



Fresnillo plc  
28 Grosvenor Street  
London W1K 4QR  
United Kingdom  
[www.fresnilloplc.com](http://www.fresnilloplc.com)

16 July 2014

## **Production Report**

### **for the three months ended 30 June 2014**

#### **Overview**

- Quarterly attributable silver production of 10.9 Moz (including the Silverstream) up 5% over 1Q14 as silver ore grades at Fresnillo and Ciénega were higher and as ore throughput at Saucito increased.
- Quarterly and year to date attributable silver production (including the Silverstream) remained at similar levels over the same periods of 2013 mainly as a result of higher ore processed at Saucito and increased production from the Silverstream, which compensated for the lower ore grade at the Fresnillo mine.
- Attributable gold production up 32% over 1Q14 as Herradura gradually increased production toward normal production levels and as the Dynamic Leaching Plant continued to ramp-up to full capacity.
- Quarterly and year to date attributable gold production down 8% and 19% when compared to the same periods of 2013 due to temporary disruptions at Herradura which ended in March 2014 and suspension at Soledad-Dipolos.
- Construction of Saucito II remains on track to be completed in 4Q14. Construction of the leaching plant at San Julián commenced and is on track to start production in 2H15.
- Interesting exploration results were obtained at San Ramón (Ciénega), Cardones (Guanajuato) and Pilarica (Peru) and we expect to report an increase in resources at year end.
- On track to achieve 2014 guidance of 43 million silver ounces, including the Silverstream, and 450,000 attributable gold ounces.

Octavio Alvidrez, Chief Executive Officer, said:

“I am very pleased to report a strong second quarter of silver and gold production. We are successfully bringing production back to normal levels at Herradura after having received the new explosives permit, we successfully ramped-up the Dynamic Leaching Plant, and Saucito continues to perform extremely well as does Noche Buena. We also received an increased contribution from the Silverstream over the quarter.

“Our medium and long term future also remains secure. Our new projects under construction, Saucito II and San Julián, are on track to begin production in 2014 and 2015

respectively and our exploration team continues to deliver interesting results which we expect to announce later at the full year.

“Our portfolio of high quality assets and our operational expertise enables us to manage production over the quarters while focusing on addressing the lower grades at the Fresnillo mine and therefore we remain confident of achieving our full year production target of 43 million ounces of silver and 450,000 ounces of gold.”

### Total Production – Attributable

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Silver prod'n (kOz)	9,839	9,967	-1.3	9,293	19,132	19,144	-0.1
Silverstream prod'n (kOz)	1,088	961	13.2	1,115	2,202	1,836	19.9
Total Silver production (kOz)	10,926	10,928	-0.0	10,408	21,334	20,980	1.7
Gold prod'n (Oz)	108,664	118,315	-8.2	82,653	191,317	235,827	-18.9
Lead prod'n (t)	5,780	6,657	-13.2	6,363	12,143	12,421	-2.2
Zinc prod'n (t)	6,690	6,485	3.2	7,105	13,795	11,957	15.4

Quarterly and year to date silver production (excluding Silverstream) remained at similar levels when compared to the same periods of 2013 mainly due to an optimised process and maintenance programme that allowed us to increase ore throughput at Saucito above its nominal capacity of 3,000tpd, and additional ore processed from the development of the Jarillas vein. These favourable effects compensated the lower silver ore grades at Fresnillo, which resulted from: i) the expected natural decline in silver ore grades; ii) the previously announced delay in development activities (due to mechanical failures of contractors' equipment) at the San Carlos and San Alberto areas, which limited access to some stopes in the first quarter of 2014; iii) dilution of ore as a result of rock instability in the deeper stopes, which we have now controlled through adjustments to the mining method; and iv) a lower real ore grade than indicated in the geological model.

Silver production at our mines for the second quarter of 2014 increased by 5.9% over the previous quarter as a result of: i) higher silver ore grades mined from the East areas of the Fresnillo mine; ii) higher volumes of ore processed at Saucito; and iii) increased ore processed from San Ramón (Cienega's satellite mine) with higher silver mineralization.

