HOCHSCHILD MINING

12 March 2008

Hochschild Mining plc
Preliminary Results for the Year Ended 31 December 2007

Financial highlights:
- Revenue increased 44% to $305 million
- Adjusted EBITDA up 37% to $148 million
- Attributable profit for the year after exceptional items more than doubled to $85 million
- Pro forma earnings per share after exceptional items up 100% to $0.28
- 100% hedge free at the end of the year allows us to benefit fully from increasing market prices
- Contained unit costs (marginal 2.9% increase) at three original operating mines in Peru
- Final dividend of 7.2¢ per share payable on 13 May 2008, totalling $28 million in dividends for 2007
- Strong balance sheet with $301 million cash and cash equivalents and further financial capacity from secured $200 million term loan facility arranged in 2008

Operational highlights:
- Achieved production target of approximately 26 million attributable silver equivalent ounces
- 16% increase in attributable reserves since 31 December 2006
- Commenced production at three new operations: San José (Argentina), Moris (Mexico) and Pallancata (Peru)
- Completed capacity expansions at three original operating mines: Arcata, Ares and Selene
- Appointment of Miguel Aramburú as Chief Executive Officer
- Expansions and project pipeline will compensate lower grades at Ares and Selene
- On track to achieve long-term production targets
- Strategic investment in Lake Shore Gold Corp. announced in February 2008

Highlights for the year ended 31 December 2007
(before exceptional items, unless otherwise indicated)

US$(000) unless otherwise indicated	Year ended 31 Dec 07	Year ended 31 Dec 06 (Restated)	% change
Attributable silver production (koz)	13,588	11,604	17%
Attributable gold production (koz)	201	196	3%
Revenue	305,021	211,246	44%
Profit from continuing operations before net finance income/(cost), foreign exchange (loss)/gain and income tax	103,930	75,975	37%
Adjusted EBITDA[1]	147,606	107,549	37%
Attributable profit for the year from continuing operations after exceptional items	85,073	41,712	104%
Pro forma earnings per share after exceptional items[2]	0.28	0.14	100%
Earnings per share after exceptional items (statutory)	0.28	0.17	65%

[1] 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.
[2] In order to present the 2006 EPS figures on a consistent basis with 2007, the 2006 figures have been calculated on a pro forma basis. The pro forma earnings per share calculation assumes that the number of Ordinary Shares in issue immediately after Listing (being 307,350,226) had been in issue from 1 January 2006.

Eduardo Hochschild, Chairman of Hochschild Mining commented:
"The year 2007 was our first full year as a publicly listed company and it was a transformational one. We successfully expanded from three operating mines in one country to six operating mines in three countries, while expanding our three original operating mines and maintaining our focus on responsibility and excellence. We have met our production and expansion targets, which highlight our ability to execute our growth strategy and create long term profitable growth for shareholders."

A conference call will be held at 9:00 am (London time) on Wednesday 12 March for the investment market. A copy of the presentation can be found on our website www.hochschildmining.com under Reports and Presentations.

Dial in details as follows:

UK	+44 (0)20 8515 2301

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

UK	+44 (0)20 7190 5901
Access code	138609#

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About Hochschild Mining plc:

Hochschild Mining plc (HOCM.L for Reuters / HOC LN for Bloomberg) is a leading precious metals company listed on the London Stock Exchange with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild currently operates five underground epithermal vein mines, four located in southern Peru and one in southern Argentina and one open pit mine in northern Mexico. Hochschild also has one early stage development project in Mexico and fifteen long-term prospects throughout Latin America. Hochschild has over forty years experience in the mining of precious metal epithermal vein deposits.

For further information please visit www.hochschildmining.com

Chairman’s statement

Strategy for growth

We continue to build on our existing operations through exploration and expansions, and bring into production new profitable projects throughout the Americas, while maintaining a strong focus on corporate responsibility and excellence. During 2007, we successfully expanded from three operating mines in one country to six operating mines in three countries. We continue to excel in identifying value enhancing opportunities consistent with our strategy. Our entry into Argentina, with the San José mine, and Mexico, with the Moris mine, demonstrates our progress towards production growth and diversification into mining friendly jurisdictions. Furthermore, our new Peruvian mine, Pallancata, also creates significant synergies for the Group, leveraging the mill and plant already in place at the Selene mine only 17 kilometres away.

As a result of these important milestones and capacity expansions at our original operations, we achieved our stated production target for the year of approximately 26 million attributable silver equivalent ounces, representing a 10% increase on 2006 production. Attributable production for the year amounted to 13.6 million ounces of silver and 201 thousand ounces of gold, a year-on-year increase of 17% and 3%, respectively. With the achievements of 2007, our San Felipe project moving towards feasibility and our strong project pipeline, we are on track to create the operational platform that will allow us to deliver our 2011 production target of 50 million silver equivalent ounces.

Our growth strategy remains consistent - we look to continue to strengthen our interest in specific geological regions in the Americas by executing a cluster consolidation strategy and making anchor investments in key mining districts, such as the highlands of Peru, the Argentinean Patagonia and northern Mexico. Our recent strategic investment in Lake Shore Gold Corp., announced in February 2008, provides a phased, low-risk entrance into attractive high-grade, long-life assets in Canada, another important geological district in the Americas.

Delivering strong financial performance

Stronger commodity prices, increased production and operational optimisation underpin our strong set of financial results for the year ended 31 December 2007.

Revenue from our operations increased 44% in 2007 to $305 million driven by the additional ounces produced and sustained high commodity prices. Sales of gold and silver increased significantly, up 35% and 51%, respectively.

Another significant development in 2007 was the expiry of our forward sales contracts, which means that we are now 100% hedge free and well positioned to benefit from the continued favourable market environment for precious metals. Had we been hedge free throughout 2007 and 2006, we would have recorded additional revenue of approximately $16.5 million and $28.7 million, respectively.

The high cost inflation associated with inputs into the mining industry impacted our operations during the course of 2007. In particular, demand for contract labour, fuel, explosives, electricity and cyanide continued to outstrip supply, resulting in escalating prices. Additional industry-wide demand for equipment also increased lead times for the delivery of equipment. During 2007 we were able to mitigate partially these cost increases by capacity expansions and efficiency gains, and we are confident that we will remain one of the lowest cash cost producers in our industry.

We continue to enjoy a healthy balance sheet with a current net cash position of $236.8 million which, in conjunction with cash generated from our operations, will allow us to pursue our growth strategy. In the first quarter of 2008 we secured a $200 million loan facility providing the Group with further financial flexibility.

Our continued success in delivering our growth strategy reinforces our confidence for the business going forward. With a 100% increase in the pro forma earnings per share (after exceptional items) to $0.28, I am pleased to announce the declaration of a final dividend of 7.2 cents per share payable on 13 May 2008.

Exploration success

Exploration is a core element of our growth strategy. We have committed substantial resources to our exploration and geology programme in order to increase our reserve and resource base at a low cost per ounce.

Further additions to reserves and resources have been achieved at a number of the Group's operations and projects, enhancing the life of our operations and significantly increasing the net present value of these assets. During 2007 the Group increased overall attributable reserves net of production by 16%, with significant reserve developments at Arcata, Pallancata and San José. Life of mine across our operations increased to 3.9 years based on reserves as at 31 December 2007, which is a significant achievement given our capacity expansions. Proving up reserves remains a costly exercise in underground mining but we are committed to achieving a 4.0 year minimum reserve life and 4.0 year inferred resource tail at each of our operations except Ares and Moris.

By mid-2007 we had confirmed sufficient resources at San Felipe, our key development project in northern Mexico, to justify advancing this exciting project towards feasibility stage. We are pleased to report that the feasibility study is progressing according to schedule and we intend to fast track this project towards production while undertaking an aggressive exploration campaign to facilitate future expansions and maximise its potential.

We are excited about the prospects of the projects in our pipeline and, in order to enhance the scale and diversity of our asset portfolio, we are committed to remaining the regional partner of choice for junior exploration companies.

Management changes

With key operational milestones delivered in 2007, and looking beyond our 2011 production target, it is crucial that we have a solid foundation for long-term profitable growth consistent with our strategy. With this in mind, we were delighted to announce, earlier in the year, the appointment of our new Chief Executive Officer, Miguel Aramburú. Miguel brings a wealth of knowledge and experience to his new role and is widely respected by our employees. He leads a professional management team as we continue to implement our growth strategy and prepare for the future. Miguel assumes day-to-day responsibility for the operations of the Group, including exploration projects. In my capacity as Executive Chairman, I shall continue to lead the Board and, in close collaboration with Miguel, shall direct the development of the Group's vision and overall corporate strategy.

These changes are indicative of Hochschild's evolution as a public company committed to good corporate governance and of its focus on the creation of shareholder value.

Responsible mining

We are devoted to maintaining the highest standards of corporate and social responsibility. We continue to exert every effort to ensure the safety of all our employees and so it is with deep regret that I report four onsite fatalities in 2007. The Board has taken steps to support the families of those involved and has addressed the underlying safety deficiencies that led to the occurrence of these tragic events.

A team of industry consultants has been commissioned to undertake a comprehensive review of the Group's health, safety and environmental procedures to ensure that all sites are operating to the highest standards. The Group is making progress in implementing the recommendations made as we strive to achieve our goal of zero fatalities.

Outlook

Thus far in 2008 we have seen a strong increase in gold and silver prices up approximately 17% and 37%, respectively. We remain positive on the fundamentals for silver and gold given continued U.S. dollar weakness, heightened geopolitical tensions, depleted above ground stocks and increasing investment demand. In addition to macroeconomic drivers, we believe that industrial demand for silver will remain strong in 2008 and will reflect positively on its price.

