20 March 2007

Hochschild Mining plc
Preliminary Results for the Year Ended 31 December 2006

Highlights:

- Strong financial results during 2006 with adjusted EBITDA up 52% to $108 million
- Despite industry wide cost pressure, our weighted average cost per tonne for our three operating mines decreased 2% in 2006
- Stable production in 2006 with production of 23.3 million silver equivalent ounces
- Cash flow from operations increased over 300% from 2005, totalling $126 million, and declaration of maiden dividend
- Successfully increased our attributable stated reserves by 25% in the second half of 2006
- During 2007, we will commence production at three new projects and will expand capacity at two of our existing mines, more than doubling our throughput capacity
- Forecast 2007 production in excess of 26 million silver equivalent ounces (+11% y-o-y)

Highlights for the year ended 31 December 2006
(stated before exceptional items)

($ thousands, unless stated)	Year ended 31 December 2006	Year ended 31 December 2005	% change
Revenue	211,246	161,235	31%
Attributable after tax profit [1]	46,646	24,719	89%
EPS (pre-exceptionals) [2]	0.19	0.11	73%
Adjusted EBITDA [3]	107,617	70,650	52%
Cash costs ($/oz Ag co-product)[4]	3.57	2.77	29%
Cash costs ($/oz Au co-product)[4]	153	159	(4%)
Silver production (koz)	11,604	10,550	10%
Gold production (koz)	196	232	(16%)

[1] Attributable after tax profit is calculated as the profit for the year attributable to the equity shareholders of the company from continuing operations before exceptional items.
[2] EPS is calculated using the weighted average number of shares outstanding for the period (2006: 242.9 million; 2005: 230.0 million). EPS from continuing operations after exceptional items was $0.17 and $0.15 per share for 2006 and 2005, respectively.
[3] Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation, amortization and exploration costs other than personnel and other expenses (see reconciliation on page 17).
[4] Cash costs are calculated to include cost of sales, treatment charges, and selling expenses less depreciation included in cost of sales

Chairman's comments

"I am delighted to be presenting Hochschild Mining plc's first set of results as a publicly listed company. Our Listing marks the beginning of a new stage in the Group's development. We are now well-placed to build on our proven operational strengths to deliver value for all our shareholders. The combination of our low cost assets with the ability to grow reserves and production whilst remaining focused on underground precious metals mining in Latin America, form a strong base for future growth. The Listing proceeds, together with our strong yearly cash flow, provide us the necessary resources to expand our existing operations, develop our pipeline of projects, and consider potential acquisitions. We thus remain on course to deliver on our target for organic growth of 50 million silver equivalent ounces by 2011."

Chairman's statement

I am pleased to be presenting Hochschild Mining plc's first set of results following our successful Listing on the London Stock Exchange in November 2006, when we raised approximately $500 million. It has been a landmark year for the Company and I must extend my thanks to all those who made it possible: our workers, management, office staff and our shareholders. Our Listing marks the beginning of a new stage in the Group's development. We are now well-placed to substantially increase our capacity to build on our track record of successful financial, operational and social performance.

Over the last twelve months, we have seen a good operational performance and strong financial results that demonstrate the strengths of our business. In 2006, our revenues for the year amounted to $211 million, a 31% increase on 2005, and adjusted EBITDA for the year increased by 52% to $108 million. We continue to achieve low cash costs and high margins in our extraction of precious metals due to our focus on exploiting high grade deposits and our rigorous system of cost controls at all our operations. Whilst costs across the industry have been rising and production has been constrained in many parts of the world by escalating prices for mining machinery, we have seen a 2% reduction in the weighted average cost per tonne at our existing operations.

Our production for 2006 was steady, with 11.6 million ounces of silver and 196 thousand ounces of gold, contributing to a combined total of 23.3 million silver equivalent ounces, a slight decline on last year due to the anticipated grade decline at our Ares mine. We expect this decline to continue into the first quarter of this year as we continue to extract lower grades at Ares, but to be more than fully reversed over the course of the year as we ramp-up throughput at our three operating mines and as we bring three new mines into production starting at the end of the second quarter. Consequently, for 2007, we are targeting production in excess of 26 million silver equivalent ounces. The benefits of increasing the number of producing mines from three to six in 2007 will be fully reflected, both operationally and financially, in 2008. This will also keep us on course to reach our target of producing 50 million silver equivalent ounces by 2011.

Pricing for both gold and silver was strong during 2006, with the prices rising 25% and 45%, respectively, on the back of significant investment demand notably in the wake of inflation concerns, a weak dollar and geopolitical influences, in addition to the introduction of the iShares Silver ETF in April 2006. The average spot price for gold in 2006 was $604.65 per ounce and for silver it was $11.59 per ounce. Looking forward, we continue to favour precious metals and believe the silver price trend is set to continue into 2007 for two primary reasons. First, we expect the investment demand growth to continue and second, industrial demand is targeted to remain robust largely driven by continued strength within the electronics fabrication sector coupled with the new and expanding antibacterial uses of silver.

The strong cash flow demonstrated in this set of results – with cash from operations of approximately $126 million, combined with the net cash of $406m at the Group level – gives us the financial strength to deliver on our growth strategy and to partake in the expected industry consolidation in the region. I am happy to announce our maiden dividend for the two months of 2006 during which we were listed totalling $2.3 million.

Exploration continues to be a strong focus of the Group and we made significant progress during 2006. Since the half year figures reported at the time of our Listing, we have increased our attributable reserves by 25% and extended our overall mine life, after discounting our increased production in 2007. Furthermore, our Listing has increased our visibility within the region and has given us access to more acquisition and joint venture opportunities. For 2007, we have increased our exploration budget as we look to enhance further our reserve and resource base, explore new properties and continue to build on the progress made last year.

It is with deep regret that we report that in the last year there have been fatalities in our business – three in 2006 and one more in the first quarter of 2007 – a substantial aberration from our previous track record. The Board has taken steps to support the families of the people involved and the CSR committee has ordered a comprehensive review of safety procedures and reporting with the leading consultants in the industry. We will continue to exert every effort to ensure the safety of all our employees.

We take Corporate Social Responsibility very seriously and believe that the health and safety of our employees, the respect for the environment and our active engagement with local communities are fundamental to our business in the long term. Responsibility for these important issues at Board level has now been entrusted to the Deputy Chairman, Roberto Dañino, who chairs the Corporate and Social Responsibility Committee

As a newly-listed company on the London Stock Exchange, my Board colleagues and I are also firmly committed to delivering high standards of corporate governance. We believe that our combination of a strong management

team and experienced independent Directors will provide the best opportunities for growth and strategic direction for the company.

In summary, we are well poised to build on our proven operational strengths to deliver value for all our shareholders. The combination of our low cost assets with the ability to grow reserves and production whilst remaining focused on underground precious metals mining in Latin America, form a strong base for future growth. The Listing proceeds, together with our strong yearly cash flow, provide us the necessary resources to expand our existing operations, develop our pipeline of projects, and consider potential acquisitions. We thus remain on course to deliver on our target of 50 million silver equivalent ounces by 2011.

I extend a warm welcome to all our new shareholders and thank you for your support.

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About Hochschild Mining plc:

Hochschild Mining plc (HOC.L for Reuters / HOC LN for Bloomberg) is a publicly held company listed on the London Stock Exchange. Hochschild is a leading precious metals company with a primary focus on the exploration, mining, processing and sale of silver and gold. The Company currently operates three underground epithermal vein mines located in southern Peru. The Company also has three advanced stage development projects, one in each of Mexico, Peru and Argentina and one early stage development project in Mexico. In addition, the Company has over twenty long-term prospects throughout Latin America. The Company has over forty years experience in the mining of precious metal epithermal vein deposits. For further information please visit www.hochschildmining.com.

Operational review:

Summary

Production:

In-line with expectations at the time of the Listing and as disclosed in our quarterly production report in January, the second half production was slightly above that of the first half with a total production of 23.3 million silver equivalent ounces for the full year ended 31 December 2006. Silver production for the year was up 10% to 11.6 million ounces as a result of an increase from both Arcata and Selene while gold was down 16% to 196 thousand ounces due to the anticipated decrease in grade at the Ares mine.

Costs:

Despite industry wide cost pressure, our weighted average cost per tonne decreased 2% in 2006 principally driven by a significant cost reduction at the Selene unit. However, our silver cash cost increased on a co-product basis. Cash costs on a co-product basis must be considered in conjunction with the co-product commodity because as the percentage sales of one commodity increase the other decreases resulting in a similar effect on the respective cash costs. In 2006, we experienced an increase in co-product cash cost for silver from $2.77/oz in 2005 to $3.57/oz principally driven by a higher percentage of silver sales (68% increase in revenue from silver and 2% increase in revenue from gold) and consequently a greater amount of cost attributed to silver production, and to a lesser extent, by a decrease in average head grades mined for both silver and gold. On the other hand, co-product cash cost for gold decreased from $159/oz in 2005 to $153/oz in 2006 while by-product cash cost for gold went from negative $21/oz to negative $273/oz. We do not typically look at silver on a by-product basis.

Exploration:

Exploration remains at the core of our business as we seek to expand our existing operations and add to our project pipeline through the discovery of new properties. In 2006, we increased our capital expenditure on mine site exploration and will do the same in 2007. We typically capitalize exploration capital expenditure once the project has passed feasibility stage. In 2007, we have budgeted $35 million for all exploration at our operations, projects and prospects.

Reserves and resources:

We have indicated our intention to increase our reserve and resource base in order to bring it more in-line with that of other publicly traded precious metal companies. We have increased our attributable stated reserves by 25% in the second half of 2006.

	Silver Equivalent Content (moz)							
Category	June 2006	Depletion[1]	Addition*	Dec 2006	%	June 2006 Att.[2]	Dec 2006 Att.[2]	%
Resource	233.4		34.2	267.5	15%	177.8	202.2	14%
Reserve	105.6	(11.7)	49.4	143.3	36%	83.4	103.9	25%

[1] Depletion: reduction in reserves based on ore delivered to the mine plant
[2] Attributable reserves based on our percentage ownership at our joint venture projects
Notes: 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
** Increase in reserves due mainly to mine site exploration but also to price increase.*

Arcata

Production:

	Year ended 31 December 2006	Year ended 31 December 2005	% change
Ore production (tonnes)	313,688	282,199	11%
Average head grade silver (g/t)	536.61	538.55	0%
Average head grade gold (g/t)	1.39	1.19	17%
Concentrate produced (tonnes)	12,407	10,787	15%
Silver grade in concentrate (kg/t)	11.92	12.31	(3%)
Silver produced (Koz)	4,754	4,271	11%
Gold produced (Koz)	11.89	7.19	65%
Net silver sold (Koz)	4,046	4,194	(4%)
Net gold sold (Koz)	9.8	7.2	36%

Arcata's processing capacity will be increased to 420 ktpa in the second quarter of 2007 and we envisage undertaking a further expansion to 530 ktpa in 2009. At Arcata we experienced a timing difference between production and sale of concentrate which was significantly above that of previous years and, as such, we anticipate a shipment of approximately 692 koz of silver and 1.7 koz of gold that was mined in 2006 to be recognized as revenue in 2007. We recognize revenue from concentrate when the risk passes to the customer which under the contract with Peñoles is when the concentrate is loaded onto the ship in Peru. We anticipate the magnitude of this effect will normalize in 2007 to that of previous years.

