



25 March 2009

Hochschild Mining plc
Preliminary Results for the twelve months ended 31 December 2008

Operational Highlights

- 2008 production target achieved; attributable production of 26.1 million silver equivalent ounces
- Increase in plant capacity of 29% year-on-year; all mine expansions completed on schedule
- Delivered on M&A strategy with the strategic acquisitions of 40% of Lake Shore Gold, 100% of San Felipe, 50% of Liam JV, 15% of GRC¹
- Signed agreement to acquire 100% of Southwestern Resources Corp for \$17.5 million²
- Continued focus on producing profitable ounces: 2009 production target set at 28 million attributable silver equivalent ounces; 7% increase over 2008 production

Financial Highlights

- 42% increase in revenue to \$433.8 million
- Solid financial position with a year end cash balance of \$116.1 million
- Swiftly acted to address volatile market conditions by reducing costs and conserving cash holdings
- Contained unit cost per tonne inflation through increased throughput and operating efficiencies
- Financial results impacted by \$45 million of exceptional items, including an impairment of \$34.7 million relating to fixed assets
- Pre-exceptional EPS down from \$0.27 to \$0.08 following anticipated lower grades at Ares and Selene and cost inflation
- Proposed dividend of \$0.02 per share, bringing the total dividend to \$0.04 per share

(\$ millions, unless stated)	12 months to 31 December 2008	12 months to 31 December 2007	% change
Attributable silver production (koz)	16,941	13,588	25%
Attributable gold production (koz)	153	201	(24%)
Revenue	433,779	305,021	42%
Adjusted EBITDA ³	142,292	147,606	(4%)
Attributable profit after tax (before exceptionals)	24,643	81,538	(70%)
Attributable profit after tax (after exceptionals)	(19,003)	85,073	(122%)
Earnings per share (before exceptionals)	0.08	0.27	(70%)
Earnings per share (after exceptionals)	(0.06)	0.28	(121%)

¹ 10% of Gold Resource Corp ("GRC") was acquired on 26 February 2009

² Agreement signed on 23 March 2009 and is subject to the approval of Southwestern's shareholders

³ 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.

Eduardo Hochschild, Executive Chairman of Hochschild Mining commented:

"We have delivered a creditable performance in a volatile trading climate. I am pleased that, despite difficult conditions, we have once again achieved all our operational targets, completing expansions at three of our six mines and increasing capacity by 29%. Our 2009 production target is 28 million silver equivalent ounces, representing a 7% increase on 2008.

We may face volatile markets but the cost saving measures we swiftly implemented at the end of last year ensure that we are in a sound financial position and well placed to deliver our long term growth strategy. With solid assets, an excellent project pipeline and an enthusiastic and dedicated management team, we are well positioned for the coming year.”

A conference call will be held at 9.30am (London time) on Wednesday 25 March 2009 for analysts and investors.

Dial in details as follows:

UK +44 (0)203 037 9098

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

UK +44 (0)208 196 1998
Access code: 7521788#

Enquiries:

Hochschild Mining plc
Isabel Lütgendorf +44 (0)20 7907 2934
Head of Investor Relations

Ignacio Rosado +511 437 6007
Chief Financial Officer

Finsbury
Robin Walker +44 (0)20 7251 3801
Public Relations

About Hochschild Mining plc:

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

Chairman's Statement

2008 was a challenging year. The global economy was heavily impacted by the financial crisis in 2008 and many companies struggled to survive. Whilst the economic turmoil was certainly negative for Hochschild in the short term, it also gave us the opportunity to focus on what has always been our priority - to produce profitable ounces.

Precious metals prices, particularly silver, fell sharply during the second half of the year. While other mining companies were waiting for prices to adjust, we were aggressively making plans to prepare the business for future challenges. In November, we announced a number of measures to ensure that we continued to mine profitable ounces, including: 150 redundancies, a freeze on non-essential capex, cuts in our exploration budget and the delay of San Felipe, our zinc project in northern Mexico. At the end of 2008 and in the first three months of 2009, we sold forward 10.7 million ounces of our 2009 silver equivalent production (comprised of 8.9 million ounces of silver and 30 thousand ounces of gold) to ensure a more stable cash flow which will fund operating capex and future M&A initiatives.

In our forty years as underground miners, this is not the first time that we have needed to react to volatile precious metals prices. The speed at which we implemented these changes shows that we are well prepared to address price volatility. In 2009, prices have readjusted and we are now a leaner, fitter company, benefiting from an improving price environment.

Revenue for the year increased by 42% to \$433.8 million whilst operating profit decreased by 17% to \$86.3 million, mostly due to lower realisable silver prices, the anticipated decline in average grades at Ares and Selene, cost inflation and higher treatment charges. As a consequence, pre-exceptional EPS has decreased from \$0.27 to \$0.08. Our results were also significantly impacted by \$45 million of exceptional items, including an impairment of \$34.7 million relating to fixed assets (Selene, Moris and San Felipe).

We continue to enjoy a healthy balance sheet with a year end cash balance of \$116.1 million. This, in conjunction with cash generated from our operations and more stable inflows guaranteed by our short term forward sales, will allow us to pursue our growth strategy: maximising profit through organic growth, exploration and carefully selected acquisitions.

Organic growth

I am very proud to say that we have delivered on all our production targets since our IPO in 2006. We produced 26.1 million silver equivalent ounces in 2008 and we are now the world's third largest primary silver producer.

Our 2008 production target was set at a challenging level and meeting it has not been an easy feat in a year when we were also expanding three of our six operations – Arcata (+46%), Selene (+50%) and San José (+100%). All our plant expansions were successfully completed on time and since the IPO, overall production capacity has more than doubled. Including Moris, our only open pit mine, production capacity has increased by 264%.

As industry costs increased, we had to be particularly vigilant with regard to unit cost per tonne inflation, which was contained at an increase of 14.3%. Including Moris, unit cost per tonne was flat year on year. This has been achieved through a mix of strong operational management, sound planning and efficient procurement.

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. Since January 2008, our exploration efforts have been led by Raymond Jannas, the new Vice President of Exploration & Geology who has over 30 years experience in this field mainly working in the Americas. Raymond is responsible for driving forward the exploration effort for the Group and developing our pipeline for future growth.

Azuca

Azuca is a 100% owned project located in southern Peru, in close proximity to our existing operations. In 2008 we identified two laterally extensive mineralized vein systems which have resulted in the development of a significant inferred resource totalling 1.8 million metric tonnes at 327 g/t Ag and 1.34 g/t Au, containing 23.3 million silver equivalent ounces. Drilling extensions at the Azuca and Canela veins look very promising and we believe that there is a high probability that an additional resource will be defined in 2009.

Encrucijada

Encrucijada, which is located in Chile, is a joint venture project with Andina Minerals Inc, in which we can earn a 60% interest. In 2008 we achieved some particularly encouraging results as a result of a first-pass core drilling program. The most promising vein intercepts include; 1.4mt at 3.87 g/t Au, 344 g/t Ag (538 g/t Ag equivalent); 1.6mt at 2.47 g/t Au, 85 g/t Ag (209 g/t Ag equivalent), 0.2mt at 0.9 g/t gold and 2,378 g/t silver (2,422 g/t silver-equivalent) in separate drill holes. In 2009, we plan to expand our drilling program to evaluate two new targets.

M&A growth

In 2008, 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 \$254 million during the year. Our 40% investment in Lake Shore Gold is an example of this strategy, providing us with a phased, low-risk exposure to high-grade gold deposits in a mineral rich region of Canada and adding a new cluster to our portfolio.

In June 2008, the Group acquired 100% of the San Felipe project, our advanced development project in northern Mexico, for \$51.5 million. As a result of declining zinc prices in the second half of the year and our commitment to reduce capex, in November we decided to delay the development of this project. However, we remain confident about the long term potential of San Felipe and will continue to review the timing of the project.

In Peru, we purchased 50% of Liam, a joint venture (JV) with Southwestern Resources Corp. ("Southwestern"). Southwestern is a Canadian listed mineral exploration company with a number of gold, silver and base metals projects in southern Peru. The Liam JV comprises a 282,000 hectare land package in very close proximity to our four existing operations. In 2009, we entered into a binding agreement to acquire the remaining 50% of the Liam JV through the purchase of 100% of Southwestern, for a total cash consideration of \$17.5 million. The acquisition, which is subject to the approval of Southwestern's shareholders, consolidates our position in one of our key operational clusters and enables us to leverage our existing infrastructure and knowledge of the regional geology.

In Mexico, we entered into a strategic alliance with Gold Resource Corporation ("GRC") and after the year end, we increased our ownership interest in GRC from 5% to 15%. GRC is a precious metals mining company with a number of high grade development and exploration projects in southern Mexico, including El Aguila which is scheduled to begin production in 2009.

We also made an offer to acquire Minera Andes or its stake in the San José project, in order to ensure that the project would be fully financed. Although our offer was not accepted, Minera Andes was able to meet its obligations at San José by other means. We look forward to working with Minera Andes to continue to develop the operation and realise its full potential.

With a solid balance sheet, we are well positioned to benefit from current market opportunities and looking forward, we expect to continue growing through carefully selected M&A.

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 2008, we reduced our accident frequency rate by 24% compared to 2007. Nonetheless, it is with deep regret that I report one mine fatality in 2008. We are addressing the underlying safety deficiencies that led to the occurrence of this tragic event.

The impact of market conditions on our full year results means that the 8% profit sharing that our Peruvian employees are entitled to under Peruvian law will be lower and this is creating a challenge for us. As announced on 23 March 2009, mining industry workers in Peru in general are expecting profit sharing to remain at similar levels to previous years and, as a result, there has been industrial action at our four Peruvian operations. The stoppage is not currently impacting our full year production target and we remain confident that a negotiated solution can be reached.

Board changes

During the year, we announced the appointments of Miguel Aramburú, CEO and Ignacio Rosado, CFO to the board of directors. I would like to thank them and all our employees for the hard work that has enabled Hochschild Mining to progress on its strategic goals.

I would also like to take this opportunity to thank Alberto Beeck, who stepped down from the Board of Directors in September 2008, for his significant contribution to the Group.

Dividend

Despite the cashflow generated by the Company, the board has agreed that in the current climate, it is sensible to conserve cash and ensure that the business is well funded to further its growth strategy. It has therefore concluded that a reduced dividend of \$0.02 per ordinary share is proposed for the six months to 31 December 2008, resulting in a total dividend for the year of \$0.04 per ordinary share. We will keep dividend policy under review to ensure that we manage the business in a way that maximises long term shareholder return.

Outlook

Going into 2009, Hochschild is a leaner, fitter company that is well positioned to face the challenges ahead, with a firm focus on producing profitable ounces.

Our attributable production target for 2009 is 28 million silver equivalent ounces (at the Company's current conversion ratio of 60:1), comprising approximately 19.1 million ounces of silver and 148.2 thousand ounces of gold, representing a year-on-year increase of 7%. In addition, Lake Shore Gold is targeting 30,000 ounces of gold in 2009 which would equate to 0.72 million attributable silver equivalent ounces. We remain extremely optimistic about Lake Shore Gold's growth profile.

We expect unit cost per tonne to decrease due to expansions and lower projected input prices. We will continue to responsibly manage our operations and will not hesitate to close or put into care and maintenance mines that are considered uneconomic.

The financial crisis continues to have an impact on the sector and we believe that this creates interesting opportunities for a company with Hochschild's financial strength and established record as a partner of choice in the Americas. We will continue to take a disciplined approach to M&A, focusing on mid sized, underground precious metals projects in the Americas, preferably located around existing clusters.

In order to ensure more stable cashflow to fund operating capex and future M&A, we sold forward 10.7 million ounces of our 2009 silver equivalent production during late 2008 and early 2009. The fundamentals for silver and gold are strong and we therefore remain extremely positive about the long term prospects for precious metals and have not sold forward any of our 2010 production. At this time we do not plan to undertake any further forward sales contracts for 2009 production.

