



5 July 2010

52-wk Range: £1.98-3.71
12 month target £3.68

Market Cap (M): £1,027.8
EV (M): £1,197.6

Mining

Revised Commodity and Currency forecasts

Summary

Hochschild's is a silver gold producer in Latin America. The company is currently in a state of change as it seeks to diversify production into Canada and also replace the production being lost in Peru due to two of its operations either being mined out or fast approaching the end of its life.



Event

Fox-Davies has reviewed its commodity and currency forecasts. For full details please see today's daily.

Comment

Apart from the changes to the commodity prices and currency assumptions, the revisions to our model also include the information gleaned on the recent site visit to San Jose and Arcata. The principal change has been a significant increase in depreciation and some minor adjustments to operating costs. Essentially, the higher depreciation plus the higher metal prices have had a significant impact on our valuation. There is now more than 10% upside so we have upgraded the recommendation to buy.

Recommendation

We have changed our recommendation to Buy from Hold, with an increased target price of £3.68/share, formerly £3.11/share.

Key Metrics

EV/EBITDA: 6.45
Shares Outstanding (M): 338.1
Current Price (GBP): £3.04

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (US\$M):	433.8	539.7	633.0	722.8	805.1
EBITDA (US\$M):	61.6	278.4	302.6	417.3	490.7
NPAT (inc significant items):	-19.0	98.1	78.3	130.9	163.2
EPS (USc):	-6.2	30.6	21.8	36.5	45.5
Cash Flow/Share (USc):	21.3	93.3	76.4	96.8	110.5
Gold Price (US\$/oz):	872.6	973.7	1204.7	1400.0	1520.0
Silver Price (US\$/oz)	15.0	14.6	18.6	22.8	23.0

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Peter Rose

Peter Rose has had 21 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia, with previous positions including three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa, and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter has a Bachelor of Science in Applied Mineral Science from Leeds University UK, and a Bachelor of Commerce from the University of South Africa. Peter is a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Ian Lucas

Ian Lucas joined the Fox-Davies Capital research team in December 2007. Prior to this, Ian gained a Bachelor of Arts (Hons) in Archaeology from University College London, and worked on a number of research excavations around Europe. He has passed the Securities and Investment Institute Certificate in Securities and is currently a Level 1 CFA candidate.

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Research disclosure as of 05 July 2010

Company Name	Disclosure
Hochschild (HOC)	7

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Fox-Davies corporate client & coverage universe as of 05 July 2010:

Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.05.10	£5.18	£6.00
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.06
Antofagasta	ANTO LN Equity	BUY	28.05.10	£10.33	£7.70
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.004
Discovery Metals	DME LN Equity	BUY	24.05.10	£0.78	£0.37
EMED Mining	EMED LN Equity	BUY	28.06.10	£0.62	£0.08
Exco Resources	EXS AU Equity	BUY	22.06.10	A\$0.67	A\$0.24
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	20.05.10	£0.13	£0.07
Highland Gold	HGM LN Equity	BUY	20.05.10	£1.46	£1.21
Hochschild Mining	HOC LN Equity	BUY	05.07.10	£3.68	£3.03
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.14
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.29
Minera IRL	MIRL LN Equity	BUY	05.07.10	£1.28	£0.58
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.06
Randgold Resources	RRS LN equity	BUY	02.06.10	£67.43	£61.20
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.03

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