



15 October 2014

## **Fresnillo plc (“Fresnillo” or the “Company”)**

### **Production Report for the three months ended 30 September 2014**

#### **Overview**

- Quarterly and year to date attributable silver production (including the Silverstream) remained at similar levels to the comparable periods of 2013, mainly due to higher ore volumes processed at Saucito and increased production from the Silverstream, which compensated for the lower ore grade at the Fresnillo mine.
- Quarterly attributable gold production decreased 4.4% when compared to 3Q13, primarily due to the stoppage at Soledad-Dipolos. Year to date attributable gold production decreased 14.1% when compared to the equivalent period of 2013, due to the stoppage at Soledad-Dipolos and the temporary disruptions at Herradura which ended in March 2014.
- Construction of Saucito II remains on track for production to commence in 4Q14, with the plant currently in testing. Construction of the leaching plant at San Julián continues and is on track to start production in 2H15.
- Additional drill rigs added to exploration programmes at Bellavista and Tajitos (at the Herradura Corridor in Sonora), Rodeo (Durango), Fresnillo (Zacatecas) and Guanajuato (Guanajuato). The option to acquire 100% of the Candameña project in Chihuahua was exercised and drilling has resumed on this open pittable gold-silver target.
- On track to achieve 2014 guidance of 43 million silver ounces, including the Silverstream.
- 2014 consolidated attributable gold production guidance of 590,000 ounces, reflecting the previously announced issue at Herradura, post the consolidation of the Penmont assets.
- One-off phased hedging programme implemented on up to 44% of the Penmont Joint Venture gold production recently acquired to protect investment whilst retaining partial exposure to gold prices. Broader group hedging policy remains unchanged.

Octavio Alvidrez, Chief Executive Officer, said:

“I am pleased to announce that we are on track to achieve our 2014 silver production target of 43 million ounces, including the Silverstream. Total quarterly silver production remained at similar levels compared to those seen in 2013 given the strong volumes at Saucito and

increased production from the Silverstream, which compensated for the expected lower ore grades at Fresnillo.

“As previously announced, as a result of the Herradura gold production ramp-up combined with the start-up of the new dynamic leaching plant, processing capacity at Herradura needs to be enhanced in order to achieve our long term targets. The impact of work to improve production efficiency is reflected in our 2014 consolidated attributable gold production guidance of 590,000 ounces. We are confident that gold production deferred in the quarter as a result of the works required to improve processing capacity will be made up in 2015 with no effect to our long-term production expectations.

“In early October 2014 we announced the completion of our acquisition of Newmont Mining’s 44% interest in the Penmont Joint Venture, which has seen us consolidate control of a quality portfolio of assets which will significantly enhance our gold production and be central to our strategy of delivering sustainable growth. As a result, we increased our 2018 gold production target from 500,000 ounces to 750,000 ounces. Our 2018 silver production target of 65 million ounces remains in place.

“In terms of our near term growth projects, Saucito II is now in the testing phase and we remain on track for production to commence by the end of 2014. I am pleased to announce that we now expect to reach full capacity ahead of the three year timeframe previously anticipated. Similarly, further progress was achieved at the San Julián project, and we remain on track for production to commence next year.”

### **Total Production – Attributable**

	<b>3Q 14</b>	<b>3Q 13</b>	<b>% change</b>	<b>2Q 14</b>	<b>YTD 14</b>	<b>YTD 13</b>	<b>% change</b>
Silver prodn (kOz)	9,858	10,229	-3.6	9,839	28,989	29,372	-1.3
Silverstream prodn (kOz)	1,223	881	38.8	1,088	3,425	2,717	26.1
Total Silver prodn (kOz)	11,080	11,110	-0.3	10,926	32,414	32,090	1.0
Gold prodn (Oz)	109,345	114,359	-4.4	108,664	300,662	350,186	-14.1
Lead prodn (t)	7,114	6,941	2.5	5,780	19,257	19,362	-0.5
Zinc prodn (t)	7,852	6,876	14.2	6,690	21,647	18,8333	14.9

Quarterly silver production (excluding Silverstream) decreased 3.6% when compared to the same period of 2013 as a result of the expected lower ore grade and lower volume of ore processed at Fresnillo. However, this effect was almost fully mitigated by the increased ore throughput at Saucito given the additional ore processed from the development activities at Saucito II and higher ore milled at Ciénega, reflecting the optimisation of the milling process and efficiencies achieved in the maintenance programme.

