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25 October 2017

## **Third Quarter Production Report**

### **for the three months ended 30 September 2017**

#### **Overview**

- Quarterly silver production of 14.6 moz (including Silverstream), up 24.1% vs. 3Q16 (11.8 moz) primarily due to the start of operations at San Julián phase II and ramp up of phase I
- Year to date (YTD) silver production of 42.7 moz (including Silverstream), up 15.3% vs. YTD16 (37.0 moz), due to the contribution from the new San Julián mine (phase I and II), increased volume of ore processed at Fresnillo and higher ore grade at Ciénega
- Quarterly gold production of 233 koz, up 6.1% vs. 3Q16 (220 koz) due to the contribution from San Julián, a reduction in gold inventories and increased volume of ore deposited at Herradura
- YTD gold production of 679 koz, up 1.7% vs. YTD16 (667 koz) due to the contribution of San Julián partly offset by the lower speed of recovery at Noche Buena and lower ore grades at Herradura and Saucito
- Ore processing nameplate capacity at San Julián phase II achieved during its first quarter of operations (3Q17)
- Outlook unchanged: on track to achieve 2017 production guidance of 58-61 moz silver (including Silverstream) and 870-900 koz gold

Octavio Alvidrez, Chief Executive Officer, said:

“I am pleased to report a good operating performance this quarter.

“In particular, the positive contribution from the new San Julián mine has driven the expected rise in silver production. San Julián Phase II was commissioned on time and on budget, and the project reached nameplate capacity as expected during the quarter, again highlighting our ability to bring new mining projects to fruition. We continue to implement our turnaround plan at the Fresnillo mine and now expect an increase in silver production for the year of between seven and eight per cent.

“The combination of a strong performance from San Julián and continued decrease in inventories at Herradura also drove a rise in gold production and more than offset lower recoveries and grades at Noche Buena and Ciénega respectively.

“We remain on track to meet our gold and silver production targets for 2017.

“Construction of our other near term growth projects, the pyrites plant in the Fresnillo district and the second dynamic leaching plant at Herradura are on schedule, on budget and in line to be commissioned next year as planned. Both will make a meaningful contribution to production growth in 2018.”

## Total Production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
Silver (koz)	13,529	10,607	27.5	13,328	39,281	33,431	17.5
Silverstream (koz)	1,084	1,168	-7.2	1,188	3,376	3,556	-5.1
Total Silver (koz)	14,613	11,775	24.1	14,515	42,657	36,987	15.3
Gold (oz)	233,311	219,840	6.1	223,479	679,081	667,409	1.7
Lead (t)	12,472	12,473	-0.0	11,385	35,318	35,141	0.5
Zinc (t)	17,688	14,476	22.2	14,919	46,413	39,856	16.5

### Silver

Quarterly silver production (including Silverstream) increased 24.1% compared to the same period in 2016 mainly as a result of the successful start-up of operations at San Julián (phase II) and San Julián (phase I) operating at full capacity compared to 3Q16, when this project began operating. This was partly offset by the lower contribution from the Silverstream due to the lower silver ore grade and recovery rate at Sabinas.

Year to date silver production (including Silverstream) increased 15.3% vs. YTD16 as a result of the start of operations at San Julián (phase I and II), higher volume of ore processed at Fresnillo due to the increased access to ore bodies, and higher silver ore grade at Ciénega. These factors were partly offset by the planned for lower ore grade at Saucito and a lower contribution of the Silverstream due to the lower ore grade at Sabinas.

Quarterly silver production slightly increased when compared to 2Q17 (+1.5%) due to the start-up of San Julián Phase II. This was partly offset by the lower ore grade and lower volume of ore processed at Fresnillo resulting from the limited access to certain areas due to delays in development activities, and lower ore grade at Saucito.

### Gold

Quarterly gold production increased 6.1% over 3Q16 due to the contribution from the San Julián (phase I) and the additional volume recovered from the inventory in the leaching pads at Herradura, which more than offset the overall lower speed of recovery at Noche Buena and, to a lesser extent, lower ore grades at Ciénega and Saucito.

