HOCHSCHILD MINING

21 August 2008

Hochschild Mining plc
Interim results for the six months ended 30 June 2008

Financial Highlights

- 92% increase in revenue to $231.8 million driven by increased production and prices
- 86% increase in adjusted EBITDA[1] to $104.0 million
- 30% increase in pre-exceptional EPS to $0.13[2]
- Contained unit cost per tonne inflation through increased throughput and operating efficiencies
- Interim dividend of 2.0¢ per share

Operational Highlights

- Acquisition of 50% interest in Liam Regional Joint Venture ("Liam JV") on 20 August 2008, a 282,000 hectare land package in southern Peru
- Attributable production of 7.4 million ounces of silver and 74 thousand ounces of gold, a 7% increase in silver equivalent production to 11.9 million ounces
- On track to achieve 2008 production target of 26 million attributable silver equivalent ounces
- 16% increase in reserves from 31 December 2007; Average mine life increased by 0.6 years
- Capacity expansions at Arcata, San José and Selene on schedule for completion in H2 2008
- Further development of cluster consolidation strategy: increased stake in Lake Shore Gold Corp. ("Lake Shore") to 40%

Highlights for the six months ended 30 June 2008

($ millions, unless stated)	Six months ended 30 June 2008	Six months ended 30 June 2007	% change
Attributable silver production (koz)	7,443	5,633	32%
Attributable gold production (koz)	73.7	90.7	(19%)
Revenue	231.8	121.0	92%
Adjusted EBITDA[1]	104.0	55.9	86%
Attributable profit after tax (before exceptionals)	38.9	29.9	30%
Attributable profit after tax (after exceptionals)	32.7	32.9	(0.6%)
Earnings per share (before exceptionals)[2]	0.13	0.10	30%
Earnings per share (after exceptionals)	0.11	0.11	-

[1] 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.
[2] Pre-exceptional EPS is 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.

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

"This is a year of consolidation for Hochschild Mining and I am pleased to announce solid interim results. We continue to deliver on our growth strategy through capacity expansions, an aggressive exploration programme and by securing niche acquisitions in key mining districts. With production on track and a stronger than ever project pipeline, I look to the future with confidence."

Miguel Aramburú, CEO, said:

"These results reflect strong production and effective cost management against a backdrop of higher precious metal prices and industry cost pressures. Exploration continues to drive our business and we have made outstanding progress in this area**.** We have also secured a number of exciting opportunities which support our cluster consolidation strategy including our strategic alliance with Lake Shore and the Liam JV".

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About Hochschild Mining plc:

Hochschild Mining plc is a leading precious metals company listed on the London Stock Exchange (HOCM.L for Reuters / HOC LN for Bloomberg) with a primary focus on the exploration, mining, processing and sale of silver and gold. Hochschild 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 development project in Mexico and over sixteen long-term prospects throughout the Americas. 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

We are pleased to announce strong financial results for the first six months of the year, underpinned by robust operational performance, cost containment and continued focus on delivering shareholder value. These half year results and our proven ability to deliver on our growth strategy drive our confidence in the business going forward and support our declaration of an interim dividend of 2.0 cents per share.

The last 18 months has been a period of rapid change for Hochschild Mining. Since our IPO in November 2006, we have strengthened our position in Peru, diversified into three new countries and implemented an extensive exploration programme to underpin future growth. We have proven our operational capability, bringing three new mines into production within our first year as a public company and expanded plant capacity at our three original operations, Arcata, Ares and Selene.

This year, we are undertaking further expansions at Arcata, Selene and San José, all of which are on schedule for completion in the second half of 2008. When completed, these expansions will increase our throughput capacity by 29% and we will fully benefit from this increase from 2009.

Strategy for growth

We continue to advance our growth strategy: maximising the potential of our existing operations through exploration and expansions and bringing into production new, profitable precious metals projects throughout the Americas.

Supporting this strategy, we have secured a number of exciting opportunities in the first half of the year. We now have a 40% interest in Lake Shore, providing us with exposure to reasonably priced, high-grade gold deposits in Canada. We anticipate that Lake Shore will initiate production from its Timmins West property in 2009, with a steady ramp up over time which will positively impact our results.

We have also acquired full ownership of San Felipe, our development project in northern Mexico. The project team continues to work to complete the feasibility study by the end of the year.

In addition, I am delighted to announce that we have reached an agreement to acquire a 50% interest in the Liam JV from subsidiaries of Newmont Corporation for a total cash consideration of $33.3 million, funded entirely with existing cash. This transaction was completed on 20 August 2008 and is therefore not included in these results.

The Liam JV consists of over 282,000 hectares in the Tertiary Volcanic Belt of southern Peru, a region with significant mineral potential located approximately 170 kilometres northwest of Arequipa. The acquisition has significant strategic importance for us and exemplifies our cluster consolidation strategy. It is currently one of the largest single claim blocks in Peru and is in close proximity to four of our existing operations; Arcata, Ares, Selene and Pallancata, enabling us to leverage our existing infrastructure and knowledge of the regional geology. Maps are available on our website www.hochschildmining.com.

We remain extremely positive about our project pipeline which currently has over sixteen opportunities in Peru, Argentina, Mexico, Chile and Canada at various stages of development. To ensure long term growth, we are continually evaluating new opportunities throughout the Americas, with a clear focus on mid-sized, high-grade underground precious metals deposits in key mining districts.

Operational

Total attributable production for the first half of 2008 was 11.9 million silver equivalent ounces, comprising 7.4 million ounces of silver and 74 thousand ounces of gold. As a result, we remain firmly on track to achieve our production target of 26 million attributable silver equivalent ounces in 2008 (consisting of 16.9 moz Ag and 153 koz Au).

Cost control remains key to our business. We have been able to contain average unit cost per tonne inflation at our five underground mines to 5.7% compared to the second half of 2007. This is considered the most meaningful period for comparative purposes since prior to that time the Group had only three underground mines in operation compared to the five that we have today. Achieving such results in a period where the industry is facing global cost pressures is testament to our ability to effectively manage costs and operate at optimum efficiency.

As previously announced, we are undertaking measures to convert concentrate to doré at Arcata and San José. Production of doré reduces working capital requirements and selling discounts.

Exploration

Exploration is at the heart of our business and we continue to commit substantial resources to our geology programme in order to increase our reserve and resource base at a low cost per ounce. We had an outstanding first half of the year, increasing reserves by 16% from 31 December 2007. We have also identified several new high grade veins at Arcata and San José. Proving up reserves remains a costly endeavour and it is therefore common to have a short reserve life in underground mining. Despite this, we are committed to achieving a minimum 4.0 year reserve life at all our operations, as stated at the time of the IPO. We have successfully improved our average reserve life which currently stands at 4.5 years, compared to 3.9 years at the end of 2007. Excluding Moris, which is an open pit mine, our average reserve life is 5.8 years.

Outlook

We are on track to deliver our 2008 production target of 26 million silver equivalent ounces. With our investment in acquisitions and expansions, a stronger than ever project pipeline and rigorous cost controls we remain confident about the long term growth prospects of the business.

Despite current market volatility, we continue to believe in the fundamentals for precious metals.

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

Eduardo Hochschild
Executive Chairman

Operational Review

Production

During the first six months of 2008 (“H1 2008”), we had six mines in operation, including five underground mines and one open pit mine. Total attributable production during this period was 11.9 million silver equivalent ounces, comprising 7.4 million ounces of silver and 74 thousand ounces of gold. This represents an increase of 7% compared to the first six months of 2007 (“H1 2007”) driven primarily by strong silver production at Arcata, Pallancata and San José. As a result, we are on track to achieve our full year production target of 26 million attributable silver equivalent ounces (16.9 moz Ag/153 koz Au).

Silver production

Attributable silver production increased 32% in the first six months of 2008 to 7.4 million ounces, driven primarily by strong silver production at Arcata, Pallancata and San José. This was partially offset by weaker silver production at Selene and Ares due to anticipated lower grades.

Gold production

Attributable gold production of 74 thousand ounces decreased in the first half by 19% compared to H1 2007 due to anticipated lower grades at Ares and Selene, partially offset by the increase in production at our other operations.

For further information on production, see tables on pages 34 - 35.

Capacity expansions

In 2007, we successfully completed plant expansions at our three original operations, Arcata, Ares and Selene, demonstrating our ability to deliver projects on schedule. This year, we are undertaking capacity expansions at Arcata, San José and Selene which will materially increase our throughput capacity by 29%. Capacity at Arcata and San José will be expanded from 424 to 618 ktpa and from 265 to 530 ktpa respectively. Throughput at the Selene plant, which processes ore from Pallancata, will increase from 706 to 1,059 ktpa in the fourth quarter of 2008. These projects are proceeding as planned and are due to be completed in the second half of 2008 with full benefits accruing in 2009.