The measures we swiftly implemented at the end of last year ensure that 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. With our solid assets, excellent project pipeline and professional and dedicated management team, we are well positioned for the coming year.

Eduardo Hochschild
Executive Chairman

OPERATIONAL REVIEW

Production

In line with guidance for the year, the Company achieved total attributable silver production of 26.1 million ounces, comprising 16.9 million ounces of silver and 152.9 thousand ounces of gold.

Attributable silver production increased 25% year-on-year representing strong silver production at Arcata, Pallancata and San José. Attributable gold production decreased by 24% due to anticipated lower grades at Ares and Selene, but this was partially offset by an increase in production at our other operations.

For further information on production, see tables on pages 47 to 49.

As a result of the expansions completed in 2008, the Group's plant capacity has increased by 29%, with full benefits to accrue in 2009. Capacity at San José doubled to 530 ktpa while Arcata's capacity has been expanded by over 46% from 424 to 618 ktpa. Throughput at the Selene plant, which also processes ore from Pallancata, has increased by 50% from 706 to 1,059 ktpa. Hochschild has more than doubled plant capacity since its IPO in November 2006 demonstrating once again its ability to deliver projects on schedule. Including Moris, our only open pit mine, production capacity increased by 263%.

Hochschild's attributable production target for 2009 is 28 million attributable silver equivalent ounces (at the Company's current conversion ratio of 60:1), comprising approximately 19.1 million ounces of silver and 148.2 thousand ounces of gold. This represents a year-on-year increase of 7%. The 2009 production target of 28 million silver equivalent ounces only forecasts Selene's production through to June. See page 8 for further detail on Selene.

In addition to the Group's production of 28 million attributable silver equivalent ounces, Lake Shore Gold, in which we have a 40% investment, is expected to produce up to 30,000 ounces of gold in 2009 (which would equate to 0.72 million attributable silver equivalent ounces). We remain optimistic about Lake Shore Gold's growth profile.

To ensure that we are mining profitable ounces, we have increased cut-off grades in our underground mines by an average of 18%. This has impacted our reserve base as marginally economic ore is excluded from reserves. The combined effect of the change in cut-off grades and the increase in capacity implemented last year, resulted in a decrease in average mine life from 4.6 to 3.2 years* based on reserves as at 31 December 2008. However, we remain committed to replenishing and expanding our resource base and we have an extremely successful record of converting resources to reserves.

**Reserve life of mine relates to our underground operations. Moris, our only open pit mine, has a different operational profile and is therefore not included*

Peru

Arcata

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	557,870	415,400	34%
Average head grade silver (g/t)	571.37	560.04	2%
Average head grade gold (g/t)	1.53	1.43	7%
Concentrate produced (tonnes)	20,639	16,665	24%
Silver grade in concentrate (kg/t)	13.94	12.12	15%
Gold grade in concentrate (kg/t)	0.04	0.03	33%

Silver produced (koz)	9,032	6,553	38%
Gold produced (koz)	24.04	16.48	46%
Silver sold (koz)	8,564	6,544	31%
Gold sold (koz)	22.36	15.50	44%

Arcata enjoyed another successful year with silver production up 38% and gold production up 46% year on year. These increases were a result of the plant expansion completed during the year as well as consistent grades and recoveries.

In 2008, we sold Arcata's concentrate production to Peñoles, Traxys, Cormin, Louis Dreyfus and a small fraction to Doe Run.

Exploration

Stated on an attributable basis	As at 31 December 2008*	As at 31 December 2007	% change
Resources	3.94 mt @ 583 g/t Ag & 1.75 g/t Au	3.58 mt @ 526 g/t Ag & 1.41 g/t Au	
Resource (moz Ag eq)	87.2	70.3	24%
Reserves	1.61 mt @ 541 g/t Ag & 1.62 g/t Au	1.84 mt @ 476 g/t Ag & 1.19 g/t Au	
Reserve (moz Ag eq)	33.1	32.4	2%

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

During 2008, we incorporated 1,112,254 metric tonnes with 1.4 g/t Au and 525 g/t Ag (21.7 million ounces of silver equivalent) into indicated resources and 1,032,896 metric tonnes with 1.4 g/t Au and 517 g/t Ag (19.8 million ounces of silver equivalent) into reserves. We continue to increase reserves and resources in the Mariana, Julia, Michelle, Soledad, Ramal Marion, Nicole and Soledad Norte veins. We are also exploring two new veins, Rosita and Luz and secondary structures mainly between Marion and Macarena (35,251 metres drilled in 132 holes; 4,478 metres of underground workings). Exploration potential is open at depth and along strike for these veins.

The 2009 exploration programme focuses on adding new reserves and resources primarily in the Rosita, Luz, Mariana and Nicole veins, as well as exploring new targets north of the Mariana structure through underground workings and drilling.

Ares

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	347,910	333,800	4%
Average head grade silver (g/t)	156.95	279.25	(44%)
Average head grade gold (g/t)	6.06	14.57	(58%)
Doré total (koz)	1,608	2,593	(38%)
Silver produced (koz)	1,538	2,701	(43%)
Gold produced (koz)	64.16	149.98	(57%)
Silver sold (koz)	2,398	2,880	(17%)

Gold sold (koz)	77.44	157.77	(51%)
-----------------	-------	--------	-------

As anticipated and previously disclosed, the average reserve grade at Ares is declining due to the ageing and geological nature of the deposit. As a consequence, gold and silver production decreased 57% and 43% respectively. Ares produces 100% doré, all of which was sold to Johnson Matthey in 2008.

Exploration

Stated on an attributable basis	As at 31 December 2008*	As at 31 December 2007	% change
Resources	1.02 mt @ 183 g/t Ag & 5.89 g/t Au	0.96 mt @ 191 g/t Ag & 5.89 g/t Au	
Resource (moz Ag eq)	17.5	16.8	4%
Reserves	0.65 mt @ 120 g/t Ag & 4.86 g/t Au	0.84 mt @ 183 g/t Ag & 5.94 g/t Au	
Reserve (moz Ag eq)	8.6	14.6	(41%)

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

During 2008 we drilled 5,690 metres and developed 1,062 metres of underground workings that resulted in 178,954 metric tonnes with 5.1 g/t Au and 96 g/t Ag (2.3 million ounces of silver equivalent). We are continuing to replace the ore in splays and tensional structures in the Victoria vein system.

We tested a new geological model with 19 drill holes (6,226 metres) exploring the Apolo, Maria, Teresa and Tania vein targets, sub-parallel to the major success at the main Victoria system. In 2009, our exploration efforts will focus on developing resources and reserves at the Isabel, Tania and Maruja veins, located north of Victoria.

Selene

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	269,150	413,622	(35%)
Average head grade silver (g/t)	209.52	295.79	(29%)
Average head grade gold (g/t)	1.21	2.01	(40%)
Concentrate produced (tonnes)	3,201	4,010	(20%)
Silver grade in concentrate (kg/t)	15.04	26.83	(44%)
Gold grade in concentrate (kg/t)	0.08	0.17	(53%)
Silver produced (koz)	1,579	3,414	(54%)
Gold produced (koz)	8.50	21.62	(61%)
Silver sold (koz)	1,929	3,644	(47%)
Gold sold (koz)	9.93	22.03	(55%)

As anticipated and previously disclosed, the average reserve grade at Selene is declining due to the ageing and geological nature of the deposit. As a consequence, gold and silver production decreased 61% and 54% respectively.

Selene produced an average of 22,000 tonnes of ore per month in 2008; however, this number is expected to decrease to approximately 15,000 tonnes per month in 2009. Although Selene has 1.2 million tonnes of total resources, a high level of capital expenditure would be required to extract these ounces. As announced in our Q408 Production Report in January 2009, the Company's focus for 2009 is to deliver profitable production and we will therefore reduce production, close, or put into care and maintenance any mines that are considered uneconomic. As a consequence, Selene is under consideration for closure. Selene's plant, which was upgraded during the year, will continue to process ore from Pallancata. The 2009 production target of 28 million silver equivalent ounces only forecasts Selene's production through to June with a significant decline in tonnage over this 6 month period.

In 2008, more than 60% of Selene's production was converted into doré at the Ares plant and sold to Johnson Matthey. The remaining concentrate was sold on a spot basis primarily to Teck Cominco, Norddeutsche Affinerie AG and in blends with Arcata to Cormin.

Exploration

Stated on an attributable basis	As at 31 December 2008*	As at 31 December 2007	% change
Resources	1.20 mt @ 248 g/t Ag & 1.35 g/t Au	1.79 mt @ 241 g/t Ag & 1.34 g/t Au	
Resource (moz Ag eq)	12.7	18.5	(31%)
Reserves	0.13 mt @ 268 g/t Ag & 2.00 g/t Au	0.81 mt @ 269 g/t Ag & 1.68 g/t Au	
Reserve (moz Ag eq)	1.6	9.6	(83%)

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

During 2008, we executed 11,335 metres of diamond drilling at the Martha-Eva, Tumiri, Timida, Explorador and Pucanta veins. We achieved a minor development of resources, converting 290,716 metric tonnes at 1.5 g/t Au and 189 g/t Ag (2.6 million ounces silver equivalent) into reserves. However, grades are lower than those historically found at Selene due to the ageing nature of the mine. As the exploration results have deteriorated over time, in 2009 we will focus on compiling all geological information and re-interpreting the data to define possible new drill targets.

Pallancata

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	468,125	78,335	498%
Average head grade silver (g/t)	312.18	310.02	1%
Average head grade gold (g/t)	1.49	1.49	0%
Concentrate produced (tonnes)	4,265	638	568%
Silver grade in concentrate (kg/t)	30.54	34.28	(11%)
Gold grade in concentrate (kg/t)	0.12	0.13	(8%)
Silver produced (koz)	4,188	704	495%
Gold produced (koz)	16.16	2.76	486%
Silver sold (koz)	3,852	550	600%
Gold sold (koz)	14.81	2.03	630%

Pallancata, which commenced production in the third quarter of 2007, is a venture with International Minerals Corporation ("IMC") in which we control 60% and act as the mine operator. Pallancata exemplifies our cluster consolidation strategy. Its close proximity to Selene enables us to leverage existing infrastructure as ore from the operation is transported 22 kilometres to the plant at Selene for processing. Selene's plant was expanded in 2008 from 2,000 to 3,000 tpd to accommodate the anticipated growth in production at Pallancata.

Pallancata recorded strong production results in its first full year of operation, with silver and gold production increasing 495% and 486% year on year to 4,188 koz and 16.16 koz respectively.

In 2008 the silver/gold concentrate from Pallancata was sold to Teck Cominco.

Exploration

Stated on an attributable basis	As at 31 December 2008*	As at 31 December 2007	% change
Resources	3.32 mt @ 411 g/t Ag & 1.68 g/t Au	3.22 mt @ 397 g/t Ag & 1.42 g/t Au	
Resource (moz Ag eq)	54.6	49.9	9%
Reserves	2.58 mt @ 366 g/t Ag & 1.51 g/t Au	2.13 mt @ 289 g/t Ag & 1.24 g/t Au	
Reserve (moz Ag eq)	37.8	24.9	52%

**2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades*

Underground workings at the Pallancata Central, Ramal Central, Cimoide 1, María and Sofía veins resulted in a major conversion of resources into reserves of 3,080,459 metric tonnes at 1.3 g/t Au and 396 g/t Ag (47.5 million ounces of silver equivalent).

In addition, we drilled 5,332 metres in 67 drill holes at the Pallancata-Oeste, Pallancata-Central veins and associated secondary structures, developing an inferred resource of 699,102 metric tonnes at 1.4 g/t Au and 368 g/t Ag (10.1 million ounces of silver equivalent).

The 2009 exploration program will focus on 15,220 metres of drilling at the Virgen del Carmen, San Javier and Mariana that have high grade silver potential.

