receivable and payable

The Group had the following related-party balances and transactions during the years ended 31 December 2009 and 2008. The related parties are companies owned or controlled by the main shareholder of the parent company, joint ventures or associates.

	Accounts receivable At 31 December		Accounts payable At 31 December	
	2009 US\$000	2008 US\$000	2009 US\$000	2008 US\$000
Other				
Fosfatos del Pacífico S.A.	28	–	–	–
Compañía Minera Corianta S.A.	–	–	–	1
Cementos Selva S.A.	–	–	–	43
	28	–	–	44
Joint ventures				
Cabo Sur	968	1,005	902	992
Minas Pacapausa S.A.C.	–	2	–	–
	968	1,007	902	992
Loans				
Cementos Pacasmayo S.A.A.	–	41	–	–
	–	41	–	–
Total	996	1,048	902	1,036
Current related party balances	996	1,048	902	1,036
Total	996	1,048	902	1,036

As at 31 December 2009 and 2008 all other accounts are, or were, non-interest bearing.

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

Principal transactions between affiliates are as follows:

	As at 31 December	
	2009	2008
	US\$000	US\$000
Income		
Recovery of expenses	–	34
Expenses		
Purchase of supplies	–	39
Services received	–	2

During 2008, in addition to the normal arrangements the Group has with its related parties, the Group purchased a building from Cementos Pacasmayo, a company under common control to that of the Group, for US\$3,622,000 representing an arm's length purchase price.

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

(b) Compensation of key management personnel of the Group

Key management personnel include the members of the senior management team and Directors who receive remuneration.

	As at 31 December	
	2009	2008
	US\$000	US\$000
Salaries and bonuses	8,596	8,718
Total compensation paid to key management personnel	8,596	8,718

This amount includes the remuneration paid to the Directors of the parent company of the Group of US\$5,870,520 (2008: US\$3,847,865), out of which US\$399,117 (2008: US\$463,218) relates to pension payments.

The Group made a loan to one of the Directors of US\$200,000 with an interest rate of 7.45% until 30 April 2009, 3.50% from 1 May 2009 to 31 July 2009 and 3.00% from 1 August 2009. The balance as at 31 December was US\$227,214, composed of principal of US\$200,000 and interests of US\$27,214. The Group did not collect any amount of this loan.

15 SUBSEQUENT EVENTS

(a) On 6 May 2006 the Group signed an agreement with Silex Argentina S.A. ("Silex"), a wholly owned subsidiary of Golden Minerals Company ("Golden Minerals") to explore and develop minerals in a group of properties located in Argentina, which comprise the project "El Quevar". The initial interest held by the Group was 35%, which was subsequently reduced to 20% in exchange for Silex funding the feasibility study.

On 30 December 2009 the Group entered into an agreement with Golden Minerals and Silex to sell its interest in the project in exchange for 400,000 common shares and a warrant to purchase 300,000 common shares of Golden Minerals at a price per share of US\$15. The agreement was subject to certain conditions precedent that did not take place until 7 January 2010.

(b) On 16 February 2010 the Group acquired 1,273,036 shares of its associate Lake Shore for CAD\$5,130,000 (approximately US\$4,920,000). After completion of the transaction, the Group's ownership in Lake Shore increased from 35.69% to 35.92%.

(c) Between 26 January 2010 and 5 February 2010 the Group acquired 440,500 shares of its associate Gold Resource Corp. for US\$4,322,000 in the open market. In addition, on 8 March 2010 the Group signed a subscription agreement with Gold Resource Corp. by which the Group acquired 600,000 shares for a total consideration of US\$5,172,000. Following completion of this purchases the Group's ownership in its associate increased from 25% to 26.7%.

(d) On 9 February 2010 the Group signed an engagement letter with BMO Capital Markets Limited ("BMO") for the sale of the San Felipe project, the Group's zinc project located in northern Mexico.

(e) On 5 March 2010, Inversiones Pacasmayo S.A., a related party of the Group, purchased Hochschild Mining plc's 36.9% stake in Zincore at a price of C\$0.27 per share representing a 11.6% premium over the 20 day average closing price. Inversiones Pacasmayo S.A. paid a total cash consideration of C\$10,287,000. As a result of the transaction, Hochschild Mining plc has no further interest in Zincore.