Exploration

Greenfield exploration is a key focus for the Group, demonstrated by the amount of resources spent in this area which, in the first half of 2008, amounted to $10.4 million. Over the past six months we have had significant exploration success with reserves up 16% from 31 December 2007, enabling us to increase our average reserve life to 4.5 years (31 December 2007: 3.9 years). We remain committed to achieving a minimum 4.0 year reserve life at all our operations, despite the high costs associated with proving reserves in underground mining. Excluding Moris, which is an open pit mine, our average reserve life is 5.8 years.

In line with our exploration practice and ongoing cost management processes, we periodically review cutoff prices to ensure we are mining economic grades. We will report revised reserve and resource figures in our full year announcement.

Mine site exploration:

We have discovered a new vein at Arcata, the Nicole vein, located south of the Michelle vein and parallel to the Mariana vein. One kilometre of the Nicole vein has been dimensioned and the last drill confirms that the structure is still open to the west with the last drill hole hitting an intercept of 0.66 metres wide with 3.69 g/t Au & 1,921 g/t Ag. The full potential of the Nicole vein is still unknown but drilling is ongoing. In addition, work continues on the Michelle vein where we have identified 0.3 million tonnes of resources with 2.2 g/t Au and 800 g/t Ag. Similarly, we have identified 0.3 million tonnes of resources on the Soledad vein with 1.8 g/t Au and 700 g/t Ag.

We are also undertaking exploration work in a new area of Ares with an initial drilling programme of 5,820 metres in the second half of the year. The diamond drilling campaign is based on a comprehensive target definition study completed during H1 2008 and has resulted in the discovery of a new structure which we are currently assessing.

We have also achieved positive exploration results at San José and, as at 31 July 2008, we had proved 560,000 tonnes of new resources with average grades of 7.85 g/t Au and 570 g/t Ag (30% above budget). Two new structures, Odin and Ayelén, have been identified within 200 metres of the Frea vein, which is currently in production. At least an additional 1 million tonnes of resources is expected from these new structures. Drilling is ongoing at the Odin structure with 1,889 metres drilled and the structure remains open to the west. The last drill SJD-475 had an interest of 2.55 metres wide with 20.56 g/t Au & 1919 g/t Ag. In addition, splits of the Frea vein have been identified with very high grades. Drill hole SJD-477 intersected three different splits with 0.30 metres at 25.23 g/t Au and 4944.7 g/t Ag; 0.93 metres at 14.82 g/t Au and 1687.4 g/t Ag; and 1.30 metres at 13.30 g/t Au and 1531.85 g/t Ag.

Prospective exploration:

Liam JV

As mentioned above, we have reached an agreement to acquire a 50% interest in the Liam JV, currently one of the largest single claim blocks in Peru. The acquisition has significant strategic importance and enables us to leverage our existing infrastructure and regional knowledge.

To date, 38 exploration prospects have been identified and evaluated in the project area, nine of which have been drilled and include both high and low sulphidation veins. Generative exploration was carried out in several areas of the property in 2007 and resulted in a number of new, encouraging prospects. Of particular importance are the Cerro Crespo/Queshca, Aluja and Huacullo projects.

At Cerro Crespo/Queshca, a drilling programme comprising 88 holes covering a total of 13,735 metres has indicated gold and silver mineralisation with silica, cross-cut by hydrothermal and magmatic breccias which commonly carry high-grade silver, greater than 1,000 g/t. Queshca is located approximately one kilometre north of Cerro Crespo and is comprised of six zones of outcropping gold-silver mineralisation with high-grade gold associated with late iron oxide fracture fillings. Drilling has shown the six zones to be possible remnants of an eroded larger high-sulphidation system with the potential to discover additional, modest-sized, mineralised bodies.

Aluja is a well developed high-sulphidation alteration system hosted within pervasively alunite-quartz altered volcanic rocks. The alteration area consists of variable silica types, including large areas of upper level, vapour-phase derived, granular silica which suggests preservation of a possible mineralised system at depth. Over 2,300 samples have been collected from outcropping veins and a 24 kilometre access road and project camp were installed in 2007 which allowed field work to take place with significant results.

Huacullo is a low-sulphidation gold-silver vein system located 18 kilometres northwest of Cerro Crespo/Quescha. At Huacullo multiple veins outcrop and are present over at least 800 metres of strike length. Previous drilling resulted in several significant silver and gold intersections which were highlighted by 2.3 metres of 91.5 g/t silver and 11.5 g/t gold. Further field evaluation at Huacullo will continue to test the size potential of the higher grade veins and possible shoots as well as test for additional veins.

San Felipe

San Felipe, our advanced development project in northern Mexico, is advancing towards feasibility with results expected by the end of 2008. In the second quarter, we acquired full ownership of San Felipe, commenced construction of the ramp and also secured water rights for the project. During the month of June, 1,545 metres were drilled bringing the total drilled in 2008 to 9,620 metres. Two intercepts in the Las Lamas vein showed 3.0 metres with 205 g/t Ag, 0.64% Pb, 10.99% Zn and 0.30% Cu and 1.6 metres 101 g/t Ag, 0.31% Pb, 9.17% Zn and 0.32% Cu. Drilling continues and the goal is to realize at least four million tonnes of total indicated resources by the third quarter of 2008. Work is currently underway at the Moctezuma project and drilling has commenced at El Gachi, both of which are located approximately 70 kilometres from San Felipe.

Azuca

A two-part drilling campaign is also underway at Azuca, one of the properties in our project pipeline which is wholly owned by Hochschild and located in southern Peru, approximately 80 kilometres from Selene and Arcata. Infield drilling is ongoing at the western ore shoot, while final permits are being obtained to begin a 7,500 metre drilling programme on the eastern ore shoot, with three drills already on site. Our objective is to convert the potential already identified into measured and indicated resources by the end of the year. Given the proximity of the asset to our existing operations, we envisage leveraging the infrastructure already in place at Selene to process the Azuca ore should the project advance to an operational stage.

For further information on reserves and resources, see tables on pages 29-33.

Risks:

The principal risks and uncertainties facing the Group in respect of the year to 31 December 2007 were set out in detail in the Risk Management section of the Business Review in the 2007 Annual Report and in Note 38 to the 2007 Financial Statements. These risks continue to apply to the Group in respect of the remaining six months of the current financial year.

The key risks disclosed in the 2007 Annual Report were categorised as:

- Financial risks which include foreign exchange risk and commodity prices;
- Operational risks including the risks associated with the completion of projects, reserve and resource replacement and the retention of key personnel;
- Political, legal and regulatory risks; and
- Corporate Social Responsibility related risks including health, safety and environmental.

The 2007 Annual Report is available on *www.hochschildmining.com*

Financial review:

Revenue

Revenue in the first half of 2008 is up 92% on the corresponding period in 2007 due to the effect of higher volume sold and higher prices of both silver and gold. All legacy forward sales contracts expired during the first half of 2007, allowing us to benefit from the strong price environment for precious metals. Higher commercial discounts on the sale of concentrate from Arcata and San José affected revenues during H1 2008 and, as a result, we are currently looking to convert all production at Arcata and San José to doré.

Silver: revenue from silver increased 106% in the first half of 2008 to $148 million (H1 2007: $71.8 million). This change reflects a higher realised silver price of US$16.70/oz (2007: US$12.60/oz) and a 55% increase in ounces sold.

Gold: revenue from gold increased 72% in the first half of 2008 to $83.7 million (H1 2007: $48.6 million). This figure has been impacted by a decrease in ounces sold given the anticipated lower grades in Ares and Selene offset by a higher realised gold price of US$906/oz (2007: US$512/oz).

Average sale prices realised

	Six months to 30 June 2008	Six months to 30 June 2007	% change
Silver ($/oz)	16.7	12.6	33%
Gold ($/oz)	906	512	77%

Costs

Our corporate focus on cost control and operational efficiency, combined with our ability to optimise mining methods, have enabled us to offset some of the global cost pressures faced by the industry. Average unit costs per tonne for our five underground mines increased 5.7% from H2 2007 to H1 2008 (from $77.65[1] to $82.10[2]). This is considered the most meaningful period for comparative purposes since, prior to that time, the Group had three underground mines in operation, compared to the five that we have today.

The calculation of weighted average costs excludes Moris as it is an open pit mine with a different operational and cost profile than our underground operations. By including the Moris mine in our unit cost calculation, we would have seen an increase in our weighted average unit cost per tonne of only 1.4% at H1 2008 compared to H2 2007.

