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18 April 2013

## **Production Report**

### **for the three months ended 31 March 2013**

#### **Overview**

- Quarterly attributable silver production of 10.1 million ounces (including the Silverstream) increased by 2.6% over 1Q12 due mainly to the continued ramp-up and higher than expected ore grades at Saucito.
- Attributable gold production of 117,500 ounces decreased by 3.5% when compared to 1Q12 due to the lower recovery rate and reduced volume of ore deposited at Soledad-Dipolos and lower ore grade at Ciénega, mitigated by the ramp-up of production at Noche Buena.
- Construction of the dynamic leaching plant at Herradura is on track for start-up in 4Q13.
- Detailed engineering for the processing plants and construction at San Julián is advancing according to schedule.
- Good exploration results were obtained at Mega Centauro, Centauro Deep, Tajitos and Lucerito.
- On track to achieve our production targets of 41 million ounces of silver and 490,000 attributable ounces of gold in 2013.

Octavio Alvidrez, Chief Executive Officer, said:

“Fresnillo made a strong start to 2013 and is on track to achieve the 2013 production targets.

However the outlook for the precious metals market has become increasingly challenging over the first few months of the year. In the wake of the recent sharp falls in gold and silver prices we will review all capital expenditure and assess future exploration projects.

Nonetheless, while we will also evaluate further cost saving initiatives, we are confident that all current development projects remain attractive. They have been designed to be low cost projects and our modeling suggests they will continue to deliver industry leading margins and profits at precious metals prices far below today’s levels.

As a result we remain committed to our long-term goals of producing 68 million ounces of silver and 500,000 ounces of gold a year by 2018, but will do so with a view to maximizing benefits for all our stakeholders.

We take a long-term view of the macro-economic trends affecting our industry and will continue to ensure efficient and optimal operational performance. As a company, we have

made a strong start to 2013 both in terms of production and our development projects. We are determined to carry on in this vein for the rest of the year.”

### Total Production - Attributable

	1Q 13	1Q 12	% change	4Q 12
Silver prod'n (kOz)	9,176	8,769	4.6	9,651
Silverstream prod'n (kOz)	876	1,027	-14.7	922
Total silver prod'n (kOz)	10,052	9,796	2.6	10,573
Gold prod'n (Oz)	117,512	121,792	-3.5	97,398
Lead prod'n (t)	5,764	6,265	-8.0	5,698
Zinc prod'n (t)	5,472	6,925	-21.0	4,972

Quarterly silver production, including the Silverstream, increased by 2.6% compared with the first quarter of 2012. This was the result of better ore grades and continued ramp-up at Saucito, and with higher silver ore grade at San Ramón, Ciénega's satellite mine. These positive effects were partially offset by the lower ore grade from Fresnillo and lower volume from the Silverstream, which is in line with the Sabinas mine's expected long term average ore grade (last year Sabinas mined above average ore grades).

When compared to the previous quarter, silver production decreased by 4.9% as a result of the lower ore grade at the Fresnillo mine. However, this was partially offset by the higher ore grades and volumes processed at Saucito.

Quarterly attributable gold production decreased by 3.5% when compared to the same period of 2012 due mainly to the slower leaching process that continued to affect the Soledad-Dipolos mine. Furthermore, the expected lower ore grade at Ciénega also contributed to the decrease in gold production. However, this negative effect was partially compensated by the first full quarterly production at the Noche Buena mine, which started operations in March 2012, and the better ore grades at Soledad-Dipolos.

At the end of last year we worked to reconcile negative assay differences with Met-Mex Penoles that occurred over the course of 2012. We booked most of these differences in the production results from the Penmont mines in the fourth quarter of the year. This had the effect of artificially lowering production volumes in that quarter. Notwithstanding the increased contribution from Noche Buena, this also has the impact of suggesting larger than normal increases in gold production in the first quarter of 2013 compared with the final quarter of 2012. We are reviewing our sampling process to minimise differences with Met-Mex in the following months.

Quarterly by-product lead and zinc production decreased by 8.0% and 21.0% respectively over the same quarter of 2012 due to lower ore grades and recoveries at Fresnillo and Ciénega.

Management remains confident of achieving the production target of 41 million ounces of silver and 490,000 ounces of gold for 2013.