Quarterly and first half silver production related to the Silverstream Contract increased by 13.2% and 19.9% respectively compared to the same periods of 2013 as a result of higher ore grades and improved recovery rates at Sabinas.

Quarterly and year to date attributable gold production decreased 8.2% and 18.9% respectively when compared to the same periods of 2013 as a result of: i) the stoppage of operations at Soledad-Dipolos due to the court order regarding the Ejido “El Bajío” litigation process; ii) the operating disruptions at Herradura following the temporary suspension of the explosives permit which adversely impacted the second half of 2013 and the first two months of 2014; and iii) the expected lower ore grades at Ciénega due to the natural depletion of stopes with higher ore grades. However, the aforementioned effects were partially compensated by increased volumes of ore processed at Noche Buena.

Quarterly attributable gold production increased 31.5% over the previous quarter of 2014 following the resumption of operations at Herradura and the gradual increase in

production to more normal levels. Also, the first complete quarter of commercial production at the dynamic leaching plant contributed to the increased volumes of gold produced. These positive factors were slightly mitigated by lower recovery rates at Noche Buena.

Quarterly by-product lead production decreased 13.2% and 9.2% when compared to the same period of 2013 and the first quarter of 2014 respectively mainly due to lower ore grades at Ciénega and Fresnillo. However year to date by product lead production remained basically unchanged as the increase in production at Saucito was offset by the reduction at Ciénega and Fresnillo.

Quarterly by-product zinc production increased 3.2% when compared to the same period of 2013 as a result of higher recovery rates, volumes of ore processed and ore grades at Saucito. This effect was partially offset by the lower ore grades at Ciénega and Fresnillo. Year to date by-product zinc production increased 15.4% as a result of higher production at Saucito and higher ore processed and ore grades at Fresnillo.

However, by-product zinc production for the second quarter of 2014 decreased -5.8% when compared to the previous quarter mainly as a result of lower ore grades at Fresnillo, which were partially mitigated by the increased ore throughput at Saucito.

### **Fresnillo mine production**

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Silver prod'n (kOz)	5,401	5,853	-7.7	5,145	10,547	11,197	-5.8
Gold prod'n (Oz)	7,796	6,821	14.3	8,082	15,879	13,640	16.4
Lead prod'n (t)	3,146	3,724	-15.5	3,526	6,672	7,165	-6.9
Zinc prod'n (t)	3,444	3,817	-9.8	3,965	7,409	6,886	7.6

Quarterly and year to date silver production decreased 7.7% and 5.8% respectively, when compared to the same periods of 2013 mainly due to lower silver ore grades (263.61 g/t in 2Q14 vs 303.13 g/t in 2Q13 and 258.17 g/t in 1H14 vs. 287.20 g/t in 1H13). This resulted from: i) the expected natural decline in silver ore grades; ii) the previously announced delay in development activities (due to mechanical failures of the contractors' equipment) at the San Carlos and San Alberto areas, which limited access to some stopes in the first quarter of 2014; iii) dilution of ore as a result of rock instability in the deeper stopes, which we have now controlled through adjustments to the mining method; and iv) a lower real ore grade than indicated in the geological model. This negative effect of the decline in ore grade was partially mitigated by higher volumes of ore processed from the Candelaria area (+6.7% and +4.1%, respectively).

Given the lower silver ore grade over the quarter, we have revised our full year silver ore grade estimate to 255 g/t. We remain confident that the lower ore grade at the Fresnillo mine will not impact the Group's 2014 production and remain on track to meet our guidance of 43 million ounces.

Over the quarter, we have been working with our contractors and have fixed the mechanical problems they were having with their equipment and we have gradually increased development rates. Furthermore, we have engaged an additional contractor, who will start working at the mine within the next month, to increase development rates and ensure the continuity of development activities.

To control the dilution caused when blasting in deeper stopes with poor-quality rock, we are working with a consultant to establish the optimal mining method.

Quarterly silver production increased 5.0% over the previous quarter as a result of higher ore grades (+4.3%) mined from the richer veins at the East areas and increased volumes of ore processed (+1.9%).