Argentina

San José

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	295,963	92,974	218%
Average head grade silver (g/t)	559.11	538.38	4%
Average head grade gold (g/t)	6.69	7.08	(6%)
Silver produced (koz)	4,381	958	357%
Gold produced (koz)	54.26	14.96	263%
Silver sold (koz)	4,588	92	4,887%
Gold sold (koz)	57.70	1.49	3,772%

San José, the Group's operation in Argentina, commenced production in the second quarter of 2007. San José is a venture with Minera Andes in which we control 51% and act as the mine operator. We remain very positive about the potential at San José, reflected by the plant expansion undertaken in 2008 which doubled capacity from 750 to 1,500 tonnes per day.

Inventories were higher than expected in the fourth quarter primarily due to a temporary furnace malfunction which has now been resolved. In addition, sales were impacted by the early closure of a customer's refinery for the Christmas holiday period.

After the year end, we made an offer to acquire Minera Andes or its stake in the San José project, in order to ensure that the project would be fully financed. Although our offer was not accepted, Minera Andes was able to meet its obligations at San José by other means.

In 2008, we sold the doré produced at San José to Argor Heraeus S.A., a licensed trader, smelter and assayer based in Switzerland. The concentrate produced at the operation was sold to Norddeutsche Affinerie AG.

Exploration

Stated on an attributable basis	As at 31 December 2008*	As at 31 December 2007	% change
Resources	1.68 mt @ 467 g/t Ag & 7.30 g/t Au	1.59 mt @ 473 g/t Ag & 7.09 g/t Au	
Resource (moz Ag eq)	49.0	45.9	7%
Reserves	0.83 mt @ 522 g/t Ag & 7.90 g/t Au	1.37 mt @ 403 g/t Ag & 6.01 g/t Au	
Reserve (moz Ag eq)	26.7	33.7	(21%)

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades and methodology

In 2008 we drilled 14,453 metres in 60 drill holes along the Odin, Ayellen and Ramal Frea veins. Another 4,24 metres in 20 holes were drilled at extensions of the Huevos Verdes, Frea and Kospi veins increasing the mineralization potential of these structures.

Mexico

Moris

Production and sales

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	876,148	338,304	159%
Average head grade silver (g/t)	5.71	4.69	22%
Average head grade gold (g/t)	1.57	1.65	(5%)
Silver produced (koz)	65.07	12.63	415%
Gold produced (koz)	26.85	5.58	381%
Silver sold (koz)	68.27	6.44	960%
Gold sold (koz)	28.01	3.26	759%

Moris, which commenced production in August 2007, is a venture with EXMIN in which we control 70% and act as the mine operator. Moris is the Group's only open pit mine but provided a key stepping stone into Mexico, which is of key strategic importance to the Group.

Production at the operation more than doubled to 876 thousand tonnes in 2008. Gold recoveries at Moris are expected to increase in 2009 as a result of a more stable plant process. In 2008, we sold all of the gold/silver doré produced at Moris to Johnson Matthey.

Exploration

Stated on an attributable basis	As at 31 December 2008	As at 31 December 2007	% change
Resources	2.10 mt @ 5 g/t Ag & 1.26 g/t Au	2.44 mt @ 5 g/t Ag & 1.33 g/t Au	
Resource (moz Ag eq.)	5.4	6.6	(18%)
Reserves	1.24 mt @ 5 g/t Ag & 1.44 g/t Au	1.77 mt @ 5 g/t Ag & 1.50 g/t Au	
Reserve (moz Ag eq.)	3.6	5.4	(33%)

Acquisitions and investments

Expansion through investment and acquisition is a key element of our strategy. We have maintained our disciplined approach in 2008, focusing on mid-sized, underground precious metals projects in the Americas, particularly in our existing clusters, which we believe will create long term shareholder value. During 2008 and in early 2009, we secured a number of strategic investments in key mining districts with a total spend of \$284.5 million, of which \$254 million was invested during 2008.

In the first half of 2008 we acquired 40% of Lake Shore Gold for a total of \$164 million, providing us with exposure to reasonably priced, high-grade gold deposits in the Timmins mining district of Northern Ontario, Canada. The company has a strong pipeline of projects, from grass roots through to advanced exploration as well as a proprietary database of exploration targets and is expected to produce up to 30,000 ounces of gold in 2009 (which would equate to 0.72 million attributable silver equivalent ounces). We view this as an important strategic investment and have three positions on the board.

In 2009 we participated in Lake Shore Gold's equity financing and maintained our ownership at 40% by investing a further \$18.5 million. Proceeds from the financing will be used for underground rehabilitation and development work at the company's 100% owned Bell Creek mine and Vogel properties in support of an advanced underground exploration program, exploration expenditures at the Timmins, Thunder Creek, Casa Berardi and other exploration properties, and for general corporate purposes.

In June 2008 we acquired 100% of the San Felipe project, our advanced development project in northern Mexico. As a result of declining zinc prices in the second half of the year and our commitment to reduce capex, in November we decided to delay the development of this project. However, we remain confident about the long term potential of San Felipe and will continue to review the timing of the project.

In line with our cluster strategy, we further consolidated our position in southern Peru via the acquisition of a 50% interest in the Liam JV with Southwestern for a total consideration of US\$33.3 million. The 282,000 hectare property has significant strategic importance for Hochschild as it is in close proximity to our four existing operations; Arcata, Ares, Selene and Pallancata. The acquisition was completed in August 2008.

In 2009, we entered into a binding agreement, subject to the approval of Southwestern's shareholders, to acquire the remaining 50% of the Liam JV through the purchase of 100% of Southwestern, for a total cash consideration of \$17.5 million. Southwestern is a Canadian listed mineral exploration company with a number of gold, silver and base metals projects in southern Peru. The acquisition consolidates our position in one of our key operational clusters and enables us to leverage our existing infrastructure and knowledge of the regional geology.

In November 2008, we made a \$5 million investment in Gold Resource Corp, an underground precious metals mining company with a number of high grade development and exploration projects in southern

Mexico. We have subsequently exercised our option to invest a further \$13 million in GRC and as a result we now hold 15% of the company and are extremely confident about the potential of the business.

Exploration

We remain committed to our long term goal of achieving a resource and reserve life of 4.0 years at each of our operations and in 2008 spent \$23.8 million on exploration.

We remain extremely positive about our project pipeline which currently has numerous opportunities in Peru, Argentina, Mexico, Chile and Canada at various stages of development. We are constantly evaluating opportunities, with a clear focus on mid-sized, high grade, underground precious metals deposits in key mining districts:

Peru

Azuca

Azuca is a 100% owned project located in southern Peru, in close proximity to our existing operations. Successful exploration at Azuca during 2008 has identified two laterally extensive mineralised vein systems; Azuca and Canela. Additional mineralised vein systems have been identified at the property and their continuity and metal content will be confirmed in 2009.

Core drilling of approximately 15,000 metres in 53 holes at this exciting new discovery resulted in the development of a significant resource in the inferred category along two ore shoots in the Azuca vein, totalling 1,776,034 metric tonnes at 327 g/t Ag and 1.34g/t Au (408 g/t Ag-equivalent) containing 23.3 million ounces of silver-equivalent.

Drilling to the east of Azuca and along the Canela vein looks very promising, indicating that there is potential for additional resource to be defined in 2009. Metallurgical recoveries are slightly above 90% for both gold and silver.

Liam JV

To date, 38 prospects have been identified and partially evaluated.

The most important is the Crespo project where previous exploration led to the drilling of approximately 6,400 metres in 41 holes. Drilling results have allowed the internal calculation of a mineralised potential at Crespo of 12.5 million metric tonnes at 0.77 g/t Au and 39.4 g/t Ag, containing 0.4 moz Au and 15.8 moz Ag. Initial core drilling focused on defining distinct zones containing structures with higher grade mineralization (above 300g/t Ag equivalent). A total of 352 metres was completed in 6 holes. Results include 14.5 metres at 328 g/t Ag equivalent and 11 metres at 327 g/t Ag equivalent.

Data review, core re-logging and preliminary exploration work were also carried out at the Huacullo, Astana-Farallón and Ibel prospects. These areas will be a significant part of the 2009 generative program in Peru.

Inmaculada

The Inmaculada project is part of a JV agreement with Ventura Gold, in which Hochschild has a 49% ownership interest. Ventura Gold recently reported the first independent inferred mineral resource estimate at the Inmaculada project as per National Instrument 43-101 by Micon of 3.7 million tonnes at an average grade of 4.0 g/t Au and 139 g/t Ag containing 483,000 ounces Au and 16.6 million ounces Ag (as at 5 January 2009).

Chile

Encrucijada

Encrucijada is part of a JV agreement with Andina Minerals Inc, signed in February 2008, in which Hochschild can earn a 60% interest in the property. Detailed surface exploration has defined four areas of interest (Millaray, Central, Curicala and Norte). A first pass core drilling program was completed in the Millaray area totalling 1,561 million tonnes in 10 holes. The Quillay and Millaray veins have been recognised at above 400 metres along strike and to 130 million tonnes depth. In 2009, detailed exploration will be performed at the Central, Curicala and Norte areas to define drillable targets for follow-up.

Vaquillas project

A joint venture letter of intent with Iron Creek Capital Corp. to explore the precious metal properties within their Vaquillas project was signed in September 2008. Under the terms of the agreement Hochschild can earn-in a 60% interest in the Vaquillas project by contributing \$6.75 million over a 5 year period. Field work started during the first week in October on the Inti claims followed by a 2,100 metre reverse circulation drill program (9 holes) that was completed in December. Sample results from the drilling program show no significant mineralization, with the exception of drill hole 3 which intersected 1m of 326 g/t Ag. The remaining targets will be explored during 2009.

FINANCIAL REVIEW

Key performance indicators:

(before exceptional items, unless otherwise indicated)

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2008	Year ended 31 December 2007	% change
Revenue	433,779	305,021	42%
Attributable silver production (koz)	16,941	13,588	25%
Attributable gold production (koz)	153	201	(24%)
Cash costs (\$/oz Ag co-product) ¹	7.05	4.40	60%
Cash costs (\$/oz Au co-product) ¹	469	212	121%
Adjusted EBITDA ²	142,292	147,606	(4%)
Earnings per share	\$0.08	\$0.27	(70%)
Cash flow from operating activities	78,641	21,404	267%
Reserve life of mine (years) ³	3.2	4.6	(30%)

¹ Cash costs are calculated to include cost of sales, treatment charges, and selling expenses less depreciation included in cost of sales. The calculation used in 2007 has been adjusted to include: (i) the termination benefits of mine workers (this amount was previously included in administrative expenses) and (ii) a change in the allocation of depreciation and amortisation in cost of sales.

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

³ Reserve life of mine relates to our underground operations. Moris, our only open pit mine, has a different operational profile and is therefore not included

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

Full year revenue from continuing operations, net of commercial discounts, increased by 42% to \$433.8 million (2007: \$305.0 million), comprising silver revenue of \$264.1 million and gold revenue of \$169.2 million. The increase was mainly as a result of a higher amount of silver ounces sold and higher gold prices. In 2008, silver accounted for 61% and gold for 39% of consolidated revenue compared to 59% and 41% respectively in 2007. Gross revenue increased 46% to \$463.4 million in 2008 (2007: \$317.4 million).

Silver: Gross revenue from silver increased 52% in 2008 to \$288.8 million (2007: \$190.5 million). This change reflects a 50% increase in total ounces sold, partly offset by lower realised silver prices, which were down 2% year on year. The total amount of silver ounces sold in 2008 was 20,593 koz (2007: 13,717 koz).

Gold: Gross revenue from gold increased 38% in 2008 to \$174.6 million (2007: \$126.8 million). This change was a result of higher realised gold prices, up 35% in 2008. The total amount of gold ounces sold in 2008 was 198.3 koz in 2008 (2007: 202.1 koz).