### Fresnillo mine production

	1Q 13	1Q 12	% change	4Q 12
Silver prod'n (kOz)	5,343	6,748	-20.8	6,485
Gold prod'n (Oz)	6,818	8,731	-21.9	6,716
Lead prod'n (t)	3,441	4,277	-19.5	3,496

Zinc prod'n (t)	3,069	4,125	-25.6	2,716
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Quarterly silver production at the Fresnillo mine fell by 20.8% and 17.6% when compared to the first quarter of 2012 and previous period respectively due to the lower ore grade (272 g/t 1Q13; 335 g/t 1Q12; 323 g/t 4Q12). This resulted from the previously guided decrease in average ore grade in 2013 to 300 g/t and the delay in mining works, which limited access to high ore grade zones and constrained production to areas with lower ore grade. Small changes to the original mine plan at this mine are being made to meet its targeted 2013 production.

Quarterly gold, lead and zinc production decreased by 21.9%, 19.5% and 25.6% respectively when compared to the first quarter of 2012 as a result of lower ore grades and recovery rates. However, gold production for the first three months of 2013 remained largely the same compared to the previous quarter, whilst zinc production increased by 13.0% when compared to the fourth quarter of 2012 due to improved recovery and higher ore grades.

### Saucito mine production

	1Q 13	1Q 12	% change	4Q 12
Silver prod'n (kOz)	2,675	1,494	79.0	2,006
Gold prod'n (Oz)	11,213	11,358	-1.3	11,142
Lead prod'n (t)	1,252	485	158.1	916
Zinc prod'n (t)	1,056	349	202.6	610

Quarterly silver production increased by 79.0% when compared to the same period of 2012 as a result of: i) better ore grades (+30%; 322 g/t 1Q13 vs. 247 g/t 1Q12) due to the increased extraction from the richer Jarillas vein; ii) increased volume of ore processed in accordance with the expected ramp-up at this mine; and iii) higher recovery rates. Silver production increased by 33.4% when compared to the last quarter of 2012 due to higher ore grades and ore processed from the Mezquite vein.

Quarterly by-product lead production increased significantly by 158.1% over the same period of 2012 as a result of higher ore grades and ore throughput. Similarly, quarterly zinc production increased by 202.6% when compared to the first quarter of the previous year due to higher ore grades, ore processed and recovery rates.

### Ciénega mine production

	1Q 13	1Q 12	% change	4Q 12
Gold prod'n (Oz)	28,012	31,546	-11.2	28,816
Silver prod'n (kOz)	1,104	466	136.9	1,136
Lead prod'n (t)	1,071	1,503	-28.7	1,286
Zinc prod'n (t)	1,346	2,451	-45.1	1,646

Quarterly gold production decreased by 11.2% when compared to the same period of 2012 mainly due to the anticipated and previously guided lower ore grades (-25%; 3.0 g/t 1Q13 vs. 4.1 g/t 1Q12) resulting from greater dilution when mining narrow veins. Nevertheless, the adverse effect of the lower ore grade was mitigated by the increase of ore processed due to the optimization in the maintenance programmes and milling process. Gold production decreased slightly by 2.8% when compared to the previous quarter due to the lower ore grade, which was partially compensated by higher ore throughput.

Quarterly silver production significantly increased a 136.9% over the first quarter of 2012 mainly as a result of higher ore grades and volumes of ore processed from the San Ramón satellite mine. Silver production remained largely the same compared to the previous quarter.

Quarterly by-product lead and zinc production decreased by 28.7% and 45.1% respectively when compared to the same period of 2012 as a result of lower ore grades and recovery.

### **Herradura mine production - Attributable**

	1Q 13	1Q 12	% change	4Q 12
Gold prod'n (Oz)	45,645	46,722	-2.3	34,168
Silver prod'n (kOz)	44	49	-10.2	19

Quarterly attributable gold production decreased by 2.3% when compared to the reported figures in the first quarter of 2012. This was the result of lower recovery rates which were compensated by higher volume of ore deposited and better ore grades. Excluding the aforementioned 2012 year-end assay adjustments, quarterly gold production increased by 6.1% over the last quarter of 2012 due to the better ore grades mentioned above.

At the Centauro Deep exploration project, further progress was made with 1,686 metres of development workings in the first quarter of this year.

We continue to evaluate the possible expansion of the Centauro pit (Mega Centauro project).