Revenues and costs:

($ thousand)	Year ended 31 December 2006	Year ended 31 December 2005	% change
Revenue	55,020	32,587	69%
% of consolidated revenue	26%	20%	

Unit costs per tonne at Arcata increased 6% in 2006 principally resulting from an increase in mine costs, up 10%, and royalties, up 137%, although offset by a decrease in geology costs, down 33%. Mine costs increased because of less low cost open stopping in the Macarena Vein, more fill transport due to new areas of operation, and to a lesser extent, a greater expense for ventilation. Royalties are dictated by Peruvian legislation whereby owners of mining concessions must pay for the exploitation of metallic and non-metallic resources. Mining royalties, of 1%—3% of sales, are calculated depending on the value of the mineral concentrates according to the quoted market price published by the Ministry of Energy and Mines. Accordingly, as mineral prices have increased, so have the applicable royalties. Absent any unforeseen circumstances, we do not foresee a significant change in the cost profile of Arcata in 2007.

Capital expenditure:

($ million)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	14.6	24.8
Sustaining	2.1	8.5
Expansion	10.6	12.2
Exploration	1.9	4.0

The increase in sustaining capital expenditure at the Arcata unit in 2007 is due to the necessary replacement of the integral pump system for tailings, heavy equipment purchases, the replacement of the pump system in the mine and

some infrastructure improvements. Additionally, we have significantly increased the budget for mine site exploration, which we will permit us to continue to prove up additional reserves and resources at Arcata while increasing production capacity.

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	60.6	43.6	39%
Reserve (moz Ag eq.)	20.4	16.1	27%

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

Exploration and development has centred on the Mariana vein system at the northern margin of the mineralised area, which includes the majority of reserves and which currently supports the greater part of production. Exploration in and around the Mariana vein system will continue in order to convert additional resources into reserves, expand the mine life, and build a strong platform for production growth at our flagship mine.

Ares

Production:

	Year ended 31 December 2006	Year ended 31 December 2005	% change
Ore production(tonnes)	289,138	281,095	3%
Average head grade silver (g/t)	310.61	355.28	(13%)
Average head grade gold (g/t)	17.37	22.81	(24%)
Doré total (Koz)	2,850	3,151	(10%)
Silver produced (Koz)	2,688	2,944	(9%)
Gold produced (Koz)	155.5	198.55	(22%)
Net silver sold (Koz)	2,651	2,895	(8%)
Net gold sold (Koz)	152.9	196.4	(22%)

As anticipated, the average grade at the Ares mine is declining due to the geologic nature of the ore body and, as such, we anticipate that we will mine at a lower average head grade in 2007. In 2006, we completed the planned expansion of the plant at Ares taking its capacity from 280 ktpa to 325 ktpa. Results from the testing were positive and we are currently producing at a rate of 325 ktpa.

Revenues and costs:

($ thousand)	Year ended 31 December 2006	Year ended 31 December 2005	% change
Revenue	92,368	90,943	2%
% of consolidated revenue	44%	56%	

Despite higher prices, revenue was offset by a decrease in the ounces produced and thus sold from Ares.

Unit costs per tonne at Ares increased by a modest 2% in 2006. This change was principally driven by an increase in plant costs, up 26%, and administrative costs, up 14%, and offset by a decrease in mine costs, down 8%, and general services costs, down 6%. Plant costs increased as a result of higher prices of sodium cyanide, more detoxification cycles in 2006 and an increase in steel prices. Administrative costs were affected by the implementation of a revamped catering service. Mine costs decreased because of a higher proportion of mechanized stopes and a decrease in the number of stopes compared to 2005. General services decreased as a result of an overall reduction in energy consumption and operational supplies. We have a legal stability agreement

at the Ares unit which was granted in January 1999 for a ten year term, and consequently, we do not make any royalty payments. Absent any unforeseen circumstances, we do not foresee a significant change in the cost profile of Ares in 2007.

Capital expenditure:

($ milion)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	4.1	11.1
Sustaining	2.3	4.2
Expansion	0.3	2.9
Exploration	1.5	4.0

The increase in sustaining capital expenditure at the Ares unit in 2007 is due to the replacement of heavy equipment and other equipments used in operational areas. We also have increased the budget for mine site exploration at the Ares unit to focus on new exploration targets.

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	24.9	30.5	(18%)
Reserve (moz Ag eq.)	22.3	28.5	(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

As anticipated, the stated reserves and resources at Ares have decreased as a result of production, declining grades and limited geological developments in 2006. In response to this change, we have increased our exploration efforts in prospective areas around the high grade Victoria vein looking for a deposit of a similar, high grade nature and will continue to do so in 2007. We are also exploring areas adjacent to the already exploited parts of the Victoria vein system at higher elevations. This exploration has shown positive results in identifying minable high grade splays and cymoid veins that went previously un-detected. We expect to produce a reserve and resource replacement in 2007 from this effort which should offset production depletion.

Selene

Production:

	Year ended 31 December 2006	Year ended 31 December 2005	% change
Ore production (tonnes)	359,686	288,919	24%
Average head grade silver (g/t)	397.76	399.11	0%
Average head grade gold (g/t)	2.85	3.43	(17%)
Concentrate produced (tonnes)	3,812	3,559	7%
Silver grade in concentrate (kg/t)	33.96	29.15	17%
Silver produced (Koz)	4,162	3,335	25%
Gold produced (Koz)	28.34	27.48	3%
Net silver sold (Koz)	3,705	3,277	13%
Net gold sold (Koz)	26.9	26.4	2%

The capacity at the Selene concentrator will be expanded to 700 ktpa in the third quarter of 2007 to accommodate for the extension of the Selene mine and for the commencement of production at the Pallancata project. In the first half of 2007, Selene will produce approximately 424 ktpa and in the second half 75% of plant capacity will be used

to treat ore from Selene while the remaining 25% will be used to treat ore from Pallancata. The basic and detailed engineering work for the expansion has been completed and construction is currently in progress and on schedule.

As in Arcata, we also experienced a timing difference between production and sale of concentrate at the Selene unit which was above that of previous years. Approximately 635 koz of silver and 3.5 koz of gold from the Selene unit remains in inventory and will add to revenue in 2007. We are converting the Selene concentrate into silver/gold doré at Ares which will reduce the future magnitude of the timing difference between production and sales.

Revenues and costs:

($ thousand)	Year ended 31 December 2006	Year ended 31 December 2005	% change
Revenue	63,713	37,307	71%
% of consolidated revenue	30%	23%	

Unit costs per tonne at Selene decreased by 20% in 2006, principally resulting from an increase in production coupled with further development and mechanisation of the operation. This effect significantly impacted our total cost per tonne. Mine costs decreased by 33% as we were able to improve productivity with technical solutions most notably stope mechanisation. In addition, general services costs decreased by 24% as we were able to connect to the national grid in 2006 as opposed to running the unit off a generator which had been the case previously. Finally, administrative costs, a fixed cost, were 14% lower on a per unit basis due to the increased tonnage of production and a reduction in personnel services due to a decrease in the workforce. The decrease in costs was offset by an increase in royalties, up 64%, given higher average selling prices. We do not anticipate any significant change in the per unit cost at the Selene unit in 2007.

Capital expenditure:

($ million)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	4.9	14.1
Sustaining	4.2	5.5
Expansion	0.3	4.7
Exploration	0.4	4.0

Sustaining capital expenditure will increase due to the replacement of heavy equipment and a new pump station in the mine. The increase in the expansion capital expenditure at Selene is to fund mine developments.

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	25.2	18.6	35%
Reserve (moz Ag eq.)	12.3	13.6	(10%)

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 significantly increased the resource base at Selene and are now poised to increase Selene's reserves in 2007.

The Selene mine is a low sulphidation, precious metal epithermal vein system conformed, based on current knowledge, by two vein systems. The first, the Explorador system, is where most of our production, reserve and resource base is focused. The second, the Tumiri system, had been mined by previous owners and it still has an important exploration potential to develop. In 2007, exploration expenses will be focused in converting resources to reserves mainly by deepening the Explorador mine workings. Additionally, we plan to explore, with underground workings and drilling, a set of parallel tensional veins which cross diagonally between the Explorador and Tumiri vein systems, as well as the Tumiri and Timida veins where we anticipate expanding our reserve and resource base significantly. We have also a number of exploration targets within the Selene mining concession which will be explored using surface drills during 2007.

Pallancata

The Pallancata silver/gold property is jointly owned with International Minerals Corporation. We have a 60% ownership interest and are the operator. Pallancata is located in southern Peru approximately 11 kilometers from the Selene vein system and is considered part of the same geological environment.

We have commenced construction of the tunnels to reach the Pallancata vein which we plan to mine in the third quarter of 2007. Future exploration targets exist around the Mariana, Mercedes and San Javier structures. We will need to build a 22 kilometer road to transport the ore from Pallancata to Selene where we anticipate commencing construction in March 2007 after the rainy season. We are in the process of building an electrical line between the Selene mine and the Pallancata property, which will completely supply the Pallancata property with power.

The majority of the personnel at the Pallancata mine will be contracted, similar to our other Peruvian operations, and we are in the process of ramping up on-site mine personnel.

We have applied for all the relevant mining permits and although we have not received all approvals, we are confident in our ability to ascertain these before we begin production. We have submitted our Environmental Impact Assessment to the regulatory authority and having received some suggestions, are in the process of implementing some recommendations. We do not however anticipate any significant issues.

The expansion at the Selene plant to accommodate for the ore from Pallancata is progressing according to the original schedule. Initial production from Pallancata is scheduled to begin in the third quarter of 2007 and will amount to approximately 175 ktpa. In the current expansion at the Selene plant, we are allowing for a further expansion to be implemented in due course and are constructing the plant accordingly. In the near future, the ore from Pallancata will be sold from Selene in the form of concentrate although we will evaluate the possibility of converting the Pallancata concentrate into doré at Ares.

Capital expenditure:

($ million)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	1.6	23.0
Sustaining	–	–
Expansion	1.6	19.0
Exploration	–	4.0

The budget for the Pallancata project has increased due to an increase in the costs associated with road construction to transport the concentrate from Pallancata to Selene and costs associated with more exploration to increase further the reserve base.

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	29.5	21.7	36%
Reserve (moz Ag eq.)	14.3	6.8	110%

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

The increase in reserve and resource is the result of significant drilling activity on the Pallancata vein and the extension of the previously known mineralization along the vein both east and west with significant widths. The mineralization appears still open to the west and further drilling is planned in 2007.