Commercial discounts: Commercial discounts mostly refer to refinery charges for processing mineral ore and are discounted from revenue on a per tonne or per ounce basis. In 2008, commercial discounts were \$30.2 million representing a 127% increase on 2007. This was partly due to the Group producing a higher amount of concentrate in 2008 resulting from a full year's production at both Pallancata and San José

(which commenced production in Q3 2007). In addition, we incurred higher treatment charges for concentrate in most mines given the less favourable market conditions. The ratio of commercial discounts to gross revenue increased from 4% in 2007 to 7% in 2008.

Revenue by mine

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2008	Year ended 31 December 2007	% change
<u>Silver revenue</u>			
Arcata	119,284	94,754	
Ares	38,196	38,078	
Selene	29,168	48,593	
Pallancata	48,207	8,342	
San José	52,942	744	
Moris	992	26	
Commercial discounts	(24,712)	(11,697)	111%
Net silver revenue	<u>264,077</u>	<u>178,840</u>	<u>48%</u>
<u>Gold revenue</u>			
Arcata	20,344	11,924	
Ares	67,899	97,469	
Selene	8,714	14,807	
Pallancata	13,214	1,749	
San José	40,095	532	
Moris	24,380	347	
Commercial discounts	(5,423)	(1,578)	244%
Net gold revenue	<u>169,223</u>	<u>125,250</u>	<u>35%</u>
Other revenue ¹	<u>479</u>	<u>931</u>	<u>(49%)</u>
Total revenue	<u><u>433,779</u></u>	<u><u>305,021</u></u>	<u><u>42%</u></u>

¹ Other 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.

Average realisable prices

Average realisable precious metals prices, which include commercial discounts, for the twelve months to 31 December 2008 were \$853.28/oz for gold and \$12.82/oz for silver. The average realisable price for the year was negatively impacted by the significant fall in precious metals prices in the second half of 2008 when silver decreased by an average of 39% and gold by 7%.

	Twelve months to 31 December 2008	Twelve months to 31 December 2007	% change
Silver (\$/oz)	\$12.82	\$13.08	(2%)
Gold (\$/oz)	\$853.28	\$634.30	35%

Forward sales contracts

The Group sold forward 778 koz of its silver 2008 production at \$10.63/oz and 1.9 koz of its gold 2008 production at \$840/oz. Both forward sales matured in January 2009.

In addition, the Group has sold forward a total of 10.7 million ounces of its 2009 silver equivalent production comprised of 8.9 million ounces of silver at an average price of \$12.09/oz and 30.0 thousand ounces of gold at an average price of \$972/oz.

Of the total amount sold forward, 3.3 million silver ounces and 1.9 thousand gold ounces were sold in December 2008 and the remaining 6.4 million silver ounces and 30.0 thousand gold ounces were sold forward in Q1 2009.

None of 2010's production has been sold forward. At this time, management does not plan to undertake any further forward sales contracts for 2009 production.

The decision to sell forward a portion of 2009 production was driven by the desire for more stable cash flows which will fund operating capex and future M&A. We remain positive about the long term prospects for silver and gold but in light of current market conditions, we believe that it is prudent to focus on cash preservation in the current financial year.

Costs

Management remains focused on cost control and during 2008 a series of productivity measures were implemented including plant expansions, changes in mining methods and procurement initiatives. This has enabled us to offset some of the industry cost inflation experienced in 2008, which was particularly prevalent in the first half of the year.

In our underground mining operations, unit cost per tonne increased by an average of 14.3% from \$69.7 in 2007 to \$79.7 in 2008. As previously indicated, the increase was driven by industry cost inflation associated with labour, materials (explosives, reagents and steel inputs), energy and supplies. Including Moris, our only open pit operation which has different cost profile to our underground mines, the Group's unit cost per tonne was flat year on year at \$59.9 (2007: \$59.7).

During the year, the average unit cost per tonne for our three original mines (Ares, Arcata and Selene), was \$70.8 representing an annual increase of 16.4%. This cost increase was mainly a result of higher prices of key inputs, such as cyanide, energy, explosives and steel balls as well as higher energy costs.

Our fourth operation in Peru, Pallancata, was also affected by industry inflationary pressure, with unit cost per tonne increasing 5.8% mostly due to higher energy and maintenance costs.

In San José, unit cost per tonne decreased by 16.6% in 2008 as a result of increased throughput and efficiency gains resulting from the optimisation of production processes at both the mine and plant. This reduction was achieved despite increases in overall inflation in Argentina (7.2% in 2008) and higher energy costs.

In Mexico, the average unit cost per tonne at Moris decreased by 2.2% to \$18.0.

Depreciation and amortisation, which is included in costs of sales, increased from \$24.7 million in 2007 to \$41.4 million in 2008. This increase was driven by the Group's higher production in 2008 and also by its greater net asset base, with six mines in operation as opposed to three in 2007.

Cash costs

Co-product cash costs include cost of sales, commercial deductions and selling expenses, less depreciation included in cost of sales. Silver/gold cash costs are total cash costs multiplied by the percentage of revenue from silver/gold, divided by the number of silver/gold ounces sold in the year. Cash costs for the year increased from \$4.40 to \$7.05 per ounce for silver and from \$212 to \$469 per ounce for gold. The increase is mainly explained by i) the expected decline in extracted grades, especially

at Ares and Selene, which accounted for approximately 79% of the total increase of silver cash cost and 53% of the total increase of gold cash cost; and ii) the higher commercial discounts due to less favourable market conditions that represent approximately 11% of the increment of silver cash cost and 8% of the increase of gold cash cost.

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

By product cash costs for the period were \$3.09 per silver ounce and (\$255) per gold ounce. (2007: (\$1.80) per silver ounce and (\$445) per gold ounce).

Administrative expenses

Administrative expenses before exceptional items totalled \$68.8 million in 2008 (2007: \$68.8 million). On a post exceptional basis, administrative expenses increased 1.6% to \$69.9 million in 2008 (2007: \$68.8 million). This was due to the one off termination benefit associated with the reduction in the Group's corporate workforce which occurred in the last quarter of 2008. This initiative, which involved 102 redundancies in administrative positions (150 positions in total), was one of a series of measures undertaken by management to reduce operating costs and preserve cash.

Selling expenses

Selling expenses increased by \$8.5 million to \$11.3 million in 2008 (2007: \$2.8 million) as a result of:

- i) Higher transportation costs due to the higher volume of concentrate sold at Arcata, San Jose and Pallancata as a result of capacity expansions and a full year production in the case of San José and Pallancata;
- ii) Increased sales in Argentina resulting in higher export duties. Export duties in Argentina are levied at 10% of revenue for concentrate and 5% of revenue for doré.

Profit from continuing operations

Profit from continuing operations before exceptional items, net finance cost, foreign exchange loss and income tax totalled \$86.3 million in 2008, representing an annual decrease of 17% (2007: \$103.9 million). The decrease is primarily the result of the expected decline in grades at Ares and Selene, higher production costs and commercial discounts, and higher depreciation and amortisation (as detailed above). Profit from continuing operations was also negatively impacted by higher selling expenses, partly offset by increased revenue generated by higher gold prices and a greater amount of silver ounces sold.

Adjusted EBITDA

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. Adjusted EBITDA decreased by 4% over the year to \$142.3 million (2007: \$147.6 million) mainly as a result of a decrease in profit from continuing operations as explained above.

Adjusted EBITDA reconciliation

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2008	Year ended 31 December 2007	% change
Profit from continuing operations before exceptional items, net finance income / (cost), foreign exchange gain / (loss) and income tax	86,268	103,930	(17%)

<i>Operating margin</i>	<u>20%</u>	<u>34%</u>	
Depreciation and amortisation in cost of sales	41,373	24,685	68%
Depreciation and amortisation in administrative expenses	1,125	525	114%
Exploration expenses	23,841	26,890	(11%)
Personnel and other exploration expenses	10,315	8,424	22%
Adjusted EBITDA	142,292	147,606	(4%)
<i>Adjusted EBITDA margin</i>	<u>33%</u>	<u>48%</u>	

Exploration expenses

In 2008, exploration expenses decreased 11% to \$23.8 million (2007: \$26.9 million) as a result of the Group's decision, announced in November 2008, to reduce expenditure. This mainly affected greenfield expenditure which decreased to \$8.8 million (2007: \$13.9 million). However, we remain committed to advancing existing projects and prospects and have therefore maintained our expenditure on brownfield and advanced project exploration, which increased by 7% to \$4.3 million (2007: \$4.0 million).

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

The Group's share of the loss of equity accounted investments in joint ventures and associates resulted in a loss of \$8.2 million, which has had an impact of \$7.4 million on attributable net earnings before exceptional items and \$0.02 on EPS. This loss comprises the Group's share of post-tax losses of its associate, Lake Shore Gold (US\$3.9 million) and its share of post tax losses of joint venture companies formed to develop the Pacapausa (\$2.1 million) and Claudia (\$2.2 million) projects.

Notwithstanding these losses recorded in the Income Statement due to this line item, we believe that these investments are valuable components of our growth strategy and will have a positive impact in the medium term.

Finance income & costs

Finance income decreased 53% to \$9.4 million in 2008 (2007: \$19.8 million) mainly due to lower interest on time deposits (\$11.2 million) as a result of lower average cash balances (\$160 million) and lower gains from changes in the fair value of financial instruments.

Finance costs increased from \$7.5 million to \$18.8 million during the period primarily due to interest on the \$200 million syndicated loan facility which was drawn down during the year.

Foreign exchange loss

The Group recognised a foreign exchange loss of \$7.1 million in 2008 (2007: \$4.4 million loss), as a result of transactions in other currencies than functional currency. The devaluation of the Peruvian sol (5%) had an impact of (\$4.1) million; the Argentinean peso (10%) had an impact of (\$3.9) million; and the Mexican peso (27%) had an impact of (\$0.7) million. These losses were partially offset by a foreign exchange gain of \$1.6 million in the UK generated by primarily as a result of the acquisition of shares in Lake Shore Gold which was effected in Canadian dollars.

Income tax

The pre-exceptional effective income tax rate in 2008 is 48.4%, compared to 30.8% in 2007. The increase in the effective income tax rate has been driven primarily by the following factors:

- i) The reduction in profit following the lower grades and increased costs at the mines has resulted in less tax being paid to the authorities compared to the prior year. However, items for which no tax relief is created (such as the tax losses arising in exploration companies, for which no deferred tax asset can be recognised, and non-deductible expenditure) did not reduce by a similar amount, and as a result they are a larger percentage of prima facie tax expense (profit before tax multiplied by the weighted average statutory tax rate) than they were in the previous year. This has resulted in a 9% increase in the pre-exceptional effective tax rate.
- ii) The significant decline in the Mexican and Argentinean pesos, and the Peruvian soles (being the currencies in which tax calculated and levied in the Group's operations), against the US dollar has resulted in the recognition of additional deferred tax liabilities, and tax being paid on taxable exchange gains which arose in the local operations. The effect of the devaluation of the local currencies was to increase the pre-exceptional effective tax rate by 7%.

On a post-exceptional basis, the effective tax rate for the Group was 243.8%. The significant increase over the post-exceptional effective tax rate for the previous year was the result of:

- i) The factors discussed above, and
- ii) The impairments of the San Felipe project, and the investments in EXMIN and Electrum Capital for which there was no deferred tax relief (refer to the "Exceptional items" discussion below).

However, the actual amount of current tax expense in 2008 was \$13.1 million compared to \$44.9 million in 2007.