Year to date and quarterly by-product gold production increased 16.4% and 14.3%, respectively when compared to 2013 as a result of higher recovery rates and ore processed. However, quarterly gold production decreased -3.5% when compared to the previous quarter due to lower ore grades and recovery rates.

Quarterly and year to date by-product lead production decreased -15.5% and -6.9%, respectively when compared to the same periods of 2013 due to lower ore grades and recovery rates. Similarly, quarterly lead production decreased -10.8% when compared to the previous quarter as a result of the lower ore grade.

Quarterly by-product zinc production decreased -9.8% and 13.2% when compared to the second quarter of 2013 and the first quarter of 2014 respectively as a result of lower ore grades and recovery rates. However, year to date zinc production increased 7.6% over the first half of 2013 as a result of higher volumes of ore processed and zinc grades.

### **Saucito mine production**

	<b>2Q 14</b>	<b>2Q 13</b>	<b>% change</b>	<b>1Q 14</b>	<b>YTD 14</b>	<b>YTD 13</b>	<b>% change</b>
Silver prod'n (kOz)	3,213	2,953	8.8	3,103	6,315	5,628	12.2
Gold prod'n (Oz)	15,912	10,828	47.0	10,911	26,823	22,041	21.7
Lead prod'n (t)	1,592	1,329	19.8	1,491	3,084	2,581	19.5
Zinc prod'n (t)	1,793	1,095	63.7	1,634	3,427	2,151	59.3

Quarterly and year to date silver production increased 8.8% and 12.2% respectively, when compared to the same periods of 2013 due to higher ore throughput (+22.2% and +18.0%, respectively) which resulted from: i) processing additional material from the development activities at Saucito II; and ii) the lower than expected time to carry out the maintenance programme at the beneficiation plant, thus increasing the availability of the equipment to process higher volumes of ore. While the throughput increased, the silver ore grade was lower (312.87 g/t in 2Q14 vs 350.85 g/t in 2Q13 and 320.68 g/t in 1H14 vs 336.65 g/t in 1H13) as a result of the unusual higher ore grades mined at the Jarillas vein in 2013. Notwithstanding, year to date silver ore grades at Saucito are well within the guided range and are expected to remain at those levels in the second half of the year.

Similarly, quarterly silver production increased 3.5% compared to the previous quarter mainly as a result of the increase in ore throughput.

Quarterly and year to date gold production rose when compared to the same periods of 2013 and to the previous quarter due to increased ore throughput and higher ore grades extracted from the Jarillas vein.

Similarly, the higher volumes of ore processed benefitted year to date and quarterly by-product lead production when compared to the same periods of 2013 and the first quarter of 2014.

Year to date and quarterly by-product zinc production significantly increased by 59.3% and 63.7% respectively when compared to the same periods of 2013 as a result of higher recovery rates, ore processed and ore grades. Quarterly by-product zinc production increased 9.7% when compared to the previous quarter due to higher ore processed.

### Ciénega mine production

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Gold prod'n (Oz)	24,897	31,631	-21.3	29,087	53,984	59,644	-9.5
Silver prod'n (kOz)	1,075	1,083	-0.7	996	2,072	2,188	-5.3
Lead prod'n (t)	1,042	1,604	-35.0	1,345	2,387	2,675	-10.8
Zinc prod'n (t)	1,454	1,573	-7.6	1,505	2,959	2,919	1.4

Quarterly and year to date gold production decreased by 21.3% and 9.5% respectively when compared to the same periods 2013 as ore grades declined from the depletion of higher grade stopes, as per our expectations (2.39 g/t in 2Q14 vs. 3.22 g/t in 2Q13 and 2.62 g/t in 1H14 vs 3.13 g/t in 1H13) However, this was partially compensated by the increased ore processed which resulted from the optimisation of the milling process and the efficiency achieved in the maintenance programme.

Similarly, quarterly gold production decreased 14.4% when compared to the previous quarter due to lower ore grades (2.39 g/t in 2Q14 vs 2.85 g/t in 1Q14), which was partially mitigated by higher ore processed. We expect to remain in line with our original estimated ore grade of 2.0g/t to 2.5 g/t for the full year.