San José

The San José silver/gold property, located in southern Argentina, is jointly owned with Minera Andes, S.A. We have a 51% ownership interest and are the operator. We plan to commence production at San José in the second quarter of 2007.

In 2006, we completed a 21,240.66-meter drill program which increased our resources and reserves by 37% and 54% respectively and in 2007 we plan to complete an additional 32,000-meter drill program.

This year we plan to mine the Huevos Verdes vein and the nearby Frea vein where we have developed approximately 9 kilometers of underground workings and have completed the required infrastructure. While construction of the underground mine is finished, we are completing construction of the plant. We are building the plant to accommodate approximately 275 ktpa. However, the plant has been designed to be upgraded to 550 ktpa in the future. We also have completed a significant portion of the construction of the plant that will produce a silver/gold doré.

Initially, we project working with diesel generators at the San José property; however, we are currently evaluating alternative sources of energy in order to reduce our future cost base.

During the last four months, we have hired all personnel for the mine and are currently in the process of hiring plant personnel. Unlike our Peruvian operations where the majority of our personnel are contracted, the majority of the workforce at San José will be employed by the Company as is standard practice in Argentina.

All relevant mining permits in respect of the San José property have been obtained. On the corporate and social responsibility front, we have established contact with the local communities in order to begin forging a long lasting, mutually beneficial relationship following the approach taken at our Peruvian operations which over time has proven successful.

Despite the difficulties of entering a new country, especially one not characterized by an extensive mining history, we are proud of the accomplishments made thus far.

Capital expenditure:

($ million)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	32.8	64.7
Sustaining	–	4.4
Expansion	32.8	56.9
Exploration	–	3.4

The budget for the San José project has increased due to a more aggressive drilling campaign in the Kospi vein and a planned increase in infrastructure. The increase in infrastructure mainly includes more camps and offices as well as an increase in the size of the laboratory all which were not considered in the original scope.

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	35.9	26.3	37%
Reserve (moz Ag eq.)	28.3	18.4	54%

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

At San José, reserves and resources have increased significantly due to the drilling performed in the newly discovered Kospi vein. Will continue to explore the property in 2007 focusing on the Kospi, Frea and Odin veins where we have found positive results. Furthermore, we have identified other structures which have been initially tested and where we will drill in 2007 in order to increase our reserve base further at the San José property.

Mina Moris

In early December 2006, we exercised our option to acquire a 70% stake in the Mina Moris open pit mine in Chihuahua, Mexico, which was owned and operated by Manhattan S.A. de C.V between 1996 and 1999. Exmin Resources Inc. ("Exmin") is our partner in this project and owns the remaining 30%.

Our current strategy with Mina Moris initially focuses on bringing the open pit mine back into production in a very cost efficient manner and mining the remaining surface ore. However, we are most interested in the surface and underground potential and geological characteristics of the surrounding 30,000 hectare property package we own with our partner Exmin plus an additional 50,000 hectare claim under approval by authorities. This property package is in one of Mexico's most prolific gold belts and is host to the most recent exploration and new mine developments, namely Ocampo, Mulatos and Dolores. We are committed to explore the area with increasing intensity in the next several years.

We expect to commence production at Mina Moris in the third quarter of 2007 at an initial capacity of 1,060 ktpa. The ore will be processed at a plant which came with the property and is currently being refurbished. Since the operation was initially commissioned in 1996, some of the permits and licenses have lapsed. However, we have obtained the majority of the necessary permits and licenses save for the health license, blasting license and the authorization to purchase explosive material.

Mexico is a country with a long history of mining. The local reaction to our entering the region has been positive with the people of the local village optimistic about the opportunities which will arise from our recommissioning the mine. The local village provides a skilled workforce having once worked at the same operation not so long ago. In line with our corporate culture, we believe in an emphasis on social responsibility and have already begun a dialogue with the local communities near the mine in Mexico.

Capital expenditure:

($ million)	Year ended 31 December 2006	2007 Budget
Total capital expenditure	–	7.2
Sustaining	–	–
Expansion	–	7.2
Exploration	–	–

Exploration & Geology:

Stated on an attributable basis	31 December 2006	30 June 2006	% change
Resource (moz Ag eq.)	8.6	8.9	(3%)
Reserve (moz Ag eq.)	6.2	0.0	n.m.

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

Reserves and resources in the Moris Mine were calculated based on a validation of data delivered by the vendor. Our drilling and sampling has validated existing data and has confirmed the reliability of the data to calculate reserves and resources. However, we will undertake a full audit in 2007 similar to what we have done at our other operations.

Review of Development Project:

San Felipe

The San Felipe project is located approximately 6 kilometres west of San Felipe de Jesús in northern Sonora, Mexico and consists of seven mining concessions covering a total of approximately 548 hectares as well as two other nearby projects El Gachi and Moctezuma.

In mid 2006, we entered into an agreement with the underlying owner Grupo Serrana whereby we have an option to acquire up to 70% of all mining rights and ownership of the San Felipe, Moctezuma and El Gachi properties through an investment of $33.3 million in the property within five years of the date of the agreement.

Since late 2006 and into early 2007, we have engaged in an accelerated and promising exploration project, including regional surface mapping and confirmation drilling on the original resource block in La Ventana ore body.

La Ventana ore body, based on information we received from the previous owner, contained 4.5 million tonnes of inferred resources averaging 7.5% Zn, 3.5% Pb, 0.5% Cu and 80 g/t Ag. After the initial drilling campaign in excess of 8,000 meters on a portion of the ore body (42 holes drilled of which 33 had assays at the time of resource calculation), we have been able to confirm inferred and indicated resources of 2.7 million tonnes containing 6.8 % Zn, 3.2%, Pb, 0.4% Cu and 71 g/t Ag. The ore body is still open at depth and to the west and we expect to increase this resource significantly during 2007 with an additional 8,000 meters drilling program during the first half of 2007. We expect to deliver measured and indicated resources that will justify the initial feasibility work in July 2007.

Additionally, we have identified, mapped and sampled a number of exploration targets within the San Felipe project. Two of them hold significant new potential. In the Las Lamas ore body initial exploration drilling has started and we have two wide intercepts with high grade zinc mineralization. The previously explored San Felipe ore body, has also returned high grade results in rehabilitated underground workings which suggest significant potential still exist at depth. We will commence exploration drilling on this target in due course.

Many other surface exposures of mineralization have been evidenced by regional surface mapping which indicates that the San Felipe project is facing a mineralised district with great exploration potential. We are currently in advanced negotiations to secure the surrounding property blocks to expand the scope of this very exciting project.

Review of Prospects:

El Gachi

Together with the San Felipe joint venture, we have acquired rights on the El Gachi project located 70 km northeast from San Felipe. El Gachi was explored by Anaconda and Peñoles in the 1960’s and 1970’s and unverified historic information indicates grades of 400 to 900 g/t silver and greater than 12% combined Pb and Zn. We presently envision a potential ranging from a minimum of 2.0 meters to upwards of 10 meters at similar grades. Currently we are reviewing the existing information and mapping the area to design an initial drill program designed to fast track this high grade silver and base metal project.

Claudia and Santa Rita

We signed a definitive joint venture agreement with Mirasol Resources on 26 February 2007. The joint venture agreement provides us with the option to earn a 51% interest in each of the Claudia and Santa Rita properties by spending $6 million on exploration at the Claudia Project and $3 million on exploration at the Santa Rita project over four years, and by making cash payments totaling $950,000. We may increase our interest to 65% in either, or both, projects by completing a bankable feasibility study, and may further increase our ownership to 75% by providing mine financing on commercial terms to Mirasol. At each decision point, Mirasol may elect to retain its participating interest and fund its share of expenditures.

The Claudia property is located 30 kilometres south of the producing Cerro Vanguardia mine in Argentina and is hosted in a similar regional setting. The vein system at Claudia is exposed within an erosional window exposing prospective Chon Aike volcanic rocks. Exploration to date has identified three gold/silver mineralized zones, where each hosts multiple quartz veins or veinlets of classic, epithermal style. The three zones lie within a structurally complex area some 3 kilometres in strike length and 1 kilometre wide, and appear to represent distinct erosional levels exposed by block faulting. At this point in time, the property has not undergone any drilling activity.

The Santa Rita silver project is located near our San José project in southern Argentina. At Santa Rita, reconnaissance exploration has resulted in the discovery of mineralised structural breccia system localized by a regional structural trend that hosts several other gold-silver showings in the area. In keeping with similar low-sulphidation epithermal precious metals occurrences, the quartz vein textures and stratigraphic position at Santa Rita are permissive for gold-silver grades increasing at depth.

We plan to drill both these properties in the coming months.

Other prospects

At the San Luis del Cordero property in Mexico, we completed mapping last year and expect to commence drilling in 2007. According to the terms of the contract with Exploraciones del Altiplano S.A. de C.V. where we have agreed to undertake exploration with an option to acquire all rights and ownership, we must spend $2.7 million over the next 4 years, of which we have spent $0.3 million within the first year.

We are seeking prospective partners for our San Martin site as results were encouraging but below our expectations and specified hurdle rates. We are currently in negotiations with prospective partners.

At the Sierra de las Minas property in Argentina, we encountered high grade intercepts but due to a lack of continuity we have decided to cease mapping, sampling and drilling programs.

Financial review:

Key financial performance indicators:
(stated before exceptional items)

($ thousands, unless stated)	Year ended 31 December 2006	Year ended 31 December 2005	% change
Revenue	211,246	161,235	31%
Attributable after tax profit [1]	46,646	24,719	89%
EPS [2]	0.19	0.11	73%
Adjusted EBITDA [3]	107,617	70,650	52%
Cash costs ($/oz Ag co-product) [4]	3.57	2.77	29%
Cash costs ($/oz Au co-product) [4]	153	159	(4%)
Silver production (koz)	11,604	10,550	10%
Gold production (koz)	196	232	(16%)

[1] Attributable after tax profit is calculated as the profit for the year attributable to the equity shareholders of the company from continuing operations before exceptional items.
[2] EPS is calculated using the weighted average number of shares outstanding for the period (2006: 242.9 million; 2005: 230.0 million). EPS from continuing operations after exceptional items was $0.17 and $0.15 per share for 2006 and 2005, respectively.
[3] Adjusted EBITDA is calculated as profit from continuing operations before exceptional items, net finance costs and income tax plus depreciation, amortization and exploration costs other than personnel and other expenses (see reconciliation on page 17)
[4] Cash costs are calculated to include cost of sales, treatment charges, and selling expenses less depreciation included in cost of sales

Summary of financial performance

In our discussion of financial performance we remove the effect of exceptional items and in our income statement show the results both pre and post such exceptional items. We consider events to be exceptional when they are significant and which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately.