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 has been advised by Canaccord Adams Limited that the terms of the disposal are fair and reasonable as far as shareholders are concerned.

(f) On 11 March 2009 the Group has filed suit in the New York State Supreme Court asking that Minera Andes Inc. ("MAI") and its subsidiary Minera Andes SA ("MASA") be required to execute the formal loan agreement documents in respect of the US\$65 million project finance loan. This facility was provided by the Group to one of its subsidiaries Minera Santa Cruz S.A. for the development of the San José operation in Argentina. The law suit lists the following causes of action: (i) a decree by the court requiring MASA and its parent company to execute formal loan agreement documents with the Group consistent with the previous agreements between the two companies, (ii) it asks that MAI and MASA be enjoined from further interference in the repayment of the project finance loan, (iii) asks the court to order payment to the Group of benefits derived by MAI and MASA as a result of the loan, and (iv) requests an order declaring that other shareholder loans are subordinate to the project finance loan.

RESERVES AND RESOURCES

ORE RESERVES AND MINERAL RESOURCES ESTIMATES

Hochschild Mining plc reports its mineral resources and reserves estimates in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 edition ('the JORC Code'). This establishes minimum standards, recommendations and guidelines for the public reporting of exploration results and mineral resources and reserves estimates. In doing so it emphasises the importance of principles of transparency, materiality and confidence. The information on ore reserves and mineral resources on pages 126 to 128 were prepared by or under the supervision of Competent Persons (as defined in the JORC Code). Competent Persons are required to have sufficient relevant experience and understanding of the style of mineralisation, types of deposits and mining methods in the area of activity for which they are qualified as a Competent Person under the JORC Code. The Competent Person must sign off their respective estimates of the original mineral resource and ore reserve statements for the various operations and consent to the inclusion of that information in this report, as well as the form and context in which it appears.

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

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

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

The estimates of ore reserves and mineral resources are shown as at 31 December 2009, unless otherwise stated. Mineral resources that are reported include those mineral resources that have been modified to produce ore reserves. All tonnage and grade information has been rounded to reflect the relative uncertainty in the estimates; there may therefore be small differences. The prices used for the reserves calculation were: Au Price: US\$810 per ounce and Ag Price: US\$13.50 per ounce.

RESERVES AND RESOURCES (AUDITED BY P&E CONSULTING*)

ATTRIBUTABLE METAL RESERVES AS AT 31 DECEMBER 2009

Reserve category	Proved (t)	Probable (t)	Proved and probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq. (moz)
MAIN OPERATIONS*								
Arcata								
Proved	947,644			441	1.39	13.4	42.5	16.0
Probable		921,244		393	1.23	11.6	36.4	13.8
Total			1,868,888	417	1.31	25.1	78.9	29.8
Pallancata								
Proved	1,734,541			370	1.62	20.7	90.1	26.0
Probable		610,964		307	1.25	6.0	24.5	7.5
Total			2,345,505	354	1.52	26.7	114.6	33.5
San José								
Proved	315,324			457	7.66	4.6	77.7	9.3
Probable		460,175		452	7.09	6.7	104.8	13.0
Total			775,499	454	7.32	11.3	182.5	22.3
Total								
Proved	2,997,510			402	2.18	38.7	210.2	51.3
Probable		1,992,382		380	2.59	24.3	165.8	34.3
Main operations total			4,989,892	393	2.34	63.1	376.0	85.6
Ares								
Proved	239,102			95	5.25	0.7	40.3	3.1
Probable		56,740		74	4.16	0.1	7.6	0.6
Total			295,842	91	5.04	0.9	47.9	3.7
Moris								
Proved	857,646			4	1.47	0.1	40.5	2.6
Probable		84,384		4	1.45	0.0	3.9	0.2
Total			942,030	4	1.47	0.1	44.5	2.8
Total								
Proved	1,096,748			24	2.29	0.9	80.9	5.7
Probable		141,124		32	2.54	0.1	11.5	0.8
Other operations total			1,237,872	25	2.32	1.0	92.4	6.5
Total								
Proved	4,094,258			301	2.21	39.6	291.1	57.0
Probable		2,133,506		357	2.59	24.5	177.3	35.1
Total			6,227,764	320	2.34	64.1	468.4	92.2