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

	1Q 13	1Q 12	% change	4Q 12
Gold prod'n (Oz)	11,751	21,209	-44.6	6,313
Silver prod'n (kOz)	6	12	-50.0	3

In the first quarter of 2012 we had better metallurgical recovery due to the favourable effect of irrigating the first levels of the leaching pads; whereas in the first quarter of 2013 we had a temporarily slower rate of recovery mainly due to the low gold concentration in the solution. This was the main reason for the 44.6% decrease versus the first quarter of 2012. We expect to resolve this problem soon and to make up for the lost production during the remainder of the year. As part of the measures implemented to increase the recovery speed, adjustments at the pumping capacity of the processing will be made during this year. Management remains confident of achieving the expected attributable gold production for 2013.

Excluding the aforementioned 2012 year-end assay adjustments, quarterly attributable gold production remained largely the same over the previous quarter.

### **Noche Buena mine production - Attributable**

	1Q 13	1Q 12	% change	4Q 12
Gold prod'n (Oz)	14,072	2,227	>100	10,245

Silver prod'n (kOz)	3	1	>100	1
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Quarterly attributable gold production reflects the ramp-up of production at this mine, which became operational in March 2012. Excluding the aforementioned 2012 year-end assay adjustments, quarterly gold production increased by 4.7% over the last quarter of 2012 due to higher ore deposited.

Due to positive exploration results obtained in 2012, we are increasing capacity at this mine to produce an average annual production of 75,000 attributable ounces from 2013-2018.

## Update on development projects

- ***Dynamic leaching plant at Herradura (“DLP”)***

During the period significant progress in the construction of the dynamic leaching plant was made. Several components for the mills were installed and the construction of the milling building continued as well as the construction of the thickeners. Construction of the tailings dam continued with the installation of liners. Workers, who will be operating this plant, have been training at Saucito and Ciénega’s beneficiation plants.

This project, which is expected to increase gold production by a total of 412,000 ounces over the 2013-2020 period, is on track for construction to be concluded in the third quarter of 2013 and become operational in the following quarter.

- ***Saucito II***

The feasibility study for the expansion of the Saucito mine, known as the Saucito II project, was approved by the Board in March. This project with a capital cost of US\$235 million is expected to produce an average of 8.4 million ounces of silver and 35,000 ounces of gold per year.

This project envisages/comprises the construction of a beneficiation plant, identical to the one that is operating at Saucito, but with an additional circuit to produce pyrite concentrates, which will be processed to recover gold and silver.

The Saucito II project is expected to be concluded in 2015 and will further contribute to achieve our silver and gold targets for 2018.

- ***San Julián***

In the first quarter of the year, the detailed diagrams for the leaching plant were completed and reviewed, whilst additional analysis was conducted to determine the best location for the processing plants and auxiliary buildings.

The construction of the landing strip was concluded in February to facilitate the fly in-fly out scheme for personnel during the construction and operational phases.

This project, which will play a critical role towards achieving our long-term goals, is expected to start production in the second half of 2014 and will produce an average of 9.6 million ounces of silver and 40,000 ounces of gold per year once at full capacity.

## Exploration

In the first three months of 2013 exploration was focused on 13 properties with 49 surface rigs and 175,670 metres drilled. Good results were obtained at Mega Centauro, Centauro Deep and Noche Buena in the Herradura District (Sonora), at Guanajuato (Guanajuato) and Pilarica (Peru).

Gold-silver mineralisation was intersected at Tajitos (Sonora), San Julián, Orisyvo (Chihuahua), Lucerito and San Ramón (Durango), and Fresnillo South (Zacatecas) where geological models are being integrated for resource estimation. Drilling was also carried out at the Coneto (Durango) and Juanicipio (Zacatecas) joint venture projects.

Furthermore, several interesting areas are in mapping and sampling both in the Herradura and Mesa Central areas of Mexico and the southern Andes of Peru.

### **Safety Performance**

We are pleased to report that we have not suffered any fatal accidents over the quarter due to the strong commitment of our workers and employees and the reinforcement of safety measures and policies. We continue to work towards achieving our zero fatal accident target by focusing on safety training and implementing behavioral change throughout the company.

There will be a conference call for analysts and investors on Thursday 18 April at 8am (London time). The dial in details are as follows:

Participants' dial in number: **+44 (0) 1452 555566**  
Conference ID: # **36160010**

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 has seven operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega, San Ramón (satellite of the Ciénega gold mine), Herradura, Soledad-Dipolos and Noche Buena; three development projects - a dynamic leaching plant to treat high grade gold ore

from the Herradura and Soledad-Dipolos mines; San Julián and Saucito II 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 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 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.