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22 January 2013

## **Production Report**

### **for the three months ended 31 December 2012**

#### **Overview**

- Record annual attributable gold production of 473,034 ounces, up 5.4% year on year, exceeding the full-year target of 460,000 ounces, mainly due to the successful first year of operations at Noche Buena and continuous ramp-up at Saucito.
- Annual attributable silver production of 41Moz, (including 4.0Moz from the Silverstream), in line with our guidance; the ramp-up at Saucito offset the anticipated natural decrease in silver ore grade at the Fresnillo mine.
- Quarterly attributable silver production of 10.6Moz, (including the Silverstream), slightly above 4Q11.
- Construction of the dynamic leaching plant at Herradura remains on track to become operational in 4Q13.
- Significant progress in the construction of the Jarillas shaft at Saucito is on track for commissioning in 1Q13.
- Construction of the US\$500M San Julián silver mine began immediately after board approval in 4Q12.
- Positive exploration results during the quarter with final audited figures expected to be released in early March.
- On track to produce 65 million ounces of silver and target of 500,000 attributable ounces of gold annually by 2018

#### **Outlook for 2013**

- A focus on safety across all our operations and exploration projects to improve performance and meet our zero fatalities target.
- Attributable silver production to remain stable at 41Moz, including 4Moz from the Silverstream, with expected ramp-up to approximately 8.5Moz at Saucito offsetting the expected decrease in silver ore grade at Fresnillo.
- Attributable gold production expected to reach 490,000 ounces due to ramp-up at Noche Buena.
- Exploration budget to be increased to US\$270m (excluding capitalised exploration expenses), up 15% above the US\$234m spent in 2012.

- Production levels will be maintained at Ciénega, despite expected lower ore grades, as a result of the increase in ore processed through the optimization of the milling process.
- Evaluate the expansion of the main pit at Herradura and the construction of the pyrites plant in the Fresnillo District.
- Commissioning of the dynamic leaching plant at Herradura in 4Q13 which will contribute an additional average attributable gold production of 28,000 ounces per year.
- Conclude detailed engineering at San Julián and continue the construction of the processing plant. Start-up is expected in 2H14.
- Submit the Saucito II silver project for Board approval in 1Q13 and begin construction in 2H13. This project is expected to produce an average of 8.4Moz of silver and 35,000 ounces of gold per year.
- Conclude the construction of the pumping station at Centauro Deep project and continue exploration activities to increase our resource base, including the construction of a shaft which will allow direct access to the ore body.
- Exploration programme to continue at Juanicipio in accordance with recommendations set out in the prefeasibility study.
- Cost control initiatives will continue across all operations to compensate for the expected inflation in operating materials, increased stripping ratios and longer haulage distances.

Octavio Alvidrez, Chief Executive Officer, said:

“In 2012, we further consolidated our position as a leading precious metals producer with gold production exceeding our full-year target and reaching a new record of 473,035 ounces. This was mainly the result of the higher than expected production volumes at Noche Buena in the first year of operation, which illustrates our ongoing commitment to advance our development projects towards the operational phase as efficiently as possible. Furthermore, the strong performance at Saucito, demonstrated by the increased volumes of ore processed, further contributed to higher gold production.

Annual silver production remained steady at 41 Moz as a result of the ramp-up at Saucito, higher silver ore grade at Ciénega and increased ore milled at Fresnillo, all of which compensated for the anticipated lower ore grade at our flagship mine.

In accordance with our strategy to maintain a strong pipeline of projects and prospects, exploration expenses reached a record of US\$234 million, resulting in encouraging results, mainly at Herradura, Noche Buena, Lucerito, Guachichil and Guanajuato. A US\$270M exploration budget, excluding capitalised exploration expenses, has been approved for 2013 following successful exploration results in 2012. Board approval for the San Julián project was granted in October with capital expenditure estimated at US\$500M. This is a key project in our journey towards our goal of producing 65 million ounces of silver a year by 2018.

Construction of the Jarillas shaft at Saucito, which will provide access to additional stopes and reduce haulage costs, will be concluded in 1Q13.

As previously stated, Fresnillo believes remaining a member of the FTSE 100 index is important. As such, the Board continues to consider a wide range of options to increase the Company's free float to 25% by the end of 2013 deadline.

Unfortunately, we suffered six fatal accidents as a result of breaches of the Group's safety procedures over the year. We continue to reinforce our policies and to implement new initiatives to improve the safety culture across all our operations. These actions reduced the number of incidents compared to the previous year and put us in the right path towards achieving our zero fatalities target. We remain committed to provide a safe workplace to our personnel and will continue focused in making safety the most important value in Fresnillo plc."