When taking into account our three original mines (Arcata, Ares and Selene), the average unit cost per tonne increased 14.3% from $63.91 in H2 2007 to $73.05 in H1 2008. This increase results from higher costs associated with labour, materials, supplies and energy. Of the $73.05 cost per tonne in H1 2008, $2.25 represents a bonus paid to contractors incorporated onto our payroll and is a non-recurring cost. This change will benefit the Group by aligning the salaries and culture of front line workers and will reduce costs in the long term,

The year on year comparison when taking into account our three original mines is not meaningful given the impact of additional costs associated with converting Selene's concentrate to doré.

Our newest operation in Peru, Pallancata, was also partially affected by the non-recurring cost of the bonus paid to contractors and the inflationary pressures experienced in Peru. In particular, the average unit cost per tonne at Pallancata increased 12.4% from $50.19 in H2 2007 to $56.40 in H1 2008. Average unit costs per tonne in Peru are expected to decrease by the end of 2008 due to the absorption of the non-recurring costs in the first half of the year and the effect of the capacity expansions at Arcata and Selene.

The average unit cost per tonne at San José decreased 18.4% from $189.4 in H2 2007 to $154.6 in H1 2008 primarily as a result of increased throughput and efficiency gains resulting from the stabilisation of the new plant processes and of the mine. The reduction in cost per tonne was achieved despite increases in wages and overall inflation in Argentina. Average unit costs per tonne are expected to continue to decrease during H2 2008 as we double throughput capacity at San José and implement further efficiencies.

We continue to implement cost containment and reduction measures to ensure the business operates at optimum efficiency.

As previously announced, we are undertaking measures to convert concentrate to doré at Arcata and San José. Production of doré reduces working capital requirements and selling discounts.

<u>Administrative Expenses</u>

As anticipated, given the addition of three new operations in H2 2007, administrative expenses increased by $6.5 million to $35.9 million (H1 2007: $29.4 million). This increase was principally driven by additional personnel ($2.5 million), higher remuneration ($2.8 million), costs associated with the Executive Long Term Incentive Plan ($0.4 million), increased expenses in social development projects involving communities close to Pallancata and Selene ($0.9 million), and higher travel expenses resulting from increased travel to the new operations in Argentina, Mexico and Peru ($0.4 million).

<u>Selling Expenses</u>

Selling expenses increased by $2.5 million in the first half to $3.6 million (H1 2007: $1.1 million) due to transportation costs resulting from the higher volume of concentrate produced at San José and Arcata and the associated export taxes payable in Argentina. Export taxes in Argentina are levied at 5% for doré and 10% for concentrate. Production at San José and Arcata will be migrating to doré during 2009.

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[1] *Our weighted average unit cost in H1 2007 was $58.7 which, together with the average unit cost of $77.65 for H2 2007, results in a total weighted average unit cost of $69.69 for 2007.*

[2] *This figure excludes the pre-tax $2 million one-off cost of incorporating operations contractors in Peru onto our payroll during the first half of 2008.*

Exploration Expenses

Exploration expenses remained relatively constant in the first half of 2008 at $10.4 million compared to the first half of 2007 ($11.7 million). Exploration expenses are expected to increase in the second half of 2008 as drilling campaigns and other exploration work ramp up in line with budget.

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

In the first half of 2008 the Group acquired a 39.99% interest in Lake Shore, a Canadian gold mining company listed on the Toronto Stock Exchange, for a total consideration of $164 million. The acquisition fits with our niche strategy, providing access to reasonably priced, high grade gold deposits in a mining friendly and mineral rich region of the Americas.

The Group's share of the loss of equity accounted investments in joint ventures and associates resulted in a loss of $4.9 million, which has had an impact of $0.01 cents on our attributable EPS (from $0.14 cents to $0.13 cents) and of $4.1 million on attributable net earnings before exceptional items (from $43.0 million to $38.8 million). These losses originated from our investments in a joint venture with Southwestern Resources Corp. and International Minerals Corporation for the Pacapausa property ($2.1 million), Lake Shore Gold Corp. ($1.7 million) and Cabo Sur (US$1.1 million). Notwithstanding the 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.

Profit from continuing operations

Profit from continuing operations before exceptional items, net finance costs and income tax increased by 98% to $75.4 million during the first six months of 2008 from $38.0 million in H1 2007.

Adjusted EBITDA

Adjusted EBITDA increased by 86% over the period to $104.0 million (H1 2007: $55.9 million) mainly driven by higher revenues. Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation, amortisation and exploration costs other than personnel and other expenses.

Adjusted EBITDA reconciliation

$ thousands	Six months ended 30 June 2008	Six months ended 30 June 2007	% change
Profit from continuing operations before exceptional items, net finance costs and income tax	75,428	38,006	98%
Operating margin	*33%*	*31%*	-
Plus:			
Depreciation in Cost of Goods Sold	17,938	8,983	100%
Depreciation in Administrative Expenses	509	233	118%
Exploration Expense	10,362	11,693	(11%)
Share of exploration expense in associates and joint ventures accounted under the equity method	4,512	-	-
Minus:	-	-	-
Personnel and other Exploration Expense	4,731	2,982	59%
Adjusted EBITDA	104,018	55,933	86%
Adjusted EBITDA margin	*45%*	*46%*	-

Finance income & costs

Finance income decreased by $5.0 million to $5.4 million (H1 2007: $10.4 million) driven by lower interest received from available funds ($5.1 million) following capital expenditure in our operations and acquisitions to secure our growth platform.

Finance costs increased $1.6 million to $5.2 million during the period due to the interest payments of $1.2 million, mainly associated with the $200 million syndicated loan facility.

Income tax

The effective tax rate increased to 33% in June 2008 as compared to 31% in 2007, mainly due to the inclusion of the Group's share of losses on its investments in joint ventures and associates against which no benefit can be recognised.

Foreign exchange gain

We have reported a foreign exchange gain of $1.9 million in Hochschild Mining plc generated primarily as a result of the acquisition of shares in Lake Shore which was effected in Canadian dollars.

Exceptional items

Exceptional items of $6.1 million in the first half of 2008 include; a $2.8 million loss generated by the fair value adjustment of warrants in Fortuna Silver Mines Inc (2007: gain of $4.2 million) and the impairments of $6.5 million and $0.2 million in the investments in EXMIN and Mirasol, respectively. These losses were partially offset by a $1.6 million gain on the sale of Fortuna Silver Mines Inc. shares and a $1.8 million tax credit originated from the losses described above.

Cash flow & balance sheet review:

Working capital

$ thousands	As at 30 June 2008	As at 31 December 2007
Current assets		
Inventories	55,245	47,012
Trade and other receivables	187,514	134,180
Current liabilities		
Trade and other payables	(60,883)	(52,176)
Pre-shipment loans	(38,360)	(23,750)
Working capital	143,516	105,266

Our working capital position changed from $105.3 million at 31 December 2007 to $143.5 million at 30 June 2008, primarily due to a $53 million increase in trade and other receivables. This is mainly the result of higher commercial receivables, which increased by $32 million due to higher sales of concentrate and higher VAT credits of Santa Cruz, MH Mexico and Suyamarca that increased by $22 million (H1 2007: $31 million). In addition, the $8 million increment in inventories, as a result of a higher amount of spare parts, was slightly offset by a decrease in finished good inventories. All of these effects have been partially offset by higher payables resulting from a higher amount of pre-shipment loans due to the increase in concentrate sold and higher accrued expenses.

Net debt

$ thousands	As at 30 June 2008	As at 31 December 2007
Cash and cash equivalents	209,290	301,426
Long term borrowings	240,733	55,209
Short term borrowings less pre-shipment loans	29,970	9,419
Net debt / (net cash)	61,413	(236,798)

We have fully drawn down the $200 million syndicated loan facility which was originally negotiated in February 2008. The facility provides us with access to low cost funding and enabled us to secure part of the Lake Shore and Liam transactions (the Liam JV was signed on 20 August 2008). The remaining balance will enable us to pursue further acquisition opportunities which we believe fit our niche strategy and add long term shareholder value. We believe that our 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

$ thousands	Six months ended 30 June 2008	Six months ended 30 June 2007	Year ended 31 December 2007
Net cash generated from operating activities	19,983	21,421	21,404
Net cash used in investing activities	(320,837)	(88,152)	(162,279)
Cash flows generated/(used) in financing activities	208,711	(13,055)	6,698

Net cash generated from operations during the first half of 2008 of $20 million was lower than in the equivalent period in 2007 mainly due to higher working capital (H1 2008: $144 million compared to H1 2007: $25 million). The commencement of San José, Pallancata and Moris and the capacity expansions at Arcata and Selene, which caused the increment in investment activities, will generate an increase in net cash from operating activities during the second half of 2008.

Total capital expenditure

We continue to invest in our production platform to ensure we have the infrastructure in place for future growth. Capital expenditure has increased by $65.0 million from H1 2007 to H1 2008 due to new investment projects in Peru, Argentina and Mexico. Industry inflation has also impacted capital expenditure in the first half of 2008.