YTD17 gold production slightly increased vs. YTD16 due to the contribution of San Julián (phase I) which was partly offset by the lower speed of recovery at Noche Buena and lower ore grades at Herradura and Saucito.

Quarterly gold production increased 4.4% when compared to 2Q17 as a result of a higher ore grade from the Valles area at Herradura, increased volume of ore processed at San Julián (phase I), and higher ore grades, recovery rates and ore milled at Saucito. These more than offset the lower overall speed of recovery at Noche Buena and lower ore grades at Ciénega.

### By-products

Quarterly by-product lead production increased when compared to 2Q17 due to the start of operations at San Julián Phase II which compensated for the lower ore grades and recovery rates at Ciénega and Saucito. Quarterly and year to date by-product lead production remained at similar levels when compared to the same periods last year.

Quarterly by-product zinc production increased when compared to 3Q16 as a result of the San Julián (phase II) contribution. Year to date by-product zinc production increased over YTD16 due to the higher ore grade at Fresnillo and the production of San Julián (phase II).

Quarterly zinc production increased 18.6% vs. 2Q17 as a result of the start of operations at San Julián (phase II) and higher recovery rate and ore milled at Saucito which more than compensated for the lower ore grades and the recovery rates at Ciénega.

### Fresnillo mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed (t)</b>	596,544	587,492	1.5	645,479	1,855,036	1,777,129	4.4
<b>Production</b>							
Silver (koz)	3,516	3,732	-5.8	4,491	12,446	12,017	3.6
Gold (oz)	8,819	11,111	-20.6	9,403	29,547	31,742	-6.9
Lead (t)	4,905	6,017	-18.5	4,982	15,058	15,560	-3.2
Zinc (t)	7,368	7,228	1.9	7,927	22,002	18,180	21.0
<b>Ore Grades</b>							
Silver (g/t)	202	217	-6.9	235	227	228	-0.4
Gold (g/t)	0.61	0.77	-20.9	0.59	0.65	0.72	-10.6
Lead (%)	0.91	1.13	-20.0	0.86	0.90	0.97	-7.8
Zinc (%)	1.70	1.72	-0.7	1.69	1.66	1.48	11.9

Quarterly silver production decreased vs. 3Q16. This was due to the lower ore grade resulting from the temporary limited access to higher ore grade areas following delays in development and mining equipment outtages which impeded progress at the long drilling areas of San Carlos and San Alberto. Additionally, increased dilution during the quarter contributed to the lower silver ore grade. These adverse effects were mitigated by a slight increase in the volume of ore processed.

Year to date silver production increased vs. YTD16 due to higher volumes of ore processed as a result of the progress made towards operating at full capacity.

When compared to the previous quarter, 3Q17 silver production decreased -21.7% primarily due to the lower ore grade (-14.0%) and to a lesser extent, a lower volume of ore processed (-7.6%). The lower grade was a result of the temporary limited access to high grade veins at the San Alberto and San Carlos areas due to delays in development as mentioned above.

The development rate for the year has been approximately 3,500 metres per month reaching a maximum of 3,800 metres per month. Lower productivity from on site contracting personnel and drilling equipment mechanical failures prevented us from increasing the development rate as planned. However, the Company is in the process of hiring a new contractor and expects to increase the development rate to levels above 4,000 metres per month next year.

The silver ore grade for 2017 is expected to be within the range of 220-225 g/t and the increase in silver production for the full year vs. 2016 to be 7-8%.

Quarterly and year to date by-product gold production decreased when compared to the corresponding periods in 2016 as a result of the lower ore grades, however, this was partially offset by the higher volume of ore processed. When compared to the previous quarter, by-product gold production decreased 6.2% as a result of the lower volume of ore processed and recovery rate. This was partly offset by the higher ore grade.

Quarterly and year to date by-product lead production decreased when compared to the same period in 2016 as a result of lower ore grades which was partly offset by the higher volume of ore processed.

Year to date by-product zinc production increased vs. YTD16 as a result of the higher ore grade, increased volume of ore processed and higher recovery rate. However, quarterly by-product zinc production decreased -7.0% when compared to 2Q17 as a result of lower volume of ore processed.

