



Fresnillo plc
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26 April 2017

Production Report

for the three months ended 31 March 2017

Overview

- Quarterly silver production of 13.5 moz (including Silverstream), up 10.7% vs. 1Q16 mainly due to the contribution of San Julián (phase I). On track to achieve 2017 production guidance of 58-61 moz silver, (including 4.0 moz from the Silverstream)
- Quarterly gold production of 222.3 koz, down 3.3% vs. 1Q16 and 17.1% vs. 4Q16 mainly due to the one-off reduction of inventory levels at the leaching pads in Herradura in 2016 and expected lower ore grades at Herradura. On track to meet 2017 production guidance of 870-900 koz gold
- Turnaround at the Fresnillo mine continues to show positive signs, with two consecutive quarters of increased ore grades and silver ounces produced and three consecutive quarters of increased ore throughput
- Construction of San Julián (phase II) on track with commissioning expected at the end of 2Q17
- Construction of the pyrites plant and the second line of the dynamic leaching plant at Herradura continues, both on track to start operations in 2018

Octavio Alvidrez, Chief Executive Officer, said:

“I am pleased to report a solid performance in the first quarter of the year. Silver production increased 10.7% compared to the first quarter of 2016 reflecting the contribution of the new San Julián (phase I) mine. The turnaround at Fresnillo continues with improvements in the maintenance process and enhanced operative supervision resulting in an increase in silver production. Additionally, access to the Taspana and the new Rosario-Transversal areas at Ciénega contributed favourably.

“As guided, gold production decreased slightly when compared to the first quarter of last year and Q4 2016 mainly because of the one-off reduction of inventories in 2016.

“We continue to make good progress with our development projects. Construction of San Julián (phase II) continued with the commencement of initial tests and the project is on track to be commissioned at the end of Q2. The pyrites plant and second line of the dynamic leaching plant are also progressing as expected.

“We continue to focus on maximising efficiency and productivity across all our mines, and remain on course to meet our 2017 production guidance of 58-61 million ounces of silver and 870-900 thousand ounces of gold.”

Total Production

	1Q 17	1Q 16	% change	4Q 16
Silver (koz)	12,424	11,047	12.5	12,247
Silverstream (koz)	1,105	1,172	-5.7	1,069
Total silver (koz)	13,529	12,218	10.7	13,316
Gold (oz)	222,290	229,925	-3.3	268,104
Lead (t)	11,461	11,082	3.4	13,003
Zinc (t)	13,806	12,851	7.4	16,989

Quarterly silver production increased 12.5% compared to the same period in 2016 due to the contribution of San Julián (phase I) and, to a lesser extent, access to higher ore grade areas at Taspana and San Ramón in Ciénega, and at San Carlos and San Mateo in Fresnillo where measures were taken to enhance operative supervision and improve the maintenance process. These factors were partly offset by the expected lower ore grade at Saucito.

Silverstream production decreased 5.7% compared to 1Q16 mainly due to a lower recovery rate and to a lesser extent, a lower ore grade at the Sabinas mine.

Quarterly silver production increased 1.4% over 4Q16 mainly due to higher ore grades at Fresnillo. This was partly offset by the lower volume of ore processed at Saucito and lower ore grades at Saucito and San Julián.

Gold production for the first quarter decreased by 3.3% when compared to 1Q16 as a result of the one-off reduction of inventory levels in 2016 and lower ore grades at Herradura. Additionally, the lower speed of recovery at Noche Buena and lower grade at Saucito also contributed to the decrease in gold production. However, this was partly compensated by the contribution of San Julián (phase I).

Quarterly gold production decreased 17.1% when compared to 4Q16 due to the one-off reduction of inventories (in particular in 4Q16) and a lower ore grade at Herradura in 1Q17. The lower ore grades at Saucito and San Julián also contributed to this reduction. These factors were mitigated by the higher speed of recovery and higher ore processed at Noche Buena.

Quarterly by-product lead production increased 3.4% when compared to 1Q16 due to higher ore grades at Fresnillo. However quarterly lead production decreased -11.9% when compared to the previous quarter due to lower ore grade and ore processed at Saucito and lower ore grade at Fresnillo. These factors were partly offset by the higher ore grade at Ciénega.

By-product zinc production for the first quarter increased 7.4% over 1Q16 primarily because of higher ore grades and recovery rates at Fresnillo and Ciénega, which compensated for the lower ore grades at Saucito. However, quarterly by-product zinc production decreased 18.7% vs 4Q16 due to lower ore grades at Saucito and Fresnillo.