Capital expenditure[1]

$ thousands	Six months ended 30 June 2008	Six months ended 30 June 2007
Arcata	19,149	9,656
Ares	5,793	1,742
Selene	9,282	11,137
Pallancata	7,724	2,538
San José	29,687	45,410
Moris	1,402	5,311
San Felipe	57,501	8
Other (including capital advances)	10,845	582
Total	141,383	76,384

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

The increase in total capital expenditure is driven by the acquisition of 100% of the San Felipe project in Mexico for a total consideration of $51.5 million. In addition, other fixed assets were acquired including water rights for the project at a cost of $1 million. The transaction closed on 4 June 2008 and was funded with existing cash.

Excluding the acquisition of San Felipe, the $88.9 million of capital expenditure at 30 June 2008 is primarily a result of the expansion projects and mine developments at our operations (H1 2008: $20 million compared to H1 2007: $25 million). In addition, in February 2008 we acquired from Cementos Pacasmayo S.A.C. the building for our corporate headquarters in Lima, Peru, for a total consideration of $3.6 million (see note 13: related party transactions).

Dividends:

As a result of our strong financial performance, we are pleased to announce a dividend for the first six months of the year of 2 cents per share.

Dividend dates	2008
Ex-dividend date	03 September
Record date	05 September
Deadline for return of currency election forms	09 September
Payment date	23 September

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

Statement of Directors' responsibilities:

The Directors confirm that to the best of their knowledge:

(a) the condensed set of consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting".
(b) the interim management report includes a fair review of the information required by DTR 4.2.7 R (being an indication of important events that have occurred during the first six months of the financial year, and their impact on the half-yearly report and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8 R (being disclosure of related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or the performance of the Group during the period and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year).

The names of the current directors of Hochschild Mining plc are listed below:

Eduardo Hochschild - Executive Chairman
Roberto Dañino - Deputy Chairman
Alberto Beeck - Non-Executive Director
Jorge Born Jr - Non-Executive Director
Malcolm Field - Non-Executive Director
Nigel Moore - Non-Executive Director
Dionisio Romero - Non-Executive Director

For and on behalf of the Board:

Roberto Dañino
Deputy Chairman

20 August 2008

Independent Review Report to Hochschild Mining plc

We have been engaged by Hochschild Mining plc (the Company) to review the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the interim condensed consolidated balance sheet, the interim condensed consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP
London
20 August 2008

The maintenance and integrity of the Hochschild Mining plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial information since it was initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Interim Consolidated Income Statement

		Six-month period ended 30 June						Year ended 31 December		
		(Unaudited) 2008			(Unaudited) 2007			2007		
	Notes	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		(in thousand of US dollars)			*(in thousand of US dollars)*			*(in thousand of US dollars)*		
Continuing operations										
Revenue	5	231,846	—	**231,846**	121,021	—	**121,021**	305,021	—	**305,021**
Cost of sales....................		(100,134)	—	**(100,134)**	(42,042)	—	**(42,042)**	(106,084)	—	**(106,084)**
Gross profit....................		131,712	—	**131,712**	78,979	—	**78,979**	198,937	—	**198,937**
Administrative expenses..		(35,932)	—	**(35,932)**	(29,439)	—	**(29,439)**	(69,167)	—	**(69,167)**
Exploration expenses		(10,362)	—	**(10,362)**	(11,693)	—	**(11,693)**	(26,728)	—	**(26,728)**
Selling expenses		(3,581)	—	**(3,581)**	(1,107)	—	**(1,107)**	(2,780)	—	**(2,780)**
Other income		1,122	—	**1,122**	2,322	—	**2,322**	6,067	932	**6,999**
Other expenses		(2,622)	(47)	**(2,669)**	(1,056)	(47)	**(1,103)**	(2,399)	(1,501)	**(3,900)**
Share of post tax losses of associates and joint ventures accounted under equity method..................		(4,909)	—	**(4,909)**	—	—	—	—	—	—
Profit from continuing operations before net finance income/(costs), foreign exchange gain/(loss) and income tax		75,428	(47)	**75,381**	38,006	(47)	**37,959**	103,930	(569)	**103,361**
Finance income		5,353	1,613	**6,966**	10,398	4,198	**14,596**	19,783	5,474	**25,257**
Finance costs		(5,223)	(9,461)	**(14,684)**	(3,663)	—	**(3,663)**	(7,517)	(71)	**(7,588)**
Foreign exchange gain /(loss)...............................		1,932	—	**1,932**	(729)	—	**(729)**	(4,363)	—	**(4,363)**
Profit from continuing operations before income tax......................		77,490	(7,895)	**69,595**	44,012	4,151	**48,163**	111,833	4,834	**116,667**
Income tax expense	7	(24,386)	1,754	**(22,632)**	(16,705)	(1,239)	**(17,944)**	(34,453)	(1,299)	**(35,752)**
Profit for the period.......		53,104	(6,141)	**46,963**	27,307	2,912	**30,219**	77,380	3,535	**80,915**
Attributable to:										
Equity shareholders of the Company		38,859	(6,141)	**32,718**	29,944	2,912	**32,856**	81,538	3,535	**85,073**
Minority shareholders		14,245	—	**14,245**	(2,637)	—	**(2,637)**	(4,158)	—	**(4,158)**
		53,104	(6,141)	**46,963**	27,307	2,912	**30,219**	77,380	3,535	**80,915**
Basic and diluted earnings per ordinary share from continuing operations (expressed in U.S. dollars per share).....	8			**0.11**			**0.11**			**0.28**

Interim Consolidated Balance Sheet

	Notes	(Unaudited) As at 30 June 2008	As at 31 December 2007
		(in thousand of US dollars)	
ASSETS			
Non-current assets			
Property, plant and equipment	9	386,222	263,062
Intangibles		2,724	2,896
Investments accounted under equity method	4	162,313	—
Available-for-sale financial assets		10,442	15,100
Trade and other receivables		22,695	25,518
Income tax receivable		826	616
Deferred income tax assets		16,913	22,400
		602,135	329,592
Current assets			
Inventories		55,245	47,012
Trade and other receivables		187,514	134,180
Income tax receivable		1,231	1,003
Derivative financial instruments		6,280	8,039
Cash and cash equivalents	10	209,290	301,426
		459,560	491,660
Total assets		1,061,695	821,252
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		(206,553)	(205,556)
Retained earnings		239,736	229,202
		575,577	566,040
Minority interest		66,226	50,008
Total equity		641,803	616,048
Non-current liabilities			
Trade and other payables		891	859
Borrowings	11	240,733	55,209
Provisions		32,204	30,821
Deferred income tax liabilities		9,098	9,091
		282,926	95,980
Current liabilities			
Trade and other payables		60,883	52,176
Borrowings	11	68,330	33,169
Provisions		3,996	13,029
Income tax payable		3,757	10,850
		136,966	109,224
Total liabilities		419,892	205,204
Total equity and liabilities		1,061,695	821,252

Interim Consolidated Cash Flow Statement

	Notes	Six-month period ended 30 June (Unaudited) 2008	(Unaudited) 2007	Year ended 31 December 2007
		(in thousands of US dollars)		
Cash flows from operating activities				
Cash generated from operations	14	31,650	26,347	34,338
Interest received		4,804	9,982	18,390
Interest paid		(1,269)	(974)	(1,217)
Payments of mine closure costs		(623)	(1,071)	(2,023)
Tax paid		(14,579)	(12,863)	(28,084)
Net cash generated from operating activities		19,983	21,421	21,404
Cash flows from investing activities				
Purchase of property, plant and equipment		(150,859)	(66,862)	(134,119)
Investment in an associate – Lake Shore	4	(163,997)	—	—
Purchase of available-for-sale financial assets		(6,056)	(486)	(4,669)
Purchase of software licences		—	—	(876)
Loan to Exmin S.A. de C.V.		—	(746)	(746)
Loan to Minera Andes Inc.		—	(20,076)	(22,036)
Proceeds from sale of property, plant and equipment		63	18	167
Other		12	—	—
Net cash used in investing activities		(320,837)	(88,152)	(162,279)
Cash flows from financing activities				
Proceeds of borrowings		278,748	86,156	177,168
Repayment of borrowings		(62,150)	(73,590)	(150,194)
Transaction costs associated with borrowing		(2,408)	—	—
Dividends paid		(22,384)	(16,281)	(24,729)
Transaction costs associated with issue of shares		—	(11,722)	(11,722)
Capital contribution from minority shareholders		16,905	2,382	16,175
Net cash generated from/(used in) financing activities		208,711	(13,055)	6,698
Net decrease in cash and cash equivalents during the period		(92,143)	(79,786)	(134,177)
Exchange difference		7	3	60
Cash and cash equivalents at beginning of period		301,426	435,543	435,543
Cash and cash equivalents at end of period	10	209,290	355,760	301,426