As outlined in January, our 2008 attributable production target is 26 million silver equivalent ounces, comprising approximately 16.9 million ounces of silver and 153 thousand ounces of gold. This plateau in 2008 production is principally driven by lower grades at Ares and Selene.

While we expect industry cost inflation to continue in general and foreign exchange to be a potentially negative factor in a weak U.S. dollar environment, we anticipate that our average cash cost per tonne in 2008 for our five underground operations will be at or below 2007 levels. This is primarily a result of an increase in tonnage treated at Arcata, San José and Pallancata and continued cost reduction efforts.

With the achievements of 2007, our San Felipe project moving towards feasibility and our strong project pipeline, we are on track to create the operational platform that will allow us to deliver our 2011 production target of 50 million silver equivalent ounces with incremental growth in 2009 and a major step up in 2010 when San Felipe is expected to begin operations.

On behalf of the Board, I would like to take this opportunity to thank our employees for their hard work, enthusiasm and commitment to the business over the past year.

Eduardo Hochschild
Executive Chairman

Operational & Exploration Review

Summary

In-line with initial guidance, attributable production for the year amounted to 13.6 million ounces of silver and 201 thousand ounces of gold, a year-on-year increase of 17% and 3%, respectively. We were able to achieve our production target by expanding our three original mines, Ares, Arcata and Selene and by bringing into production three new mines, San José (Argentina), Moris (Mexico) and Pallancata (Peru). Notwithstanding certain setbacks at Selene we remain confident of achieving our long-term production targets.

Exploration remains at the core of our business as we seek to expand our existing operations and develop our project pipeline through the discovery of new deposits. During 2007 we successfully expanded our attributable reserves and resources ounces net of production by 16% and 12%, respectively on a silver equivalent basis, which allows us to expand further capacity during 2008. In addition, as a result of higher commodity prices we have increased our cut-off prices for calculating reserves and resources.

We continue exploring and seeking new opportunities in various countries (Argentina, Canada, Chile, Mexico and Peru) to increase our project pipeline. Highlights from this programme are the incorporation of resources from the San Felipe project in Mexico and the positive drilling results through intercepts with mineable widths during the last quarter of 2007 at the Azuca project in Peru, where we expect to develop new resources in 2008.

Peru

Arcata

Production and sales (total):

	Year ended 31 December 2007	Year ended 31 December 2006	% change
Ore production (tonnes)	415,400	313,688	32%
Average head grade silver (g/t)	560.04	536.62	4%
Average head grade gold (g/t)	1.43	1.39	3%
Concentrate produced (tonnes)	16,665	12,407	34%
Silver grade in concentrate (kg/t)	12.12	11.90	2%
Gold grade in concentrate (kg/t)	0.03	0.03	0%
Silver produced (oz)	6,553	4,754	38%
Gold produced (oz)	16.48	11.89	39%
Silver sold (oz)	6,544	4,046	62%
Gold sold (oz)	15.50	9.80	58%

Arcata, our flagship mine, enjoyed another successful year underpinned by record production growth. In 2007 we realised a 38% and 39% increase in silver and gold production, respectively. This increase was the result of increased production and throughput at the plant coupled with consistent grades and recoveries.

In the second quarter of 2007, we installed a high efficiency separating system which increased the plant capacity from 350 ktpa to 420 ktpa. Due to favourable exploration results and our ability to grow reserves, we decided to bring forward the capacity expansion (from 420 ktpa to 618 ktpa), which was initially contemplated for 2009 to the third quarter of 2008. The ball mill has been secured, key materials have all been ordered and civil engineering work is underway. This expansion is expected to be completed by the third quarter of 2008.

During 2008 we will continue to advance the underground workings around the new Mariana Ramp in order to sustain further plant expansions. Our intention is to develop approximately 18,841 metres of underground workings in and around this area.

Historically we have sold all the Arcata concentrate to Met-Mex Peñoles S.A. de C.V. (“Peñoles”), the contract with whom expires in 2008. Given the additional concentrate produced at Arcata in 2007, we entered into new contracts with Consorcio Minero S.A. (“Cormin”) and Traxis North America LLC (“Traxis”) for the excess concentrate. For 2008, we have secured contracts with Peñoles, Doe Run Peru SRL, Traxis and Cormin for a majority of the production budgeted for 2008, albeit on less favourable terms due to increased competition in the concentrate market. We are working on securing additional contracts to offtake the remaining production.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	3.58 mt @ 526 g/t Ag & 1.41 gt/ Au	2.76 mt @ 590 g/t Ag & 1.55 gt/ Au	
Resource (moz Ag eq)	70.3	60.6	16%
Reserves	1.84 mt @ 476 g/t Ag & 1.19 gt/ Au	1.23 mt @ 442 g/t Ag & 1.22 gt/ Au	
Reserve (moz Ag eq)	32.4	20.4	59%

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

We continue to increase reserves and resources in the Mariana, Julia, Michelle, Soledad and Ramal Marion veins with 37,505 metres drilled in 144 drill holes in 2007. During 2007 exploration and development focused mainly on the Mariana Vein and on the Michelle, Soledad and Marion-branch secondary structures. Exploration potential is open at depth and along strike for these veins.

The Mariana, Julia, Ramal 2 and Ramal Marion Veins together comprise 70% of all measured and indicated reserves for the Arcata unit. Resources also have been identified in a considerable number of smaller secondary ore bodies, in particular those located in the NW-SE trending structure between Ramal Marion and Ramal 2.

The 2008 exploration programme contemplates adding new reserves and resources in these veins as well as exploring new targets north of the Alexia structure through underground workings and drilling.

Ares

Production and sales (total):

	Year ended 31 December 2007	Year ended 31 December 2006	% change
Ore production (tonnes)	333,800	289,138	15%
Average head grade silver (g/t)	279.25	310.61	(10%)
Average head grade gold (g/t)	14.57	17.37	(16%)
Doré produced total (Koz)	2,593	2,850	(9%)
Silver produced (koz)	2,701	2,688	0%
Gold produced (koz)	149.98	155.50	(4%)
Net silver sold (koz)	2,880	2,651	9%
Net gold sold (koz)	157.77	152.9	3%

In January 2007 we finalised the capacity increase which took the plant from 280 ktpa to 333 ktpa. As a result of lower grades mined, silver production was flat and gold production decreased 4% during the year.

As anticipated, the average grade at the Ares mine is declining due to the aging and geological nature of the deposit. In addition, as a result of higher commodity prices we have increased our cut-off prices for silver and gold reserves. This has allowed us to lengthen the reserve life by including marginal ore which would have been uneconomical to mine in a lower price environment, but has the effect of lowering the average reserve grade. In our 2007 Q4 Production Report we stated that during 2008 we intend to mine at a grade of 6.4 g/t gold and 165 g/t silver, which is generally consistent with our policy and industry strategy of mining average reserves grades.

At Ares, we produce a gold/silver doré all of which will be sold to Johnson Matthey in 2008.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	0.96 mt @ 191 g/t Ag & 5.89 gt/ Au	0.91 mt @ 248 g/t Ag & 9.99 gt/ Au	
Resource (moz Ag eq)	16.8	24.9	(32%)
Reserves	0.84 mt @ 183 g/t Ag & 5.94 gt/ Au	0.85 mt @ 235 g/t Ag & 9.77 gt/ Au	
Reserve (moz Ag eq)	14.6	22.3	(34%)

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

Replacement of high ore grade in splays and tensionals of the Victoria Vein System continues. During 2007 we drilled 2,855 metres in 7 drill holes in Victoria Noreste and Paola Veins. Additionally, at the Victoria Vein System, which hosts 33% of all measured and indicated resources for the Ares mine 1,246 metres of underground workings were developed for conversion to reserves. The remainder of the resource base has been estimated in 53 separate minor ore bodies, none of which individually contains more than 11% of the measured and indicated resources. The largest resource component after the main Victoria Vein ore body comprises 39 small ore bodies which form part of the overall Victoria Vein structure. They are generally parallel or sub-parallel to the main vein and in many cases these are very close to, or in contact with, sectors of the main vein.

We have been able to replace tonnes mined at Ares, albeit at lower grades, but in the absence of a significant discovery, management believe that beyond 2011, under current conditions, the ore may no longer be economical for extraction.

During the latter part of 2007, a comprehensive compilation of all the regional geological data was conducted for the Ares district with the assistance of external consultants. During the first half of 2008, we will be evaluating the potential for additional targets that will be drilled during the second half of the year.

Selene

Production and sales (total):

	Year ended 31 December 2007	Year ended 31 December 2006	% change
Ore production (tonnes)	413,622	359,686	15%
Average head grade silver (g/t)	295.79	397.76	(26%)
Average head grade gold (g/t)	2.01	2.85	(29%)
Concentrate produced (tonnes)	4,010	3,842	4%
Silver grade in concentrate (kg/t)	26.83	33.70	(20%)
Gold grade in concentrate (kg/t)	0.17	0.23	(28%)
Silver produced (koz)	3,414	4,162	(18%)
Gold produced (koz)	21.62	28.34	(24%)
Net silver sold (koz)	3,644	3,705	(2%)
Net gold sold (koz)	22.03	26.9	(18%)

During 2007, production was primarily (97%) from the Explorador and Ramal Sur ore bodies which form part of the same Explorador Vein System. Minor production was sourced from the Sofia and Tumiri Veins.

In contrast to our other operations, Selene is a mine where the vast majority of production comes from one vein with limited mining alternatives. Over the course of 2007, we encountered an increasingly impoverished area in the vein which resulted in declining grades throughout the year. We envisage processing approximately 300 ktpa of ore from Selene in 2008 and mining grades of 1.6 g/t gold and 230 g/t silver. However, we have drill intercepts at depth indicating higher grade ore over mineable thickness at the central and northeast shoots of the Explorador Vein.