Quarterly silver production remained steady when compared to the same period of 2013 as a result of higher ore processed (+6.3%) which compensated for the lower silver ore grade (-6.2%).

Year to date silver production decreased 5.3% when compared to the same period of 2013 mainly due to lower ore grades (111.53 g/t in 1H14 vs 127.17 g/t in 1H13) as a result of: i) increased dilution due to narrower veins at San Ramón; and ii) increased volumes processed from the main Ciénega mine. The lower silver ore grade was partially compensated by higher ore throughput (+8.5%).

Quarterly silver production increased 7.9% when compared to the previous quarter as a result of higher ore grade (114.50 g/t in 2Q14 vs 108.49 g/t in 1Q14) and a slight increase in ore processed (+2.1%).

Quarterly and year to date by-product lead production decreased 35.0% and 10.8% respectively, when compared to the same period 2013 due to lower ore grades and recovery rates. Similarly, quarterly lead production decreased 22.6% when compared to the previous quarter as a result of lower ore grade.

Quarterly by-product zinc production decreased 7.6% when compared to the same period of 2013 mainly as a result of lower ore grades, which were compensated by higher recovery rates and ore processed. Similarly, quarterly by-product zinc production decreased 3.4% when compared to the previous quarter due to lower ore grades.

### Herradura mine production – Attributable

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Gold prod'n (Oz)	42,679	45,587	-6.4	15,853	58,532	91,233	-35.8

Silver prod'n (kOz)	134	68	97.1	37	170	112	51.8
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Quarterly and year to date attributable gold production, including the output from the new Dynamic Leaching Plant (DLP), decreased 6.4% and 35.8% respectively, when compared to the same periods of 2013. As stated in previous reports, attributable gold production in the first half of 2014 reflects the impact of the temporary suspension of the explosives permits in 2013 which affected the volumes of ore deposited at the leaching pads. Over the quarter, ore deposited on the leaching pads was normalised and the recovery cycle is expected to reach regular levels in the second half of 2014.

The above mentioned adverse effect was mitigated by the increased ore processed at the dynamic leaching plant following its successful start-up in March 2014 and the higher gold ore grades (0.72 g/t in 2Q14 vs 0.62 in 2Q13).

Quarterly attributable gold production increased +169.2% when compared to the previous quarter as a result of the normalised depositing activities at the leaching pads and the additional material processed at the dynamic leaching plant (7,071.3 tonnes in 2Q14 vs 2,004.7 tonnes in 1Q14). The gradual normalization of the recovery rates also benefitted quarterly attributable gold production.

#### **Soledad-Dipolos mine production – Attributable**

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Gold prod'n (Oz)	-	10,474	-100.0	-	-	22,226	-100.0
Silver prod'n (kOz)	-	8	-100.0	-	-	14	-100.0

As announced at year end 2013, operations at this mine continued to be suspended as a result of the court ruling to vacate the area at the site of the Soledad-Dipolos mine as part of the legal proceedings surrounding the Ejido “El Bajío” litigation process. It is expected that throughout the rest of 2014 the suspension will remain. The company continues to analyze different options related to the future of Soledad-Dipolos and expects to have a final decision within the next twelve months.

#### **Noche Buena mine production – Attributable**

	2Q 14	2Q 13	% change	1Q 14	YTD 14	YTD 13	% change
Gold prod'n (Oz)	17,379	12,973	34.0	18,719	36,099	27,044	33.5
Silver prod'n (kOz)	16	2	700	12	28	5	460.0

Quarterly attributable gold production increased +34.0% when compared to the same period of 2013 due to: i) higher ore deposited (3,882.8 tonnes in 2Q14 vs 3,230.6 tonnes in 2Q13) as a result of the ramp-up to expanded capacity and; ii) higher recovery rates (45.77% in 2Q14 vs 40.10% in 2Q13) due to increased areas under irrigation.

Similarly, attributable gold production for the first half of 2014 increased +33.5% when compared to the same period of 2013 as a result of higher recovery rates (49.48% in 2014 vs 43.21% in 2013) and increased volumes of ore deposited on the leaching pads (+13.6%).