Year to date and quarterly total silver production remained at similar levels when compared to the same period of 2013 and to the previous quarter of 2014 due to the aforementioned factors.

Quarterly and year to date silver production related to the Silverstream contract increased by 38.8% and 26.1% respectively compared to the same periods of 2013 as a result of higher ore grades at Sabinas.

Quarterly attributable gold production decreased 4.4% compared to 3Q13 mainly as a result of the stoppage of operations at Soledad-Dipolos due to the court order regarding the Ejido “El Bajío” litigation process. Other factors included the impact of Herradura remaining in ramp up post the temporary suspensions which affected the speed of recovery, technical issues related to the start up of the dynamic leaching plant at Herradura and the expected lower ore grades at Ciénega due to the natural depletion of stopes with higher ore grades. These effects were partly offset by increased volumes of ore processed at Noche Buena due to a capacity expansion and the previous suspension that affected last year’s ore deposit comparators.

Year to date attributable gold production decreased 14.1% when compared to the equivalent period of 2013 mainly as a result of the stoppage of operations at Soledad-Dipolos due to the court order regarding the Ejido “El Bajío” litigation process and the temporary disruptions at Herradura that ended in March 2014. Additional factors as described above also contributed to the comparison between YTD14 and YTD13 production.

Quarterly attributable gold production remained at similar levels when compared to the previous quarter of 2014 due to a higher recovery rate (16.5%) and ore deposited (7.7%) at Noche Buena as previously described, as well as the spike of higher ore grades at Ciénega (6.9%), which together compensated for the lower ore grade at Saucito.

Quarterly by-product lead production increased 2.5% and 23.1% respectively when compared to the same period of 2013 and previous quarter of 2014 due to a higher ore grade and recovery rate at Saucito. Year to date by-product lead production maintained similar levels (-0.5%) to those in 2013 due to higher ore throughput and ore grade at Saucito which compensated to a greater extent the lower ore grade at Fresnillo and Ciénega.

Quarterly and year to date by-product zinc production increased 14.2% and 14.9% respectively when compared to the same period of 2013 as a result of higher ore throughput, recovery rates and ore grade at Saucito and an increase in ore processed and recovery rates at Ciénega.

Similarly, quarterly by-product zinc production increased 17.4% when compared to the previous quarter of 2014 due to higher ore processed, ore grade and to a lesser extent, the recovery rate at Saucito. Additionally, a higher ore grade at Fresnillo also contributed to the by-product zinc production.

### **Fresnillo mine production**

	<b>3Q 14</b>	<b>3Q 13</b>	<b>% change</b>	<b>2Q 14</b>	<b>YTD 14</b>	<b>YTD 13</b>	<b>% change</b>
Silver prodn (kOz)	4,884	6,224	-21.5	5,401	15,430	17,421	-11.4
Gold prodn (Oz)	9,074	8,234	10.2	7,796	24,953	21,874	14.1
Lead prodn (t)	3,422	4,233	-19.2	3,146	10,094	11,398	-11.4
Zinc prodn (t)	3,559	4,339	-18.0	3,444	10,968	11,226	-2.3

Quarterly silver production decreased 21.5% when compared to the same period of 2013 mainly as a result of the lower ore grade (3Q14: 261.49 g/t vs 3Q13: 305.31 g/t) due to: i) the expected natural decline in grades; ii) higher dilution in some of the San Mateo and San Carlos stopes due to the rock conditions and mining method; and iii) to a lesser extent, the lower volume of ore processed (-7.8%) resulting from a delay in the preparation of some stopes at the San Carlos, San Mateo and San Alberto areas.

Quarterly silver production decreased 9.6% when compared to the previous quarter as a result of lower ore processed due to the factors mentioned above.

Year to date silver production decreased 11.4% when compared to the same period of 2013 mainly as a result of the lower ore grades (YTD14: 259.21 g/t vs YTD13: 293.36 g/t) due to: i) the anticipated natural decline in the silver ore grade; ii) higher dilution in some of the San Mateo and San Carlos stopes due to the rock conditions and iii) the previously announced delay in development activities as a result of mechanical failures with contractors' equipment at the San Carlos and San Alberto areas, which limited access to some stopes in the first quarter of 2014.