As planned, we completed the plant expansion at Selene during the third quarter of 2007 increasing capacity from 350 ktpa to 700 ktpa to accommodate the ore from Pallancata. On the back of a successful exploration programme at Pallancata, we subsequently decided to increase further the plant capacity at Selene to 1,059 ktpa by the fourth quarter of 2008.

As a result of the decline in grades, we will reduce throughput at Selene in 2008 in order to develop additional underground workings and access tunnels to the vein system. Our 2008 development programme involves advancing 2,090 metres of underground workings and building an additional 15 stopes in the mine. We believe these efforts coupled with an extensive exploration campaign will allow it to better manage different quality ore to extract the average reserve grade, as well as achieving greater visibility of future grades of the mine.

Approximately 63% of the silver-gold concentrate is converted to doré at the Ares plant and is sold to Johnson Matthey according to contracts already in place for 2008**.** The remaining concentrate from 2008 will be sold to Teck Cominco Metals Ltd ("Teck").

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	1.79 mt @ 241 g/t Ag & 1.34 gt/ Au	1.76 mt @ 329 g/t Ag & 1.93 gt/ Au	
Resource (moz Ag eq)	18.5	25.2	(26%)
Reserves	0.81 mt @ 269 g/t Ag & 1.68 gt/ Au	0.87 mt @ 309 g/t Ag & 2.22 gt/ Au	
Reserve (moz Ag eq)	9.6	12.3	(22%)

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

We continue to deepen the Fenix Ramp and further develop the Tumiri Vein. During 2007 35,497 metres of diamond drilling were executed in 150 drill holes with significant drill intercepts in the Laguna, Explorador and Tumiri veins. The Explorador Vein system represents 34% of all measured and indicated resources for the Selene unit. Resources also have been identified in generally small secondary ore bodies closely associated with the Explorador Vein, within the Tumiri-Sofia Vein system which is oblique to and truncates the Explorador Vein, and in a number of outlying veins located at distances up to 700 metres from the principal veins.

At the Tumiri and Explorador veins, 1,175 metres of underground workings were developed for conversion to reserves.

During 2007 we identified potential for high-sulfidation type epithermal mineralisation at Huachuhuilca district located approximately 15 kilometres from Selene. However, we had to scale back the drill programme for developing new resources at Selene due to ongoing negotiations with the community of Pampamarca in 2007. Consultations with the community are underway and we expect a favourable outcome by the second quarter of 2008.

The 2008 exploration programme comprises 2,090 metres of underground workings and 18,250 metres of drilling at Huachuhuilca, Cuello and Pacapausa.

Pallancata

Production and sales (total):

	Year ended 31 December 2007
Ore production (tonnes)	78,335
Average head grade silver (g/t)	310.02
Average head grade gold (g/t)	1.49
Concentrate produced (tonnes)	638
Silver grade in concentrate (kg/t)	34.28
Gold grade in concentrate (kg/t)	0.13
Silver produced (koz)	704
Gold produced (koz)	2.76
Net silver sold (koz)	550
Net gold sold (koz)	2.03

On 18 September 2007 we announced the commencement of production at Pallancata (60% Hochschild, 40% International Minerals) at an initial rate of 180 ktpa. This achievement exemplifies the Group's ability to leverage its existing operations to bring into production new profitable projects in the region. The Pallancata ore is transported to the Selene plant via a 22 kilometre road and shares the plant's capacity.

Production from the Pallancata mine has been from two vein structures only, Veta Oeste and Cimoide, the former contributing 82% of the total. Both of these vein structures and the other ore bodies and veins which presently contribute to the total resources, all form part of the major Pallancata Vein System.

In order to fully benefit from the increasing resource at Pallancata, the Group has decided to increase throughput with the intention of processing approximately 500 ktpa during 2008, which is dependent on completion of the planned expansion of the Selene plant.

The Pallancata ore will be sold in the form of a silver-gold concentrate while the possibility of converting it to doré is being evaluated. We have signed a new one year contract with Teck for nearly all of the forecasted 2008 production.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	3.22 mt @ 397 g/t Ag & 1.42 gt/ Au	1.87 mt @ 399 g/t Ag & 1.53 gt/ Au	
Resource (moz Ag eq)	49.9	29.5	69%
Reserves	2.13 mt @ 289 g/t Ag & 1.24 gt/ Au	1.31 mt @ 273 g/t Ag & 1.08 gt/ Au	
Reserve (moz Ag eq)	24.9	14.3	74%

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

In 2007 we drilled 20,626 metres in 77 drill holes and developed 368 metres of underground workings on the Pallancata Central Vein. We continue to deepen the Santa Angela and Orion ramps and future exploration targets exist around the Mariana, Mercedes and San Javier structures.

The noticeable increase in reserves and resources has resulted from wider than expected mineralised structures intercepted in drill holes and underground workings in Pallancata Central and Oeste, respectively. The Veta Oeste ore body, comprising two ore zones presently, accounts for 99% of the total measured and indicated resources. Resources also have been identified in a number of vein structures adjacent to the Pallancata Vein System, which occur as sub-parallel or oblique ore bodies.

Drilling at the Mariana and Mercedes veins has identified potential mineralisation that will be the subject of further work in 2008. In 2008, the exploration programme also includes 1,320 metres of tunneling for reserve development at Pallancata central and completion of the district geology.

Argentina

San José

Production and sales (total):

	Year ended 31 December 2007
Ore production (tonnes)	92,974
Average head grade silver (g/t)	538
Average head grade gold (g/t)	7.08
Silver produced (koz)	958
Gold produced (koz)	14.96
Net silver sold (koz)[1]	92
Net gold sold (koz)[1]	1.49

[1] Total ounces of gold and silver sold include 0.86 koz and 42 koz respectively, that were produced during the construction phase of the plant and hence the corresponding revenue has been recorded as a reduction to the capitalised cost of the plant

We commenced production at San José in the second quarter of 2007 representing the Group's successful entry into a new country, Argentina. With a workforce of over 500 people, fully ramped-up operation and a consolidated land package in the Argentinean Patagonia, we are excited about this new operation and expect strong operational and financial performance in the future. We continue to believe Argentina offers an enabling environment for foreign investment in mining although we will continue to monitor policy changes closely.

As disclosed in our 2007 Q3 Production Report, we experienced delays in the initial ramp up of the San José plant due to technical issues with the mill and flotation process, difficulty with the intensive leaching process which is used to turn the concentrate into doré and the impact of severe weather conditions in August. We are pleased to report that during the fourth quarter of 2007 the plant reached full capacity of 265 ktpa and currently operates at that level.

While the plant is operating at full capacity, we continue to experience some difficulty with the intensive leaching process. We are currently undertaking re-engineering work in order to improve the cyanide detoxification process. We expect these complications to be resolved during the first half of 2008.

We had significant exploration success at San José and for this reason we plan to expand the San José plant during the third quarter of 2008 increasing its capacity from 265 ktpa to 530 ktpa. The Board has approved doubling capacity at the plant, and we will produce both doré and concentrate at the San José mine, until we resolve difficulties with the intensive leaching process after which we will produce 100% doré.

We have contracts in place to sell the doré to Argor Heraeus S.A., a licensed trader, smelter and assayer based in Switzerland. We also have contracts with Norddeutsche Affinerie AG for the sale of the concentrate production and are in negotiations with several other refineries.

We have already ordered the critical equipment for the expansion, including a new ball mill, flotation cells, pumps, a thickener, a filtering system and a crusher. We are in the process of installing additional generators to power the incremental plant capacity while we work to connect the operation to the national grid. We have tendered the equipment, electric towers and transformers and have commenced construction of the electric line. We believe that the move from the use of generators to the national grid will provide significant cost savings.

The preparation and exploitation of the Frea and Huevos Verdes vein continues, as well as the development of the Kospi vein where 173 metres have been developed.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	1.59 mt @ 473 g/t Ag & 7.09 gt/ Au	1.07 mt @ 530 g/t Ag & 8.50 gt/ Au	
Resource (moz Ag eq)	45.9	35.9	28%
Reserves	1.37 mt @ 403 g/t Ag & 6.01 gt/ Au	1.00 mt @ 450 g/t Ag & 7.21 gt/ Au	
Reserve (moz Ag eq)	33.7	28.3	19%

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

In 2007 we drilled approximately 28,585 metres through 112 drill holes and drifted 641 metres along the Frea Vein, which increased our resources and reserves by 28% and 19%, respectively.

During 2007 the increase in reserves was mainly from the Frea and Kospi veins while the important resource increment came from the Frea, Odin and Ayelen veins. Significant mineralised potential exists along strike and at depth over all the above structures.

During 2008 our exploration efforts will focus on surface work, re-mapping, compiling and integrating the district data (115 km^2) to define new drill targets. We will continue to drill the San José property throughout 2008 albeit to a lesser degree with a 4,000 metres drill campaign currently contemplated.

Mexico

Moris

Production and sales (total):

	Year ended 31 December 2007
Ore production (tonnes)	338,304
Average head grade silver (g/t)	4.69
Average head grade gold (g/t)	1.65
Silver produced (koz)	13
Gold produced (koz)	5.58
Net silver sold (koz)[1]	6
Net gold sold (koz)[1]	3.26

[1]Total ounces of gold and silver sold include 2.8 koz and 4.5 koz, respectively, that were produced during the construction phase of the plant and hence corresponding revenue has been recorded as a reduction to the capitalized cost of the plant.