However, quarterly attributable gold production decreased -7.2% when compared to the previous quarter as a result of the temporary lower recovery rates (45.77% in 2Q14 vs

53.51% in 1Q14), which was partially compensated by higher volumes of ore processed (+8.5%). We expect to have recovery rates of between 50% to 54% during the second half of the year.

## **Update on development projects**

- ***Saucito II***

The construction of Saucito II significantly advanced over the quarter. Detailed engineering works were concluded at the beneficiation plant and further progress was achieved in the milling and flotation areas with the construction of the foundation structures for the assembly of mills and flotation cells.

This US\$235 million project is anticipated to produce 8.4 million ounces of silver and 35,000 ounces of gold per year once at full capacity and the construction is expected to be concluded within budget in the fourth quarter of 2014.

- ***San Julián***

In the second quarter of 2014, construction of the leaching plant commenced and detailed engineering works continued for the flotation plant. Additional orders for equipment were placed, civil works continued and geophysical works commenced for the construction of the water reservoir.

This US\$515.0 million silver-gold project remains on track to start production in the second half of 2015 with an expected average production of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity.

## **Update on Exploration**

Exploration drilling continued at all three operating districts (Fresnillo, Ciénega and Herradura), as well as at San Julián and Rodeo, Orisyvo, Guanajuato, and Pilarica (in Peru). Interesting drill intersections were obtained particularly at San Ramón in the Ciénega district, South Veins at Fresnillo, Cardones at Guanajuato and Pilarica, where increases in resources are anticipated in the year end estimates.

Metallurgical testwork and preliminary economic assessments are in progress at the Orisyvo and Lucerito projects.

## **Safety Performance**

We are saddened to report that during the second quarter of 2014 one of our contractors suffered a fatal accident at the Juanicipio project due to a lack of adherence to safety procedures. We continue to reinforce our safety measures and encourage training to avoid accidents. We are committed to a zero fatalities target and will continue strengthening our safety culture throughout the Company.

There will be a conference call for analysts and investors on Wednesday 16 July at 8:30am (London time). The dial in details are as follows:

Participants' dial in number: **+44 (0) 1452 555566**  
Conference ID: **71369138#**

For further information, please visit our website [www.fresnilloplc.com](http://www.fresnilloplc.com) or contact:

**Fresnillo plc**

Tel: +44 (0)20 7399 2470

*London Office*Gabriela Mayor, Head of Investor  
Relations*Mexico City Office*

Tel: +52 55 52 79 3206

Ana Belem Zárate

**Brunswick Group**

Tel: +44 (0)20 7404 5959

Carole Cable  
David Litterick**About Fresnillo plc**

Fresnillo plc is the world's largest primary silver producer and Mexico's second largest gold producer, listed on the London and Mexican Stock Exchanges under the symbol FRES.

Fresnillo plc has six operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad and Noche Buena; two development projects - Saucito II and San Julián; and four advanced exploration prospects - Centauro Deep, Juanicipio, Orisyvo and Las Casas Rosario as well as a number of other long term exploration prospects. In total, Fresnillo plc has mining concessions covering approximately 2.1 million hectares in Mexico.

Fresnillo has a strong and long tradition of mining, a proven track record of mine development, reserve replacement, and production costs in the lowest quartile of the cost curve for both silver and gold.

Fresnillo's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and 500,000 ounces of gold by 2018.

**Forward Looking Statements**

Information contained in this announcement may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the Fresnillo Group's intentions, beliefs or current expectations concerning, amongst other things, the Fresnillo Group's results of operations, financial position, liquidity, prospects, growth, strategies and the silver and gold industries are forward-looking statements. Such forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Fresnillo Group's operations, financial position and liquidity, and the development of the markets and the industry in which the Fresnillo Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial position and liquidity, and the development of the markets and the industry in which the Fresnillo Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations (including the US dollar and Mexican Peso exchange rates), the Fresnillo Group's ability to recover its reserves or develop new



reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, changes in its business strategy and political and economic uncertainty.