Revenue for the year ended 31 December 2006 amounted to $211 million, a 31% increase from 2005 principally driven by an increase in realizable commodity prices and offset by the number of gold ounces sold. Our average realizable price for silver and gold increased 68% and 25%, respectively in 2006. The number of silver ounces sold was flat in 2006 while gold ounces sold decreased 18% year over year.

Profit from continuing operations before exceptional items, net finance costs and income tax was up 133% from $32 million in 2005 to $75 million in 2006 with the margin expanding from 20% to 36% during the same period. Adjusted EBITDA, a key performance indicator for measuring underlying operating efficiency, rose 52% from 2005 to $108 million in 2006 corresponding to an adjusted EBITDA margin of 51%. The increase in profit and adjusted EBITDA was fuelled by higher commodity prices and a decrease in the weighted average cost per tonne of our three operating units as is evidenced by the significant margin expansion.

Attributable after tax profit from continuing operations increased by 89% to $47 million in 2006. Our overall strong performance is attributable to an increase in commodity prices across both silver and gold, stable production and strong cost control at each of the three operating units.

Despite industry wide cost pressure, our weighted average cost per tonne decreased 2% in 2006 principally driven by a significant cost reduction at the Selene unit. However, our silver cash cost increased on a co-product basis. Cash costs on a co-product basis must be considered in conjunction with the co-product commodity because as the percentage sales of one commodity increase the other decreases resulting in a similar effect on the respective cash costs. In 2006, we experienced an increase in co-product cash cost for silver from $2.77/oz in 2005 to $3.57/oz principally driven by a higher percentage of silver sales (68% increase in revenue from silver and 2% increase in revenue from gold) and consequently a greater amount of cost attributed to silver production, and to a lesser extent, by a decrease in average head grades mined for both silver and gold. On the other hand, co-product cash cost for gold decreased from $159/oz in 2005 to $153/oz in 2006 while by-product cash cost for gold went from negative $21/oz to negative $273/oz. We do not typically look at silver on a by-product basis.

Net debt (see page 18) decreased significantly in 2006 as we raised net proceeds of $469 million from the Listing and used a portion of the proceeds to pay down long term debt.

Our working capital position improved in 2006 as a result of an increase in trade payables which was offset by the increase in inventory.

Cash flow from operations increased over 300% in 2006 from $30 million in 2005 to $126 million in 2006. This increase is largely due to higher realizable commodity prices, increased profitability and a release of cash from working capital, most notably trade receivables and trade payables.

Dividends

The Directors recommend a final dividend of US$0.00740 per share which represents one third of the Company's attributable profit after tax post exceptional items in respect of the two month period from Listing until 31 December 2006.

Dividend dates	2007
Ex-dividend date	13 June
Deadline for return of currency election forms	13 June
Record date	15 June
Payment date	06 July

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 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.

Revenue

Our full year revenue from continuing operations increased 31% to $211 million (2005: $161 million) due to higher realized commodity prices and offset by a decrease in the number of gold ounces sold.

We recognize revenue from concentrate when the risk passes to the customer which under the contract with Peñoles is when the concentrate is loaded onto the ship in Peru. As explained more fully on page 5, we were not able to recognize the sale of approximately 1.3 moz of silver and 5.3 koz of gold as revenue in 2006. However, we anticipate the magnitude of this timing effect will normalize in 2007 to that of previous years.

Silver. Revenue from silver increased by 68% in 2006 to $118 million (2005: $70 million). This change reflects a higher realized silver price, $11.4/oz in 2006 (2005: $6.8/oz). Total net silver ounces sold were flat in 2006 with 10,403 koz sold versus 10,366 koz in 2005. A timing difference between production and sales of concentrate at the Arcata and Selene units left approximately 1.3 moz of silver in stocks most of which is sold in 2007. In 2006, revenue from silver accounted for 56% of consolidated revenue compared to only 44% in 2005.

Gold. Revenue from gold was up modestly in 2006 to $92 million (2005: $90 million). This change in gold revenue was driven by a 18% decrease in the number of gold ounces sold and offset by a higher realizable gold price, $487/oz in 2006 (2005: $391/oz). Total net ounces of gold sold decreased from 231 koz in 2005 to 190 koz in 2006 as a result of the anticipated decrease in the ore grade at Ares. Similar to silver, we also experienced an increase in gold stocks in concentrate with approximately 5.3 koz remaining most of which will likely be sold in 2007. In 2006, revenue derived from the sale of gold accounted for 44% of consolidated revenue compared to 56% in 2005.

Hedging

We have a number of 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 is scheduled to expire in June 2007.

	2006	2005
Silver sales hedged (Koz)	2,468	2,037
Gold sales hedged (Koz)	102	143
Silver average sale price ($/oz)	$11.4	$6.8
Gold average sale price ($/oz)	$487	$391

In the first half of 2007, approximately 60 koz of gold sales and 880 koz of silver sales from Ares are hedged at an average hedge price of $418/oz and $10.7/oz per ounce, respectively.

Our current policy is not to hedge exposure to the underlying commodity prices.

Gross profit

Our gross profit increased 53% to $136 million in 2006 (2005: $89 million). This was driven not only by higher commodity prices but also by increased efficiencies, which is evidenced by the significant gross margin expansion. Our gross margin increased from 55% in 2005 to 64% in 2006 and is principally a reflection of our weighted average production cost decreasing 2% in 2006. At the Arcata operation the increase in unit costs per tonne was driven principally from an increase in mine costs and royalties although offset by a decrease in geology costs. Furthermore, as mentioned above, we experienced a modest increase in the per unit cost at Ares as a result of an increase in plant and administrative costs and offset by a decrease in mine and general services costs. At Selene, the unit cost decreased significantly as a result of an increase in production coupled with further development and mechanisation of the operation although offset by an increase in mining royalties. It is our fundamental corporate focus on operational efficiency and a rigorous system of cost controls that makes us one of the lowest cash cost producer globally and historically has enabled us to remain profitable throughout the commodity cycle.

Administrative expenses

Administrative expenses increased in 2006 to $39 million (2005: $25 million). Our administrative costs include all those costs associated with the corporate headquarters as well as certain indirect costs associated with the operating mines. The increase in administrative expenses was driven principally by an increase in personnel expenses, workers' profit sharing and third-party services. Personnel expenses increased mainly due to a special bonus payment to management. Workers' profit sharing is a function of an increase in profit before tax and is not considered a metric over which we have significant control. Workers' profit sharing is governed by Peruvian legislation and is equivalent to 8% of taxable income each year. The expenses associated with third-party services were incurred during the Listing process to restructure the Company and ultimately increase efficiencies both at operating and managerial levels. We believe this increase represents a step change in overhead costs and is a reflection of the incremental annual costs associated with being a public company.

Exploration expense

Exploration expenses decreased 29% in 2006 to $20 million (2005: $28 million). This decrease was due principally to the winding down of the exploration phase of the San José project and the fact that we capitalize underground development and expense costs associated with pre-feasibility exploration. In addition, we had a lower level of mine site exploration at Selene, offset by an increased effort in exploring the Pallancata project as we prepare for production start-up and an increase in mine site exploration at Arcata, as we are placing additional emphasis on proving up additional reserves at the Arcata site.

Profit from continuing operations and adjusted EBITDA

Adjusted EBITDA was up 52% from 2005 to $108 million in 2006 (2005: $71 million) with margins expanding from 44% in 2005 to 51% in 2006. Below is a reconciliation of the adjusted EBITDA calculation:

Adjusted EBITDA reconciliation:

$ thousands	**Year ended 31 December 2006**	**Year ended 31 December 2005**	**% change**
Profit from continuing operations before exceptional items, net finance and income tax	75,063	32,281	133%
Operating margin	*36%*	*20%*	
Plus:			
Depreciation in Cost of Goods Sold	16,435	14,605	
Depreciation in Administrative Expenses	993	2,001	
Exploration Expense	19,863	28,057	
Minus:			
Personnel and other in Exploration Expense	4,737	6,294	
Adjusted EBITDA	107,617	70,650	52%
Adjusted EBITDA margin	*51%*	*44%*	

Finance income

Finance income increased significantly in 2006 to $7 million (2005: $4 million) principally due to additional interest earned on the net proceeds from the Listing. This increase was offset by a decrease in the interest on loans to related parties as the loans were repaid mid-way through the year prior to the Listing.

Income tax

The weighted average statutory income tax rate was 25% for 2005 and 30% for 2006. This change is due to a change in the weighting of profit/(loss) before tax in the various jurisdictions in which the Company operates.

The effective tax rate for 2006 was 42% which was significantly higher than that of the previous year at 19% principally due to our recognizing a significant deferred tax asset in 2005 related to tax losses incurred during the development of San José and Arcata, in addition to the introduction of taxable interest in the United Kingdom, an increased weighting of income arising in Peru and more withholding tax paid as a result of dividends declared in Peru.

Minority interest

The loss attributable to minority interest in both 2005 and 2006 consists predominantly of that portion of the pre-feasibility costs for the San José project of which the Company has a 51% ownership with Minera Andes owning the remaining 49%.

Exceptional items

We consider events to be exceptional when they are significant and which, due to their nature or the expected infrequency of the events giving rise to them, need to be disclosed separately.

In 2006, exceptional items in other expenses principally included a $3.0 million asset impairment at Sipan, one of our former operations which was closed in 2003, and a loss on the sale of investments of $2.2 million which was incurred when the Company disposed off shares in Inversiones Pacasmayo prior to the Listing. 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.

Cash flow & balance sheet review

Our operations generated $126 million of cash flow in 2006 which is up 314% from 2005 (2005: $30 million). This increase is principally driven by an increase in the underlying profit from continuing operations coupled with a shift in working capital which was primarily due to an increase in payables and a decrease in receivables.