Exceptional items

Exceptional items, after tax, totalled \$45 million in 2008. This mainly includes;

- i) Impairment of fixed assets: Selene, Moris and San Felipe were impaired by a total consideration of \$29.6 million, after tax;
- ii) Impairment of financial investments in: EXMIN \$8.2 million and Electrum Capital \$2.6 million; and
- iii) Other exceptional items include: the loss from changes in the fair value of financial instruments of \$4.7 million, after tax, termination benefits of \$1.1 million and impairments on accounts receivable of \$1.3 million. In addition, the Group recorded a credit of \$3.9 million mainly as a result of gains on Gold Resources' options (\$2.3 million) and on the sale of Fortuna silver shares (\$1.3 million).

Impairments of fixed assets

The Group conducts an impairment review every time indicators of impairment exist, as required by IFRS. 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. Impairment testing should be performed at an individual asset or cash-generating unit level.

Given the impact of lower precious metals prices in the second half of 2008 and the production and cost profiles of some of our operations, we have recorded a total impairment charge of \$34.7 million in 2008 (before tax) and \$29.6 million after tax which has an impact of \$0.09 on the EPS.

Selene has been written down by \$13.7 million due to declining grades at the mine and the high level of capital required to extract economic tonnage. Moris has been written down by \$5.7 million as a result of the small reserve and resource base at the operation.

In addition, we have recorded an impairment charge of \$15.4 million for the San Felipe project, which was delayed as a result of declining zinc prices in the second half of the year and our commitment to conserve cash holdings. We remain confident about the long term value of San Felipe and will continue to review the timing of the project.

Dividends

The directors recommend a final dividend of \$0.02 per ordinary share which, subject to shareholder approval at the 2009 AGM, will be paid on 28 May 2009 to those shareholders appearing on the register on 1 May 2009. 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	2009
Ex-dividend date	29 April
Record date	1 May
Deadline for return of currency election forms	5 May
Payment date	28 May

Balance sheet & cash flow review

Working capital:

<i>US\$(000) unless otherwise indicated</i>	As at 31 December 2008	As at 31 December 2007
<i>Current assets</i>		
Inventories	49,220	47,012
Trade and other receivables	123,726	134,180
<i>Current liabilities</i>		
Trade and other payables	82,291	52,176
Pre-shipment loans	49,660	23,750
Working capital	40,995	105,266

The change in the working capital position resulted from a significant increase in trade and other payables from \$52.2 million as at 31 December 2007 to \$82.3 million as at 31 December 2008 and from an increase in pre-shipment loans from \$23.8 million as at 31 December 2007 to \$49.7 million as at 31 December 2008.

Trade payables and other payables increased mainly as a consequence of increased production and higher salaries payable, as well as an increase in taxes and contributions.

Receivables were lower at the end of 2008 because of a decrease in trade receivables and the reclassification of a portion of a loan to Minera Andes from current receivables to non current receivables. The decrease was partially offset by higher prepaid expenses and VAT in Minera Suyamarca and Minera Santa Cruz.

The reduction in trade receivables is mainly explained by the change in our customers' base and selling contract terms. Trade accounts receivable comprised of amounts receivable from Cormin, Louis Dreyfus, Sudamericana Trading and Norddeutsche Affinerie.

Cashflow

Total cash decreased \$184.4 million in 2008 (2007: \$134.2 million decrease). Cash flow from operating activities increased by 267% to \$78.6 million mainly as a result of lower working capital. The increase in cash flow from operations was offset by the outflows resulting from investing activities, which totalled \$475.8 million in 2008 comparing to \$162.3 in 2007. 2008 investments included: 40% of Lake Shore Gold (\$164 million), 50% of the Liam JV (\$33.3million), 100% in San Felipe (\$51.5 million) and 5% of Gold Resource Corp. (\$5 million). In 2008, the Group incurred a higher amount of capital expenditure in operating units due to plant expansions at San José, Arcata and Selene.

Total capital expenditure:

We continue to invest in our production platform to ensure we have the infrastructure in place for future growth. In 2008, capital expenditure was \$311 million (2007: \$145 million) due to new investments in Peru, Argentina and Mexico. Industry inflation has also impacted capital expenditure in 2008.

<i>US\$(000) unless otherwise indicated</i>	Year ended 31 December 2008	Year ended 31 December 2007
Arcata	43,977	22,750
Ares	10,438	3,705
Selene	47,226	27,497
Pallancata ¹	14,619	12,190
San José ¹	80,398	62,752
Moris ¹	2,234	12,099
San Felipe ¹	63,318	667
Other	49,061	3,078
Total	311,271	144,738

¹Represents 100% of capital expenditure

The increase of \$166.6 million of capital expenditure in 2008 is primarily a result of the mine developments and expansion projects at San José, Arcata and Selene. This increase was also driven by the acquisition of 100% of San Felipe (\$51.5 million) and 50% of the Liam JV (\$33.3million).

Net debt:

<i>US\$(000) unless otherwise indicated</i>	As at 31 December 2008	As at 31 December 2007
Cash and cash equivalents	116,147	301,426
Long term borrowings	231,692	55,209
Short term borrowings less pre-shipment loans	48,410	9,419
Net debt/(net cash)	163,955	(236,798)

As a result of the syndicated loan facility of \$200 million, the Group's balance sheet changed from a net cash position of \$236.8 million to a net debt position of \$164.0 million. Part of the facility was used for M&A as described under the cash flow section.

The decrease in cash and cash equivalents from \$301 million to \$116 million was mainly explained by the increase in capital expenditure in 2008 due to plant expansions at Arcata, Selene and San José.

A conference call will be held at 9.30am (London time) on Wednesday 25 March 2009 for analysts and investors.

Dial in details as follows:

UK +44 (0)203 037 9098

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

UK +44 (0)208 196 1998
Access code: 7521788#

Enquiries:

Hochschild Mining plc
Isabel Lütgendorf
Head of Investor Relations

+44 (0)20 7907 2934

Ignacio Rosado
Chief Financial Officer

+511 437 6007

Finsbury
Robin Walker
Public Relations

+44 (0)20 7251 3801

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.

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.

Consolidated Income Statement

	Year ended 31 December 2008			Year ended 31 December 2007		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	<i>US\$ (000)</i>					
Continuing operations						
Revenue.....	433,779	—	433,779	305,021	—	305,021
Cost of sales	(240,441)	(234)	(240,675)	(106,272)	—	(106,272)
Gross profit	193,338	(234)	193,104	198,749	—	198,749
Administrative expenses.....	(68,751)	(1,127)	(69,878)	(68,817)	—	(68,817)
Exploration expenses	(23,841)	(69)	(23,910)	(26,890)	—	(26,890)
Selling expenses.....	(11,257)	—	(11,257)	(2,780)	—	(2,780)
Other income	5,025	252	5,277	5,695	932	6,627
Other expenses.....	(8,246)	(1,984)	(10,230)	(2,027)	(1,501)	(3,528)
Impairment of property, plant and equipment	—	(34,706)	(34,706)	—	—	—
Profit from continuing operations before net finance income/(cost), foreign exchange loss and income tax	86,268	(37,868)	48,400	103,930	(569)	103,361
Share of post tax losses of associates and joint ventures accounted under equity method	(8,214)	—	(8,214)	—	—	—
Finance income.....	9,382	3,914	13,296	19,783	5,474	25,257
Finance costs.....	(18,833)	(18,088)	(36,921)	(7,517)	(71)	(7,588)
Foreign exchange loss.....	(7,161)	—	(7,161)	(4,363)	—	(4,363)
Profit/(loss) from continuing operations before income tax.....	61,442	(52,042)	9,400	111,833	4,834	116,667
Income tax expense.....	(29,762)	6,848	(22,914)	(34,453)	(1,299)	(35,752)
Profit/(loss) for the year from continuing operations	31,680	(45,194)	(13,514)	77,380	3,535	80,915
Attributable to:						
Equity shareholders of the Company	24,643	(43,646)	(19,003)	81,538	3,535	85,073
Minority shareholders	7,037	(1,548)	5,489	(4,158)	—	(4,158)
	<u>31,680</u>	<u>(45,194)</u>	<u>(13,514)</u>	<u>77,380</u>	<u>3,535</u>	<u>80,915</u>
Basic and diluted earnings per ordinary share from continuing operations and for the year (expressed in U.S. dollars per share)	0.08	(0.14)	(0.06)	0.27	0.01	0.28

Consolidated Balance Sheet

	As at 31 December	
	2008	2007
	<i>US\$(000)</i>	
ASSETS		
Non-current assets		
Property, plant and equipment.....	488,984	263,062
Intangible assets.....	2,668	2,896
Investments accounted under equity method.....	136,019	—
Available-for-sale financial assets	17,794	15,100
Trade and other receivables	38,304	25,518
Income tax receivable.....	802	616
Deferred income tax assets	20,795	22,400
	<u>705,366</u>	<u>329,592</u>
Current assets		
Inventories	49,220	47,012
Trade and other receivables	123,726	134,180
Income tax receivable.....	14,470	1,003
Financial assets at fair value through profit and loss	5,569	8,039
Cash and cash equivalents.....	116,147	301,426
	<u>309,132</u>	<u>491,660</u>
Total assets	<u>1,014,498</u>	<u>821,252</u>
EQUITY AND LIABILITIES		
Capital and reserves attributable to shareholders of the Parent		
Equity share capital.....	146,466	146,466
Share premium	395,928	395,928
Other reserves	(250,831)	(205,556)
Retained earnings.....	182,612	229,202
	<u>474,175</u>	<u>566,040</u>
Minority interest	68,843	50,008
Total equity	<u>543,018</u>	<u>616,048</u>
Non-current liabilities		
Trade and other payables.....	627	859
Borrowings	231,692	55,209
Provisions	37,687	30,821
Deferred income tax liabilities.....	15,839	9,091
	<u>285,845</u>	<u>95,980</u>
Current liabilities		
Trade and other payables.....	82,291	52,176
Borrowings	98,070	33,169
Provisions	4,277	13,029

	As at 31 December	
	2008	2007
	<i>US\$(000)</i>	
Income tax payable.....	997	10,850
	<u>185,635</u>	<u>109,224</u>
Total liabilities	471,480	205,204
Total equity and liabilities	<u>1,014,498</u>	<u>821,252</u>

Consolidated Cash Flow Statement

	Year ended 31 December	
	2008	2007
	US\$(000)	
Cash flows from operating activities		
Cash generated from operations	102,167	34,338
Interest received	7,512	18,390
Interest paid	(4,302)	(1,217)
Payments of mine closure costs	(1,476)	(2,023)
Tax paid	(25,260)	(28,084)
Net cash generated from operating activities	78,641	21,404
Cash flows from investing activities		
Purchase of property, plant and equipment.....	(296,027)	(134,119)
Investment in an associate	(164,211)	—
Purchase of available-for-sale financial assets	(19,240)	(4,669)
Purchase of software licences	(37)	(876)
Loan to Exmin, S.A. de C.V.	—	(746)
Loan to Minera Andes Inc.	—	(22,036)
Proceeds from sale of available-for-sale financial assets	3,321	—
Proceeds from sale of property, plant and equipment.....	392	167
Other	12	—
Net cash used in investing activities	(475,790)	(162,279)
Cash flows from financing activities		
Proceeds of borrowings	484,041	177,168
Repayment of borrowings.....	(257,300)	(150,194)
Transaction costs associated with borrowing.....	(2,408)	—
Dividends paid	(28,531)	(24,729)
Transaction costs associated with issue of shares	—	(11,722)
Capital contribution from minority shareholders	16,926	16,175
Cash flows generated from financing activities	212,728	6,698
Net decrease in cash and cash equivalents during the year.....	(184,421)	(134,177)
Exchange difference	(858)	60
Cash and cash equivalents at beginning of year.....	301,426	435,543
Cash and cash equivalents at end of year	116,147	301,426