Interim Consolidated Statement of Changes in Equity

				Other Reserves							
	Notes	Equity share capital	Share premium	Unrealised gain/(loss) on available-for-sale financial assets	Cumulative translation adjustment	Merger reserve	Total other reserves	Retained earnings	Capital and reserves attributable to shareholders of the Parent	Minority interest	Total Equity
						(in thousands of US dollars)					
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	12	—	—	—	—	—	—	(8,448)	(8,448)	—	(8,448)
Adjustment to deferred consideration		—	—	—	—	—	—	—	—	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		—	—	(2,639)	—	—	(2,639)	—	(2,639)	(100)	(2,739)
Deferred income tax on available-for-sale financial assets		—	—	916	—	—	916	—	916	—	916
Recycling of fair value losses on impairment of available-for-sale financial assets		—	—	1,979	—	—	1,979	—	1,979	—	1,979
Deferred income tax on impairment of available-for-sale financial assets		—	—	(151)	—	—	(151)	—	(151)	—	(151)
Recycling of realised fair value gains on available-for-sale financial assets		—	—	(1,613)	—	—	(1,613)	—	(1,613)	—	(1,613)
Deferred income tax on realised fair value gains on available-for-sale financial assets		—	—	390	—	—	390	—	390	—	390
Translation adjustment for the period		—	—	—	121	—	121	—	121	—	121
Net income recognised directly in equity		—	—	(1,118)	121	—	(997)	—	(997)	(100)	(1,097)
Profit for the period		—	—	—	—	—	—	32,718	32,718	14,245	46,963

	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
						(in thousands of US dollars)					
Total recognised income for June 2008		—	—	(1,118)	121	—	(997)	32,718	31,721	14,145	45,866
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	853	853
Adjustment to deferred consideration....................		—	—	—	—	—	—	—	—	1,220	1,220
Dividends..	12	—	—	—	—	—	—	(22,184)	(22,184)	—	(22,184)
Balance at 30 June 2008		146,466	395,928	744	2,749	(210,046)	(206,553)	239,736	575,577	66,226	641,803
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		—	—	2,935	—	—	2,935	—	2,935	79	3,014
Deferred income tax on available-for-sale financial assets		—	—	(1,032)	—	—	(1,032)	—	(1,032)	—	(1,032)
Translation adjustment for the period....................		—	—	—	588	—	588	—	588	359	947
Net income recognised directly in equity		—	—	1,903	588	—	2,491	—	2,491	438	2,929
Profit for the period		—	—	—	—	—	—	32,856	32,856	(2,637)	30,219
Total recognised income for June 2007		—	—	1,903	588		2,491	32,856	35,347	(2,199)	33,148
Transaction costs associated with issue of shares...		—	(228)	—	—	—	—	—	(228)	—	(228)
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	3,575	3,575
Balance at 30 June 2007		146,466	395,928	3,277	4,221	(210,046)	(202,548)	185,433	525,279	15,865	541,144

Notes to the Interim Condensed Consolidated Financial Statements

1 Corporate Information

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

The Group's principal business is the mining, processing and sale of silver and gold. The Group has four operating mines (Ares, Arcata, Selene, Pallancata) located in Southern Peru, one operating mine (San José) located in Argentina and one operating mine (Santa Maria de Moris) located in Mexico. The Group also has a portfolio of projects located across Peru, Mexico, Chile, Argentina and Canada at various stages of development.

These group condensed consolidated interim financial statements were approved for issue by the Board of Directors on 20 August 2008.

2 Significant Accounting Policies

(a) Basis of preparation

These consolidated financial statements set out the Group's financial position as at 30 June 2008 and 31 December 2007 and its financial operations and cash flows for the periods ended 30 June 2008, 31 December 2007 and 30 June 2007.

These interim consolidated financial statements of the Group for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting. Accordingly, the interim consolidated financial statements do not include all the information required for full annual financial statements and therefore, should be read in conjunction with the Group's annual consolidated financial statements for the year 2007 as published in the 2007 Annual Report.

The interim consolidated financial statements do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The financial information for the full year is based on the statutory accounts for the financial year ended 31 December 2007. A copy of the statutory accounts for that year, which were prepared in accordance with International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board ('IASB'), as adopted by the European Union up to 31 December 2007, has been delivered to the Registrar of Companies. The auditors' report under section 235 of the Companies Act 1985 in relation to those accounts was unqualified and did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

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

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

(b) Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statement for the year ended 31 December 2007, except for the adoption of the following interpretations which had no impact on the financial position or performance of the Group.

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions.

  This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

  This interpretation provides guidance on how to asses the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits.

(c) Comparatives

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

3 Segment Reporting

The Group's activities are principally related to mining operations which involve 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 has a portfolio of projects in various countries including Peru, Argentina, Mexico, Chile and Canada. The geographical segment is the Group's secondary reporting format.

4 Acquisition of associate

Lake Shore

The Group acquired a 39.99% interest in 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 provisionally assessed the fair value of the Group's interest in the assets and liabilities acquired as being US$138,065,000, resulting in goodwill of US$25,932,000 on acquisition.

5 Revenue

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
	(in thousands of US dollars)		
Gold (from doré bars)	64,815	40,591	105,975
Silver (from doré bars)	55,507	26,951	64,713
Concentrate	111,473	53,423	134,212
Services	51	56	121
	231,846	121,021	305,021

Concentrate is made up of:

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
	(in thousands of US dollars)		
Gold	18,898	8,017	19,275
Silver	92,538	44,882	114,127
Other minerals	37	524	810
Total concentrate	111,473	53,423	134,212

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

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
	(in thousands of ounces)		
Gold	92	95	198
Silver	8,842	5,701	13,670

6 Exceptional items

The Group recognised the following exceptional items:

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
	(in thousands of US dollars)		
Other income:			
Decrease in provision for mine closure[1]	—	—	450
Recognition of assets on restructuring[2]	—	—	482
	—	—	932
Other expenses:			
Loss on sale of property, plant and equipment	(47)	(47)	(467)
Loss on sale of Sipan (subsidiary) [3]	—	—	(1,034)
	(47)	(47)	(1,501)
Finance income:			
Gain on sale of available-for-sale financial assets[4]	1,613	—	—
Discount on purchase of EXMIN shares[5]	—	—	1,143
Gain from changes in the fair value of financial instruments[6]	—	4,198	4,331
	1,613	4,198	5,474
Finance cost:			
Loss from changes in the fair value of financial instruments[6]	(2,757)	—	—
Impairment of available-for-sale financial assets[7]	(6,704)	—	(71)
	(9,461)	—	(71)

1 Decreases in provision for mine closure costs are recorded in "Other income" where the mine to which it relates has fully depreciated the mine rehabilitation asset but the closure and rehabilitation costs are yet to be incurred, and there is a reduction in the estimate of the total mine closure cost. The amount recorded in 2007 represents a reduction in cost (being the VAT component now deemed to be recoverable) due to the transfer of the mine rehabilitation provision from Minera Sipan to Minera Ares as part of the internal restructuring prior to the disposal of Minera Sipan.

2 Represents VAT assets that will now be recoverable due to transfer of assets from Minera Sipan to Minera Ares as a result of the internal restructuring.

3 On 28 December 2007, the Group's wholly owned subsidiary, Compañía Minera Sipan was sold to Avignon Business Corporation (a third party) for US$199,996. This disposal resulted in a loss to the Group of US$1,034,000.

4 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 an unrealised gain of US$1,613,000 which has been recycled from equity into the income statement.

5 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. These shares were acquired at a discount of 20% to the market price, resulting in a gain on the issue of shares.

6 Mainly corresponds to the change in the fair value of 2,475,355 warrants over the same number of shares in Fortuna Silver Mine Inc. The expiry date of the warrants is 27 June 2010 and 17 November 2010 (in respect of 862,117 and 1,613,238 warrants respectively).

7 Corresponds to the impairment of the investments in EXMIN Resources Inc. and Mirasol Resources Inc. shares, amounting to US$6,511,000, and US$193,000, respectively.

7 Income Tax Expense

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008[1]	(Unaudited) 2007[1]	2007[1]
	(in thousands of US dollars)		
Current tax from continuing operations	15,091	20,643	44,933
Deferred income tax relating to origination and reversal of temporary differences from continuing operations	6,649	(2,813)	(10,342)
Withholding taxes	892	114	1,161
Total taxation charge in the income statement	22,632	17,944	35,752

1 Amounts relating to items classified as exceptional items for the six-months ended 30 June 2008, 30 June 2007 and for the year ended 31 December 2007 were an income of US$1,754,000, an expense of US$1,239,000 and an expense of US$1,299,000 respectively.

8 Basic and diluted earnings per share

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

The Company has no potential dilutive ordinary shares.