We continue to work on i) defining the required adjustments to mining methods to mitigate dilution; ii) changing drilling layouts; iii) providing training on blastings; iv) incorporating new contractors; and v) implementing additional controls for contractors to ensure required development rates are maintained.

We remain confident that the lower ore grade at the Fresnillo mine will not impact the Group's 2014 silver production target and we remain on track to meet our guidance of 43 million ounces, and our target of 65 million ounces of silver by 2018.

Year to date and quarterly by-product gold production increased when compared to the corresponding periods as a result of the higher ore grade (YTD14: 0.49 g/t vs YTD13: 0.45 g/t and 3Q14: 0.57 g/t vs 3Q13: 0.49 g/t) respectively, and to a lesser extent, higher recovery rates.

Quarterly and year to date by-product lead production decreased 19.2% and 11.4% respectively when compared to the same periods of 2013 due to lower ore grades (3Q14: 0.61% vs 3Q13: 0.67% and YTD14: 0.56% vs YTD13: 0.62%) and recovery rates. However, quarterly lead production increased 8.8% when compared to the previous quarter as a result of higher ore grades (0.61 g/t in 3Q14 vs 0.52 g/t in 2Q14) and to a lesser extent, a higher recovery rate.

Year to date by-product zinc production remained at similar levels when compared to the same period of 2013. However, quarterly by-product zinc production decreased 18.0% when compared to the same period of 2013 as a result of lower ore processed, ore grade and recovery rates. However, quarterly by-product zinc production increased 3.4% over the previous quarter due to higher ore grades (0.96% in 3Q14 vs 0.86% in 2Q14).

### Saucito mine production

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Silver prod <sup>op</sup> (kOz)	3,778	2,909	29.9	3,213	10,093	8,537	18.2
Gold prod <sup>op</sup> (Oz)	12,848	11,402	12.7	15,912	39,671	33,444	18.6
Lead prod <sup>op</sup> (t)	2,606	1,511	72.5	1,592	5,689	4,092	39.0
Zinc prod <sup>op</sup> (t)	2,827	1,252	125.8	1,793	6,254	3,403	83.8

Quarterly and year to date silver production increased 29.9% and 18.2% respectively when compared to the corresponding periods of 2013 as a result of greater ore processed (+25.0% and +20.5% respectively) mainly due to the additional material processed from the development activities at Saucito II, which in part was processed at Fresnillo in order to take advantage of the available capacity of its beneficiation plant, and the efficiencies in the original Saucito plant. This fully compensated for the slightly lower year to date silver ore grade (-2.2%) resulting from the higher ore grade areas developed at the Jarillas vein in 2013.

Furthermore, quarterly silver production increased 17.6% when compared to the previous quarter due to higher ore throughput due to the above effects and to a lesser extent the spike of higher ore grade (328.19 gms/ton 3Q14 vs 312.87 gms/ ton 2Q14).

Quarterly and year to date gold production increased 12.7% and 18.6% respectively over the corresponding periods of 2013 due to increased ore throughput which fully compensated for the lower ore grade (-10.3% and -1.3% respectively). Nevertheless, quarterly gold production decreased 19.3% compared to the previous quarter as a result of lower ore grades (3Q14: 1.23 g/t vs 2Q14: 1.69 g/t) and to a lesser extent, a lower recovery rate.

Year to date and quarterly by-product lead and zinc production increased when compared to the same periods of 2013 due to higher ore grades, recovery rates and ore processed. Similarly, quarterly by-product lead and zinc production increased 63.7% and 57.7% respectively over the previous quarter as a result of higher ore grades and to a lesser extent, a higher recovery rate.

### Ciénega mine production

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prod $\eta$ (Oz)	27,052	27,896	-3.0	24,897	81,036	87,540	-7.4
Silver prod $\eta$ (kOz)	1,069	1,041	2.7	1,075	3,141	3,229	-2.7
Lead prod $\eta$ (t)	1,087	1,196	-9.1	1,042	3,474	3,872	-10.3
Zinc prod $\eta$ (t)	1,465	1,285	14.0	1,454	4,424	4,205	5.2

Quarterly and year to date gold production decreased 3.0% and 7.4% respectively over the corresponding period of 2013 due to the expected decline in ore grades (3Q14: 2.55 g/t vs. 3Q13: 2.86 g/t and YTD14: 2.60 g/t vs YTD13: 3.04 g/t) given the depletion both of a higher gold ore grade and of wider stopes. However, this was partly mitigated by an increase in ore processed due to the optimisation of the milling process from 3,000 tpd to 3,600 tpd and efficiencies achieved in maintenance programmes.