### Saucito mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed (t)</b>	693,269	642,040	8.0	667,456	2,031,639	1,925,832	5.5
<b>Production</b>							
Silver (koz)	5,016	4,903	2.3	5,674	15,837	16,610	-4.7
Gold (oz)	18,490	19,216	-3.8	15,896	52,349	61,039	-14.2
Lead (t)	4,368	5,133	-14.9	4,688	13,810	15,132	-8.7
Zinc (t)	5,357	5,324	0.6	4,923	15,418	16,118	-4.3
<b>Ore Grades</b>							
Silver (g/t)	264	289	-8.9	306	283	308	-8.3
Gold (g/t)	1.12	1.31	-14.5	1.05	1.09	1.33	-17.9
Lead (%)	0.76	0.94	-19.3	0.81	0.81	0.90	-10.1
Zinc (%)	1.26	1.41	-10.7	1.26	1.26	1.42	-11.3

Quarterly silver production increased slightly vs. 3Q16 as a result of a higher volume of ore processed following the installation of the vibrating screens at Saucito I and II, and additional ore mined from development areas. A higher recovery rate as a result of the efficiency in the mineral grading fed to the plants, also contributed to the rise in silver production. This was partly offset by: i) the expected lower ore grade compared to the higher grade development ore from the West and Central areas at the Jarillas vein in 2016; ii) the lower ore grade in the Jarillas West area due to the restricted access to high grade sectors resulting from the anchoring activities to avoid rock instability; and iii) an increase in dilution.

Year to date and quarterly silver production decreased vs. YTD16 and 2Q17 as a result of the expected lower ore grade, however this was partly offset by the higher volume of ore processed.

Quarterly and year to date by-product gold production decreased when compared to the corresponding periods in 2016 due to expected lower ore grades which were partly offset by

the higher volume of ore processed. Quarterly by-product gold production increased 16.3% vs. 2Q17 due to the higher ore grade, recovery rates and volume of ore processed.

Year to date and quarterly by-product lead production decreased when compared to the same periods of 2016 and 2Q17 mainly as a result of the lower ore grade and recovery rate. These factors were partially mitigated by the higher ore processed.

Year to date by-product zinc production decreased vs. YTD16 as a result of the lower ore grade which was partly offset by the higher ore processed and recovery rate. However, quarterly by-product zinc production increased 8.8% vs. 2Q17 due to a higher recovery rate and ore processed.

### Ciénega mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed (t)</b>	326,381	305,474	6.8	322,760	963,062	947,523	1.6
<b>Production</b>							
Gold (oz)	17,395	18,372	-5.3	18,904	53,753	55,268	-2.7
Silver (koz)	1,335	1,320	1.1	1,458	4,122	3,833	7.5
Lead (t)	1,537	1,323	16.2	1,715	4,787	4,448	7.6
Zinc (t)	1,682	1,925	-12.6	2,070	5,711	5,558	2.8
<b>Ore Grades</b>							
Gold (g/t)	1.75	1.94	-9.9	1.89	1.84	1.88	-1.9
Silver (g/t)	148	154	-3.6	161	156	144	8.9
Lead (%)	0.72	0.65	10.6	0.78	0.76	0.68	11.1
Zinc (%)	0.95	1.04	-9.3	1.10	1.04	1.01	2.7

Quarterly and year to date gold production decreased when compared to the same periods last year primarily as a result of the depletion of higher grade gold veins at Ciénega. However, this was mitigated by a higher volume of ore processed from the East and West areas and the increase in equipment availability resulting from efficiencies achieved in the maintenance programme, reducing the number of unproductive hours.

Similarly, quarterly gold production decreased 8.0% vs. 2Q17 as a result of expected lower ore grade and to a lesser extent, lower recovery rate. These factors were partly offset by the slightly higher volume of ore processed.

Year to date silver production increased over YTD16 as a result of the higher ore grade at the Taspana and San Ramón areas and, to a lesser extent, a higher volume of ore processed. This was partly offset by a lower recovery rate. Quarterly silver production remained at similar levels when compared to 3Q16.