Consolidated Statement of Changes in Equity

	Equity share capital	Share premium	Other reserves			Total Other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Minority interest	Total Equity
			Unrealised gain/(loss) on available-for-sale financial assets	Cumulative translation adjustment	Merger reserve					
	<i>US\$(000)</i>									
Balance at 1 January 2007	146,466	396,156	1,374	3,633	(210,046)	(205,039)	152,577	490,160	14,489	504,649
Fair value gains on available-for-sale financial assets	—	—	1,415	—	—	1,415	—	1,415	87	1,502
Deferred income tax on available-for-sale financial assets	—	—	(927)	—	—	(927)	—	(927)	—	(927)
Translation adjustment for the year.....	—	—	—	(1,005)	—	(1,005)	—	(1,005)	882	(123)
Net income recognised directly in equity.....	—	—	488	(1,005)	—	(517)	—	(517)	969	452
Profit for the year	—	—	—	—	—	—	85,073	85,073	(4,158)	80,915
Total recognised income for 2007.....	—	—	488	(1,005)	—	(517)	85,073	84,556	(3,189)	81,367
Transaction costs associated with issue of shares	—	(228)	—	—	—	—	—	(228)	—	(228)
Dividends	—	—	—	—	—	—	(8,448)	(8,448)	—	(8,448)
Adjustment to deferred consideration ^(a)	—	—	—	—	—	—	—	—	5,627	5,627
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	33,081	33,081
Balance at 31 December 2007	146,466	395,928	1,862	2,628	(210,046)	(205,556)	229,202	566,040	50,008	616,048
Net fair value losses on available-for-sale financial assets	—	—	(3,306)	—	—	(3,306)	—	(3,306)	(127)	(3,433)
Deferred income tax on available-for-sale financial assets	—	—	390	—	—	390	—	390	35	425
Recycling of fair value losses on impairment of available-for-sale financial assets	—	—	1,979	—	—	1,979	—	1,979	—	1,979

Notes to the Financial Statements

The financial information for the year ended 31 December 2008 and 2007 contained in this document does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the years ended 31 December 2008 and 2007 have been extracted from the consolidated financial statements of Hochschild Mining plc for the year ended 31 December 2008 which have been approved by the directors on 24 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 237 of the Companies Act 1985.

1 Significant accounting policies

(a) Basis of preparation

The accounting policies adopted in the preparation of the financial information are consistent with those applied to the year ended 31 December 2007 except for the adoption of new and amended standards.

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.

- IFRIC 11, IFRS 2 'Group and Treasury Shares Transactions', applicable for annual periods beginning on or after 1 March 2007.
- IFRIC 14, IAS 19, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction', applicable for annual periods beginning on or after 1 January 2008.
- Amendment to IAS 39 and IFRS 7 'Reclassification of Financial Assets'.

(b) Exceptional items

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

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

(c) Comparatives

Where applicable, certain comparatives have been reclassified to present them in a comparable manner to the current period's figures.

2 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. As such, the Group has only one business segment as its primary reporting segment. The Group operates in various countries including Peru, Argentina, Mexico, Chile and Canada. Therefore, the geographical segment is the Group's secondary reporting format.

Transfer prices between geographical 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 business segments. Those transfers are eliminated in consolidation.

(a) Revenue

Revenue for the year is allocated based on the country in which the customer is located.

	Year ended 31 December	
	2008	2007
	<i>US\$(000)</i>	
External customer		
USA	130,631	158,092
Peru	125,171	48,147
Mexico	15	47,919
Belgium.....	6,011	22,415
Canada	50,465	9,606
Germany.....	54,570	9,370
Switzerland	66,883	—
United Kingdom	—	8,202
Chile.....	33	1,270
	<u>433,779</u>	<u>305,021</u>
Inter-segment		
Peru	25,164	—
Mexico	4,455	—
	<u>463,398</u>	<u>305,021</u>

The allocation of revenue based on the country in which the asset is located is as follows.

	Year ended 31 December	
	2008	2007
	<i>US\$(000)</i>	
External customer		

Peru	319,516	303,377
Argentina	88,891	1,270
Mexico	25,372	374
	<u>433,779</u>	<u>305,021</u>
Inter-segment		
Peru	2,359	—
Mexico	4,455	—
Argentina	22,805	—
	<u>463,398</u>	<u>305,021</u>

(b) Profit/(loss) for the year from continuing operations

Profit/(loss) for year is based on country of operation as follows:

	Year ended 31 December 2008			Year ended 31 December 2007		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			<i>US\$(000)</i>			
Peru	71,070	(14,111)	56,959	94,415	2,454	96,869
Cayman Islands	—	—	—	68	393	461
Argentina	(13,925)	(29)	(13,954)	(5,689)	—	(5,689)
Mexico	(8,249)	(20,776)	(29,025)	(11,403)	—	(11,403)
Chile.....	(5,593)	—	(5,593)	(2,718)	—	(2,718)
USA	(10)	(7)	(17)	(1,212)	8	(1,204)
United Kingdom	(11,613)	(10,271)	(21,884)	3,919	680	4,599
	<u>31,680</u>	<u>(45,194)</u>	<u>(13,514)</u>	<u>77,380</u>	<u>3,535</u>	<u>80,915</u>

3 Acquisitions

(a) Acquisition of jointly controlled assets

Liam

On 20 August 2008, the Group signed an assignment agreement with Newmont Peru Limited ('Newmont') by which Newmont assigned all of its rights to acquire, explore and exploit, under its Venture Agreement with Southwestern Resources Corp. ('Southwestern') the Liam properties located in Peru, and transferred its 50% interest in the joint venture with Southwestern, to the Group for a consideration of US\$33,333,333.

Under the terms of the agreement, the Group and Southwestern will each contribute 50% of the exploration funding. In addition, when the technical committee determines that any of the properties or group of properties constitutes a viable project, a new company will be incorporated and the Group may elect to increase its interest up to 70% in the new company by producing a feasibility study and financing 100% of the costs to initiate commercial production.

A total of 38 exploration prospects have been identified and evaluated in the project area with Crespo project being the most important property which is in the inferred mineral resource category. The investment of US\$33,333,333 was made mainly to acquire the Crespo resources and immediately commence an exploration programme to transform these inferred resources into

reserves. The consideration has been allocated to the mining rights and the subsequent investment of US\$197,000 during 2008 has been capitalised within exploration and evaluation costs.

(b) Acquisition of assets

San Felipe

On 15 May 2006 the Group signed a joint venture agreement which gave the Group the right to earn a 70% interest in the San Felipe project once investment thresholds in exploration and mine development of US\$33,300,000 were met.

On 4 June 2008 the Group acquired the 100% ownership of the San Felipe project in Mexico for a total consideration of US\$51,500,000 payable to its former local partner, Grupo Serrana S.A. de C.V.

With the acquisition of the San Felipe project, the original joint venture agreement was terminated. As at the acquisition date, the Group had invested approximately US\$8,800,000 in the property which has been expensed to the income statement in accordance with the Group's accounting policy (see also note 15).

Further on 4 June 2008, the Group acquired a group of assets related to the project for a total consideration of US\$1,000,000 payable to Grupo Serrana S.A. de C.V.

(c) Acquisition of associates

Lake Shore Gold Corp.

During 2008, the Group acquired a 39.99% interest in Lake Shore Gold Corp. ('Lake Shore'), 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, and
- 5.00% acquired from a third party on 23 June 2008 for US\$21,162,000.

The interest in Lake Shore 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.

Management has assessed the fair value of the Group's interest in the assets and liabilities acquired as being US\$151,698,000, resulting in goodwill of US\$12,513,000 on acquisition. The fair value includes transaction costs incurred by the Group of US\$214,000.

4 Finance income and finance costs

	Year ended 31 December 2008			Year ended 31 December 2007		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
	<i>US\$(000)</i>					
Finance income:						
Interest on time deposits ^(a)	5,934	—	5,934	17,169	—	17,169
Gain from changes in the fair value of financial instruments ^(b)	304	2,301	2,605	—	4,331	4,331
Gain on sale of available-for-sale financial assets ^(c)	—	1,613	1,613	—	—	—
Interest on loans to minority shareholders	2,623	—	2,623	2,324	—	2,324
Discount on purchase of EXMIN shares ^(d)	—	—	—	—	1,143	1,143
Interest on loans to third parties	47	—	47	118	—	118
Other	474	—	474	172	—	172
	<u>9,382</u>	<u>3,914</u>	<u>13,296</u>	<u>19,783</u>	<u>5,474</u>	<u>25,257</u>
Finance costs:						
Interest on bank loans and long-term debt	(13,387)	—	(13,387)	(5,966)	—	(5,966)
Unwind of discount rate ^(e)	(4,590)	—	(4,590)	(1,227)	—	(1,227)
Loss from changes in the fair value of financial instruments ^(f)	—	(6,246)	(6,246)	—	—	—
Impairment of available-for-sale financial assets ^(g)	—	(11,421)	(11,421)	—	(71)	(71)
Premium paid on purchase of available-for-sale financial assets ^(h)	—	(421)	(421)	—	—	—
Other	(856)	—	(856)	(324)	—	(324)
	<u>(18,833)</u>	<u>(18,088)</u>	<u>(36,921)</u>	<u>(7,517)</u>	<u>(71)</u>	<u>(7,588)</u>

(a) Mainly corresponds to interest on liquidity funds.

(b) In 2008 the amount corresponds to the change in the fair value of an option over 4,330,000 shares of Gold Resource Corp. 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 to remove the risk of the fluctuations in metal prices.

In 2007 this amount related mainly to the change in the fair value of 2,475,355 warrants over the same number of shares in Fortuna Silver Mine Inc.

(c) 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.

(d) On 9 July 2007 the Group acquired 7,875,000 common shares of EXMIN for US\$3,000,000. In addition, on the same date, the Group converted an outstanding loan receivable from EXMIN of US\$1,570,000 into 4,127,231 common shares. The common shares were acquired at a discount of 20% to the market price, resulting in a gain on the issue of shares.

(e) Corresponds to the unwind of the discount on the provision for mine closure of US\$669,000 (2007: US\$1,134,000) and the unwind of discount on VAT of Minera Santa Cruz of US\$3,921,000 (2007: US\$93,000).

(f) Mainly corresponds to the change in fair value of warrants in Fortuna Silver Mine Inc. of US\$6,245,000.

(g) Corresponds to the impairment of the investment in the shares of EXMIN Resources Inc. (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).

(h) 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.

5 Income tax expense

	Year ended 31 December 2008			Year ended 31 December 2007		
	Before exceptional items	Exceptional items ^(a)	Total	Before exceptional items	Exceptional items	Total
	<i>US\$(000)</i>					
Current tax:						
Current tax charge from continuing operations	13,058	(56)	13,002	44,933	—	44,933
	<u>13,058</u>	<u>(56)</u>	<u>13,002</u>	<u>44,933</u>	<u>—</u>	<u>44,933</u>
Deferred taxation:						
Origination and reversal of temporary differences from continuing operations	15,809	(6,792)	9,017	(11,641)	1,299	(10,342)
	<u>15,809</u>	<u>(6,792)</u>	<u>9,017</u>	<u>(11,641)</u>	<u>1,299</u>	<u>(10,342)</u>
Withholding taxes.....	895	—	895	1,161	—	1,161
Total taxation charge in the income statement.....	<u>29,762</u>	<u>(6,848)</u>	<u>22,914</u>	<u>34,453</u>	<u>1,299</u>	<u>35,752</u>

(a) This amount corresponds to the related tax impact of exceptional items.