Quarterly gold production increased 8.7% when compared to the previous quarter due to a spike of higher ore grades, and to a lesser extent, an increase in ore processed.

We expect to remain in line with our original estimated gold ore grade of 2.0 - 2.5 g/t for the full year.

Quarterly silver production increased 2.7% when compared to the same period of 2013 as a result of an increase in ore processed (+8.7%) due to the above factors. Quarterly silver production remains at similar levels when compared to the previous quarter (-0.5%).

Year to date silver production decreased 2.7% when compared to the same period of 2013 mainly due to lower ore grades (YTD14: 111.64 g/t vs YTD13: 124.17 g/t) as a result of increased dilution due to narrower veins at San Ramón. The lower silver ore grade was partly offset by higher ore throughput (+8.6%).

Quarterly and year to date by-product lead production decreased 9.1% and 10.3% respectively when compared to the same period of 2013 due to lower ore grades (3Q14: 0.48% vs 3Q13: 0.55%) and (YTD14: 0.52% vs YTD13: 0.60%) and lower recovery rates, partly compensated for by the increased volume of ore processed. Nevertheless, quarterly lead production increased 4.3% when compared to the previous quarter as a result of a higher recovery rate.

Quarterly and year to date by-product zinc production increased 14.0% and 5.2% respectively when compared to the same period of 2013, mainly as a result of an increase in ore processed and recovery rates which fully mitigated the effect of the lower ore grade. Quarterly by-product zinc production remained at similar levels when compared to the previous quarter (0.8%).

## Herradura mine production

### Attributable (56%)

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prodn (Oz)	41,261	45,350	-9.0	42,679	99,793	136,583	-26.9
Silver prodn (kOz)	111	44	152.3	134	281	156	80.1

### Total (100%)

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prodn (Oz)	73,681	80,982	-9.0	76,212	178,202	243,897	-26.9
Silver prodn (kOz)	198	78	153.8	239	502	278	80.6

Quarterly attributable gold production including the output from the new dynamic leaching plant decreased 9.0% when compared to 3Q13 due to the impact of the heap leaching process continuing to be in ramp up post the temporary suspensions which affected the speed of recovery, and due to the Merrill Crowe plant not being able to operate at full capacity due to an excess of suspended solids in solution resulting from the start-up of the new dynamic leaching plant. The Company is currently working to resolve this issue and expects to have done so by year end.

Year to date attributable gold production including the output from the new dynamic leaching plant decreased 26.9% when compared to the equivalent period in 2013 mainly due to temporary disruptions at Herradura which ended in March 2014 and to a lesser extent the impact of the ramp up and capacity issues described above.

The above effects were partly mitigated by the higher gold ore grades processed (3Q14: 0.72 g/t vs 3Q13: 0.59) and (YTD14: 0.72 g/t vs YTD13: 0.61 ).

As previously announced, as a result of the gold production ramp up at Herradura in combination with the new dynamic leaching plant, processing capacity needs to be enhanced in order to meet our longer term gold production targets. The impact of the work required to improve production efficiency is reflected in our 2014 consolidated attributable gold production guidance of 590,000 ounces. We remain confident that the reduction in 2014 production resulting from the improvements to processing capacity required will be made up in 2015.

## Soledad-Dipolos mine production – Attributable

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prodn (Oz)	-	4,254	-100.0	-	-	26,480	-100.0

Silver prodn (kOz)	-	3	-100.0	-	-	17	-100.0
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As announced at year end 2013, operations at this mine continue 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 the suspension will remain throughout the remainder of 2014. The company continues to analyse options related to the future of Soledad-Dipolos.