### **Total Production - Attributable**

	<b>4Q 12</b>	<b>4Q 11</b>	<b>% change</b>	<b>3Q 12</b>	<b>FY 12</b>	<b>FY 11</b>	<b>% change</b>
Silver prod'n (kOz)	9,651	9,258	4.2	9,375	36,938	37,950	-2.7
Silverstream prod'n (kOz)	922	1,088	-15.2	953	4,035	3,923	2.9
Total silver prod'n (kOz)	10,573	10,346	2.2	10,329	40,973	41,873	-2.1
Gold prod'n (Oz)	97,398	122,621	-20.6	126,841	473,034	448,866	5.4
Lead prod'n (t)	5,698	5,501	3.6	6,096	24,639	21,442	14.9
Zinc prod'n (t)	4,972	5,932	-16.2	6,391	24,928	23,113	7.9

Annual attributable silver production remained steady year on year with 41Moz produced, including 4.0Moz from the Silverstream. This resulted from increased production at the Ciénega mine, mainly due to the higher silver ore grade coming out of its San Ramón satellite mine, together with the ramped-up production at the Saucito mine. This was offset by the anticipated decline in the silver ore grade at the Fresnillo mine.

Quarterly silver production, excluding the Silverstream, increased by 4.2% over the fourth quarter of 2011 as a result of higher volumes of ore milled and the increased silver ore grade (136g/t 4Q12 vs 68g/t 4Q11) which doubled silver production at Ciénega, and better ore grade from the production stopes at Saucito. Furthermore, the negative effect from the lower ore grade at Fresnillo was partially mitigated by higher ore volumes processed at this mine. Quarterly production from the Sabinas mine, related to the Silverstream contract, decreased compared to the corresponding period of 2011 due to a malfunction of the SAG mill and thickeners, which required corrective maintenance. Operations at the Sabinas mine are expected to return back to normal levels by the end of January.

As a result of these factors, total quarterly silver production, including the Silverstream, increased slightly to 10.6Moz over both the last quarter of 2011 and the previous quarter.

Annual attributable gold production reached a new record at 473,034 ounces, a 5.4% increase compared to 2011 mainly due to the start-up of Noche Buena, and higher ore volumes milled and improved ore grades at Saucito. Additionally, efficiencies achieved in the maintenance process increased ore throughput to over 1 million tonnes per year (tpy) at Ciénega, surpassing the designed capacity of 930,000 tpy and further improving annual gold production. These effects were partially offset by lower production at Soledad-Dipolos due to lower ore grades which reduced both the recovery rate and the speed at which recovery took place.

Quarterly attributable gold production decreased by 20.6% compared to the last quarter of 2011 mainly due to: i) slower recovery at Soledad-Dipolos, causing an increase in the inventories of gold contained at the pads; ii) lower ore grades at Herradura; and iii) the effect of the previously announced year-end adjustments applied in the last quarter which resulted from the reconciliation of assay differences with Met-Mex Peñoles. These differences represented approximately 3% of total annual gold sales.

Quarterly lead production increased over the last quarter of 2011 due to ramp-up of production at Saucito, whilst quarterly zinc production decreased by 16.2% compared to the fourth quarter of 2011 as a result of lower ore grades and recovery rates at Ciénega and Fresnillo.

### Fresnillo mine production

	4Q 12	4Q 11	% change	3Q 12	FY 12	FY 11	% change
Silver prod'n (kOz)	6,485	7,014	-7.5	6,531	26,383	30,295	-12.9
Gold prod'n (Oz)	6,716	7,678	-12.5	6,978	29,573	26,237	12.7
Lead prod'n (t)	3,496	3,475	0.6	3,992	16,190	13,385	21.0
Zinc prod'n (t)	2,716	3,076	-11.7	3,941	14,966	12,623	18.6

Quarterly and annual silver production at this mine decreased by 7.5% and 12.9% compared to the corresponding periods in 2011 due to the anticipated natural decline in silver ore grades. Notwithstanding, this adverse effect was partially mitigated by the increase in mineral volume processed, which resulted from the greater availability of stopes, following intensive development at the San Diego and San Alberto veins. Quarterly silver production remained steady compared to the third quarter of 2012.

As expected, the average silver ore grade fell by 17.2% from 396g/t in 2011 to 328g/t in 2012, and, based on current information, a further gradual decline towards the grade in reserves (281 g/t) is anticipated throughout the remaining life of the mine. Simultaneously, lead and zinc grades have been increasing and are expected to continue doing so in the following years. So far, we have been able to process ore with higher lead and zinc contents by adjusting the process, thus maintaining production at 8,000 tonnes per day.

Quarterly gold and zinc production decreased compared to the last quarter in 2011 due to lower ore grades and recovery rates. Notwithstanding, annual gold, lead and zinc production increased significantly over 2011 as a result of the higher ore grades.

In 2013, a pyrites plant to process tailings from the Fresnillo and Saucito mines in order to increase silver and gold recovery rates will be evaluated. This project is expected to further mitigate the lower silver grade at the Fresnillo mine.

A great deal of work has been done toward a potential expansion of the Fresnillo mine (from 8,000 to 10,000 tonnes per day). However, given the number of initiatives across the District (including the Saucito mine, the Saucito II project, the pyrites plant and other ore bodies in the area which will be mined in the near future), we are carrying out further analysis of the best way to develop this project to the benefit of all operations within the district.