Fresnillo mine production

	1Q17	1Q16	% change	4Q16
Ore Processed (t)	613,012	615,148	-0.3	595,963
Production				
Silver (koz)	4,439	4,288	3.5	3,847
Gold (oz)	11,325	10,282	10.1	10,678
Lead (t)	5,170	4,704	9.9	5,766
Zinc (t)	6,707	5,139	30.5	7,718
Ore Grades				
Silver (g/t)	245	236	3.5	221
Gold (g/t)	0.74	0.68	9.4	0.73
Lead (%)	0.92	0.85	8.8	1.05
Zinc (%)	1.57	1.25	25.6	1.78

Quarterly silver production increased 3.5% vs. 1Q16 as a result of a higher ore grade from the increased access to higher grade veins at the San Carlos and San Mateo areas. This was a result of improvement in the maintenance process and enhanced operative supervision which increased equipment availability and allowed for the preparation of several areas.

Quarterly silver production increased 15.4% when compared to 4Q16 because of the higher ore grade, increased ore processed and a slight increase in recovery rates. Silver ore grade is expected to vary in accordance to the mine plan and depending on the areas being prepared so the anticipated average silver ore grade of 230 g/t for the full year remains unchanged along with the full year guidance of a 7-10% increase in silver production vs 2016.

The turnaround plan at the Fresnillo mine continues to show positive results with two consecutive quarters of increased ore grades and silver ounces produced and three consecutive quarters of increased ore throughput. Our target of reaching 4,800 metres of development per month by year-end remains on track.

Quarterly by-product gold production increased when compared to 1Q16 and 4Q16 by 10.1% and 6.1% respectively due to higher ore grades and recovery rates. Similarly, quarterly by-product lead and zinc production both increased when compared to 1Q16 primarily due to the higher ore grades and recovery rates.

Quarterly zinc and lead production decreased 13.1% and 10.3% respectively when compared to 4Q16 as a result of lower ore grades and recovery rates.

Saucito mine production

	1Q17	1Q16	% change	4Q16
Ore Processed (t)	670,914	638,452	5.1	709,261
Production				
Silver (koz)	5,147	5,436	-5.3	5,336
Gold (oz)	17,964	21,636	-17.0	25,160
Lead (t)	4,754	4,835	-1.7	5,802
Zinc (t)	5,139	6,077	-15.4	7,379
Ore Grades				
Silver (g/t)	279	297	-5.9	287
Gold (g/t)	1.12	1.33	-15.8	1.53

Lead (%)	0.87	0.88	-1.1	1.02
Zinc (%)	1.26	1.51	-16.9	1.68

Quarterly silver production decreased 5.3% when compared to 1Q16 mainly due to the expected lower ore grade and, to a lesser extent, the temporary limited access to one of our high-grade stopes due to the increased anchoring carried out as a preventive safety measure in a zone with instability. Mining at this area will normalise once these works are concluded in 3Q17. A lower recovery rate in 1Q17 also contributed to the decrease in silver production.

However, these adverse factors were partly offset by the higher volume processed as a result of the vibrating screens at Saucito II and the higher ore processed from the West and Central Jarillas areas.

Quarterly silver production decreased 3.6% compared to 4Q16 due to the expected lower ore grades and lower ore processed, partly offset by a higher recovery rate.

Quarterly by-product gold production decreased compared to 1Q16 due to a lower ore grade and recovery rate.

Quarterly by-product gold, lead and zinc production decreased compared to 4Q16 due to lower ore grades and ore throughput.

Quarterly by-product zinc production decreased 15.4% compared to 1Q16 as a result of the lower ore grade and recovery rate.

Ciénega mine production

	1Q17	1Q16	% change	4Q16
Ore Processed (t)	313,920	323,719	-3.0	327,416
Production				
Gold (oz)	17,453	17,245	1.2	17,583
Silver (koz)	1,328	1,169	13.6	1,298
Lead (t)	1,536	1,543	-0.5	1,435
Zinc (t)	1,960	1,635	19.9	1,892
Ore Grades				
Gold (g/t)	1.89	1.72	10.2	1.74
Silver (g/t)	160	128	24.8	143
Lead (%)	0.78	0.67	15.5	0.66
Zinc (%)	1.07	0.91	17.4	0.99

Quarterly gold production remained at similar levels compared to 1Q16 and 4Q16 as a result of higher ore grades from the Rosario-Transversal area, which offset the lower recovery rates and decrease in ore throughput.

Quarterly silver production increased compared to 1Q16 as a result of the higher ore grade at the Taspana and San Ramón areas. This was partly compensated by the lower recovery rate and the lower ore processed due to the longer than expected time dedicated to changing the pads at the mill liners.

Quarterly silver production remained at similar levels compared to 4Q16 due to the higher ore grade which more than compensated for the lower recovery rate and volume of ore processed.

Quarterly by-product lead production increased 7.1% over 4Q16 due to higher ore grade which compensated for the lower recovery rate and the lower volume of ore processed.

Quarterly by-product zinc production increased when compared to 1Q16 due to a higher ore grade and recovery rate. Similarly, by-product zinc production increased 3.6% when compared to 4Q16 mainly as a result of the higher ore grade.