On 13 August 2007 we announced the commencement of production at Moris which marked another important milestone and our successful entry into a third country, Mexico. Moris is a relatively small operation; however, it has provided a stepping stone into Mexico, a strategic mining country for the Group's long-term growth strategy. Although Moris is currently operating an open pit mine, we continue to drill and explore the underground potential of the surrounding 9,889 hectares, with our partner EXMIN Resources Inc.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	2.44 mt @ 5 g/t Ag & 1.33 gt/ Au	3.27 mt @ 4 g/t Ag & 1.3 gt/ Au	
Resource (moz Ag eq.)	6.6	8.6	(23%)
Reserves	1.77 mt @ 5 g/t Ag & 1.50 gt/ Au	2.04 mt @ 4 g/t Ag & 1.51 gt/ Au	
Reserve (moz Ag eq.)	5.4	6.2	(13%)

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

During 2007 we advanced exploration efforts at Moris, drilling 335 metres to define a potential on the old leach pad, incorporating 29,178 ounces gold to production.

San Felipe

San Felipe is an underground mine located in northern Sonora, Mexico and consists of ten mining concessions covering a total of approximately 14,498 hectares. The property is currently owned by Grupo Serrana, S.A. de C.V. and Hochschild has the option to acquire up to 70% of all mining rights and ownership of the property through a joint venture vehicle. To acquire this 70% interest, the Group must invest $33.3 million in the property by 13 May 2011. To date we have invested $0.7 million.

San Felipe is a significant project for the Group and is currently undergoing a feasibility study. We have undertaken an extensive drilling programme in 2008, and remain confident about the upside potential at the property, which is scheduled to commence production in 2010. Verification drilling has indicated attributable resources of 1.91 million tonnes of resources, primarily at La Ventana, with 7.32% zinc, 71 g/t silver, 3.19% lead, 0.41% copper. The goal is to realize at least four million tonnes of total indicated resources by the third quarter of 2008.

We have hired external consultants MTB Project Management Professionals Inc. as project managers for the feasibility study of the project. The team of professionals involved in the project includes M3 Engineering & Technology Corp., Vector Engineering and Mine Development Associates.

Once completed, the feasibility study will be presented to the Board for approval. In the meantime, we are taking steps to ensure that the necessary infrastructure is in place to commence production as planned in 2010, involving plant and mill design, permitting and construction of the exploration ramp.

This joint venture agreement also includes two other nearby projects El Gachi and Moctezuma that consist of fourteen mining concessions covering a total of approximately 2,247 hectares.

Exploration:

Stated on an attributable basis	As at 31 December 2007	As at 31 December 2006	% change
Resources	1,91 mt @ 7.16% Zn & 3.16% Pb & 0.39% Cu & 68 g/t Ag & 0.02 g/t Au	1.89 mt @ 6.75% Zn & 3.18% Pb & 0.37% Cu & 71 g/t Ag & 0.02 g/t Au	
Resource (moz Ag eq)	19.3	17.5	11%

Notes: contains only the percentage of reserves or resources attributable to our ownership in the mine/project; resources are inclusive of reserves; reserves and resources are reported according to the JORC code developed by the Australasian Joint Ore Reserves Committee; Gold/Silver equivalency: 1oz Au= 60oz Ag

El Gachi

Together with the San Felipe joint venture, we have acquired rights on the El Gachi project (1,500 hectares) located 70 kilometres northeast from San Felipe. El Gachi was explored by Anaconda Chile S.A. (now Antofagasta Minerals S.A.) and Peñoles in the 1960s and 1970s and under exploration by Serrana during the 1990s. Unverified historic information indicates grades of 250 to >900 g/t silver and greater than 15% combined lead and zinc. We presently envisage a potential ore body ranging from a minimum of two metres to upwards of eight metres at similar grades.

In 2007 we reviewed the existing information and mapped the area (surface and underground). Apart from the El Gachi mine target, three new targets were identified in the surface mapping, all four aligned in a NNW direction. An initial drill programme to fast track this high grade silver and base metal project has been designed for 2008.

Azuca

Azuca is a 100% owned early stage development project in southern Peru located approximately 80 kilometres from Selene and Arcata. Diamond drilling during 2007 confirmed the lateral and vertical extension of the western ore-shoot and also recognized a new mineralised shoot to the east. The 2007 drilling results include 2.6 metres at 1.46 g/t Au, 336 g/t Ag (west shoot) and 0.7 metres at 5.7 g/t Au, 1,420 g/t Ag (east shoot). These intersects, summed to those from previous drill campaigns suggest a mineralised potential between 1.0 to 1.5 million tonnes with 300 g/t Ag and 1.6 g/t Au. First half of 2008 drilling will focus on converting this potential into inferred resources, which should then be transformed into measured and indicated categories during the second half of 2008. Given the proximity of the Azuca project to our existing operations, we envisage leveraging the infrastructure already in place at Arcata and Selene in order to process the Azuca ore, should the project advance to an operational stage.

Financial Review:

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

US$(000) unless otherwise indicated	Year ended 31 December 2007	Year ended 31 December 2006 (Restated)	% change
Attributable silver production (koz)	13,588	11,604	17%
Attributable gold production (koz)	201	196	3%
Cash costs ($/oz Ag co-product)[1]	3.94	3.63	9%
Cash costs ($/oz Au co-product)[1]	190	156	22%
Adjusted EBITDA[2]	147,606	107,549	37%
Earnings per share (pro forma)[3]	$0.27	$0.15	75%
Cash flow from operating activities	21,404	94,023	(77%)
Reserve life of mine (years)	3.9	3.7	

[1] Cash costs are calculated to include cost of sales, treatment charges, and selling expenses less depreciation included 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] In order to present the 2006 EPS figures on a consistent basis with 2007, the 2006 figures have been calculated on pro forma basis. The pro forma earnings per share calculation assumes that the number of Ordinary Shares in issue immediately after Listing (being 307,350,226) had been in issue from 1 January 2006.

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 facilitate comparison with prior years.

Dividends

The Directors recommend a final dividend of 7.2¢ per share amounting to $22.2 million. This amounts to a full year dividend of 9.2¢ per share which represents one third of the Company’s attributable profit for the year post exceptional items.

Dividend dates	2008
Ex-dividend date	16 April
Record date	18 April
Deadline for return of currency election forms	22 April
Payment date	13 May

As stated at the time of the Listing, the Company’s dividend policy takes into account the profitability of the business and underlying growth in earnings of the Company, as well as its capital requirements and cash flows, while maintaining an appropriate level of dividend cover. Interim and final dividends will be paid in the approximate proportions of one-third and two-thirds of the total annual dividend, respectively.

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

Revenue

The Group's full year revenue from continuing operations increased 44% to $305.0 million (2006: $211.2 million) due to an increase in gold and silver ounces sold and higher commodity prices.

Silver: Revenue from silver increased 51% in 2007 to $178.8 million (2006: $118.1 million). This change reflects a higher realised silver price (up 15%) and a 32% increase in silver ounces sold. Total net silver ounces sold were 13,717 koz in 2007 (2006: 10,403 koz). In 2007 revenue from silver accounted for 59% of consolidated revenue compared to 56% in 2006.

Gold: Revenue from gold was up 35% in 2007 to $125.2 million (2006: $92.5 million). This change in gold revenue was driven by an increase in the realisable gold price (up 30%), coupled with a slight increase of gold ounces sold. Total net ounces of gold sold were 202 koz in 2007 (2006: 190 koz). In 2007 revenue derived from the sale of gold accounted for 41% of consolidated revenue compared to 44% in 2006.

Revenue by mine:

US$(000) unless otherwise indicated	Year ended 31 December 2007	Year ended 31 December 2006	% change
Silver revenue			
Arcata	85,005	48,455	75%
Ares	38,078	23,168	64%
Selene	47,280	46,513	2%
Pallancata	7,712	—	n.m.
San José	739	—	n.m.
Moris	26	—	n.m.
Total silver revenue	178,840	118,138	51%
Gold revenue			
Arcata	10,774	5,975	80%
Ares	97,469	69,199	41%
Selene	14,471	17,199	(16%)
Pallancata	1,658	—	n.m.
San José	530	—	n.m.
Moris	348	—	n.m.
Sipan	—	77	n.m
Total gold revenue	125,250	92,451	35%
Other[1]	931	657	42%
Total revenue	305,021	211,246	44%

[1] Other revenue includes revenue from base metal components in the concentrate sold from the Arcata mine and services rendered

Forward sale contracts

We had a number of legacy forward sales contracts in place for both silver and gold which were entered into as part of the security package for a loan facility in 2003, the last of which expired in June 2007. The ounces covered by these forward sales contracts, and the sale prices, are outlined in the table below:

	2007	2006
Silver sales hedged (koz)	772	2,240
Gold sales hedged (koz)	60	97
Silver fixed price ($/oz)	$10.7	$11.4
Gold fixed price ($/oz)	$418	$487

We are currently 100% hedge free and the Group's corporate policy is not to hedge exposure to the underlying commodity prices for silver and gold.

Average sale prices realised

	2007	2006	% change
Silver ($/oz)	$13.08	$11.36	15%
Gold ($/oz)	$634	$487	30%

Costs

The high cost inflation associated with inputs into the mining industry impacted our operations during the course of 2007. In particular, demand for contract labour, fuel, explosives, electricity and cyanide continued to outstrip supply, resulting in escalating prices. Additional industry-wide demand for equipment also increased lead times for the delivery of equipment. During 2007 we were able to mitigate partially these cost increases by capacity expansions and efficiency gains, and we are confident that we will remain one of the lowest cash cost producers in our industry.

In 2006 we operated three mines, Arcata, Ares and Selene in southern Peru at a weighted average cost of $59.10 per tonne (excluding depreciation, certain operating expenditure not directly related to production and workers profit sharing). In 2007 the weighted average cost per tonne for these three mines was $60.81 per tonne, a marginal increase of 2.9% year-on-year.

When taking into account the Group's two new underground mines, San José and Pallancata, the weighted average cost per tonne increased 18% year-on-year to $69.69 per tonne. This increase was the result of higher costs at San José during the initial ramp up phase of the mine.