As at 30 June 2008, 30 June 2007 and 31 December 2007, earnings per share has been calculated as follows:

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
Profit from continuing operations attributable to equity holders of the Company (US$000)	32,718	32,856	85,073
Weighted average number of ordinary shares in issue ('000)	307,350	307,350	307,350
Basic earnings/(loss) per share from:			
Before exceptional items (US$)	0.13	0.10	0.27
Exceptional items (US$)	(0.02)	0.01	0.01
Continuing operations (US$)	0.11	0.11	0.28

9 Property, Plant and Equipment

	Exploration and evaluation costs	Mining properties and development costs	Land and buildings	Plant and equipment	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	–	(620)	(160)
At 31 December 2007..................	6,034	157,711	65,435	105,946	2,824	38,288	14,019	390,257
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)	–	(2)	41
At 31 December 2007...................	–	50,027	12,858	31,749	860	31,703	(2)	127,195
Net book amount at 31 December 2007	6,034	107,684	52,577	74,197	1,964	6,585	14,021	263,062
Period ended 30 June 2008								
Cost								
At 1 January 2008	6,034	157,711	65,435	105,946	2,824	38,288	14,019	390,257
Additions[1]	57,920	19,582	3,690	4,069	226	–	55,896	141,383
Change in discount rate................	–	–	–	–	–	205	–	205
Disposals......................................	–	–	–	(117)	(127)	–	–	(244)
Change in mine closure estimate .	–	–	–	–	–	(367)	–	(367)
Transfers and other movements...		(2,192)	1,052	9,237	15	–	(8,112)	–
Foreign exchange.........................	491	(17)	(30)	(3)	7	–	(2)	446
At 30 June 2008	64,445	175,084	70,147	119,132	2,945	38,126	61,801	531,680
Accumulated depreciation								
At 1 January 2008	–	50,027	12,858	31,749	860	31,703	(2)	127,195
Depreciation for the period	–	8,783	2,870	6,121	265	362	–	18,401
Disposals......................................	–	–	–	(54)	(77)	–	–	(131)
Foreign exchange.........................	–	(18)	–	7	2	–	2	(7)
At 30 June 2008	–	58,792	15,728	37,823	1,050	32,065	-	145,458
Net book amount at 30 June 2008	64,445	116,292	54,419	81,309	1,895	6,061	61,801	386,222

10 Cash and Cash Equivalents

	(Unaudited) As at 30 June 2008	As at 31 December 2007
	(in thousands of US dollars)	
Cash at bank	143	539
Liquidity funds[1]	169,750	285,015
Current demand deposit accounts[2]	25,632	8,499
Time deposits[3]	13,765	7,373
Cash and cash equivalents considered for the cash flow statement	209,290	301,426

1 The liquidity funds are mainly invested in certificate of deposits, commercial papers and floating rate notes with a weighted average annual effective interest rate of 3.57% and a weighted average maturity of 45 days as at 30 June 2008 (5.09% and 34 days as at 31 December 2007 respectively).

2 Relates to bank accounts which are freely available and do not bear interest.

3 The effective interest rates as at 30 June 2008 were between 3% and 5%. As at 31 December 2007 the effective interest rate was 5.26%. These deposits have an average maturity of one and five days respectively.

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

11 Borrowings

	(Unaudited) As at 30 June 2008		As at 31 December 2007	
	Non-current	Current	Non-current	Current
		US$(000)		
Secured bank loans[1]	199,735	39,907	—	23,750
Bank overdrafts (unsecured)	—	9	—	—
Amount due to minority shareholders[2]	40,998	26,205	55,209	9,299
Amounts due to related parties	—	2,209	—	120
	240,733	68,330	55,209	33,169

1 Secured bank loans

As at 30 June 2008, the balance corresponds to:

- Pre shipment loans for a total amount of US$16,218,000 in Compañía Minera Ares, US$4,142,000 in Minera Suyamarca and US$18,000,000 in Minera Santa Cruz. These obligations accrue an effective annual interest rate ranging from 5.8% to 6.85% and are guaranteed by the inventories of the company.
- Leasing agreement with Banco de Credito for an amount of US$3,000,000 in Compañia Minera Ares. This obligation accrues an effective annual interest rate of 7.15%.
- Loan facility with a syndicate of lenders with JP Morgan Chase Bank N.A. acting as the administrative agent. The balance as at 30 June 2008 is comprised of the secured term loan facility of US$200,000,000 plus accrued interest of US$690,000 and net of transaction costs of US$2,408,000. This obligation accrues an effective interest rate of 4.19% and is guaranteed by all the equity share capital, free and clear of any liens, of Compañia Minera Ares S.A.C.

As at 31 December 2007, the balance corresponds to:

– Pre shipment loans for a total amount of US$23,750,000 in Minera Suyamarca S.A.C. and Minera Santa Cruz. These obligations accrue an effective annual interest rate ranging from 6.00% to 7.50% and are guaranteed by the inventories of the company.

2 Amount due to minority shareholders

As at 30 June 2008 the balance mainly corresponds to a loan from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US$59,574,000. There is also a loan of US$7,629,000 to Minera Santa Cruz S.A. from Minera Andes S.A. These loans have interest rates between 7.86% and 12%.

As at 31 December 2007 the balance mainly corresponds to a loan from Minera Andes Inc. to Minera Santa Cruz S.A. for an amount of US$57,065,000. There is also a loan of US$7,358,000 to Minera Santa Cruz S.A. from Minera Andes S.A. These loans have interest rates between 7.86% and 12%.

12 Dividends Paid and Proposed

	Amount
	US$(000)
Year ended 31 December 2007	
Total dividends paid during the year[1]	24,729
Total dividends declared after year-end and not provided for[2]	22,184
Six months ended 30 June 2008	
Total dividends paid during the period[2]	22,384
Total dividends declared after period-end and not provided for	6,147

1 Corresponds to dividends paid or provided for during 2007 of US$8,448,000 and the payment of accrued dividends as at 31 December 2006 of US$16,281,000.

2 Corresponds to dividends declared after 31 December 2007 to Pelham Investment Corporation, Navajo Overseas Corporation and public shareholders. Included in the total dividends paid during 2008 is US$200,000 payment to Dona Limited for dividends declared in 2006.

Dividends per share

A dividend in respect of the year ended 31 December 2007 of US$0.072 per share, amounting to US$22,184,667, was approved at the Annual General Meeting held on 9 May 2008.

13 Related party transactions

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

14 Notes to the Cash Flow Statement

	Six-month period ended 30 June		Year ended 31 December
	(Unaudited) 2008	(Unaudited) 2007	2007
	(in thousands of US dollars)		
Reconciliation of profit for the period to net cash generated from operating activities			
Profit for the period	46,963	30,219	80,915
Adjustments to reconcile group operating profit to net cash inflows from operating activities:			
Depreciation	18,349	9,216	25,139
Amortisation of software licences	98	—	71
Loss on sale of property, plant and equipment	47	47	467
Impairment of available-for-sale financial assets	6,704	—	71
Gain on sale of available-for-sale financial assets	(1,613)	—	—
Loss on sale of Sipan (subsidiary)	—	—	1,034
Share of post tax losses of associates and joint ventures accounted under equity method	4,909	—	—
Decrease in provision for mine closure	—	(740)	(3,097)
Finance income	(5,353)	(14,596)	(25,257)
Finance costs (excluding impairment of available-for-sale financial assets)	7,980	3,663	7,517
Income tax expense	22,632	17,944	35,752
Provision for claims	—	—	27
Other	128	1,074	(185)
Increase/(decrease) of cash flows from operations due to changes in assets and liabilities:			
Trade and other receivables	(71,312)	(20,497)	(74,420)
Income tax receivable	(438)		
Derivative financial instruments	(998)	3,498	2,314
Inventories	(8,233)	(3,615)	(30,479)
Trade and other payables	19,013	2,972	10,480
Provisions	(7,226)	(2,838)	3,989
Cash generated from operations	31,650	26,347	34,338

15 Commitments

a) Mining rights purchase options

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

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

	As at 30 June 2008	**As at 31 December 2007**
	(in thousands of US dollars)	
Commitment for the subsequent twelve months	2,481	2,675
Later than one year	25,981	59,355

b) Capital commitments

The future capital commitments of the Group are as follows:

	As at 30 June 2008	**As at 31 December 2007**
	(in thousands of US dollars)	
Peru	7,889	15,113
Argentina	31,907	—
Mexico	14,788	—

16 Subsequent events

- 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$33,300,000.