Herradura total mine production

	1Q17	1Q16	% change	4Q16
Ore Processed (t)	6,764,370	6,311,256	7.2	6,325,705
Total Volume Hauled (t)	30,908,154	29,798,559	3.1	29,821,575
Production				
Gold (oz)	107,742	129,114	-16.6	148,549
Silver (koz)	118	143	-17.4	173
Ore Grades				
Gold (g/t)	0.63	0.68	-6.7	0.68
Silver (g/t)	0.95	1.01	-5.1	1.13

Quarterly gold production decreased when compared to 1Q16 and 4Q16 as a result of the favourable effect in 2016 of the one-off reduction of inventories at the leaching pads as previously mentioned.

In 2017 the reduction of gold inventories is expected to be immaterial as the optimal steady-state level is reached. Additionally, the expected lower ore grade contributed to the decrease in gold production. However, the higher ore processed partially compensated for the aforementioned effects.

Noche Buena total mine production

	1Q17	1Q16	% change	4Q16
Ore Processed (t)	4,613,684	4,237,134	8.9	4,380,536
Total Volume Hauled (t)	20,918,657	20,106,143	4.0	20,521,024
Production				
Gold (oz)	47,678	51,647	-7.7	41,769
Silver (koz)	7	11	-36.4	11
Ore Grades				
Gold (g/t)	0.51	0.51	-0.1	0.53
Silver (g/t)	0.09	0.15	-39.2	0.14

Quarterly gold production decreased when compared to 1Q16 due to the lower overall average speed of recovery. This was as a result of new mineral layers being added at the leaching pads during 1Q16, increasing the speed of recovery at the time. A higher volume of ore processed in 1Q17 however helped to partially compensate for this decrease.

Gold production for the first quarter 2017 increased 14.1% when compared to 4Q16 due to higher overall speed of recovery and ore processed.

San Julián

	1Q 17	4Q 16	% change
Ore Processed (t)	306,082	301,235	1.6
Production			
Gold (oz)	20,129	24,365	-17.4
Silver (koz)	1,386	1,581	-12.3
Ore Grades			
Gold (g/t)	2.18	2.67	-18.3
Silver (g/t)	156.68	181.33	-13.6

Quarterly gold and silver production both decreased when compared to 4Q16 due to the expected lower ore grades. These decreases were partly compensated for by the higher ore processed due to milling efficiencies achieved.

In the first quarter of 2017, construction of the flotation plant (San Julián phase II) continued to progress. Initial tests have commenced and the project is on track to be commissioned at the end of 2Q17.

Update on development projects

Pyrites Plant

In the first quarter of 2017, the assembly of the agitation tanks continued and the foundations for the reagents warehouse were concluded.

This US\$155 million project is expected to increase overall recoveries of gold and silver by processing historical and ongoing tailings from the Fresnillo and Saucito mines, which otherwise would have been lost. Annual production of 3.5 moz of silver and 13 koz of gold is expected once the plant is commissioned in 1H18 and reaches full capacity.

Second Dynamic Leaching Plant

During the quarter orders for the mills were placed and the foundations for the agitation tanks and construction of the water tanks were concluded. Construction of this project will continue throughout 2017 with commissioning expected in 2018.

This US\$110 million project will enable sulphides occurring deeper in the pit to be processed more efficiently. As a result, the life of mine at Herradura will be extended to 12 years with an average life of mine annual gold production of 390 koz.

Update on Exploration

In the first quarter of 2017, 88,000 metres of drilling were completed at our operating mines as part of a 428,000 metre programme to carry out direct mine development and partially convert resources into reserves. Additionally, 84,000 metres of exploration drilling were carried out as part of the 394,000 metre programme at projects.

Presently 17 areas are in drilling and interesting results were obtained at the Herradura District and Tajitos in Sonora; the San Julián mine, Candameña and Guazapares in Chihuahua; San Juan in Durango; the Fresnillo District in Zacatecas; and Guanajuato in Guanajuato. Two prospects are in drilling in Peru with interesting results at Pilarica. In addition, prospecting teams are evaluating selected areas of the favourable silver-gold belts in Mexico, Peru, Chile and Argentina.

Safety Performance

As announced in the Preliminary Results, we deeply regret the fatal accident of one of our contractors at the Fresnillo mine as a result of the lack of adherence to our safety policies. We continue to reinforce our safety measures throughout the Company, with our management systems and organisational programmes centered on personnel safety. We remain committed to our zero fatalities target.

There will be a conference call for analysts and investors on Wednesday 26th April at 8:30am (London time). The dial in details are as follows:

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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 seven operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad-Dipolos¹, Noche Buena and San Julián (phase 1), three development projects - San Julián (phase 2), the Pyrites plant, and second line of DLP at Herradura, and four advanced exploration projects – Orisyvo, Juanicipio, Las Casas Rosario & Cluster Cebollitas and Centauro Deep, as well as a number of other long term exploration prospects. In total, Fresnillo plc has mining concessions covering approximately 1.8 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 silver.

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 per year by 2018, having already surpassed the gold target of 750,000 ounces.

¹ Operations at Soledad-Dipolos are currently suspended.

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 exchanges 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.