We exclude the cost per tonne from the Moris mine in our weighted average cost calculation as it is an open pit mine with a different operational and cost profile than our underground operations. The weighted average cost per tonne at Moris for 2007 was $18.42, slightly higher than initially anticipated.

As explained in our Q4 2007 Production Report, we anticipate that our average cash cost per tonne in 2008 for our five underground operations will be at or below 2007 levels. This is primarily a result of an increase in tonnage treated at Arcata, San José and Pallancata and cost reduction efforts.

Administrative expenses

Administrative expenses totalled $69.2 million, up 89% in 2007 as compared to 2006 (2006: $36.6 million). This increase was mainly due to additional personnel expenses resulting from personnel hired for our new operations, the London office and corporate staff to create the platform for future growth, increase in worker's profit sharing due to increase in profits and directors' incremental remuneration. In addition to personnel expenses, consulting fees increased as a result of accounting and legal advice and tax consulting services some of which will be non-recurring items in the future.

We believe this increase represents a step change in overhead expenses and is a reflection of the incremental costs associated with being a public company as well as being the result of having diversified into new countries. We are confident that the Group now has in place the appropriate infrastructure to meet its medium-term growth objectives.

Profit from continuing operations before exceptional items, net finance income/(cost), foreign exchange (loss)/gain and income tax and Adjusted EBITDA

Profit from continuing operations before exceptional items, net finance income/(costs), foreign exchange (loss)/gain and income tax increased 37% to $103.9 million (2006: $76.0 million).

Adjusted EBITDA reconciliation:

US$(000) unless otherwise indicated	Year ended 31 December 2007	Year ended 31 December 2006	% change
Profit from continuing operations before exceptional items net finance income/(cost), foreign exchange (loss)/gain and income tax	103,930	75,975	37%
Operating margin	*34%*	*36%*	
Plus:			
Depreciation and amortisation in Cost of Sales	24,685	17,697	39%
Depreciation and amortisation in Administrative Expenses	525	993	(47%)
Exploration Expense	26,728	19,026	40%
Minus:			
Personnel and other Exploration Expense	(8,262)	(6,142)	35%
Adjusted EBITDA	147,606	107,549	37%
Adjusted EBITDA margin	*48%*	*51%*	

Finance income & finance costs

Finance income increased 230% in 2007 to $19.8 million (2006: $6.0 million) driven by interest received on liquidity funds. Finance costs for the period primarily related to the interest on pre-shipment loans used to finance working capital. In addition, finance costs included interest on the loan from Minera Andes Inc., our partner at the San José mine, to Minera Santa Cruz S.A. ("Minera Santa Cruz") the legal owner of the mine in which we have a 51% interest. During 2007 the Company did not have any long-term debt outstanding.

Foreign exchange loss

The Group incurred a $4.4 million foreign exchange loss in 2007 (2006: $0.4 million gain) resulting from the Argentinean Peso depreciating against U.S. dollar. Minera Santa Cruz, one of the Group's subsidiaries which is the legal owner of the San José mine, had $82 million of debt denominated in U.S. dollars. As Minera Santa Cruz's functional currency was the Peso during 2007, the translation of this loan into Pesos created a loss, which was recorded in the income statement. Following the commencement of operations during the year, we have been required to change the functional currency in Minera Santa Cruz to U.S. dollars from 2008 therefore exchange differences on these loans will not arise.

Income tax

The weighted average statutory income tax rate was 29.66% for 2007 and 30.18% for 2006. This difference is due to a change in the weighting of profit and loss before tax in the various jurisdictions in which the Group operates.

The effective tax rate for 2007 is 30.81% reduced from 42.00% in 2006. This decrease was driven primarily by: higher profit at Compañía Minera Ares S.A.C., which is taxed at a lower rate (30%); a decrease in non-deductible expenses; recognition of previously unrecognised deferred tax assets in relation to the mine closure provisions; and the recognition of a portion of the double deduction in calculating corporate income tax in Argentina pursuant to the special investment regime in effect in the province of Santa Cruz; which was partially offset by the impact of introduction of reforms to Mexico's tax legislation.

Minority interest

The loss attributable to minority interest in both 2007 and 2006 consists predominantly of that portion of the costs for the San José project, of which the Company has a 51% ownership, with Minera Andes S.A. owning the remaining 49%.

Exceptional items

Exceptional items are those significant items which due to the nature or the expected infrequency of the events giving rise to them need to be disclosed separately on the face of the income statement.

In 2007 we recognized an exceptional gain of $5.5 million recorded in finance income. This gain principally reflects the change in fair value of warrants the Company holds over 2,475,355 shares in Fortuna Silver Mine Inc. In addition, the Company had a $1.5 million exceptional loss recorded in other expenses primarily as a result of the sale of its wholly owned subsidiary, Compañia Minera Sipan, to a third party. Correspondingly, we disclosed the tax impact of these items amounting to $1.3 million as 'exceptional'.

In 2006, exceptional items in other expenses principally comprised $3.0 million asset impairment at Sipan and a loss on the sale of investments of $2.2 million, which was incurred when the Company disposed of shares in Inversiones Pacasmayo prior to the Listing in November 2006. In addition, there was a $1.0 million loss on the sale of the Group's wholly owned subsidiary, Mauricio Hochschild & Cia. Ltda. S.A.C.

Balance sheet & cash flow review

Working capital:

US$(000) unless otherwise indicated	As at 31 December 2007	As at 31 December 2006
Current assets		
Inventories	47,012	16,533
Trade and other receivables	134,180	47,592
Current liabilities		
Trade and other payables	52,176	64,140
Pre-shipment loans	23,750	26,894
Working capital	105,266	(26,909)

The change in the working capital position resulted from a significant increase in trade and other receivables from $47.6 million as at 31 December 2006 to $134.1 million as at 31 December 2007 and to a lesser degree from an increase in inventories from $16.5 million as at 31 December 2006 to $47.0 million as at 31 December 2007.

Receivables were higher at the end of 2007 because of an increase in trade receivables, prepaid expenses and VAT, and funds due from a minority shareholder.

As discussed earlier, we produced more concentrate at Arcata than we had contracted to sell to Peñoles in 2007. Whilst this was sold to various other smelters, thus diversifying the Group's concentrated customer base, much of the sales were made during December, resulting in a high level of trade receivables at the year-end. These trade accounts receivable were mainly comprised of amounts receivable from Cormin, Traxis and Norddeutsche Affinerie. We believe that the high level of sales in December 2007, and the resulting high balances of accounts receivable, was a one-off situation which will reverse during the first half of 2008.

The increase in prepaid expenses and VAT mainly comprised value added taxes paid in the development of the San José project that will be recovered through future sales of gold and silver by the Group.

The loan due from minority shareholders corresponds to a capital contribution pending collection from the minority shareholder of the San José operation.

The increase in inventories was the result of the intensive leaching process not working as planned which led to the production of precipitates from the San José operation, some of which will be processed into Dore and sold in 2008.

Net debt:

US$(000) unless otherwise indicated	As at 31 December 2007	As at 31 December 2006
Cash and cash equivalents	301,426	435,543
Long term borrowings	55,209	27,114
Short term borrowings less pre-shipment loans	9,419	2,888
Net debt/(net cash)	(236,798)	(405,541)

The Group's balance sheet remains robust with $236.8 million of net cash as at 31 December 2007. In addition, the Group successfully completed the syndication phase of its $200 million Secured Term Loan Facility. The facility will be used for general corporate purposes such as potential acquisitions. The Company believes its existing mines and near term projects are fully funded with current cash on the balance sheet together with future cash which will be generated from these operations.

Cash flow:

The Group's operations generated $21.4 million of cash flow in 2007 reduced from $94.0 million in 2006. This decrease was principally driven by a temporal shift in working capital despite a significant increase in the underlying profit from continuing operations.

Total capital expenditure[2]:

US$(000) unless otherwise indicated	Year ended 31 December 2007	Year ended 31 December 2006
Arcata	22,750	13,170
Ares	3,705	2,188
Selene	27,497	4,319
Pallancata[1]	12,190	12,931
San José[1]	62,752	36,075
Moris[1]	12,099	8,034
San Felipe[1]	667	156
Other	3,078	1,997
Total	144,738	78,870

[1] Represents 100% of capital expenditure
[2] The amounts shown above exclude increases in the mine rehabilitation asset amounting to $1,056,000 (2006: $1,810,000).

Consolidated Income Statement

	Notes	Year ended 31 December 2007 (unaudited)			(Restated) Year ended 31 December 2006 (unaudited)		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
				US$(000)			
Continuing operations							
Revenue		305,021	—	305,021	211,246	—	211,246
Cost of sales		(106,084)	—	(106,084)	(77,829)	—	(77,829)
Gross profit		198,937	—	198,937	133,417	—	133,417
Administrative expenses		(69,167)	—	(69,167)	(36,633)	—	(36,633)
Exploration expenses		(26,728)	—	(26,728)	(19,026)	—	(19,026)
Selling expenses		(2,780)	—	(2,780)	(3,187)	—	(3,187)
Other income		6,067	932	6,999	5,274	94	5,368
Other expenses		(2,399)	(1,501)	(3,900)	(3,870)	(6,495)	(10,365)
Profit from continuing operations before net finance income/(cost), foreign exchange (loss)/gain and income tax		**103,930**	**(569)**	**103,361**	**75,975**	**(6,401)**	**69,574**
Finance income		19,783	5,474	25,257	5,988	918	6,906
Finance costs		(7,517)	(71)	(7,588)	(12,037)	—	(12,037)
Foreign exchange (loss) / gain		(4,363)	—	(4,363)	353	—	353
Profit from continuing operations before income tax		**111,833**	**4,834**	**116,667**	**70,279**	**(5,483)**	**64,796**
UK corporation tax		(2,506)	—	(2,506)	(747)	—	(747)
Foreign taxes		(31,947)	(1,299)	(33,246)	(28,769)	623	(28,146)
Income tax expense	3	(34,453)	(1,299)	(35,752)	(29,516)	623	(28,893)
Profit for the year from continuing operations		**77,380**	**3,535**	**80,915**	**40,763**	**(4,860)**	**35,903**
Attributable to:							
Equity shareholders of the Company		81,538	3,535	85,073	46,572	(4,860)	41,712
Minority shareholders		(4,158)	—	(4,158)	(5,809)	—	(5,809)
		77,380	3,535	80,915	40,763	(4,860)	35,903
Basic and diluted earnings per ordinary share from continuing operations and for the year (expressed in US dollars per share)		0.27	0.01	0.28	0.19	(0.02)	0.17
Dividends							
- declared and paid/payable				6,173			73,142[(i)]
- proposed				22,185			2,275
Dividend per share (US¢)							
- declared and paid/payable				2.0			32.0
- proposed				7.2			0.74

(i) Corresponds to dividends paid or provided to former shareholder, Dona Limited.