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

ATTRIBUTABLE METAL RESOURCES AS AT 31 DECEMBER 2009 (AUDITED BY P&E CONSULTING*)

Resource category	Measured (t)	Indicated (t)	Measured and indicated (t)	Inferred (t)	Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Zn (kt)	Pb (kt)	Cu (kt)
MAIN OPERATIONS*															
Arcata															
Measured	1,310,666				514	1.60	-	-	-	610	21.7	67.4	-	-	-
Indicated		1,024,287			464	1.42	-	-	-	549	15.3	46.8	-	-	-
Total			2,334,953		492	1.52	-	-	-	584	37.0	114.2	-	-	-
Inferred				2,227,956	417	1.32	-	-	-	496	29.9	94.5	-	-	-
Pallancata															
Measured	2,017,132				439	1.91	-	-	-	553	28.5	123.6	-	-	-
Indicated		1,000,005			379	1.57	-	-	-	473	12.2	50.6	-	-	-
Total			3,017,137		419	1.80	-	-	-	527	40.6	174.2	-	-	-
Inferred				950,743	376	1.51	-	-	-	466	11.5	46.3	-	-	-
San José															
Measured	378,861				527	8.62	-	-	-	1,044	6.4	105.0	-	-	-
Indicated		969,658			445	6.58	-	-	-	839	13.9	205.0	-	-	-
Total			1,348,519		468	7.15	-	-	-	897	20.3	310.0	-	-	-
Inferred				914,296	314	4.51	-	-	-	585	9.2	132.6	-	-	-
Main operations total															
Measured	3,706,659				475	2.48	-	-	-	624	56.6	296.0	-	-	-
Indicated		2,993,950			429	3.14	-	-	-	618	41.3	302.4	-	-	-
Total			6,700,609		454	2.78	-	-	-	621	97.9	598.4	-	-	-
Inferred				4,092,994	385	2.08	-	-	-	509	50.6	273.4	-	-	-
OTHER OPERATIONS															
Ares															
Measured	543,826				144	5.45	-	-	-	471	2.5	95.2	-	-	-
Indicated		145,638			124	4.19	-	-	-	376	0.6	19.6	-	-	-
Total			689,464		140	5.18	-	-	-	451	3.1	114.8	-	-	-
Inferred				362,138	167	3.91	-	-	-	402	1.9	45.6	-	-	-
Moris															
Measured	1,205,895				4	1.30	-	-	-	82	0.2	50.3	-	-	-
Indicated		103,265			4	1.31	-	-	-	82	0.0	4.4	-	-	-
Total			1,309,160		4	1.30	-	-	-	82	0.2	54.7	-	-	-
Inferred				415,689	5	1.22	-	-	-	78	0.1	16.3	-	-	-
Other operations total															
Measured	1,749,721				48	2.59	-	-	-	203	2.7	145.5	-	-	-
Indicated		248,903			74	3.00	-	-	-	254	0.6	24.0	-	-	-
Total			1,998,624		51	2.64	-	-	-	209	3.3	169.5	-	-	-
Inferred				777,826	80	2.47	-	-	-	229	2.0	61.9	-	-	-
ADVANCED PROJECTS (100%)															
Azuca															
Measured	-				-	-	-	-	-	-	-	-	-	-	-
Indicated		-			-	-	-	-	-	-	-	-	-	-	-
Total			-		-	-	-	-	-	-	-	-	-	-	-
Inferred				3,745,984	288	1.31	-	-	-	366	34.6	157.4	-	-	-
Crespo															
Measured	1,303,461				53	0.69	-	-	-	94	2.2	28.8	-	-	-
Indicated		8,224,590			38	0.56	-	-	-	71	9.9	147.5	-	-	-
Total			9,528,050		40	0.58	-	-	-	74	12.1	176.3	-	-	-
Inferred				8,315,845	38	0.74	-	-	-	82	10.1	198.4	-	-	-
San Felipe															
Measured	1,393,716				69	0.02	7.12	3.10	0.39	315	3.1	0.9	99.26	43.15	5.50
Indicated		1,354,261			82	0.06	6.14	2.73	0.31	295	3.6	2.4	83.18	36.97	4.24
Total			2,747,977		76	0.04	6.64	2.92	0.35	305	6.7	3.3	182.45	80.12	9.74
Inferred				1,257,731	84	0.05	6.18	2.26	0.19	283	3.4	1.9	77.76	28.47	2.34
Advanced projects total															
Measured	2,697,176				61	0.34	3.68	1.60	0.20	208	5.3	29.7	99.26	43.15	5.50
Indicated		9,578,851			44	0.49	0.87	0.39	0.04	103	13.5	150.0	83.18	36.97	4.24
Total			12,276,027		48	0.46	1.49	0.65	0.08	126	18.8	179.7	182.45	80.12	9.74
Inferred				13,319,559	112	0.84	0.58	0.21	0.02	181	48.2	357.7	77.76	28.47	2.34
OTHER INVESTMENTS															
Timmins (Lake Shore)¹															
Measured	0				0	0.00	-	-	-	0	0.0	0.0	-	-	-
Indicated		1,158,465			0	8.56	-	-	-	513	0.0	318.7	-	-	-
Total			1,158,465		0	8.56	-	-	-	513	0.0	318.7	-	-	-
Inferred				319,158	0	5.74	-	-	-	344	0.0	58.9	-	-	-