Working capital:

$ thousands	Year ended 31 December 2006	Year ended 31 December 2005
Current assets		
Inventories	16,405	10,499
Trade and other receivables	49,726	81,106
Current liabilities		
Trade and other payables	64,140	31,664
Pre-shipment loans	26,894	18,800
Working capital	(24,903)	41,141

Net debt:

In 2006, as a result of the proceeds raised in the Listing and the repayment of long term debt at the end of 2006, we were able to improve the strength of our balance sheet. The majority of the long term debt currently outstanding corresponds to a loan at one of our subsidiaries from our joint venture partner as a way of financing its 49% of the San José project. Upon consolidation we account for the portion of the loan outstanding to our partner. We exclude short term pre-shipment loans from net debt as we consider these loans to be more closely related to working capital requirements as they are secured by inventory and receivables

$ thousands	Year ended 31 December 2006	Year ended 31 December 2005
Cash and cash equivalents	435,543	2,467
Long term borrowings	27,114	31,089
Short term borrowings less pre-shipment loans	2,888	50,993
Net debt / (net cash)	(405,541)	79,615

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006			Year ended 31 December 2005		
		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		(in thousands of US dollars)					
Continuing operations	3&4						
Revenue		211,246	—	211,246	161,235	—	161,235
Cost of sales		(75,547)	—	(75,547)	(72,529)	—	(72,529)
Gross profit		135,699	—	135,699	88,706	—	88,706
Administrative expenses		(38,738)	—	(38,738)	(25,434)	—	(25,434)
Exploration expenses	6	(19,863)	—	(19,863)	(28,057)	—	(28,057)
Gain on sale of Bongara zinc project and Compañía Minera Corianta S.A.C.	7	—	—	—	—	14,812	14,812
Selling expenses		(3,187)	—	(3,187)	(3,161)	—	(3,161)
Other income	8	5,022	346	5,368	2,846	—	2,846
Other expenses	8	(3,870)	(6,495)	(10,365)	(2,619)	(202)	(2,821)
Profit from continuing operations before net finance costs and income tax		75,063	(6,149)	68,914	32,281	14,610	46,891
Finance income		6,906	—	6,906	4,144	—	4,144
Finance costs		(12,037)	—	(12,037)	(10,105)	—	(10,105)
Foreign exchange gain / (loss)		353	—	353	(552)	—	(552)
Profit from continuing operations before income tax		70,285	(6,149)	64,136	25,768	14,610	40,378
Income tax expense	9	(29,486)	791	(28,695)	(4,902)	(4,771)	(9,673)
Profit for the year from continuing operations		40,799	(5,358)	35,441	20,866	9,839	30,705
Discontinued operations							
Profit for the year from discontinued operations		—	—	—	12,179	—	12,179
Profit for the year		40,799	(5,358)	35,441	33,045	9,839	42,884
Attributable to:							
Equity shareholders of the Company		46,646	(5,358)	41,288	36,898	9,839	46,737
Minority interest		(5,847)	—	(5,847)	(3,853)	—	(3,853)
		40,799	(5,358)	35,441	33,045	9,839	42,884
Basic and diluted earnings / (loss) per ordinary share from continuing operations (expressed in U.S. dollars per share)	10	0.19	(0.02)	0.17	0.11	0.04	0.15
Basic and diluted earnings per ordinary share from discontinued operations (expressed in U.S. dollars per share)	10	—	—	—	0.05	—	0.05

Consolidated Balance Sheet

As at 31 December 2006

	Notes	As of 31 December	
		2006	2005
ASSETS		*(in thousands of US dollars)*	
Non-current assets			
Property, plant and equipment		118,413	59,403
Goodwill		2,091	2,091
Available-for-sale financial assets		6,285	26,267
Trade and other receivables		17,427	6,050
Derivative financial instruments		—	1,902
Deferred income tax assets		15,704	10,990
		159,920	106,703
Current assets			
Inventories		16,405	10,499
Trade and other receivables		49,726	81,106
Derivative financial instruments		6,022	7,047
Other financial assets at fair value through profit or loss		—	19,835
Cash and cash equivalents	11	435,543	2,467
		507,696	120,954
Assets classified as held for sale		345	3,844
Total assets		667,961	231,501
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Parent			
Equity share capital (including additional capital)		146,466	219,233
Share premium		396,156	—
Other reserves		(205,112)	(198,055)
Retained earnings		142,810	28,198
		480,320	49,376
Minority interest		9,011	(2,533)
Total equity		489,331	46,843
Non-current liabilities			
Trade and other payables		1,064	3,161
Borrowings		27,114	31,089
Provisions		28,690	30,982
Deferred income tax liabilities		4,026	4,134
		60,894	69,366
Current liabilities			
Trade and other payables		64,140	31,664
Borrowings		29,782	69,793
Provisions		11,385	8,860
Income tax payable		12,429	4,975
		117,736	115,292
Total liabilities		178,630	184,658
Total equity and liabilities		667,961	231,501

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	Year ended 31 December	
		2006	2005
		(in thousands of US dollars)	
Cash flows from operating activities			
Cash generated from operations		126,231	30,464
Interest received		2,576	345
Interest paid		(9,163)	(4,989)
Payments of mine closure costs		(5,426)	(5,228)
Tax paid		(26,010)	(12,602)
Net cash generated from operating activities		88,208	7,990
Cash flows from investing activities			
Purchase of property, plant and equipment		(63,864)	(18,852)
Purchase of available-for-sale financial assets		(2,770)	(3,107)
Purchase of shares of Minera Colorada S.A.C		(240)	—
Purchase of other financial assets at fair value through profit or loss		(5,867)	(21,537)
Purchase of assets and liabilities of Mina Moris		(4,983)	—
Loan to Exmin, S.A. de C.V.		(754)	—
Loan to Minera Andes Inc.		(9,800)	—
Proceeds from other financial assets at fair value through profit or loss		5,591	17,566
Proceeds from sale of Bongara zinc project and Compañía Minera Corianta S.A.C.		—	16,364
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	3,050
Proceeds from sale of property, plant and equipment and assets classified as held for sale		991	239
Proceeds from sale of supplies		3,975	3,417
Dividends received		147	182
Net cash used in investing activities		(62,723)	(2,678)
Cash flows from financing activities			
Proceeds of borrowings		77,014	118,103
Repayment from borrowings		(95,977)	(127,073)
Dividends paid		(58,375)	(50)
Capital contribution		93	—
Proceeds from issue of ordinary share under Global offer		515,245	—
Transaction costs associated with issue of shares		(33,989)	—
Purchase of shares from minority shareholders		(2)	(2,667)
Capital contribution from minority shareholders		4,215	3,229
Repayment of capital to minority shareholders		(671)	—
Cash flows generated from (used in) financing activities		407,553	(8,458)
Net increase/(decrease) in cash and cash equivalents during the year		433,038	(3,146)
Exchange difference		38	(20)
Cash and cash equivalents at beginning of year		2,467	5,633
Cash and cash equivalents at end of year		435,543	2,467

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Note	Equity share capital (including additional 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)					
Balance at 1 January 2005		219,233	—	6,773	—	(210,046)	(203,273)	(16,095)	(135)	(1,833)	(1,968)
Fair value gains on available-for-sale financial assets		—	—	4,492	—	—	4,492	—	4,492	—	4,492
Translation adjustment for the year		—	—	—	726	—	726	—	726	147	873
Net income recognised directly in equity		—	—	4,492	726	—	5,218	—	5,218	147	5,365
Profit for the year		—	—	—	—	—	—	46,737	46,737	(3,853)	42,884
Total recognised income for 2005		—	—	4,492	726	—	5,218	46,737	51,955	(3,706)	48,249
Purchase of shares from minority shareholders		—	—	—	—	—	—	(2,444)	(2,444)	(223)	(2,667)
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	3,229	3,229
Balance at 31 December 2005		219,233	—	11,265	726	(210,046)	(198,055)	28,198	49,376	(2,533)	46,843
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		—	—	(398)	—	—	(398)	—	(398)	—	(398)
Fair value changes transferred to income statement		—	—	(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		—	—	—	—	—	—	41,288	41,288	(5,847)	35,441
Total recognised income for 2006		—	—	(9,891)	2,834	—	(7,057)	41,288	34,231	(5,685)	28,546
Share issued		93	—	—	—	—	—	—	93	—	93
Shares issued under Global offer plc		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	12	—	—	—	—	—	—	(73,142)	(73,142)	(298)	(73,440)
Capital contribution from minority shareholders		—	—	—	—	—	—	—	—	18,200	18,200
Purchase of shares from minority shareholders		—	—	—	—	—	—	—	—	(2)	(2)
Repayment of capital to minority shareholders		—	—	—	—	—	—	—	—	(671)	(671)
Balance at 31 December 2006		146,466	396,156	1,374	3,560	(210,046)	(205,112)	142,810	480,320	9,011	489,331

Notes

1 General 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 address is One Silk Street, London EC2Y 8HQ, United Kingdom. The Company was incorporated to serve as a holding company to be listed in the London Stock Exchange. The Company acquired its interest in the companies listed below constituting the Hochschild Mining Group pursuant to a share exchange agreement ("Share Exchange Agreement") dated 2 November 2006 (see note 2 (a)).

The financial information for the year ended 31 December 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 year ended 31 December 2006 has been extracted from the audited financial statements of Hochschild Mining plc which will be delivered to the Registrar of Companies in due course. The group consolidated financial statements, which were the first financial statements presented by the Group, were approved for issue by the Board of Directors on 19 March 2007.

The basis of preparation and the accounting policies used in preparing the consolidated financial statements for the years ended 31 December 2006 and 2005 are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

2 Significant Accounting Policies

(a) Basis of preparation

On 2 November 2006 and according to the share exchange agreement terms Hochschild Mining plc entered into an agreement to acquire Hochschild Mining (Argentina) Corporation, Larchmont Corporation, Garrison Corporation, Ardsley Corporation, Hochschild Mining (Peru) Corporation and Hochschild Mining (Mexico) Corporation (together referred to as the "Cayman Holding Companies").

In relation to this transaction, Hochschild Mining plc issued 229,900,000 shares to the former shareholders of the Cayman companies in exchange for the issued share capital on these companies. As this transaction involved the combination of businesses under common control, the pooling of interests method of accounting has been applied in the presentation of the consolidated financial statements for the years ended 31 December 2006 and 31 December 2005 which present the results of the Group as if the Cayman Holding Companies had always been part of the Group. Accordingly, the assets and liabilities transferred to the Company have been recognised at historical amounts. For periods prior to the legal formation of the Company, the assets, liabilities, revenue and expenses of the Cayman Holding Companies comprising the Predecessor Operations were consolidated in preparing the financial statements. The accompanying consolidated financial statements present the results and changes in equity of the Company and its subsidiaries as if the Group had been in existence throughout the years presented and as if the Predecessor Operations were transferred to the Company from the Cayman Holding Companies as of 1 January 2005.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). The Group's Financial Statements are also consistent with IFRS issued by the IASB.

The 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 (refer to note 2(d)), derivatives, available-for-sale financial instruments and other financial assets at fair value through profit and loss 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.

The Group's transition date to IFRS is 1 January 2005. The rules for first-time adoption of IFRS are set out in IFRS 1, first-time adoption of International Financial Reporting Standards.

IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process. The Group has applied the following exemptions:

i) Certain classes of tangible assets had been re-valued at 1 January 2003. Deemed cost as at the date of transition by considering the re-valued amounts as of 1 January 2003 at the time of initial public offering of the group and depreciated for the period until the date of transition. ii) IFRS 3 is applied as from 1 January 2001 and not retrospectively to past business combinations, and iii) The Group has deemed cumulative translation differences for foreign operations to be zero at the date of transition; any gains and losses or subsequent disposals of foreign operations will not therefore include translation differences arising prior to the transition date.

(b) Basis of consolidation

The consolidated financial statements sets out the Group's financial position and operations and cash flow as of 31 December 2006 and 31 December 2005 and for the years then ended, respectively.