The weighted average statutory income tax rate was 40.6% for 2008 and 29.7% for 2007. 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:

	Year ended 31 December	
	2008	2007
	<i>US\$(000)</i>	
Profit from continuing operations before income tax.....	9,400	116,667
At average statutory income tax rate of 40.6% (2007: 29.7%).....	3,818	34,598
Expenses not deductible for tax purposes	5,315	2,381
Non-taxable income	(2,055)	(505)

	Year ended 31 December	
	2008	2007
	<i>US\$(000)</i>	
Deferred tax recognised on special investment regime ^(a)	(6,063)	(4,479)
Recognition of previously unrecognised deferred tax assets ^(b)	(1,102)	(2,917)
Non-taxable share of losses of associates.....	2,534	—
Net deferred tax assets generated in the year not recognised ^(c)	13,871	5,214
Change in tax regime ^(d)	(1,544)	3,403
Change in statutory Income Tax Rate ^(e)	786	—
Recognition of deferred tax assets on restructuring.....	—	(767)
Foreign exchange rate effect ^(f)	7,731	(1,611)
Other.....	(377)	435
At average effective income tax rate of 243.8% (2007: 30.6%)	<u>22,914</u>	<u>35,752</u>
Taxation charge attributable to continuing operations	<u>22,914</u>	<u>35,752</u>
Total taxation charge in the income statement	<u>22,914</u>	<u>35,752</u>

- (a) 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) below).
- (b) Mainly corresponds to the tax effect of certain mine closure expenses which are now expected to be deductible against taxable income, when incurred.
- (c) Deferred tax assets generated in the year not recognised are comprised of:

	As at 31 December	
	2008	2007
	<i>US\$(000)</i>	
Tax losses not recognised	3,851	4,672
Impairment of available-for-sale financial assets	3,234	-
Impairment of the San Felipe project	4,350	-
Provision for mine closure	1,483	542
Write-off of bank account	364	-
Change in fair value of derivative instruments	341	-
Other	<u>248</u>	<u>-</u>
	<u>13,871</u>	<u>5,214</u>

- (d) Corresponds to the effect of the change in the Mexican tax regime (refer to note (ii) below).
- (e) 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
- (f) Mainly corresponds to the foreign exchange effect from converting tax bases and monetary items from local currency to the functional currency

(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 prior to the completion of the feasibility studies for mining projects. In this regard, the total investment eligible for additional deduction amounts to approximately 95,061,000 Argentinian pesos (US\$27,853,000) as at 31 December 2008 (2007: 79,680,000 Argentinian pesos (US\$25,596,000)). As this additional deduction does not affect either taxable profit or accounting profit on initial recognition, no deferred tax was recognised in accordance with IAS 12 'Income Taxes'. However under the Argentinian tax regime, following commencement of

operations in 2007, this amount could be claimed in equal amounts over 1 to 5 years. At 31 December 2007, the Group decided to make this claim over 2 years, resulting in 50% of the available deduction being included in the tax losses for the year 2007. In 2008 the Group included in the tax losses of the year 54,797,000 Argentinian pesos (US\$17,324,000). This amount includes the remaining 50% of eligible costs calculated as at 31 December 2007 of 79,680,000 Argentinian pesos plus 15,381,000 Argentinian pesos of additional eligible costs. The balance of the eligible costs of 1,582,000 Argentinian pesos (US\$464,000) will be claimed in 2009.

(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 change 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 IETU in each period until the end of the mine's life. Therefore, as at 31 December 2007 the Group recognised a deferred tax liability in connection with IETU of US\$3,403,000 due to the resulting reduction in the amount of capital allowances arising on the investment in the mine to date. As at 31 December 2008 the IETU deferred tax liability had decreased by US\$1,554,000 to US\$ 1,859,000.

6 Property, plant and equipment

	Exploration and evaluation costs	Mining properties and development costs	Land and buildings	Plant and equipment ^(a)	Vehicles	Mine closure asset	Construction in progress and capital advances	Total
	US\$(000)							
Year ended 31 December 2007								
Cost								
At 1 January 2007	1,282	106,011	23,706	53,456	1,528	34,516	23,851	244,350
Additions	8,279	48,004	1,004	9,450	400	1,056	77,601	145,794
Change in discount rate	–	–	–	–	–	2,611	–	2,611
Disposals	–	–	(110)	(2,221)	(104)	–	(6)	(2,441)
Sale of subsidiary – Colorada	–	–	–	(2)	–	–	–	(2)
Change in mine closure estimate	–	–	–	–	–	105	–	105
Transfers and other movements ..	(3,535)	3,535	40,717	45,114	976	–	(86,807)	–
Foreign exchange	8	161	118	149	24	–	(618)	(158)
At 31 December 2007	6,034	157,711	65,435	105,946	2,824	38,288	14,021	390,259
Accumulated depreciation								
At 1 January 2007	–	37,360	9,417	24,554	528	31,104	–	102,963
Depreciation for the year	–	12,665	3,548	8,767	421	599	–	26,000
Disposals	–	–	(110)	(1,615)	(82)	–	–	(1,807)
Sale of subsidiary - Colorada	–	–	–	(2)	–	–	–	(2)
Foreign exchange	–	2	3	45	(7)	–	–	43
At 31 December 2007	–	50,027	12,858	31,749	860	31,703	–	127,197
Net book amount at 31	6,034	107,684	52,577	74,197	1,964	6,585	14,021	263,062

	Exploration and evaluation costs	Mining properties and development costs	Land and buildings	Plant and equipment ^(a)	Vehicles	Mine closure asset	Construction in progress and capital advances	Total
	US\$(000)							
December 2007								
Year ended 31 December 2008								
Cost								
At 1 January 2008.....	6,034	157,711	65,435	105,946	2,824	38,288	14,021	390,259
Additions.....	68,311	79,496	4,253	9,375	77	–	149,759	311,271
Change in discount rate.....	–	–	–	–	–	3,113	–	3,113
Disposals.....	–	–	–	(120)	(158)	–	–	(278)
Write-off.....	–	–	–	(24)	–	–	–	(24)
Change in mine closure estimate..	–	–	–	–	–	280	–	280
Transfers and other movements ..	(2,960)	768	30,748	68,535	746	–	(97,837)	–
Sales during preoperating stage in Minera Santa Cruz.....	–	(125)	–	–	–	–	–	(125)
Foreign exchange.....	(10,905)	(32)	(43)	(467)	(69)	–	(10)	(11,526)
At 31 December 2008.....	60,480	237,818	100,393	183,245	3,420	41,681	65,933	692,970
Accumulated depreciation and impairment								
At 1 January 2008.....	–	50,027	12,858	31,749	860	31,703	–	127,197
Depreciation for the year.....	–	19,732	7,697	13,729	455	730	–	42,343
Impairment ^(b)	15,754	10,076	754	6,286	105	943	788	34,706
Disposals.....	–	–	–	(54)	(84)	–	–	(138)
Write-off.....	–	–	–	(4)	–	–	–	(4)
Sales during preoperating stage in Minera Santa Cruz.....	–	(12)	–	–	–	–	–	(12)
Foreign exchange.....	–	–	2	(78)	(30)	–	–	(106)
At 31 December 2008.....	15,754	79,823	21,311	51,628	1,306	33,376	788	203,986
Net book amount at 31 December 2008	44,726	157,995	79,082	131,617	2,114	8,305	65,145	488,984

a) The carrying value of plant and equipment held under finance leases at 31 December 2008 was US\$7,482,000. Additions during the year include US\$7,872,000 of plant and equipment under finance leases. Leased assets are pledged as security for the related finance lease.

b) The amount of impairment losses recognised in profit and loss during the period was US\$34,706,000. As a result of the impairment testing, the Group has impaired the Selene mine by US\$ 13,651,000, the Moris mine by US\$ 5,652,000 and the San Felipe project by US\$15,403,000. The triggers for the impairment test were primarily the effect of the current economic environment and significantly reduced gold, silver and zinc prices. The Group tested all its mining units for impairment: Arcata, Ares, Selene, Pallancata, San José, Santa María de Moris and its project San Felipe. 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. Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, unless indicated otherwise, 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.

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 US\$750 to US\$879, silver prices range from US\$11.84 to US\$13.00 and zinc prices range from US\$1.521 to US\$1.984.
- Estimation of reserves and resources – Reserves and resources are based on management's estimate using appropriate exploration and evaluation techniques.
- Production volumes and grades - Tonnage produced was estimated at plant capacity with twelve days of maintenance per year.

- 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 market 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.

Mining unit	Real pre-tax discount rate %	Real post-tax rate %
Arcata	20.5%	5.1%
Ares	28.5%	5.1%
Selene	5.0%	5.1%
Pallancata	18.5%	5.1%
San José.....	17.0%	9.2%
Santa Maria de Moris...	19.0%	4.3%
San Felipe	11.5%	8.2%

7 Subsequent events

(a) On 25 February 2009 the Group exercised its option to purchase further 4,330,000 shares of Gold Resource Corporation for approximately US\$12,900,000 (US\$3 per share), representing a 41% discount to the closing price of the same date. After the purchase the Group owns 14.6% interest in Gold Resource Corporation.

(b) On 6 March 2009 the Group served a notice of termination of the existing commercial agreement to Argor Heraeus. We are in the process of seeking more favourable commercial terms for the Group from alternative customers.

(c) On 9 March 2009 the Group acquired 14,900,000 shares of its associate Lake Shore Gold for CAD\$23,100,000 (approximately US\$18,000,000) as part of its commitment to participate in the bought-deal financing agreement entered by Lake Shore Gold to raise approximately CAD\$60,000,000. The proceeds from the financing will be used for the advancement of Lake Shore Gold's mineral projects. After completion of the transaction, the Group's ownership in Lake Shore Gold is maintained at 40%.

(d) On 23 March 2009 the Group signed a definitive Arrangement Agreement to acquire all the outstanding shares of Southwestern Resources Corp. ("Southwestern"), a Canadian listed mineral exploration company with a number of gold, silver and base metals projects in southern Peru, for a total cash consideration of US\$17,600,000 (US\$0.39 per share). Southwestern is the strategic partner of the Group in the Liam and Pacapausa joint ventures. With the acquisition, the Group will own the remaining 50% of the Liam joint venture property and increase its interest in the Pacapausa joint venture from 30% to 80%. This transaction is subject to the approval of Southwestern's shareholders which is expected to occur by 8 May 2009.

Reserves & Resources (Audited by IMC Group Consulting Limited)

Attributable metal reserves

As at 31 December 2008*

Reserve category	Proved (t)	Probable (t)	Proved And probable (t)	Ag (g/t)	Au (g/t)	Ag (moz)	Au (koz)	Ag Eq. (moz)
Arcata								
Proved	929,683			575	1.80	17.19	53.78	20.42
Probable		681,241		495	1.38	10.85	30.20	12.66
Total			1,610,924	541	1.62	28.04	83.98	33.08
Ares								
Proved	464,180			124	5.01	1.84	74.77	6.33
Probable		185,225		112	4.49	0.67	26.72	2.27
Total			649,405	120	4.86	2.51	101.49	8.60
Selene								
Proved	75,686			275	2.04	0.67	4.97	0.97
Probable		51,662		257	1.94	0.43	3.22	0.62
Total			127,348	268	2.00	1.10	8.19	1.59
Pallancata								
Proved	1,179,218			380	1.60	14.40	60.70	18.04
Probable		1,402,004		354	1.43	15.94	64.31	19.80
Total			2,581,222	366	1.51	30.34	125.02	37.84
San José								
Proved	264,461			508	7.92	4.32	67.36	8.36
Probable		567,958		529	7.90	9.65	144.17	18.30
Total			832,419	522	7.90	13.97	211.53	26.66
Moris								
Proved	1,132,556			4.60	1.44	0.18	57.39	3.63
Probable		106,982				0.00	0.00	0.00
Total			1,239,538	4.60	1.44	0.18	57.39	3.63
Total								
Proved	4,152,766			289	2.39	38.60	318.97	57.74
Probable		2,888,091		404	2.89	37.53	268.63	53.65
Total			7,040,857	336	2.60	76.13	587.60	111.39

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

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

Attributable metal resources (Audited by IMC Group Consulting Limited)