Consolidated Balance Sheet

	Notes	As at 31 December	
		2007 (unaudited)	(Restated) 2006 (unaudited)
		US$(000)	
ASSETS			
Non-current assets			
Property, plant and equipment		263,062	141,387
Intangibles		2,896	2,091
Available-for-sale financial assets		15,100	6,285
Trade and other receivables		26,134	17,427
Deferred income tax assets		22,400	7,920
		329,592	175,110
Current assets			
Inventories		47,012	16,533
Trade and other receivables		134,180	47,592
Income tax receivable		1,003	2,134
Derivative financial instruments		8,039	6,022
Cash and cash equivalents		301,426	435,543
		491,660	507,824
Assets classified as held for sale		—	345
Total assets		**821,252**	**683,279**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital		146,466	146,466
Share premium		395,928	396,156
Other reserves		(205,556)	(205,039)
Retained earnings		229,202	152,577
		566,040	490,160
Minority interest		50,008	14,489
Total equity		**616,048**	**504,649**
Non-current liabilities			
Trade and other payables		859	1,064
Borrowings		55,209	27,114
Provisions		30,821	28,690
Deferred income tax liabilities		9,091	4,026
		95,980	60,894
Current liabilities			
Trade and other payables		52,176	64,140
Borrowings		33,169	29,782
Provisions		13,029	11,385
Income tax payable		10,850	12,429
		109,224	117,736
Total liabilities		**205,204**	**178,630**
Total equity and liabilities		**821,252**	**683,279**

Consolidated Cash Flow Statement

	Notes	Year ended 31 December	
		2007 (unaudited)	(Restated) 2006 (unaudited)
		US$(000)	
Cash flows from operating activities			
Cash generated from operations		34,338	132,046
Interest received		18,390	2,576
Interest paid		(1,217)	(9,163)
Payments of mine closure costs		(2,023)	(5,426)
Tax paid		(28,084)	(26,010)
Net cash generated from operating activities		**21,404**	**94,023**
Cash flows from investing activities			
Purchase of property, plant and equipment		(134,119)	(65,704)
Purchase of available-for-sale financial assets		(4,669)	(2,770)
Purchase of shares of Minera Colorada S.A.C		—	(240)
Purchase of software licenses		(876)	—
Purchase of other financial assets at fair value through profit or loss		—	(5,867)
Purchase of assets and liabilities of Mina Moris		—	(4,983)
Loan to Exmin, S.A. de C.V.		(746)	(754)
Loan to Minera Andes Inc.		(22,036)	(9,800)
Proceeds from other financial assets at fair value through profit or loss		—	5,591
Proceeds from sale of available-for-sale financial assets		—	6,550
Proceeds from sale of Mauricio Hochschild & Cía. Ltda. S.A.C. (subsidiary)		—	3,801
Proceeds from sale of Caylloma mining unit		—	4,500
Proceeds from sale of property, plant and equipment		167	991
Dividends received		—	147
Net cash used in investing activities		**(162,279)**	**(68,538)**
Cash flows from financing activities			
Proceeds of borrowings		177,168	77,014
Repayment of borrowings		(150,194)	(95,977)
Dividends paid		(24,729)	(58,375)
Capital contribution		—	93
Proceeds from issue of ordinary share under Global offer		—	515,245
Transaction costs associated with issue of shares		(11,722)	(33,989)
Purchase of shares from minority shareholders		—	(2)
Capital contribution from minority shareholders		16,175	4,215
Repayment of capital to minority shareholders		—	(671)
Cash flows generated from financing activities		**6,698**	**407,553**
Net (decrease)/increase in cash and cash equivalents during the year		(134,177)	433,038
Exchange difference		60	38
Cash and cash equivalents at beginning of year		435,543	2,467
Cash and cash equivalents at end of year		**301,426**	**435,543**

Consolidated Statement of Changes in Equity

	Notes	Equity share capital	Share premium	Other reserves: Unrealised gain/(loss) on available-for-sale financial assets	Other reserves: Cumulative translation adjustment	Other reserves: Merger reserve	Total Other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Minority interest	Total Equity
						US$(000)					
Balance at 1 January 2006 as reported		**219,233**	**—**	**11,265**	**726**	**(210,046)**	**(198,055)**	**28,198**	**49,376**	**(2,533)**	**46,843**
Adjustments due to change in accounting policy		**—**	**—**	**—**	**73**	**—**	**73**	**9,343**	**9,416**	**5,440**	**14,856**
Balance at 1 January 2006, restated		**219,233**	**—**	**11,265**	**799**	**(210,046)**	**(197,982)**	**37,541**	**58,792**	**2,907**	**61,699**
Fair value gains on available-for-sale financial assets		—	—	13,351	—	—	13,351	—	13,351	20	13,371
Deferred income tax on available-for-sale financial assets		—	—	(398)	—	—	(398)	—	(398)	—	(398)
Fair value changes transferred to income statement on disposal		—	—	(22,844)	—	—	(22,844)	—	(22,844)	—	(22,844)
Translation adjustment for the year		—	—	—	2,834	—	2,834	—	2,834	142	2,976
Net income recognised directly in equity		—	—	(9,891)	2,834	—	(7,057)	—	(7,057)	162	(6,895)
Profit for the year		—	—	—	—	—	—	41,712	41,712	(5,809)	35,903
Total recognised income for 2006		—	—	(9,891)	2,834	—	(7,057)	41,712	34,655	(5,647)	29,008
Shares issued		93	—	—	—	—	—	—	93	—	93
Shares issued under Global offer		73,606	441,639	—	—	—	—	—	515,245	—	515,245
Transaction costs associated with issue of shares		—	(45,483)	—	—	—	—	—	(45,483)	—	(45,483)
Capital reduction		(146,466)	—	—	—	—	—	146,466	—	—	—
Dividends		—	—	—	—	—	—	(73,142)	(73,142)	(298)	(73,440)
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	18,200	18,200

	Notes	Equity share capital	Share premium	Other reserves: Unrealised gain/(loss) on available-for-sale financial assets	Other reserves: Cumulative translation adjustment	Other reserves: Merger reserve	Total Other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Minority interest	Total Equity
							US$(000)				
Purchase of shares from minority shareholders		—	—	—	—	—	—	—	—	(2)	(2)
Repayment of capital to minority shareholders		—	—	—	—	—	—	—	—	(671)	(671)
Balance at 31 December 2006, restated		**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 [(i)]		—	—	—	—	—	—	—	—	5,627	5,627
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	33,081	33,081
Balance at 31 December 2007 (unaudited)		**146,466**	**395,928**	**1,862**	**2,628**	**(210,046)**	**(205,556)**	**229,202**	**566,040**	**50,008**	**616,048**

[(i)] This amount represents the increase in the minority interest's share of the assets of Pallancata, following the Group's investment during the period in accordance with the agreement.

Notes to the financial statements

The unaudited financial information for the year ended 31 December 2007 and 2006 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 2007 and 2006 (as restated) have been extracted from the financial statements of Hochschild Mining plc which will be approved by the directors and delivered to the Registrar of Companies in due course. The auditors have issued an unqualified opinion on the Group's statutory financial statements for the year ended 31 December 2006, which have been filed with the Registrar of Companies.

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 2006 except for the following:

- Change in accounting policy for exploration expenses
- Adoption of new and amended standards

Change in accounting policy for exploration expenses

During the year, management changed the Group's accounting policy relating to exploration and evaluation expenses as outlined below:

- Projects in the development phase – Exploration and evaluation costs are capitalised as tangible assets from the date that the Board authorises management to conduct a feasibility study. Previously, the Group would commence capitalisation of these costs only from the date the project's feasibility study was approved and completed.
- Identification of resources – Costs incurred in converting inferred resources to indicated and measured resources (of which reserves are a component) are capitalised as incurred. Previously, these costs were expensed. Costs incurred in identifying inferred resources continue to be expensed as incurred.

Management believes that this change in accounting policy will enable improved matching of revenue and costs in the relevant period and thereby better reflect the Group's economic performance. In addition, management believes that this change will ensure consistency with its main peers, thereby enabling more relevant comparisons to be made.

According to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', the Group has retrospectively applied this new policy from 1 January 2002, the earliest date on which objective and reliable information existed in relation to the nature of the exploration expenditure incurred, to enable them to calculate this adjustment.