Quarterly silver production decreased 8.4% vs. 2Q17 as a result of the expected lower ore grade and, to a lesser extent, lower recovery rate.

Quarterly and year to date by-product lead production increased over the same periods of 2016 as a result of higher ore grades and volume of ore processed. These more than compensated for the lower recovery rate.

Quarterly by-product lead production decreased 10.4% over 2Q17 due to a lower ore grade and lower recovery rate.

Quarterly by-product zinc production decreased vs. 3Q16 as a result of a lower recovery rate and ore grade. Year to date by-product zinc production slightly increased over YTD16 due to higher ore grade and volume of ore processed.

Quarterly by-product zinc production decreased -18.7% vs. 2Q17 as a result of a lower ore grade and recovery rate.

### Herradura total mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed (t)</b>	6,337,573	6,208,336	2.1	6,551,791	19,653,734	18,832,895	4.4
<b>Total Volume Hauled (t)</b>	33,433,070	28,255,782	18.3	31,063,542	95,404,767	89,019,720	7.2
<b>Production</b>							
Gold (oz)	131,738	123,258	6.9	116,267	355,747	371,817	-4.3
Silver (koz)	157	161	-2.5	104	380	464	-18.1
<b>Ore Grades</b>							
Gold (g/t)	0.75	0.78	-3.9	0.66	0.68	0.72	-5.5
Silver (g/t)	1.20	1.27	-5.4	0.87	1.01	1.16	-13.6

Quarterly gold production increased vs. 3Q16 as a result of the larger reduction in gold inventories at the leaching pads compared to the reduction in inventory level in 3Q16 and, to a lesser extent, increased volumes of ore processed. This was offset by the lower ore grade.

Year to date gold production decreased when compared to the same period of 2016 as a result of the lower ore grade at Herradura and the expected smaller decrease in gold inventories at the leaching pads compared to the larger reduction in inventory levels during 2016. However, these factors were partly mitigated by the higher volume of ore processed.

Quarterly gold production increased 13.3% vs. 2Q17 as higher ore grade from the Valles area was processed and to a lesser extent, higher volumes recovered due to increased irrigation of new mineral layers deposited on the leaching pads. These factors were partly offset by the lower volumes of ore processed.

Inventory levels are expected to continue decreasing at Herradura in 4Q17, albeit at a lower pace.

### Noche Buena total mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed (t)</b>	4,362,684	4,464,960	-2.3	4,399,136	13,375,504	13,051,182	2.5
<b>Total Volume Hauled (t)</b>	20,918,713	20,609,275	1.5	22,436,979	64,274,348	60,901,692	5.5
<b>Production</b>							
Gold (oz)	33,409	40,850	-18.2	42,097	123,184	140,511	-12.3
Silver (koz)	6	6	0.0	7	20	22	-9.1
<b>Ore Grades</b>							
Gold (g/t)	0.53	0.53	-1.6	0.51	0.51	0.51	1.3
Silver (g/t)	0.07	0.10	-25.9	0.09	0.08	0.11	-19.7

Quarterly gold production decreased vs. 3Q16 as a result of the lower overall speed of recovery, and to a lesser extent, lower volumes of ore processed (-2.3%). Similarly, year to date gold production decreased vs. YTD16 as a result of a lower overall speed of recovery. This was partially offset by slightly higher volumes of ore processed and a higher ore grade.

Quarterly gold production decreased -20.6% vs. 2Q17 mainly as a result of a lower overall speed of recovery which was partly offset by a higher ore grade.

Gold production at Noche Buena in 4Q17 is expected to be similar to 3Q17.