Resource category	Measured (t)	Indicated (t)	Measured and indicated (t)	Inferred (t)	Ag (g/t)	Au (g/t)	Zn (%)	Pb (%)	Cu (%)	Ag Eq (g/t)	Ag (moz)	Au (koz)	Zn (kt)	Pb (kt)	Cu (kt)
Inmaculada (IMZ)²															
Measured	0				0	0.00	-	-	-	0	0.0	0.0	-	-	-
Indicated		606,620			122	3.90	-	-	-	354	2.4	75.5	-	-	-
Total			606,620		122	3.90	-	-	-	354	2.4	75.5	-	-	-
Inferred				2,296,140	147	3.40	-	-	-	350	10.8	250.9	-	-	-
Other investments total															
Measured	0				0	0.00	-	-	-	0	0.0	0.0	-	-	-
Indicated		1,765,085			42	6.96	-	-	-	459	2.4	394.9	-	-	-
Total			1,765,085		42	6.96	-	-	-	459	2.4	394.9	-	-	-
Inferred				2,615,298	129	3.69	-	-	-	350	10.9	309.9	-	-	-
TOTAL															
Measured	8,153,557				246	1.80	1.22	0.53	0.07	396	64.5	471.2	99.26	43.15	5.50
Indicated		14,586,789			123	1.86	0.57	0.25	0.03	254	57.8	871.2	83.18	36.97	4.24
Total			22,740,345		167	1.84	0.80	0.35	0.04	305	122.4	1342.4	182.45	80.12	9.74
Inferred				20,805,678	167	1.50	0.37	0.14	0.01	269	111.6	1002.9	77.76	28.47	2.34

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

1 Hochschild owns a 38% interest in Lake Shore Gold

2 Hochschild owns a 49% interest (IMZ owns the remaining 51%). IMZ can earn a 70% interest (diluting Hochschild to 30%) by completing a feasibility study by September 2013 at its sole cost and issuing to Hochschild 200,000 IMZ shares