The comparative amounts presented have been restated in accordance with the new accounting policy as follows:

Income Statement	**(Reported) Year ended 31 December 2006**	**(Restated) Year ended 31 December 2006**	**Effect of change in accounting policy increase/(decrease)**
		US$(000)	
Continuing operations			
Cost of sales	76,649	77,829	1,180
Gross profit	134,597	133,417	(1,180)
Exploration expenses	20,866	19,026	(1,840)
Profit from continuing operations before net finance costs and income tax	68,914	69,574	660
Profit from continuing operations before income tax	64,136	64,796	660
Income tax expense	28,695	28,893	198
Profit for the year from continuing operations.	35,441	35,903	462
Profit for the year	35,441	35,903	462
Attributable to:			
Equity shareholders of the Company	41,288	41,712	424
Minority shareholders	5,847	5,809	(38)
Basic and diluted earnings per ordinary share from continuing operations (expressed in US dollars per share)	0.17	0.17	—

Balance Sheet	**(Reported) As at 31 December 2006**	**(Restated) As at 31 December 2006**	**Effect of change in accounting policy increase/(decrease)**
		US$(000)	
ASSETS			
Non-current assets			
Property, plant and equipment	118,413	141,387	22,974
Deferred income tax assets	15,704	7,920	(7,784)
Total non-current assets	159,920	175,110	15,190
Current assets			
Inventories	16,405	16,533	128
Total current assets	507,696	507,824	128
Total assets	**667,961**	**683,279**	**15,318**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Other reserves	(205,112)	(205,039)	(73)
Retained earnings	142,810	152,577	9,767
Minority interest	9,011	14,489	5,478
Total equity	**489,331**	**504,649**	**15,318**
Total equity and liabilities	**667,961**	**683,279**	**15,318**

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. They did however give rise to additional disclosures, including in some cases, revisions to accounting policies.

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment - Presentation of Financial Statements
- IFRIC 9 Reassessment of Embedded Derivatives

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 & equipment;
- Gains or losses arising on the disposal of subsidiaries, investments or property, plant & 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 figures.
For the restatement of comparative figures in relation to the change in accounting policy for exploration expenditure, refer to note a) above.

2 Segmental Reporting

The Group's activities principally relate to mining operations which involve 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 the United States of America. Therefore, the geographical segment is the Group's secondary reporting format.

2.1 Revenue

Revenue for the year is allocated based on the country in which the customer is located. There are no inter-segment revenues.

	Year ended 31 December	
	2007 (unaudited)	**2006 (unaudited)**
	US$(000)	
USA	158,092	58,719
Peru	48,147	68
Mexico	47,919	116,034
Belgium	22,415	—
Canada	9,606	717
Germany	9,370	—
United Kingdom	8,202	35,708
Chile	1,270	—
	305,021	**211,246**

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

	Year ended 31 December	
	2007 (unaudited)	2006 (unaudited)
	US$(000)	
Peru	303,377	211,246
Argentina	1,270	—
Mexico	374	—
	305,021	**211,246**

2.2 Profit for the year

The Group has no significant inter-segment transactions. Profit for year is based on country of operation as follows:

	Year ended 31 December 2007 (unaudited)			(Restated) Year ended 31 December 2006 (unaudited)		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			US$(000)			
Peru	94,415	2,454	96,869	58,808	(3,827)	54,981
Cayman Islands	68	393	461	(2,756)	(1,033)	(3,789)
Argentina	(5,689)	—	(5,689)	(10,745)	—	(10,745)
Mexico	(11,403)	—	(11,403)	(3,920)	—	(3,920)
Chile	(2,718)	—	(2,718)	(1,613)	—	(1,613)
USA	(1,212)	8	(1,204)	(778)	—	(778)
United Kingdom	3,919	680	4,599	1,767	—	1,767
	77,380	**3,535**	**80,915**	**40,763**	**(4,860)**	**35,903**

3 Income Tax Expense

	Year ended 31 December 2007 (unaudited)			(Restated) Year ended 31 December 2006 (unaudited)		
	Before exceptional items	Exceptional items[i]	Total	Before exceptional items	Exceptional items	Total
	US$(000)					
Current tax:						
Current tax charge from continuing operations	44,933	—	44,933	31,912	28	31,940
	44,933	—	44,933	31,912	28	31,940
Deferred taxation:						
Origination and reversal of temporary differences from continuing operations	(11,641)	1,299	(10,342)	(4,371)	(651)	(5,022)
	(11,641)	1,299	(10,342)	(4,371)	(651)	(5,022)
Withholding taxes	1,161	—	1,161	1,975	—	1,975
Total taxation charge in the income statement	**34,453**	**1,299**	**35,752**	**29,516**	**(623)**	**28,893**

(i) This amount corresponds to the related tax impacts of exceptional items.

The weighted average statutory income tax rate was 29.7% for 2007 and 30.2% for 2006. 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 subsidiaries in the respective countries as included in the consolidated financial statements.

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

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

	Year ended 31 December	
	2007 (unaudited)	(Restated) 2006 (unaudited)
	US$(000)	
Profit before taxation from continuing operations	116,667	64,796
Profit before tax	116,667	64,796
At average statutory income tax rate of 29.7% (2006: 30.2%)	34,598	19,553
Expenses not deductible for tax purposes	2,381	4,124
Non-taxable income	(505)	(170)
Deferred tax recognised on special investment regime[i]	(4,479)	—
Recognition of previously unrecognised deferred tax assets[ii]	(2,917)	—
Net deferred tax assets generated in the year not recognised[iii]	4,672	2,552
Change in tax regime[iv]	3,403	—
Deferred tax on unremitted earnings	—	397
Withholding taxes	1,161	1,975
Recognition of deferred tax assets on restructuring	(767)	—
Other	(1,795)	462
At average effective income tax rate of 30.6% (2006: 44.6%)	35,752	28,893

	Year ended 31 December	
	2007 (unaudited)	(Restated) 2006 (unaudited)
	US$(000)	
Taxation charge attributable to continuing operations	35,752	28,893
Total taxation charge in the income statement	35,752	28,893

(i) Corresponds to the deferred tax income asset recognised on additional tax losses generated during the year due to 50% of the double deduction in Santa Cruz claimed during the year for tax purposes.

(ii) Mainly corresponds to tax effect of certain mine closure expenses as they are now expected to be deducted from taxable income, when paid.

(iii) Mainly corresponds to the tax losses arising in exploration companies for which deferred income tax assets are not recognised due to the uncertainty of generating taxable income in the future.

(iv) Corresponds to the effect of the change in the Mexican tax regime.

3.1 Special investment regime

Minera Santa Cruz benefits from a special investment regime that allows for a double deduction in calculating its corporate income tax liability, in respect of all costs relating to prospecting, exploration and metallurgical analysis, pilot plants and other expenses incurred for feasibility studies of projects. In this regard, the total investment eligible for additional deduction amounts to approximately 79,680,000 Argentinean Pesos ($26,367,000 and $25,595,000 as at 31 December 2006 and 2007, respectively). As this additional deduction did not affect either taxable profit or accounting profit on initial recognition, no deferred tax was recognised in accordance with the requirements of IAS 12 'Income Taxes'. However, under the relevant rules in Argentina, following commencement of operations, this amount can now be claimed in equal amounts over 1 to 5 years. The Group has decided to make this claim over 2 years and hence 50% of the available deduction has been included in the tax losses for the year which are expected to be recovered based on future taxable profits that will be generated in this company. Accordingly, as at 31 December 2007 the net deferred income tax asset of the company increased by $4,479,000.

3.2 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 1 January 2008 the tax reform requires companies to pay the greater of a business flat tax ("IETU") as abbreviated in Spanish or the current income tax structure ("ISR") as abbreviated in Spanish.

The Group has analysed 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 $3,403,000 due to the resulting reduction in the amount of capital allowances arising on the investment in the mine to date.

4 Subsequent events

- On 28 January 2008 ("Execution Date"), the Group entered into a secured term loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the Administrative Agent. Under the arrangements, the Group has a total secured term loan facility up to $200 million with an effective interest rate of LIBOR + 1% and a maturity date of five years beginning on the Execution Date. The loans may be incurred in up to five draw-downs available during 180 days since the Execution Date and the Group has the option to increase the facility by $150 million before the fifth anniversary of the Execution Date. In relation to this secured term loan facility, the Group has granted a first-priority security interest over all of the equity share capital, free and clear of any liens, of Compañía Minera Ares S.A.C.
- On 31 January 2008 the option and joint venture agreement with Andina Minerals Chile Limitada ('Andina Minerals') was signed and in accordance with the agreement, a payment of $0.5 million was made to Andina Minerals upon signing of the agreement.
- On 15 February 2008 the Group received 200,000 shares of Ventura Gold Corp in connection with the option and joint venture agreement signed with this entity.

- On 19 February 2008, the Group acquired 19.99% interest in Lake Shore Gold Corp. ("LSG"), a gold company listed on the Toronto Stock Exchange, with prime exploration and development projects in the Abitibi belt of the Timmins region in Ontario, Canada. The consideration paid for the acquisition amounted to CAD$64.6 million (approximately $64.6 million). The contract allows the Group to purchase additional shares from existing shareholders of LSG or from the open market to increase its interest up to 40% by the end of 2008. This increase is subject to the approval of LSG's shareholders who will be asked to vote on this matter by no later than 19 April 2008.
- On 4 March 2008, the Group entered into an option agreement with Santos Bahamondes Latorre Compañía Minera in order to acquire the mining rights of three groups of properties (Juana I, Juana II and Casualidad) located in Chile. Under these arrangements, the Group will have the right to acquire the mining rights by making payments of $1 million, $1 million and $1.5 million for Juana I, Juana II and Casualidad, respectively. If the Group exercises the option it shall pay a 1.5% Net Smelter Return once commercial production begins.