Subsidiaries are those enterprises controlled by the Group regardless of the amount of shares owned by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition of a subsidiary, the purchase consideration is allocated to the assets and liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of net assets of the entity acquired, the difference is recognised directly in the income statement.

The financial statements of subsidiaries are prepared for the same reporting periods as the Company using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra-Group transactions, have been eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Minority shareholders primarily represent the interests in Minera Santa Cruz, Compañía Minera Arcata, Minera Suyamarca, and Mina Santa María de Moris S.A. de C.V. not held by the Company. In the event of a purchase of minority shareholders' interest when the Group holds the majority of shares of a subsidiary, any excess of the consideration given over the Group's share of net assets is recorded in Retained earnings in Equity.

(c) Currency translation

The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For the holding companies and operating entities it is US dollars and for the other entities it is the local currency of the country in which it operates. The Group's financial information is presented in US dollars, which is the Company's functional currency.

Transactions denominated in currencies other than the functional currency of the entity are initially recorded in the functional currency using the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are remeasured at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions which are translated at the rate prevailing at the date of the transactions, or on the translation of monetary assets and liabilities which are translated at period-end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate prevailing at the date of the transaction. Exchange differences arising from monetary items that are part of a net investment in a foreign operation are recognised in equity and transferred to income on disposal of such net investment.

Subsidiary financial statements expressed in their corresponding functional currencies are translated into US dollars by applying the exchange rate at period-end for assets and liabilities and the average exchange rate for income statements items. The resulting difference on consolidation is included as cumulative translation adjustment in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. The cost or deemed cost of property, plant and equipment (hereafter referred to as “cost”) at 1 January 2005, the date of the Group transition to IFRS. Deemed cost as at the date of transition by considering the re-valued amounts as of 1 January 2003 at the time of initial public offering of the group and depreciated for the period until the date of transition. Economical and physical conditions of assets have not changed substantially over this period.

The cost less its residual value of each item of property, plant and equipment is depreciated over its useful life. Each item’s estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves and resources of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of production on a units of production (UOP) basis for mine buildings and installations, plant and equipment used in the mining production process or charged directly to the income statement over the estimated useful life of the individual asset on a straight line basis when not related to the mining production process. Changes in estimates, which mainly affect units of production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income/expenses, in the income statement.

The expected useful lives under the straight-line method are as follows:

	Years
Buildings	3 to 33
Plant and equipment	5
Furniture, fixtures and fittings	10
Vehicles	5

Borrowing costs are not capitalised and are expensed.

Mineral properties and mine development costs

Payments for mineral properties are expensed during the exploration phase of a project and capitalised during their development phase when incurred. Costs associated with developments are capitalised.

Mine development costs are, upon commencement of production, depreciated using the units of production method based on the estimated economically recoverable reserves and resources to which they relate.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Construction in progress is not depreciated.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment is capitalised separately with the carrying amount of the component being written-off. Other subsequent expenditure is capitalised if future economic benefits will arise from the expenditure. All other expenditure including repairs and maintenance expenditures are recognised in the income statement as incurred.

(e) Determination of ore reserves and resources

The Group estimates its ore reserves and mineral resources based on information compiled by internal competent persons. Reports to support these estimates are prepared each year and are stated in conformity with the Joint Ore Reserves Committee (JORC) code.

Reserves and resources are used in the units of production calculation for depreciation as well as the determination of the timing of mine closure cost and impairment analysis.

There are numerous uncertainties inherent in estimating ore reserves. Assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

(f) Assets held for sale

Assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through a continuing use. These assets are not depreciated.

(g) Goodwill

Goodwill is included in intangible assets and represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired entity at the date of acquisition. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from business combination in which the goodwill arose.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

The carrying amounts of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the lower amount. Impairment losses are recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. Fair value is based on an estimate of the amount that the Group may obtain in a sale transaction on an arm-length basis. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of work in progress and finished goods (ore inventories) is based on cost of production and excludes borrowing costs.

For this purpose, the costs of production include:

- costs, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(j) Trade and other receivables

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable which in average do not exceed 30 days. The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

(k) Share capital

Ordinary shares are classified as equity. Excess to par value of shares received upon issuance of shares is classified as share premium.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Mine closure cost

Provisions for mine closure costs are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates and operating lives.

Workers' profit sharing and other employee benefits

In accordance to Peruvian Legislation, Group companies in Peru must provide for workers' profit sharing equivalent to 8 percent of taxable income of each year. This amount is charged to the income statement within personnel expenses and is considered deductible for income tax purposes. The Group has no pension or retirement benefit schemes.

Other

Other provisions are accounted for when the Group has a legal or constructive obligation for which it is probable there will be an outflow of resources for which the amount can be reliably estimated.

(m) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Contingencies

Contingent liabilities are not recognised in the financial statements and are disclosed in notes to the financial information unless their occurrence is remote.

Contingent assets are not recognised in the financial statements, but they are disclosed in notes if they are deemed probable.

(p) Revenue recognition

The Group is involved in production and sale of dore bars and concentrate containing both gold and silver. Concentrate is sold directly to customers. Dore bars are sent to a third party for further refining into gold and silver which is then sold.

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue associated with the sale of concentrate and dore bars is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has passed to customer. Revenue excludes any applicable sales taxes.

The revenue is subject to adjustment based on inspection of the product by the customer. Revenue is initially recognised on a provisional basis using the Group's best estimate of contained gold and silver. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, sales of concentrate are "provisionally priced" where the selling price is subject to final adjustment at the end of a period normally ranging from 30 to 90 days after the start of the delivery process to the customer, based on the market price at the relevant quotation point stipulated in the contract. Revenue is initially recognised when the conditions set out above have been met, using market prices at that date. The price exposure is considered to be an embedded derivative and hence separated from the sales contract at each reporting date the provisionally priced metal is revalued based on the forward selling price for the quotational period stipulated in the contract until the quotational period ends. The selling price of gold and silver can be measured reliably as these metals are actively traded on the international exchanges. The revaluing of provisionally priced contracts is recorded as an adjustment to "revenue".

(q) Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is charged to the income statement as incurred. Administrative and general expenses relating to exploration and evaluation activities are also expensed as incurred.

(r) Finance income and costs

Finance income and expenses comprise interest expense on borrowings, the accumulation of interest on provisions, interest income on funds invested, foreign exchange gains and losses, gains and losses from the

change in fair value of derivative instruments and gains and losses on the disposal of available-for-sale investments.

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

(s) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax on dividend remittance, where applicable, is provided in the year in which distributable income is generated.

(t) Financial instruments

(i) Recognition

(a) The Group recognises financial assets and liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument.

(b) Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(ii) Measurement

(c) Financial assets and liabilities are initially recognised at cost, which is the fair value of consideration given or received, respectively, including in the case of a financial asset or financial liability not at fair value through profit or loss, any transaction costs incurred.

(d) In determining estimated fair value, investments in shares or portfolios of listed securities are valued at quoted bid prices. When quoted prices on an active market are not available (and for listed non-actively traded securities), fair value is determined using a valuation technique. Valuation techniques include using recent arm’s length transaction, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If the range of reasonable fair value is significant and the probabilities of the various estimates cannot be reliably assessed, the investment is not remeasured at fair value. Investments in warrants are recorded based on an assessment performed by a third party expert using a Black-Scholes option pricing model.

(e) The Group has classified its investments as available-for-sale assets or other financial assets at fair value through profit or loss in accordance with the intent of management at the time of the purchase.

(f) Changes in fair value of investments classified as available-for-sale are recognised in equity, except for impairment loss and foreign exchange gain and losses for monetary items which are recognised directly in income statement, and are included in income when realised. Changes in the fair value of financial assets at fair value through profit and loss are recognised directly in the income statement.

(g) Loans and receivables are loans and receivables created by the Group companies providing money or goods to a debtor. Loans and receivables are initially recognised in accordance with the policy stated above and subsequently remeasured at amortised cost using the effective interest method. Financial liabilities are initially recognised in accordance with the policy stated above and subsequently remeasured at amortised cost using the effective interest method.

(h) Derivatives futures are initially recognised at fair value. Any gains and losses arising from changes in fair value are recognised immediately in the income statement in the period in which they occur.

(i) Derivatives are classified as a current asset or liability. Changes in fair value of trading derivatives are included in the income statement.

(iii) Embedded derivatives

(j) Embedded derivatives which are not clearly and closely related to the underlying assets, liability or transaction are separated and accounted for as stand-alone derivatives.

(iv) De-recognition

Financial instruments are de-recognised when the Group transfers all risks and rewards of ownership.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the balance sheet, cash and cash equivalents comprise cash on hand and deposits held with banks that are readily convertible into known amounts of cash within three months or less and which are subject to insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(w) 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 goodwill impairments, assets held for sale impairments, gain/(loss) from sale of property, plant and equipment, gain/(loss) from sale of investments, gain/(loss) from sale of subsidiaries and the related tax impact of these items.

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 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.

(a) 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	
	2006	**2005**
	US$(000)	
United Kingdom	35,708	60,857
Mexico	116,034	52,708
USA	58,719	30,476
Canada	717	17,235
Peru	68	50
Japan	—	(91)
	211,246	161,235

The negative figure results from adjustments to revenue as a consequence of differences between the price and quantity of gold and silver included in a final invoice and in the provisional invoice issued in the previous year.

(b) Profit for the year

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

	Year ended 31 December 2006			**Year ended 31 December 2005**		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			US$(000)			
Peru	58,844	(4,325)	54,519	48,013	9,839	57,852
Cayman Islands	(2,756)	(1,033)	(3,789)	321	—	321
Argentina	(10,745)	—	(10,745)	(9,135)	—	(9,135)
Mexico	(3,920)	—	(3,920)	(3,647)	—	(3,647)
Chile	(1,613)	—	(1,613)	(1,492)	—	(1,492)
USA	(778)	—	(778)	(1,015)	—	(1,015)
United Kingdom	1,767	—	1,767	—	—	—
	40,799	(5,358)	35,441	33,045	9,839	42,884

4 Revenue

	Year ended 31 December	
	2006	2005
	US$(000)	
Gold (from dore bars)	70,498	74,923
Silver (from dore bars)	23,929	16,368
Concentrate	116,751	69,894
Services	68	50
	211,246	161,235

Concentrate is made up of:

	Year ended 31 December	
	2006	2005
	US$(000)	
Gold	21,953	15,385
Silver	94,208	54,090
Other minerals	590	419
Total concentrate	116,751	69,894

Included within the valuation of concentrate are the provisional pricing adjustments which represent changes in the fair value of embedded derivatives of US$9,872,000 and US$9,916,000 for 2006 and 2005, respectively (refer to notes 2(q)).

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

	Year ended 31 December	
	2006	2005
Total in thousands of ounces:		
Gold	190	231
Silver	10,403	10,366

5 Acquisitions

(a) Business combination

Minera Colorada S.A.C.