### San Julián mine production

	3Q 17	3Q 16	% change	2Q 17	YTD 17	YTD 16	% change
<b>Ore Processed Phase I Veins (t)</b>	333,674	121,833	174.0	308,342	948,097	121,833	678.4
<b>Ore Processed Phase II JM (t)</b>	448,150	-	N/A	-	-	-	N/A
<b>Production</b>							
Gold (oz)	23,460	7,032	233.6	20,912	63,534	7,032	803.5
Silver (koz)	3,499	484	621.4	1,592	4,473	485	822.3
Lead (t)	1,661	-	N/A	-	-	-	N/A
Zinc (t)	3,282	-	N/A	-	-	-	N/A
<b>Ore Grades Phase I Veins</b>							
Gold (g/t)	2.12	1.96	7.9	2.19	2.16	1.96	10.1
Silver (g/t)	148.09	150.53	-1.6	171.58	158.50	150.53	5.3
<b>Ore Grades Phase II JM</b>							
Gold (g/t)	0.13	-	N/A	-	-	-	N/A
Silver (g/t)	169.26	-	N/A	-	-	-	N/A
Lead (%)	0.52	-	N/A	-	-	-	N/A
Zinc (%)	1.13	-	N/A	-	-	-	N/A

Quarterly gold production at San Julián (phase I) increased over 3Q16 due to the mine operating at full capacity in 2017. Similarly, year to date gold production increased vs. YTD16 reflecting the first full year of operations.

Quarterly gold production increased 12.2% vs. 2Q17 as a result of higher volumes of ore processed and higher recovery rate due to the ramp up of operations.

Silver production for 3Q17 increased when compared to the same period 2016 as a result of higher volumes of ore processed and recovery rate due to the start of operations last year.

Similarly, year to date silver production increased when compared to YTD16 reflecting the start and ramp up of both phases.

Quarterly silver production increased vs. 2Q17 as a result of the start of operations of San Julián (phase II).

Silver production is expected to be around 10 moz and gold production c. 80 koz for the full year in line with expectations given commercial production began mid-July.

### Update on development projects

## **Pyrites Plant**

Construction of the pyrites plant in the Fresnillo district remains on track and on budget. The plant is expected to improve overall recoveries of both gold and silver by processing historical and ongoing tailings from the Fresnillo and Saucito mines.

At full capacity, the US\$155 million project is expected to contribute an annual production of c. 3.5 moz of silver and c. 13 koz of gold once the plant is commissioned in 1H18 and reaches full capacity.

## **Second Dynamic Leaching Plant**

Construction of the second line of the dynamic leaching plant at Herradura is on track and on budget. The project will enable sulphides occurring deeper in the pit to be processed more efficiently. Assembly of the milling area and the installation of the mills are ongoing and building of the hydraulic units is expected to be completed by the end of the year.

The construction of this US\$110 million project will continue throughout 2017 with commissioning expected in 2018, and will extend the life of Herradura's mine to 12 years with an average life of mine annual gold production of 390 koz.

## **Update on exploration**

In 3Q17, 145,000 metres of drilling were completed at our operating mines as part of direct mine development and conversion of resources into reserves. Additionally 100,000 metres of exploration drilling were carried out at other projects. The cumulative drilling for the period from January to September 2017 at our operating mines and exploration projects was 378,000 and 300,000 metres respectively. Presently 20 areas are being drilled and interesting results extending ore shoots in known and new structures were obtained in the Fresnillo and San Julián districts. At Candameña and Guanajuato, interesting gold-silver results were obtained. Two prospects are in drilling in Peru with infill drilling at Pilarica. In addition, prospecting teams continue evaluating selected areas of the favourable silver-gold belts in Mexico, Peru, Chile and Argentina.

## **Safety Performance**

We are pleased to report that there were no fatal accidents at our operations during the third quarter of 2017. Safety remains our absolute priority and we continue to reinforce our safety measures in order to fulfil our zero fatalities commitment on an ongoing basis.

There will be a conference call for analysts and investors on Wednesday 25th October at 9:00am (London time). The dial in details are as follows:

**UK:** +44 (0) 808 109 0700

**USA:** +1 866 966 5335

**Mexico:** +1 866 966 8830

**All other locations:** +44 (0) 20 3003 2666

**Participant password:** Fresnillo

A replay of the call will also be available for seven days after the event. The replay can be accessed via the following details:

**Replay dial-in number:** +44 (0) 208 196 1998



**Replay PIN:** 4389876#

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 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-Dipolos<sup>1</sup>, Noche Buena and San Julián (phase I and II), two development projects - 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.

<sup>1</sup> 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.