Reserves & Resources

Attributable metal reserves

As at 30 June 2008

Reserve category	Proved	Probable	Proved And probable	Ag	Au	Ag	Au	Ag Eq.
	(t)	(t)	(t)	(g/t)	(g/t)	(moz)	(koz)	(moz)
Arcata								
Proved	1,491,356			448	1.22	21.5	58.4	25.0
Probable		608,161		477	1.13	9.3	22.1	10.7
Total			2,099,517	456	1.19	30.8	80.6	35.6
Ares								
Proved	513,809			182	5.54	3.0	91.6	8.5
Probable		311,354		139	5.01	1.4	50.2	4.4
Total			825,163	166	5.34	4.4	141.8	12.9
Selene								
Proved	674,032			206	1.47	4.5	31.8	6.4
Probable		188,818		313	1.81	1.9	11.0	2.6
Total			862,850	229	1.54	6.4	42.8	8.9
Pallancata								
Proved	2,693,091			329	1.25	28.4	108.4	35.0
Probable		832,123		332	1.15	8.9	30.8	10.7
Total			3,525,214	329	1.23	37.3	139.1	45.7
San José								
Proved	417,103			433	5.97	5.8	80.1	10.6
Probable		886,298		417	6.01	11.9	171.2	22.2
Total			1,303,402	422	6.00	17.7	251.2	32.8
Moris								
Proved	1,329,940			5	1.49	0.2	63.8	4.0
Probable		105,208		5	1.34	0.0	4.5	0.3
Total			1,435,148	5	1.48	0.2	68.3	4.3
Total								
Proved	7,119,332			277	1.90	63.4	434.0	89.4
Probable		2,931,961		354	3.07	33.4	289.8	50.8
Total			10,051,293	300	2.24	96.8	723.8	140.2

Attributable metal resources

As at 30 June 2008

Resource category	Measured	Indicated	Measured and indicated	Inferred	Ag	Au	Zn	Pb	Cu	Ag Eq	Ag	Au	Zn	Pb	Cu
	(t)	(t)	(t)	(t)	(g/t)	(g/t)	(%)	(%)	(%)	(g/t)	(moz)	(koz)	(kt)	(kt)	(kt)
Arcata															
Measured	1,388,010				519	1.41	-.-	-.-	-.-	604	23.2	63.1	-.-	-.-	-.-
Indicated		557,482			560	1.33	-.-	-.-	-.-	640	10.0	23.8	-.-	-.-	-.-
Total			1,945,492		531	1.39	-.-	-.-	-.-	614	33.2	87.0	-.-	-.-	-.-
Inferred				2,027,182	445	1.26	-.-	-.-	-.-	521	29.0	82.4	-.-	-.-	-.-
Ares															
Measured	525,436				192	5.83	-.-	-.-	-.-	542	3.2	98.5	-.-	-.-	-.-
Indicated		311,710			148	5.38	-.-	-.-	-.-	471	1.5	53.9	-.-	-.-	-.-
Total			837,146		176	5.66	-.-	-.-	-.-	515	4.7	152.4	-.-	-.-	-.-
Inferred				101,171	173	3.48	-.-	-.-	-.-	381	0.6	11.3	-.-	-.-	-.-
Selene															
Measured	662,836				223	1.58	-.-	-.-	-.-	318	4.7	33.7	-.-	-.-	-.-
Indicated		191,278			330	1.91	-.-	-.-	-.-	445	2.0	11.7	-.-	-.-	-.-
Total			854,114		247	1.65	-.-	-.-	-.-	346	6.8	45.4	-.-	-.-	-.-
Inferred				952,580	204	1.01	-.-	-.-	-.-	264	6.2	30.8	-.-	-.-	-.-
Pallancata															
Measured	2,344,333				383	1.46	-.-	-.-	-.-	470	28.8	109.9	-.-	-.-	-.-
Indicated		864,066			403	1.41	-.-	-.-	-.-	488	11.2	39.3	-.-	-.-	-.-
Total			3,208,399		388	1.45	-.-	-.-	-.-	475	40.1	149.2	-.-	-.-	-.-
Inferred				511,445	369	1.25	-.-	-.-	-.-	444	6.1	20.6	-.-	-.-	-.-
San José															
Measured	382,622				507	8.63	-.-	-.-	-.-	1025	6.2	106.2	-.-	-.-	-.-
Indicated		891,803			483	6.46	-.-	-.-	-.-	870	13.8	185.1	-.-	-.-	-.-
Total			1,274,426		490	7.11	-.-	-.-	-.-	916	20.1	291.3	-.-	-.-	-.-
Inferred				464,902	356	5.33	-.-	-.-	-.-	676	5.3	79.7	-.-	-.-	-.-
Moris															
Measured	1,911,730				5	1.31	-.-	-.-	-.-	83	0.3	80.6	-.-	-.-	-.-
Indicated		135,739			5	1.19	-.-	-.-	-.-	76	0.0	5.2	-.-	-.-	-.-
Total			2,047,469		5	1.30	-.-	-.-	-.-	83	0.3	85.8	-.-	-.-	-.-
Inferred				18,689	3	0.80	-.-	-.-	-.-	51	0.0	0.5	-.-	-.-	-.-
San Felipe															
Measured	1,393,716				69	0.02	7.12	3.10	0.39	315	3.1	0.9	99.3	43.1	5.5
Indicated		1,079,248			67	0.06	6.34	3.06	0.35	292	2.3	2.1	68.4	33.0	3.8
Total			2,472,964		68	0.04	6.78	3.08	0.38	305	5.4	3.0	167.7	76.1	9.3
Inferred				1,084,812	68	0.20	5.68	2.64	0.18	264	2.4	6.9	61.6	28.6	1.9
TOTAL															
Measured	8,608,683				251	1.78	1.15	0.50	0.06	398	69.6	492.9	99.3	43.1	5.5
Indicated		4,031,327			316	2.48	1.70	0.82	0.09	524	41.0	321.2	68.4	33.0	3.8
Total			12,640,010		272	2.00	1.33	0.60	0.07	438	110.6	814.0	167.7	76.1	9.3
Inferred				5,160,781	299	1.40	1.19	0.56	0.04	421	49.6	232.2	61.6	28.6	1.9

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.

Change in metal reserves and resources in silver equivalent ounces

		Ag equivalent content (million ounces)					
Operation	**Category**	**December 2007**	**Depletion (1)**	**Addition(2)**	**June 2008**	**Net difference**	**% change**
Peru							
Arcata	Resource	70.3	-	2.1	72.4	2.1	3%
	Reserve	32.4	(4.7)	8.0	35.6	3.3	10%
Ares	Resource	16.8	-	(1.7)	15.1	(1.7)	-10%
	Reserve	14.6	(3.2)	1.4	12.9	(1.7)	-12%
Selene	Resource	18.5	-	(0.9)	17.6	(0.9)	-5%
	Reserve	9.6	(1.6)	0.9	8.9	(0.7)	-7%
Pallancata	Resource	83.2	-	10.7	93.9	10.7	13%
	Reserve	41.4	(1.9)	36.6	76.1	34.7	84%
Peru Totals:	**Resource**	**188.8**	**-**	**10.1**	**198.9**	**10.1**	**5%**
	Reserve	**98.0**	**(11.4)**	**46.9**	**133.6**	**35.6**	**36%**
Argentina							
San José	Resource	90.1	-	3.4	93.4	3.4	4%
	Reserve	66.2	(4.2)	2.3	64.2	(1.9)	-3%
Argentina Totals:	**Resource**	**90.1**	**-**	**3.4**	**93.4**	**3.4**	**4%**
	Reserve	**66.2**	**(4.2)**	**2.3**	**64.2**	**(1.9)**	**-3%**
Mexico							
Moris	Resource	9.5	-	(1.6)	7.8	(1.6)	-17%
	Reserve	7.7	(1.3)	(0.3)	6.2	(1.6)	-20%
San Felipe	Resource	27.6	-	5.8	33.5	5.8	21%
	Reserve	-	-	-	-	-	0%
Mexico Totals:	**Resource**	**37.1**	**-**	**4.2**	**41.3**	**4.2**	**11%**
	Reserve	**7.7**	**(1.3)**	**(0.3)**	**6.2**	**(1.6)**	**-20%**
Totals:	**Resource**	**316.0**	**-**	**17.7**	**333.7**	**17.7**	**6%**
	Reserve	**172.0**	**(16.9)**	**48.9**	**204.0**	**32.0**	**19%**