On 30 June 2006, the Group acquired a 30 percent controlling interest, based on its power to govern its financial and operating policies so as to obtain benefits from its activities, in Minera Colorada S.A.C. ("Colorada"), an exploration company, from Cementos Pacasmayo S.A.A. ("Pacasmayo") (a related party) for US$240,000 in cash. After the Group's acquisition, the shareholding in Colorada was split 30%/20%/50% between the Group, Pacasmayo and Compañía Minera Killacolqui, respectively.

As of 31 December 2006, Management forecasts that the project will not produce future benefits and accordingly the Group has impaired in full the goodwill on acquisition of US$230,000 and related assets of US$113,000.

No further disclosures have been provided since amounts involved are not considered significant in relation to the financial statements of the Group.

(b) Acquisition of assets

Mina Moris

On 30 June 2006 Minera Hochschild Mexico, S.A. de C.V. ("MHM") and Exmin, S.A. de C.V. ("Exmin") entered into an agreement to purchase the assets and related liabilities of Santa Maria de Moris mine ("Mina Moris") for US$6 million. MHM agreed to pay US$4.2 million (70% share) and Exmin agreed to pay US$1.8 million (30% share). MHM and Exmin also incurred pre-acquisition costs of US$0.8 million, which has been treated as a part of consideration for acquisition of these assets. Exmin's contribution to the project has been funded by a loan from the Group and the proceeds from purchase of shares in EXMIN Resources Inc. by the Group. These shares were issued at a discount of 20% to the market price, resulting in an unrealised gain on issue of these shares of US$0.3 million, which has reduced the cost of acquisition of net assets for the Group.

Assets and liabilities of Mina Moris at the date of acquisition were as follows:

	US$(000)
Plant and equipment	3,255
Mining properties	3,355
Land and buildings	1,432
Supplies	248
Provision for mine closure costs	(1,830)
Total	6,460

Pallancata

On 3 July 2006, the Group entered into an agreement with Minera Oro Vega S.A.C. ("Minorva") to form an entity in order to purchase the mining rights for the Pallancata properties located in the Coronel Castañeda District, Parinacochas province, Ayacucho (department in Peru) from Minorva. On 10 July 2006, Pallancata Holdings S.A.C. with Minorva incorporated Minera Suyamarca S.A.C ("Suyamarca"), with the Group being the operator of the project through a 60% controlling interest in this company.

Group's initial contribution was US$6.0 million for the development of the project and Minorva's contribution was in form of mining rights and an associated US$1.4 million liability representing payables to third parties, at an agreed net value of US$4.0 million. Further, the group has agreed to fund the cost of construction of the mine in full, up to an operating capacity of 750 tonnes per day. As a result, the total cost of acquisition has been determined by the group to be US$9.7 million (US$4 million of the aforementioned contribution from Minorva and US$5.7 million towards Minorva's share in the net assets on construction of the mine to be paid by the group), out of which US$11.1 million has been allocated to the mining rights and US$1.4 million towards the liability acquired. The US$5.7 million has been treated as a deferred consideration.

On 2 November 2006, Suyamarca purchased the mining rights of four additional properties in the Pallancata project area from Minorva for US$89,000 and assumed a liability of US$140,000.

6 Exploration Expenses

	Year ended 31 December	
	2006	2005
	US$(000)	
Mine site exploration (1)		
Arcata	1,839	1,335
Ares	1,527	1,587
Selene	413	1,066
Pallancata	1,577	—
	5,356	3,988
Prospects (2)		
Peru	411	1,391
Argentina	—	9,964
	411	11,355
Generative (3)		
Peru	1,676	268
Argentina	2,826	633
Mexico	2,796	3,078
Chile	1,018	1,164
USA	150	344
	8,466	5,487
Personnel (4)	4,401	5,145
Other	336	1,149
Exploration and mining rights (5)	893	933
	19,863	28,057

(1) Mine site exploration is performed with the purpose of proving mineral reserves, establishing inferred and indicated resources and identifying potential minerals within an existing mine site, with the goal of maintaining or extending the mine's life.

(2) Prospects expenses are related to detailed geological evaluations to characterise and interpret the three-dimensional continuity of the geometry, quality and quantity of the ore within a prospect, with the goal of justifying further evaluation. Geological evidence and interpretations can move the project into a more advanced phase of evaluation with reserve estimation and economic pre-feasibility by the Project.

(3) Generative expenditure is very early stage exploration expenditure, incurred in connection with identifying and developing exploration targets with an inferred resource or potential to develop into a mining operation.

(4) Expenses relating to personnel involved with exploration.

(5) Expenditure relating principally to payments for mining rights in accordance with relevant regulation.

7 Gain on sale of Bongara zinc project and Compañía Minera Corianta S.A.C.

In April 2005, the Group sold its Bongara zinc project to Cementos Pacasmayo for US$15,558,000. This post-feasibility project was carried at US$1,000,000. Prior to the feasibility study, the Group incurred in US$1,900,000 of mine property costs and other expenditures during the exploration period that were charged to the income statement as incurred.

In connection with this transaction, the Group also disposed of its subsidiary, Compañía Minera Corianta S.A.C. ("Corianta") to Cementos Pacasmayo for US$806,000, realising a gain of US$254,000.

8 Other Income and Other Expenses

	Year ended 31 December 2006			Year ended 31 December 2005		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			US$(000)			
Other income:						
Decrease in provision for mine closure [1]	2,812	—	2,812	725	—	725
Recovery of expenses	791	—	791	379	—	379
Gain on sale of supplies	—	252	252	—	—	—
Income from mine concession	151	—	151	—	—	—
Gain on sale of property, plant and equipment	—	94	94	—	—	—
Lease rentals	90	—	90	77	—	77
Other	1,178	—	1,178	1,665	—	1,665
	5,022	346	5,368	2,846	—	2,846
Other expenses:						
Impairment of Sipán assets held for sale[2]	—	(2,983)	(2,983)	—	—	—
Loss on sale of investments[3]	—	(2,249)	(2,249)	—	—	—
Loss on sale of MHC (subsidiary)[4]	—	(991)	(991)	—	—	—
Penalty on cancellation of contract	(971)	—	(971)	—	—	—
Loss on maintenance of equipment	(369)	—	(369)	(356)	—	(356)
Provision for obsolescence of supplies	(377)	—	(377)	(99)	—	(99)
Impairment of Colorada assets, note 5(a)	(113)	(230)	(343)	—	—	—
Provision for contingencies	(292)	—	(292)	—	—	—
Allowance SEAL/Electroperú	(113)	—	(113)	(920)	—	(920)
Loss on sale of Inmobiliaria CNP	—	(42)	(42)	—	—	—
Loss on sale of property, plant and equipment and assets classified a held for sale	—	—	—	—	(197)	(197)
Other	(1,635)	—	(1,635)	(1,244)	(5)	(1,249)
	(3,870)	(6,495)	(10,365)	(2,619)	(202)	(2,821)

Notes:

(1) Decreases in provision for mine closure costs are recorded in "Other income" where the disturbance is not expected to create a future economic benefit (normally this will occur when the mine to which the provision relates has fully depleted its resources, 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).

(2) In December 2006, an appraisal on the assets of Compañía Minera Sipán S.A.C. was performed resulting in an impairment of a portion of these assets.

(3) During the twelve months ended 31 December 2006 the Group disposed of 16,585,047 shares in Inversiones Pacasmayo for US$6,350,000 to Greystone Corporation (a related party). These shares were carried at US$21,133,000, including an unrealised fair value gain of US$12,534,000 which had been recorded in equity. The disposal of these shares, after recycling the unrealised gain through the income statement, resulted in a loss of US$2,249,000.

(4) On 15 June 2006, the Group's wholly owned subsidiary, Mauricio Hochschild & Cía. Ltda. S.A.C. ("MHC"), was sold to Greystone Corporation (a related party) for US$1,000,000, plus the benefit of a US$2,801,000 loan payable by MHC to Ardsley Corporation (a subsidiary of the Group) which had previously been eliminated on consolidation, resulting in total consideration received of US$3,801,000. This disposal resulted in a loss to the Group of US$991,000.

The book value of the individual assets and liabilities disposed of are as follows:

	US$(000)
Available for sale financial assets carried at fair value [(a)]	15,077
Less: Unrealised fair value gain on assets recorded in equity	(10,310)
Other assets	344
Other liabilities [(b)]	(319)
Net book value of assets and liabilities disposed	4,792

(a) The available-for-sale financial assets disposed of represent 11,829,971 shares in Inversiones Pacasmayo.

(b) Does not include the US$2,801,000 loan payable by MHC to Ardsley Corporation as this loan eliminated on consolidation and therefore the disposal of this loan does not impact upon the liabilities of the consolidated balance sheet of the Group.

9 Income Tax Expense

	Year ended 31 December 2006			**Year ended 31 December 2005**		
	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
			US$(000)			
Current tax:						
Current tax charge from continuing operations	31,836	104	31,940	14,490	4,383	18,873
Current tax charge from discontinued operations	—	—	—	546	—	546
	31,836	104	31,940	15,036	4,383	19,419
Deferred taxation:						
Origination and reversal of temporary differences from continuing operations	(4,325)	(895)	(5,220)	(10,392)	388	(10,004)
Charge in respect of discontinued operations	—	—	—	2,788	—	2,788
	(4,325)	(895)	(5,220)	(7,604)	388	(7,216)
Withholding taxes	1,975	—	1,975	804	—	804
Total taxation charge in the income statement	29,486	(791)	28,695	8,236	4,771	13,007

The weighted average statutory income tax rate was 30.2% for 2006 and 25.0% for 2005. 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 changes 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	
	2006	**2005**
	US$(000)	
Profit before taxation from continuing operations	64,148	40,378
Profit before taxation from discontinued operations	—	15,739
Profit before tax	64,148	56,117
At average statutory income tax rate of 30.2% (2005:25.0%)	19,359	14,003
Expenses not deductible for tax purposes	4,124	4,447
Non-taxable income	(170)	(1,477)
Recognition of previously unrecognised deferred tax assets[(1)]	—	(5,101)
Deferred tax assets generated in the year not recognised[(2)]	2,552	449
Deferred tax on unremitted earnings	397	621
Withholding taxes	1,975	804
Other	458	(739)
At average effective income tax rate of 44.7% (2005:23.2%)	28,695	13,007
Taxation charge attributable to continuing operations	28,695	9,673
Taxation charge attributable to discontinued operations	—	3,334
Total taxation charge in the income statement	28,695	13,007

(1) Mainly corresponds to the initial recognition of the deferred income tax asset related to the mine development costs and the tax loss carryforward in Minera Santa Cruz S.A.

(2) Mainly corresponds to the tax losses of Minera Hochschild Mexico, S.A. de C.V. and MH Argentina S.A., which deferred income tax asset is not recognised due to the uncertainty of generating taxable income in the future.