## Noche Buena mine production

### Attributable (56%)

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prodn (Oz)	19,110	17,222	11.0	17,379	55,209	44,266	24.7
Silver prodn (kOz)	16	8	100.0	16	44	13	238.5

### Total (100%)

	3Q 14	3Q 13	% change	2Q 14	YTD 14	YTD 13	% change
Gold prodn (Oz)	34,125	30,754	11.0	31,035	98,587	79,047	24.7
Silver prodn (kOz)	28	13	115.4	29	78	22	254.5

Quarterly and year to date attributable gold production increased 11.0% and 24.7% respectively when compared to the same period of 2013 due to higher ore deposited (95.4% and 33.7% respectively) as a result of the ramp-up of its operations and the temporary explosives suspension which affected operations in September 2013. The aforementioned effect more than compensated for the: i) lower speed of recovery associated with the ramp up; and ii) the lower ore grade (3Q14: 0.50 g/t vs 3Q13: 0.57 g/t) and (YTD14: 0.53 g/t vs YTD13: 0.54 g/t).

Quarterly attributable gold production increased 10.0% over the previous quarter due to a higher recovery rate and an increase of ore deposited (7.7%). The above effects partly mitigated the effect of a lower gold ore grade (3Q14: 0.50 g/t vs 2Q14: 0.54 g/t).

## Update on development projects

- **Saucito II**

The Saucito II project is on track to be completed in 4Q14, according to plan. During the third quarter we continued to work on the expansion of the tailings dam and installed key control equipment. The plant is now in the testing phase and we expect it to formally commence operations in November.

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, which we now expect to reach ahead of the three year timeframe previously anticipated.

- **San Julián**

The construction of the San Julián project is progressing as expected and remains on track to start production in the second half of 2015. During the third quarter the focus was on preparing the site for the leaching plant to process mineral for the vein system, continuing to progress mining works at the vein region and continuing construction of infrastructure including the waste water treatment plant.

This US\$515.0 million silver-gold project is expected to produce an average of 10.3 million ounces of silver and 44,000 ounces of gold per annum once at full capacity.

### **Update on Exploration**

During the third quarter additional drill rigs were added to the gold-silver exploration programmes at Bellavista and Tajitos (at the Herradura Corridor in Sonora), Rodeo (Durango), Fresnillo (Zacatecas) and Guanajuato (Guanajuato), where drilling results have been interesting this year. Additional intercepts of mineralisation were also obtained at Centauro Deep (Sonora), Orisyvo (Chihuahua), and Pilarica (Peru) and infill drilling is in progress. Updated reserve and resource estimates will be published in the 2014 annual report.

The option to acquire 100% of the Candameña project in Chihuahua was exercised and drilling has resumed on this open pittable gold-silver target. Fresnillo commenced operations at Candameña in 2010, committing to spend at least US\$1 million per annum on exploration. Given the consistently good results we have achieved each year, we have exercised our option to acquire this project, in which we have invested US\$16 million to date, including exploration spend and payments to the owner. Prospecting teams are evaluating the Company's claim blocks in Mexico to select areas for follow-up work and additional claims were secured in the Peruvian gold belt.

### **Partial one-off hedging programme to protect value of Penmont acquisition**

Following shareholder approval for the acquisition of 44% of the Penmont Joint Venture, and in line with the Company's conservative approach to managing its growth, Fresnillo has initiated a one-off hedging programme to protect the value of the investment made in the acquisition, using a collar structure to allow partial exposure to gold prices.

The potential volume associated with this phased hedging programme will be strictly limited to up to the 44% of the Joint Venture that Fresnillo acquired, and will be implemented at management's discretion depending on prevailing market conditions.

The measures implemented on production at the acquired Penmont assets will not be extended to other assets in the Group. Fresnillo remains positive on the long-term outlook for gold and silver prices and this does not constitute a change in the Group's hedging policy, which remains guided by the principle of providing shareholders with full exposure to gold and silver prices.

### **Safety Performance**

During 3Q14 we continued to reinforce our safety measures and to encourage all of our employees to adhere to our safety policies and culture and continue to work with high safety standards.

There will be a conference call for analysts and investors on Wednesday 15 October at 8:30am (London time). The dial in details are as follows:

Participants' dial in number: **+44 (0) 20 3367 9433**

Conference ID: **947934 #**

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



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**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-Dipolos<sup>1</sup> 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 plc 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 plc's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and 750,000 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.

<sup>1</sup> Operations at Soledad and Dipolos are currently suspended.