As at 31 December 2008*

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)
Arcata														
Measured	1,302,535				662	2.06	--	--	--	786	27.73	86.17	--	--
Indicated		822,655			601	1.67	--	--	--	701	15.90	44.23	--	--
Total			2,125,190		639	1.91	--	--	--	753	43.63	130.40	--	--
Inferred				1,815,443	519	1.56	--	--	--	613	30.29	90.97	--	--
Ares														
Measured	512,061				167	7.10	--	--	--	593	2.74	116.90	--	--
Indicated		206,473			148	5.66	--	--	--	488	0.98	37.60	--	--
Total			718,534		161	6.69	--	--	--	563	3.73	154.51	--	--
Inferred				298,881	236	3.96	--	--	--	473	2.26	38.06	--	--
Selene														
Measured	190,853				338	2.15	--	--	--	467	2.07	13.18	--	--
Indicated		99,317			274	1.68	--	--	--	375	0.88	5.35	--	--
Total			290,170		316	1.99	--	--	--	435	2.95	18.53	--	--
Inferred				912,951	227	1.15	--	--	--	296	6.66	33.76	--	--
Pallancata														
Measured	1,180,769				431	1.82	--	--	--	540	16.36	69.03	--	--
Indicated		1,401,686			402	1.63	--	--	--	500	18.12	73.54	--	--
Total			2,582,455		415	1.72	--	--	--	518	34.48	142.57	--	--
Inferred				734,346	395	1.57	--	--	--	488	9.31	36.97	--	--
San José														
Measured	263,331				581	8.96	--	--	--	1,119	4.92	75.89	--	--
Indicated		879,679			515	7.77	--	--	--	981	14.57	219.66	--	--
Total			1,143,010		530	8.04	--	--	--	1,013	19.49	295.55	--	--
Inferred				540,305	333	5.72	--	--	--	676	5.78	99.33	--	--
Moris														
Measured	1,675,682				4.48	1.28	--	--	--	81	0.24	68.80	--	--
Indicated		131,776			4.44	1.19	--	--	--	76	0.02	5.06	--	--
Total			1,807,458		4.48	1.27	--	--	--	81	0.26	73.86	--	--
Inferred				294,288	4.81	1.22	--	--	--	78	0.05	11.50	--	--
Azuca														
Measured	--				--	--	--	--	--	--	--	--	--	--
Indicated		--			--	--	--	--	--	--	--	--	--	--
Total			--		--	--	--	--	--	--	--	--	--	--
Inferred				1,776,034	327	1.34	--	--	--	408	18.69	76.41	--	--
San Felipe														
Measured	1,393,716				69	0.02	7.12	3.10	0.39	315	3.09	0.88	99.26	43.15
Indicated		1,354,261			82	0.06	6.14	2.73	0.31	295	3.59	2.45	83.18	36.97
Total			2,747,977		76	0.04	6.64	2.92	0.35	305	6.68	3.33	182.45	80.12
Inferred				1,257,731	84	0.05	6.18	2.26	0.19	283	3.42	1.89	77.76	28.47
TOTAL														
Measured	6,518,948				273	2.06	1.52	0.66	0.08	448	57.15	430.86	99.26	43.15
Indicated		4,895,848			343	2.46	1.70	0.76	0.09	549	54.06	387.90	83.18	36.97
Total			11,414,795		303	2.23	1.60	0.70	0.09	492	111.21	818.76	182.45	80.12
Inferred				7,629,979	312	1.59	1.02	0.37	0.03	439	76.46	388.89	77.76	28.47

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.

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

Change in metal reserves and resources in silver equivalent ounces*

		Ag equivalent content (million ounces)					
Operation	Category	December 2007	Production (1)	Movements (2)	December 2008	Net difference	% change
Peru							
Arcata	Resource	70.3		16.9	87.2	16.9	24%
	Reserve	32.4	-12.0	12.7	33.1	0.7	2%
Ares	Resource	16.8		0.7	17.5	0.7	4%
	Reserve	14.6	-5.3	-0.7	8.6	-6.0	(41%)
Selene	Resource	18.5		-5.8	12.7	-5.8	(31%)
	Reserve	9.6	-2.9	-5.1	1.6	-8.0	(83%)
Pallancata	Resource	83.2		7.8	90.9	7.8	9%
	Reserve	41.4	-5.9	27.6	63.1	21.6	52%
Peru Total:	Resource	188.8		19.7	208.4	19.7	10%
	Reserve	98.0	-26.2	34.5	106.3	8.3	8%
Argentina							
San José	Resource	90.1		5.9	96.0	5.9	7%
	Reserve	66.2	-9.6	-4.3	52.3	-13.9	(21%)
Argentina Total:	Resource	90.1		5.9	96.0	5.9	7%
	Reserve	66.2	-9.6	-4.3	52.3	-13.9	(21%)
Mexico							
Moris	Resource	9.5		-1.7	7.8	-1.7	(18%)
	Reserve	7.7	-3.1	0.5	5.2	-2.6	(33%)
San Felipe	Resource	27.6		10.8	38.5	10.8	39%
	Reserve		0.0	0.0		0.0	0%
Mexico Total:	Resource	37.1		9.1	46.2	9.1	25%
	Reserve	7.7	-3.1	0.5	5.2	-2.6	(33%)
Total:	Resource	316.0		34.7	350.6	34.7	11%
	Reserve	172.0	-38.9	30.7	163.8	-8.2	(5%)

¹ Production: 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.

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades introduced

Change in attributable metal reserves and resources in silver equivalent ounces

Ag equivalent content (million ounces)						
Operation	Category	Percentage attributable	December 2007 Att. ¹	December 2008 Att. ¹	Net difference	% change
Peru						
Arcata	Resource	100%	70.3	87.2	16.9	24%
	Reserve		32.4	33.1	0.7	2%
Ares	Resource	100%	16.8	17.5	0.7	4%
	Reserve		14.6	8.6	-6.0	(41%)
Selene	Resource	100%	18.5	12.7	-5.8	(31%)
	Reserve		9.6	1.6	-8.0	(83%)
Pallancata	Resource	60%	49.9	54.6	4.7	9%
	Reserve		24.9	37.8	13.0	52%
Peru Total:	Resource		155.5	172.1	16.6	11%
	Reserve		81.5	81.1	-0.4	0%
Argentina						
San José	Resource	51%	45.9	49.0	3.0	7%
	Reserve		33.7	26.7	-7.1	(21%)
Argentina Total:	Resource		45.9	49.0	3.0	7%
	Reserve		33.7	26.7	-7.1	(21%)
Mexico						
Moris	Resource	70%	6.6	5.4	-1.2	(18%)
	Reserve		5.4	3.6	-1.8	(33%)
San Felipe	Resource	100%	27.6	38.5	10.8	39%
	Reserve		0.0	0.0	0.0	0%
Mexico Total:	Resource		34.3	43.9	9.6	28%
	Reserve		5.4	3.6	-1.8	(33%)
Total:	Resource		235.7	264.9	29.2	12%
	Reserve		120.6	111.4	-9.2	(8%)

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

*2008 reserve and resource figures are not comparable to 2007 due to the increase in cut-off grades

TOTAL GROUP PRODUCTION¹

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Silver production (koz)	20,782	14,343	45%
Gold production (koz)	193.97	211.38	(8%)
Total silver equivalent (koz)	32,421	27,026	20%
Total gold equivalent (koz)	540.34	450.43	20%
Silver sold (koz)	20,593	13,717	50%
Gold sold (koz)	198.32	202.10	(2%)

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

ATTRIBUTABLE GROUP PRODUCTION¹

	Year ended 31 December 2008	Year ended 31 December 2007	% change
Silver production (koz)	16,941	13,588	25%
Gold production (koz)	152.86	201.27	(24%)
Attrib. silver equivalent (koz)	26,113	25,665	2%
Attrib. gold equivalent (koz)	435.22	427.74	2%

¹ Attributable production includes 100% of all production from Arcata, Ares and Selene, 60% from Pallancata, 51% from San José and 70% from Moris.

2008 PRODUCTION BY MINE**ARCATA**

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	557,870	415,400	34%
Average head grade silver (g/t)	571.37	560.04	2%
Average head grade gold (g/t)	1.53	1.43	7%
Concentrate produced (tonnes)	20,639	16,665	24%
Silver grade in concentrate (kg/t)	13.94	12.12	15%
Gold grade in concentrate (kg/t)	0.04	0.03	33%
Silver produced (koz)	9,032	6,553	38%
Gold produced (koz)	24.04	16.48	46%
Silver sold (koz)	8,564.32	6,544	31%
Gold sold (koz)	22.36	15.50	44%

ARES

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	347,910	333,800	4%
Average head grade silver (g/t)	156.95	279.25	(44%)
Average head grade gold (g/t)	6.06	14.57	(58%)
Doré total (koz)	1,608	2,593	(38%)

Silver produced (koz)	1,538	2,701	(43%)
Gold produced (koz)	64.16	149.98	(57%)
Silver sold (koz) ¹	2,398.32	2,880	(17%)
Gold sold (koz) ²	77.44	157.77	(51%)

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

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

SELENE

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	269,150	413,622	(35%)
Average head grade silver (g/t)	209.52	295.79	(29%)
Average head grade gold (g/t)	1.21	2.01	(40%)
Concentrate produced (tonnes)	3,201	4,010	(20%)
Silver grade in concentrate (kg/t)	15.04	26.83	(44%)
Gold grade in concentrate (kg/t)	0.08	0.17	(53%)
Silver produced (koz)	1,579	3,414	(54%)
Gold produced (koz)	8.50	21.62	(61%)
Silver sold (koz)	1,928.77	3,644	(47%)
Gold sold (koz)	9.93	22.03	(55%)

PALLANCATA¹

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	468,125	78,335	498%
Average head grade silver (g/t)	312.18	310.02	1%
Average head grade gold (g/t)	1.49	1.49	0%
Concentrate produced (tonnes)	4,265	638	568%
Silver grade in concentrate (kg/t)	30.54	34.28	(11%)
Gold grade in concentrate (kg/t)	0.12	0.13	(8%)
Silver produced (koz)	4,188	704	495%
Gold produced (koz)	16.16	2.76	486%
Silver sold (koz)	3852.09	550	600%
Gold sold (koz)	14.81	2.03	630%

¹ The Company has a 60% interest in Pallancata.

SAN JOSE¹

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	295,963	92,974	218%
Average head grade silver (g/t)	559.11	538.38	4%
Average head grade gold (g/t)	6.69	7.08	(6%)
Silver produced (koz)	4,381	958	357%
Gold produced (koz)	54.26	14.96	263%

Silver sold (koz)	4588	92	4894%
Gold sold (koz)	57.70	1.49	3764%

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

MORIS¹

Product	Year ended 31 December 2008	Year ended 31 December 2007	% change
Ore production (tonnes)	876,148	338,304	159%
Average head grade silver (g/t)	5.71	4.69	22%
Average head grade gold (g/t)	1.57	1.65	(5%)
Silver produced (koz)	65.07	12.63	415%
Gold produced (koz)	26.847	5.5795	381%
Silver sold (koz)	68.27	6.44	960%
Gold sold (koz)	28.01	3.26	760%

¹ The Company has a 70% interest in Moris.

Glossary

Ag

Silver

Adjusted EBITDA

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

Au

Gold

Attributable after tax profit

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

Average head grade

Average ore grade fed into the mill

Board

The board of directors of the Company

Company, Group or Hochschild

Hochschild Mining plc and its subsidiary undertakings

CSR

Corporate social responsibility

Cu

Copper

Directors

The directors of the Company

Doré

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

Dollar or \$

United States dollars

Effective Tax Rate

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

EPS

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

eq

equivalent

Exceptional item

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

GAAP

Generally Accepted Accounting Principles

g/t

Grams per metric tonne

IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standards

JV

Joint venture

koz

Thousand ounces

kt

Thousand metric tonnes

ktpa

Thousand metric tonnes per annum

Listing or IPO (Initial Public Offering) or Global Offer

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

moz

Million ounces

Ordinary Shares

Ordinary shares of £0.25 each in the Company

Pb

Lead

Spot or spot price

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

t

tonne

Zn

Zinc