Santa Cruz is under 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, total investment for this regime amounts approximately to $81,884,000 Argentinean pesos (US$23,866,000 and US$25,613,000 as of 31 December 2005 and 2006, respectively).

Only the tax benefit of a single deduction has been recognised in deferred taxation in the financial statements. The benefit of the additional deduction will be realised as and when claimed in future periods once production has commenced.

10 Basic and diluted earnings per share

The earnings per share ("EPS") calculation has assumed that the number of ordinary shares issued resulting from the share exchange agreement for the acquisition of the Cayman companies have been in issue throughout the two year period ended 31 December 2006. Basic EPS is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of ordinary shares issued during the year.

The Company has no dilutive potential ordinary shares.

As of 31 December 2006 and 2005, earnings per share have been calculated as follows:

	Year ended 31 December	
	2006	**2005**
Profit from continuing operations attributable to equity holders of the Company US$(000)	41,288	34,558
Profit from discontinued operations attributable to equity holders of the Company US$(000)	_	12,179
Weighted average number of ordinary shares in issue (thousands)	242,867	229,900
Basic earnings per share from continuing operations US$	0.17	0.15
Basic earnings per share from discontinued operations US$	_	0.05

11 Cash and Cash Equivalents

	As of 31 December	
	2006	**2005**
	US$(000)	
Cash in hand	997	125
Liquidity funds[1]	414,527	—
Current demand deposit accounts[2]	16,477	2,251
Time deposits[3]	3,542	91
Cash and cash equivalents considered for the cash flow statement	435,543	2,467

Notes:

(1) The liquidity funds are mainly invested in certificate of deposits, commercial papers and floating rate notes with weighted average annual effective interest rate of 5.16 percent and a weighted average maturity of 43 days as of 31 December 2006.

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

(3) The effective interest rates as of 31 December 2006 and 2005 were 4.45 and 3.70 percent, respectively. These deposits have an average maturity of three days.

12 Dividends Paid and Proposed

	Amount
	US$(000)
Year ended 31 December 2005	
Total dividends paid or provided for during the year	—
Total dividends declared after year-end and not provided for	—
Year ended 31 December 2006	
Total dividends paid or provided for during the year	73,440[(1)]
Total dividends declared after year-end and not provided for	2,275

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

Dividends per share

The dividends declared in 2006 were US$73,142,000 (US$0.32 per share). A dividend in respect of the year ended 31 December 2006 of US$0.00740 per share, amounting to a total dividend of US$2,274,821, is to be proposed at the Annual General Meeting on 4 July 2007. These financial statements do not reflect this dividend payable.

13 Subsequent events

(a) On 8 January 2007, the Group granted an option to Ventura Gold Corp ("Ventura") for the acquisition of an interest in Inmaculada property, located in Peru. Under the agreement, in order to acquire an initial 51% controlling interest, Ventura shall complete a total of 15,000 meters of drilling on the property and issue a total of 1 million of its common shares to the Group within a three-year period.

Once Ventura acquires its 51% controlling interest, Ventura shall issue an additional 2 million of its common shares to the Group within the next 5 years. Additionally, the Group has the option to become the operator of the project and buy back 11% controlling interest in consideration for a payment to Ventura of three times the total investment made in drilling and related exploration work completed. If the Group does not exercise the aforementioned option, Ventura may elect to increase its controlling interest by 19% upon the completion of a feasibility study on the project.

(b) On 23 February 2007, the Group signed the option and joint venture agreement with Mirasol under the arrangements set forth in the letter of intention. Within thirty days following the execution of the agreement, Mirasol shall constitute under the laws of Argentina two companies named "Cabo Sur" and "Punta Verde", which will hold the rights of Claudia and Santa Rita properties, respectively. Until the exercise of Claudia and Santa Rita options, Mirasol and the Group will own 99% and 1% of each of the new companies, respectively.

Reserves and resources (Unaudited)

Metal reserves at 31 December 2006

Operation	Reserve category	Proved	Probable	Proved And Probable	Ag	Au	**Percentage Attributable**
		(t)	(t)	(t)	(g/t)	(g/t)	
Arcata	Proved	1,012,036			437	1.21	**100%**
100%	Probable		216,897		469	1.26	
	Total			1,228,933	442	1.22	
Ares	Proved	688,663			249	11.05	**100%**
100%	Probable		156,786		175	4.14	
	Total			845,450	235	9.77	
Selene	Proved	809,259			317	2.30	**100%**
100%	Probable		56,161		194	0.94	
	Total			865,420	309	2.22	
Pallancata	Proved	641,002			263	1.06	**60%**
60%	Probable		671,562		283	1.10	
	Total			1,312,565	273	1.08	
San Jose	Proved	153,188			528	6.79	**51%**
51%	Probable		845,611		435	7.29	
	Total			998,800	450	7.21	
Moris	Proved	1,273,582			5	1.72	**70%**
70%	Probable		767,974		4	1.16	
	Total			2,041,556	4	1.51	
Total	Proved	4,577,732			246	3.19	
Mines and Projects	Probable		2,714,991		258	3.23	
	Total			7,292,723	251	3.21	

N.B. includes discounts for ore loss and dilution. Reserves = Resources — Ore Loss + Dilution. Where reserves are attributable to JV partner, reserve figures reflect the Company’s ownership only. Resources include reserves

Table 01 - Metal resources at 31 December 2006

Resource category	Measured	Indicated	Measured and Indicated	Inferred	Ag	Au	Percentage Attributable
	(t)	(t)	(t)	(t)	(g/t)	(g/t)	%
Arcata							**100%**
Measured	983,174				503	1.43	
Indicated		198,839			562	1.51	
Total			1,182,012		513	1.44	
Inferred				1,576,324	648	1.64	
Ares							**100%**
Measured	668,847				272	12.06	
Indicated		168,598			181	4.26	
Total			837,445		254	10.49	
Inferred				75,161	182	4.40	
Selene							**100%**
Measured	789,816				345	2.51	
Indicated		53,742			213	1.04	
Total			843,558		336	2.41	
Inferred				914,559	323	1.49	
Pallancata							**60%**
Measured	548,396				327	1.30	
Indicated		705,282			330	1.40	
Total			1,253,678		329	1.35	
Inferred				616,640	542	1.90	
San Jose							**51%**
Measured	152,221				600	7.74	
Indicated		758,934			507	8.48	
Total			911,155		522	8.36	
Inferred				162,090	576	9.29	
Moris							**70%**
Measured	3,015,654				4	1.31	
Indicated		218,661			5	1.15	
Total			3,234,315		4	1.30	
Inferred				37,476	4	0.88	
San Felipe				1,886,472	71	* 10.3	**70%**
Total							
Measured	6,158,108				200	2.81	
Indicated		2,104,056			367	4.16	
Total			8,262,164		243	3.15	
Inferred				5,268,722	359	1.33	

Note
* A combined metal content of 6.75% zinc, 3.18% lead and 0.37% copper which are not included in totals and these metals represent 13.2 million ounces of equivalent silver.

NB. 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.

Ag Eq. Content (Million Ounces)										
Operation	**Category**	**June2006**	**Depletion[1]**	**Addition***	**Dec 2006**	**Net Difference**	**%**	**Percentage Attributable**	**June 2006 Att.[2]**	**Dec 2006 Att.[2]**
Peru										
Arcata	Resource	43.6		17.0	60.6	17.0	39%	100%	43.6	60.6
	Reserve	16.1	-3.1	7.4	20.4	4.3	27%		16.1	20.4
Ares	Resource	30.5		-5.7	24.9	-5.7	-19%	100%	30.5	24.9
	Reserve	28.5	-5.6	-0.5	22.3	-6.2	-22%		28.5	22.3
Selene	Resource	18.6		6.6	25.2	6.6	36%	100%	18.6	25.2
	Reserve	13.6	-3.0	1.7	12.3	-1.3	-10%		13.6	12.3
Pallancata	Resource	36.2		13.0	49.2	13.0	36%	60%	21.7	29.5
	Reserve	11.3	0.0	12.5	23.8	12.5	111%		6.8	14.3
Peru Totals:	**Resource**	**128.9**		**31.0**	**159.8**	**31.0**	**24%**		**114.4**	**140.2**
	Reserve	**69.5**	**-11.7**	**21.0**	**78.8**	**9.3**	**13%**		**65.0**	**69.3**
Argentina										
San Jose	Resource	51.5		18.9	70.4	18.9	37%	51%	26.3	35.9
	Reserve	36.1	0.0	19.5	55.6	19.5	54%		18.4	28.3
Argentina Totals:	**Resource**	**51.5**		**18.9**	**70.4**	**18.9**	**37%**		**26.3**	**35.9**
	Reserve	**36.1**	**0.0**	**19.5**	**55.6**	**19.5**	**54%**		**18.4**	**28.3**
Mexico										
Moris	Resource	12.7		-0.4	12.3	-0.4	-3%	70%	8.9	8.6
	Reserve	0.0	0.0	0.0	8.9	8.9	0%		0.0	6.2
San Felipe	Resource	40.3		-15.3	25.0	-15.3	-38%	70%	28.2	17.5
	Reserve	0.0	0.0	0.0	0.0	0.0	0%		0.0	0.0
Mexico Totals:	**Resource**	**53.0**		**-15.7**	**37.3**	**-15.7**	**-30%**		**37.1**	**26.1**
	Reserve	**0.0**	**0.0**	**8.9**	**8.9**	**8.9**	**0%**		**0.0**	**6.2**
Totals:	**Resource**	**233.4**		**34.2**	**267.5**	**34.2**	**15%**		**177.8**	**202.2**
	Reserve	**105.6**	**-11.7**	**49.4**	**143.3**	**37.7**	**36%**		**83.4**	**103.9**

[1] Depletion: reduction in reserves based on ore delivered to the mine plant
[2] Attributable reserves based on our percentage ownership at our joint venture projects
** Increase in reserves due mainly to mine site exploration but also to price increase*

Glossary

Ag
Silver

Au
Gold

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 costs other than personnel and other expenses

Attributable Profit
Profit for the year before dividends attributable to the equity shareholders of Hochschild Mining plc

Board
The board of directors of the Company

Company, Group or Hochschild
Hochschild Mining plc

CSR
Corporate social responsibility

Cu
Copper

Directors
The directors of the Company

Dollar or $
United States dollars

EPS
Earnings per share

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

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

Expansion Capital Expenditure
Capital expenditure that increases the Group's operating capacity

Exploration Capital Expenditure
Capital expenditure spent to convert resources into reserves and to increase the reserve and resource base

g/t
Grams per tonne

IFRS
International Financial Reporting Standards

koz
Thousand ounces

ktpa
Thousand metric tonnes per annum

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

moz
Million ounces

Ordinary Shares
Ordinary shares of $0.25 each in the Company

Pb
Lead

Sustaining Capital Expenditure
Capital expenditure to maintain the Group's operating capacity

Zn
Zinc

- ends -