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

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

Change in attributable metal reserves and resources in silver equivalent ounces

		Ag equivalent content (million ounces)				
Operation	**Category**	**Percentage attributable**	**December 2007 Att.**[1]	**June 2008 Att.**[1]	**Net difference**	**% change**
Peru						
Arcata	Resource	100%	70.3	72.4	2.1	3%
	Reserve		32.4	35.6	3.3	10%
Ares	Resource	100%	16.8	15.1	(1.7)	-10%
	Reserve		14.6	12.9	(1.7)	-12%
Selene	Resource	100%	18.5	17.6	(0.9)	-5%
	Reserve		9.6	8.9	(0.7)	-7%
Pallancata	Resource	60%	49.9	56.3	6.4	13%
	Reserve		24.9	45.7	20.8	84%
Peru Totals:	**Resource**		**155.5**	**161.4**	**5.9**	**4%**
	Reserve		**81.5**	**103.2**	**21.7**	**27%**
Argentina			**-**	**-**	**-**	**0%**
San José	Resource	51%	45.9	47.7	1.7	4%
	Reserve		33.7	32.8	(1.0)	-3%
Argentina Totals:	**Resource**		**45.9**	**47.7**	**1.7**	**4%**
	Reserve		**33.7**	**32.8**	**(1.0)**	**-3%**
Mexico			**-**	**-**	**-**	**0%**
Moris	Resource	70%	6.6	5.5	(1.2)	-17%
	Reserve		5.4	4.3	(1.1)	-20%
San Felipe	Resource	100%	19.3	33.5	14.1	73%
	Reserve		-	-	-	0%
Mexico Totals:	**Resource**		**26.0**	**38.9**	**13.0**	**50%**
	Reserve		**5.4**	**4.3**	**(1.1)**	**-20%**
Totals:	**Resource**		**227.4**	**248.0**	**20.6**	**9%**
	Reserve		**120.6**	**140.2**	**19.6**	**16%**

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

[2] During the period the Group acquired an additional 30% interest in the San Felipe project increasing its interest to 100%

Lake Shore reserves and resources

Lake Shore Gold Corp. reported the following reserves and resources for the Timmins West development project on a 100% basis. Hochschild holds a 40% stake in Lake Shore.

Resources

As of 30 June 2008

Resource category	Indicated (t)	Inferred (t)	Uncut Grade (g/t Au)	Au (koz)
TOTAL				
Indicated	3,268,000		12.29	1,291
Inferred		968,000	6.62	207

*Average cut (@ 90 g/t) grade is 8.62 g/t for indicated resources and 5.62 g/t for inferred resources. These grades contain 905k oz Au and 175k oz Au respectively
** Prepared by LSG – audited by WGM November 2006. Quoted in SRK's October 2007 43-101 Report

Reserves (estimated)

As of 30 June 2008

Reserve category	Probable (t)	Cut Grade (g/t Au)	Au (koz)
TOTAL			
Probable	3,387,000	7.59	826

* SRK also performed a sensitivity analysis based on the uncut Mineral Resource gold grades. The results were 3.8M tonnes at 10.4g/t Au (1,200 koz)
** SRK October 2007 43-101 Report

Additionally, Lake Shore Gold has published the following historic non 43-101 compliant resources:

Exploration Bell creek Complex	Indicated (t)	Inferred (t)	Grade (g/t Au)	Au (koz)
Bell Creek Mine (43-101 Compliant, 2004)*				
Indicated	190,000		8.25	50.6
Inferred		346,000	7.70	85.9
Vogel Project (1999 CIM Historic Resource) **				
Indicated	642,000		12.2	261.2
Inferred		933,800	12.2	379.8
Schumacher Project (1997 Historic Resource) **				
Indicated	156,000		5.99	30.0

* The property contains NI 43-101 resource estimates done by previous owners.
** Lake Shore Gold states that "The resource estimates described in this presentation for the Vogel and Schumacher properties are historic, and the company is not treating the estimates as National Instrument 43-101 defined resources. The company has not completed the work necessary to verify the classification of the resources and therefore such historic estimates should not be relied upon."

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Total Production Information

Arcata

	Six months ended 30 June 2008	Six months ended 30 June 2007	% change
Ore production (tonnes)	228,561	176,513	29%
Average head grade silver (g/t)	554.90	532.86	4%
Average head grade gold (g/t)	1.38	1.38	0%
Concentrate produced (tonnes)	8,376	7,447	12%
Silver grade in concentrate (kg/t)	13.49	10.99	23%
Silver produced (koz)	3,633	2,631	38%
Gold produced (koz)	8.89	6.75	32%
Net silver sold (koz)	3,550	2,487	43%
Net gold sold (koz)	8.34	6.19	35%

Ares

	Six months ended 30 June 2008	Six months ended 30 June 2007	% change
Ore production(tonnes)	165,715	156,404	6%
Average head grade silver (g/t)	191.90	257.64	-26%
Average head grade gold (g/t)	6.68	14.84	-55%
Doré total (koz)	937	1,254	-25%
Silver produced (koz)	900	1,179	-24%
Gold produced (koz)	33.75	71.60	-53%
Net silver sold (koz) [1]	1,078	1,317	-18%
Net gold sold (koz) [2]	37.66	77.02	-51%

[1] Total sale figures for Ares include the sale of 132 koz of silver precipitates from San José.
[2] Total sale figures for Ares include the sale of 1.97 koz of gold precipitates from San José.

Selene

	Six months ended 30 June 2008	Six months ended 30 June 2007	% change
Ore production (tonnes)	176,868	190,581	-7%
Average head grade silver (g/t)	214.23	338.37	-37%
Average head grade gold (g/t)	1.23	2.43	-49%
Concentrate produced (tonnes)	2,064	1,808	14%
Silver grade in concentrate (kg/t)	15.83	31.75	-50%
Silver produced (koz)	1,039	1,822	-43%
Gold produced (koz)	5.59	12.35	-55%
Net silver sold (koz)	1,231	1,897	-35%
Net gold sold (koz)	6.41	11.66	-45%

Pallancata[1]

	Six months ended 30 June 2008
Ore production (tonnes)	134,410
Average head grade silver (g/t)	339.64
Average head grade gold (g/t)	1.67
Concentrate produced (tonnes)	1,388
Silver grade in concentrate (kg/t)	29.77
Silver produced (koz)	1,329
Gold produced (koz)	5.16
Net silver sold (koz)	1,187
Net gold sold (koz)	4.57

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

San José[1]

	Six months ended 30 June 2008
Ore production (tonnes)	120,500
Average head grade silver (g/t)	652.57
Average head grade gold (g/t)	7.33
Silver produced (koz)	2,061
Gold produced (koz)	24.55
Net silver sold (koz) [2]	2,608
Net gold sold (koz) [3]	34.03

[1] The Company has a 51% interest in San José
[2] Total sale figures for San José include 835.20 koz of silver precipitates sold to Ares.
[3] Total sale figures for San José include 13.06 koz of gold precipitates sold to Ares.

Moris[1]

	Six months ended 30 June 2008
Ore production (tonnes)	387,063
Average head grade silver (g/t)	5.15
Average head grade gold (g/t)	1.63
Silver produced (koz)	32
Gold produced (koz)	14.08
Net silver sold (koz)	34
Net gold sold (koz)	14.50

[1] The Company has a 70% interest in Moris.

Forward looking Statements

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

Forward-looking statements include, without limitation, statements typically containing words such as “intends”, “expects”, “anticipates”, “targets”, “plans”, “estimates” and words of similar import. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results, performance or achievements of Hochschild Mining plc may be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that could cause or contribute to differences between the actual results, performance or achievements of Hochschild Mining plc and current expectations include, but are not limited to, legislative, fiscal and regulatory developments, competitive conditions, technological developments, exchange rate fluctuations and general economic conditions. These factors, risks and uncertainties are referred to in the section of this announcement entitled 'Risks' which, in turn, refers to matters disclosed in the Risk Management section of the 2007 Annual Report. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

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

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 Committee or Corporate Social Responsibility Committee
The corporate social responsibility committee of the Board

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

LSE
London Stock Exchange

LTIP
Long Term Incentive Plan

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

Shareholder Information

1. Company website

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

2. Registrars

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

By post:
Shareholder Services Department, Capita Registrars Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

By telephone:
- From the UK: 0871 664 0300 (Calls cost 10p per minute plus network extras)
- From overseas: +44 20 8639 3399

By fax: +44 (0)20 8639 2342

3. Currency option and dividend mandate

Shareholders wishing to receive their dividend in US dollars should contact the Company's registrars to request a currency election form. This form should be completed and returned to the registrars by 9 September 2008 in respect of the 2008 interim dividend.

The Company's registrars can also arrange for the dividend to be paid directly into shareholders' UK bank accounts. To take advantage of this facility in respect of the 2008 interim dividend, a dividend mandate form, also available from the Company's registrars, should be completed and returned to the registrars by 9 September 2008. This arrangement is only available in respect of dividends paid in UK pounds sterling. Shareholders who have already completed one or both of these forms need take no further action.

4. Investor Relations

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

5. Financial Calendar

Dividend dates	2008
Ex-dividend date	03 September
Record date	05 September
Deadline for return of currency election forms	09 September
Payment date	23 September

Hochschild Mining plc
46 Albemarle Street
London
W1S 4JL

Registered in England and Wales
Registered Number: 05777693