CHANGE IN METAL AND RESOURCES FROM DECEMBER 2008 TO DECEMBER 2009

CHANGE IN TOTAL RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	December 2008	Production ¹	Movements ²	December 2009	Net difference	% change
Arcata	Resource	87.2		-7.8	79.4	-7.8	-9.0%
	Reserve	33.1	12.3	9.0	29.8	-3.3	-10.0%
Pallancata	Resource	90.9		18.0	108.9	18.0	19.8%
	Reserve	63.1	12.3	5.1	55.9	-7.2	-11.4%
San José	Resource	96.0		14.0	110.0	14.0	14.5%
	Reserve	52.3	11.4	2.8	43.7	-8.6	-16.5%
Main operations total:	Resource	274.2		24.1	298.3	24.1	8.8%
	Reserve	148.5	36.0	16.9	129.4	-19.1	-12.9%
Ares	Resource	17.5		-2.9	14.7	-2.9	-16.4%
	Reserve	8.6	3.8	-1.1	3.7	-4.9	-56.5%
Moris	Resource	7.8		-3.3	4.5	-3.3	-42.0%
	Reserve	5.2	3.2	0.8	2.8	-2.4	-46.1%
Other operations total:	Resource	25.3		-6.1	19.2	-6.1	-24.2%
	Reserve	13.8	7.0	-0.3	6.5	-7.3	-52.6%
Azuca	Resource	23.3		20.8	44.1	20.8	89.5%
	Reserve	0.0	0.0	0.0	0.0	0.0	--
Crespo	Resource	0.0		44.7	44.7	44.7	--
	Reserve	0.0	0.0	0.0	0.0	0.0	--
San Felipe	Resource	38.5		0.0	38.5	0.0	0.0%
	Reserve	0.0	0.0	0.0	0.0	0.0	--
Advanced projects total	Resource	61.7		65.5	127.3	65.5	106.2%
	Reserve	0.0	0.0	0.0	0.0	0.0	--
Timmins (Lake Shore) ³	Resource	64.8		-1.3	63.5	-1.3	-2.0%
	Reserve	49.6	0.0	-0.8	48.7	-0.8	-1.7%
Inmaculada (IMZ) ⁴	Resource	45.6		21.3	66.9	21.3	46.7%
	Reserve	0.0	0.0	0.0	0.0	0.0	--
Other investments total	Resource	110.4		20.0	130.4	20.0	18.1%
	Reserve	49.6		-0.8	48.7	-0.8	-1.7%
Total:	Resource	471.6		103.5	575.0	103.5	21.9%
	Reserve	211.9	43.0	15.8	184.6	-27.2	-12.8%

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

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

3 Hochschild owns a 38% interest in Lake Shore Gold

4 Hochschild owns a 49% interest (IMZ owns the remaining 51%). IMZ can earn a 70% interest (diluting Hochschild to 30%) by completing a feasibility study by September 2013 at its sole cost and issuing to Hochschild 200,000 IMZ shares

CHANGE IN ATTRIBUTABLE RESERVES AND RESOURCES

Ag equivalent content (million ounces)	Category	Percentage attributable	December 2008 Att. ¹	December 2009 Att. ¹	Net difference	% change
Arcata	Resource	100%	87.2	79.4	-7.8	-9.0%
	Reserve		33.1	29.8	-3.3	-10.0%
Pallancata	Resource	60%	54.6	65.3	10.8	19.8%
	Reserve		37.9	33.5	-4.3	-11.4%
San José	Resource	51%	49.0	56.1	7.1	14.5%
	Reserve		26.7	22.3	-4.4	-16.5%
Main operations total	Resource		190.7	200.8	10.1	5.3%
	Reserve		97.6	85.6	-12.0	-12.3%
Ares	Resource	100%	17.5	14.7	-2.9	-16.4%
	Reserve		8.6	3.7	-4.9	-56.5%
Moris	Resource	100%	5.4	4.5	-0.9	-17.1%
	Reserve		3.6	2.8	-0.8	-23.0%
Other operations total	Resource		23.0	19.2	-3.8	-16.5%
	Reserve		12.2	6.5	-5.7	-46.6%
Azuca	Resource	100%	23.3	44.1	20.8	89.5%
	Reserve		0.0	0.0	0.0	--
Crespo	Resource	100%	0.0	44.7	44.7	--
	Reserve		0.0	0.0	0.0	--
San Felipe	Resource	100%	38.5	38.5	0.0	0.0%
	Reserve		0.0	0.0	0.0	--
Advanced projects total	Resource		61.7	127.3	65.5	106.2%
	Reserve		0.0	0.0	0.0	--
Timmins (Lake Shore Gold) ²	Resource	35.7%	25.2	22.7	-2.6	-10.2%
	Reserve		19.3	17.4	-1.9	-9.9%
Inmaculada (IMZ) ³	Resource	49%	22.3	32.8	10.4	46.7%
	Reserve		0.0	0.0	0.0	--
Other investments total	Resource		47.6	55.4	7.9	16.5%
	Reserve		19.3	17.4	-1.9	-9.9%
Total:	Resource		323.0	402.7	79.7	24.7%
	Reserve	100%	129.2	109.6	-19.6	-15.2%