Reserves and resources

Table 01 – Metal resources at 31 December 2007

Resource category	Measured	Indicated	Measured & Indicated	Inferred	Ag	Au	Ag	Au	Zn	Pb	Cu
	(t)	(t)	(t)	(t)	(g/t)	(g/t)	(moz)	(koz)	(kt)	(kt)	(kt)
Arcata											
Measured	1,193,648				521	1.36	20.0	52.2	-.-	-.-	-.-
Indicated		511,258			630	1.44	10.4	23.7	-.-	-.-	-.-
Total			1,704,905		554	1.38	30.4	75.6	-.-	-.-	-.-
Inferred				1,873,220	501	1.44	30.2	86.7	-.-	-.-	-.-
Ares											
Measured	581,496				214	6.37	4.0	119.1	-.-	-.-	-.-
Indicated		286,511			149	5.86	1.4	54.0	-.-	-.-	-.-
Total			868,006		192	6.20	5.4	173.0	-.-	-.-	-.-
Inferred				93,193	179	3.01	0.5	9.0	-.-	-.-	-.-
Selene											
Measured	607,662				269	1.79	5.3	35.0	-.-	-.-	-.-
Indicated		204,728			340	1.74	2.2	11.5	-.-	-.-	-.-
Total			812,391		287	1.78	7.5	46.5	-.-	-.-	-.-
Inferred				979,451	202	0.98	6.4	30.9	-.-	-.-	-.-
Pallancata											
Measured	1,385,395				321	1.40	14.3	62.4	-.-	-.-	-.-
Indicated		543,097			394	1.60	6.9	27.9	-.-	-.-	-.-
Total			1,928,492		342	1.46	21.2	90.5	-.-	-.-	-.-
Inferred				1,292,442	479	1.35	19.9	56.1	-.-	-.-	-.-
San José											
Measured	408,835				467	8.45	6.1	111.1	-.-	-.-	-.-
Indicated		860,854			505	6.92	14.0	191.5	-.-	-.-	-.-
Total			1,269,689		493	7.41	20.1	302.5	-.-	-.-	-.-
Inferred				320,735	395	5.81	4.1	59.9	-.-	-.-	-.-
Moris											
Measured	2,276,681				4.6	1.34	0.3	98.3	-.-	-.-	-.-
Indicated		145,381			5.0	1.22	0.0	5.7	-.-	-.-	-.-
Total			2,422,062		4.6	1.34	0.4	104.0	-.-	-.-	-.-
Inferred				20,133	3.6	0.84	0.0	0.5	-.-	-.-	-.-
San Felipe											
Measured	1,149,902				72	10.98*	2.7	0.7	85.3	36.1	4.8
Indicated		476,135			68	10.80*	1.0	0.3	33.7	15.8	2.0
Total			1,626,037		71	10.93*	3.7	0.9	119.0	51.9	6.7
Inferred				282,072	49	9.50*	0.4	0.1	17.6	8.4	0.8
Total											
Measured	7,603,619				216	1.96	52.7	478.6	85.3	36.1	4.8
Indicated		3,027,964			369	3.23	33.5	314.6	33.7	15.8	2.0
Total			10,631,583		259	2.32	88.6	793.1	119.0	51.9	6.7
Inferred				4,861,246	393	1.56	61.5	243.3	17.6	8.4	0.8

* A combined metal content of 7.16% zinc, 3.1% lead and 0.39% copper which are not included in totals and these metals represent 15.2 million ounces of equivalent silver.

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

Table 02 – Metal reserves at 31 December 2007

Operation	Reserve category	Proved	Probable	Proved And Probable	Ag	Au	Ag	Au
		(t)	(t)	(t)	(g/t)	(g/t)	(moz)	(koz)
Arcata	Proved	1,283,099			449	1.17	18.5	48.3
100%	Probable		555,353		538	1.23	9.6	22.0
	Total			1,838,452	476	1.19	28.1	70.3
Ares	Proved	560,318			205	6.15	3.7	110.8
100%	Probable		283,828		140	5.52	1.3	50.4
	Total			844,146	183	5.94	5.0	161.2
Selene	Proved	611,153			250	1.68	4.9	33.0
100%	Probable		197,774		327	1.67	2.1	10.6
	Total			808,926	269	1.68	7.0	43.7
Pallancata	Proved	2,572,562			279	1.22	23.1	100.9
60%	Probable		973,709		315	1.31	9.9	41.0
	Total			3,546,271	289	1.24	33.0	141.4
San José	Proved	805,011			418	5.59	10.8	144.7
51%	Probable		1,890,140		396	6.19	24.1	376.2
	Total			2,695,151	403	6.01	34.9	520.8
Moris	Proved	2,369,519			4.7	1.51	0.4	115.3
70%	Probable		164,311		5.3	1.37	0.0	7.2
	Total			2,533,830	4.8	1.50	0.4	122.5
Total	Proved	8,201,662			233	2.10	61.4	553.0
Mines and Projects	Probable		4,065,115		359	3.88	46.9	507.4
	Total			12,266,776	275	2.69	108.4	1,059.9

Note: Includes discounts for ore loss and dilution. Reserves = Resources – Ore Loss + Dilution. Where reserves are attributable to joint venture partner, reserve figures reflect the Company's ownership only.

Table 03 – Change in reserves and resources from December 2006 to December 2007

		Ag Eq. Content (Million Ounces)					
Operation	**Category**	**Dec 2006**	**Depletion[1]**	**Addition**	**Dec 2007**	**Net Difference**	**%**
Peru							
Arcata	Resource	60.6		9.7	70.3	9.7	16%
	Reserve	20.4	-8.6	20.6	32.4	12.0	59%
Ares	Resource	24.9		-8.0	16.8	-8.0	-32%
	Reserve	22.3	-12.4	4.7	14.6	-7.7	-34%
Selene	Resource	25.2		-6.7	18.5	-6.7	-26%
	Reserve	12.3	-5.5	2.9	9.6	-2.7	-22%
Pallancata	Resource	49.2		33.9	83.2	33.9	69%
	Reserve	23.8	-1.0	18.6	41.4	17.6	74%
Peru Totals:	**Resource**	159.8		28.9	188.8	28.9	18%
	Reserve	78.8	-27.6	46.8	98.0	19.2	24%
Argentina							
San José	Resource	70.4		19.7	90.1	19.7	28%
	Reserve	55.6	-2.9	13.5	66.2	10.6	19%
Argentina Totals:	**Resource**	70.4		19.7	90.1	19.7	28%
	Reserve	55.6	-2.9	13.5	66.2	10.6	19%
Mexico							
Moris	Resource	12.3		-2.8	9.5	-2.8	-23%
	Reserve	8.9	-1.1	0.0	7.7	-1.2	-13%
San Felipe	Resource	25.0		2.6	27.6	2.6	11%
	Reserve	0.0	0.0	0.0		0.0	0%
Mexico Totals:	**Resource**	37.3		-0.2	37.1	-0.2	-1%
	Reserve	8.9	-1.1	0.0	7.7	-1.2	-13%
Totals:	**Resource**	267.5		48.4	316.0	48.4	18%
	Reserve	143.3	-31.6	60.2	172.0	28.7	20%

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

Table 04 – Change in attributable reserves and resources from December 2006 to December 2007

			Ag Eq. Content (Million Ounces)			
Operation	**Category**	**% attributable**	**Dec 2006 Att.** [1]	**Dec 2007 Att.**[1]	**Net difference**	**% change**
Peru						
Arcata	Resource	100%	60.6	70.3	9.7	16%
	Reserve		20.4	32.4	12.0	59%
Ares	Resource	100%	24.9	16.8	-8.0	-32%
	Reserve		22.3	14.6	-7.7	-34%
Selene	Resource	100%	25.2	18.5	-6.7	-26%
	Reserve		12.3	9.6	-2.7	-22%
Pallancata	Resource	60%	29.5	49.9	20.4	69%
	Reserve		14.3	24.9	10.6	74%
Peru Totals:	**Resource**		140.2	155.5	15.4	11%
	Reserve		69.3	81.5	12.2	18%
Argentina						
San José	Resource	51%	35.9	45.9	10.0	28%
	Reserve		28.3	33.7	5.4	19%
Argentina Totals:	**Resource**		35.9	45.9	10.0	28%
	Reserve		28.3	33.7	5.4	19%
Mexico						
Moris	Resource	70%	8.6	6.6	-2.0	-23%
	Reserve		6.2	5.4	-0.8	-13%
San Felipe	Resource	70%	17.5	19.3	1.8	11%
	Reserve		0.0	0.0	0.0	0%
Mexico Totals:	**Resource**		26.1	26.0	-0.1	-1%
	Reserve		6.2	5.4	-0.8	-13%
Totals:	**Resource**		202.2	227.4	25.3	12%
	Reserve		103.9	120.6	16.8	16%

[1] Attributable reserves and resources based on the Group's percentage ownership at its joint venture projects

Glossary

Adjusted EBITDA – 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;

Board – the board of directors of the Company;

Company – Hochschild Mining plc;

Group – Hochschild Mining plc and its subsidiary undertakings;

g/t – Grammes per metric tonne;

kg/t – Kilogrammes per metric tonne;

ktpa – Thousand metric tonnes per annum;

Listing – the global offer of Ordinary Shares and the associated admission to the Official List and to trading on the London Stock Exchange on 8 November 2006;

Mt – Million tonnes;

NW-SE – North-West to South-East;

Ordinary Shares – ordinary shares of 25p each in the capital of Hochschild Mining plc;

Q3 Production Report – the quarterly production report, released by Hochschild Mining plc on 17 October 2007, in respect of the three months to 30 September 2007;

Q4 Production Report - the 2007 production report (incorporating the outlook for 2008) released by Hochschild Mining plc on 8 January 2008;

Secured Term Loan Facility - a secured term loan facility for up to $200 million pursuant to an agreement dated 28 January 2008 between Hochschild Mining plc and various lenders.