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

2 Hochschild owns a 38% interest in Lake Shore Gold

3 Hochschild owns a 49% interest (IMZ owns the remaining 51%). IMZ can earn a 70% interest (diluting Hochschild to 30%) by completing a feasibility study by September 2013 at its sole cost and issuing to Hochschild 200,000 IMZ shares

PRODUCTION

TOTAL GROUP PRODUCTION¹

	Year ended 31 December 2009	Year ended 31 December 2008	% change
Silver production (koz)	24,585	20,782	18
Gold production (koz)	211.64	193.97	9
Total silver equivalent (koz)	37,283	32,421	15
Total gold equivalent (koz)	621.38	540.34	15
Silver sold (koz)	23,563	20,593	14
Gold sold (koz)	204.09	198.32	3

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

ATTRIBUTABLE GROUP PRODUCTION¹

	Year ended 31 December 2009	Year ended 31 December 2008	% change
Silver production (koz)	18,754	16,941	11
Gold production (koz)	156.77	152.86	3
Attrib. silver equivalent (koz)	28,160	26,113	8
Attrib. gold equivalent (koz)	469.34	435.22	8

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

2009 PRODUCTION BY MINE

Arcata

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	643,059	557,870	15
Average head grade silver (g/t)	503	571	-12
Average head grade gold (g/t)	1.56	1.53	2
Concentrate produced (tonnes)	22,352	20,639	8
Silver grade in concentrate (kg/t)	13.36	13.94	-4
Gold grade in concentrate (kg/t)	0.04	0.04	-
Silver produced (koz)	9,542	9,032	6
Gold produced (koz)	28.64	24.04	19
Silver sold (koz)	8,748	8,564	2
Gold sold (koz)	26.02	22.36	16

Ares

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	341,273	347,910	-2
Average head grade silver (g/t)	96	157	-39
Average head grade gold (g/t)	4.17	6.06	-31
Doré total (koz)	947	1,608	-41
Silver produced (koz)	900	1,538	-41
Gold produced (koz)	42.59	64.16	-34
Silver sold (koz) ¹	873	2,398	-64
Gold sold (koz) ²	41.82	77.44	-46

¹ Total sale figures for Ares in 2008 include the sale of 746 koz of silver precipitates from San José.

² Total sale figures for Ares in 2008 include the sale of 11.14 koz of gold precipitates from San José.

Pallancata¹

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	922,521	468,125	97
Average head grade silver (g/t)	327	312	5
Average head grade gold (g/t)	1.43	1.49	-4
Concentrate produced (tonnes)	7,684	4,265	80
Silver grade in concentrate (kg/t)	34.09	30.54	12
Gold grade in concentrate (kg/t)	0.13	0.12	8
Silver produced (koz)	8,420	4,188	101
Gold produced (koz)	31.97	16.16	98
Silver sold (koz)	8,147	3,852	112
Gold sold (koz)	29.77	14.81	101

¹ The Company has a 60% interest in Pallancata.

Selene¹

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	109,893	269,150	-59
Average head grade silver (g/t)	217	210	3
Average head grade gold (g/t)	1.09	1.21	-10
Concentrate produced (tonnes)	1,057	3,201	-67
Silver grade in concentrate (kg/t)	18.55	15.04	23
Gold grade in concentrate (kg/t)	0.09	0.08	13
Silver produced (koz)	628	1,579	-60
Gold produced (koz)	3.02	8.50	-64
Silver sold (koz)	636	1,929	-67
Gold sold (koz)	2.96	9.93	-70

¹ Selene was closed on 28 May 2009

San José¹

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	460,971	295,963	56
Average head grade silver (g/t)	398	559	-29
Average head grade gold (g/t)	6.19	6.69	-7
Silver produced (koz)	4,998	4,381	14
Gold produced (koz)	77.08	54.26	42
Silver sold (koz)	5,072	4,588	11
Gold sold (koz)	77.22	57.70	34

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

Moris

Product	Year ended 31 December 2009	Year ended 31 December 2008	% change
Ore production (tonnes)	1,282,461	876,148	46
Average head grade silver (g/t)	5.02	5.71	-12
Average head grade gold (g/t)	1.38	1.57	-12
Silver produced (koz)	97	65	49
Gold produced (koz)	28.34	26.85	6
Silver sold (koz)	87	68	28
Gold sold (koz)	26.29	28.01	-6