### Saucito mine production

	4Q 12	4Q 11	% change	3Q 12	FY 12	FY 11	% change
Silver prod'n (kOz)	2,006	1,651	21.5	1,800	7,054	5,904	19.5
Gold prod'n (Oz)	11,142	11,662	-4.5	12,384	45,246	33,493	35.1
Lead prod'n (t)	916	517	77.2	712	2,773	1,742	59.2
Zinc prod'n (t)	610	349	74.8	470	1,791	1,171	52.9

Annual silver production of 7.0Moz exceeded our initial expectations of 6.5Moz and was 19.5% higher compared to last year. This is explained by the ramp-up of production and better ore grades from the production stopes at the Saucito vein, coupled with the processing of development ore and throughput from the Jarillas vein with higher silver grades.

Quarterly silver production increased by 21.5% compared to the fourth quarter of 2011 due to higher throughput and better ore grades from the production stopes. Similarly, quarterly silver production rose by 11.4% over the previous quarter of 2012 as a result of increased volumes of ore milled, which more than made up for the lost production due to the mill malfunction during third quarter.

Construction of the Jarillas shaft, with a capacity of 5,000 tonnes per day, has almost been completed. The shaft is expected to be commissioned in March 2013 and will provide direct access to the rich Jarillas veins, thus reducing haulage costs.

Saucito has achieved the designed full capacity of 3,000 tonnes per day and, together with the Jarillas shaft and the new stopes from the Jarillas vein, is expected to reach production levels of approximately 8.5Moz of silver and 40,000 ounces of gold in 2013. This will help compensate for the anticipated lower silver production at the Fresnillo mine.

Annual gold production increased significantly over 2011 as a result of the higher average ore grades (+22.6%; 1.75 g/t in 2012 vs 1.43 g/t in 2011) and augmented ore throughput. In contrast, quarterly gold production decreased by 4.5% compared to the fourth quarter in 2011 as a result of a slightly lower recovery rate, and declined by 10.0% compared to the previous quarter due to lower ore grades.

Similarly, quarterly and full year lead and zinc production benefited from the increased volumes of ore milled and higher ore grades from the production stopes.

### **Ciénega mine production**

	<b>4Q 12</b>	<b>4Q 11</b>	<b>% change</b>	<b>3Q 12</b>	<b>FY 12</b>	<b>FY 11</b>	<b>% change</b>
Gold prod'n (Oz)	28,816	31,157	-7.5	31,128	125,275	116,841	7.2
Silver prod'n (kOz)	1,136	532	113.5	1,003	3,329	1,474	125.8
Lead prod'n (t)	1,286	1,509	-14.8	1,393	5,676	6,315	-10.1
Zinc prod'n (t)	1,646	2,508	-34.4	1,980	8,171	9,318	-12.3

Annual gold production increased by 7.2% over 2011 due to higher ore throughput, which reached 1 million tonnes and surpassed the expanded milling capacity of 930,000 tonnes per year, partially offset by the lower ore grade. However, quarterly gold production decreased by 7.5% and 7.4% compared to the last quarter in 2011 and previous quarter as a result of this lower ore grade.

Quarterly and annual silver production doubled compared to the corresponding periods in 2011 as a result of higher silver grades mainly from the San Ramón satellite mine.

The average gold grade at Ciénega decreased from 3.9 g/t in 2011 to 3.6 g/t in 2012. This is expected to decrease steadily over the next few years until it reaches the level in reserves. In contrast, the silver ore grade rose from 53.3 g/t in 2011 to 105.2 g/t in 2012 and will remain at this level in the following years. This, together with the higher volumes of ore milled, is expected to compensate for the lower gold grade. Furthermore, this profile will likely convert Ciénega into a primarily silver mine in the medium term.

Quarterly and full year lead and zinc production decreased compared to the corresponding periods in 2011 due to lower ore grades.

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

	<b>4Q 12</b>	<b>4Q 11</b>	<b>% change</b>	<b>3Q 12</b>	<b>FY 12</b>	<b>FY 11</b>	<b>% change</b>
Gold prod'n (Oz)	34,168	48,804	-30.0	47,585	176,146	183,528	-4.0
Silver prod'n (kOz)	19	49	-61.2	33	136	227	-40.1

Full year attributable gold production decreased compared to the same period in 2011 as a result of the lower ore grades and recovery rates. In this case, the 13.8% decrease in ore grade (0.56 g/t 2012 vs 0.65 g/t 2011) resulted from: i) our strategy to deposit increased volumes of low grade ore which are economically viable at current prices, and ii) lower than expected ore grades from the production stopes at the bottom of the Centauro pit.

The main reason for the decrease in gold production compared to the previous quarter is related to the effect of the year-end assay adjustment mentioned above. Excluding this effect production would have been very similar to the previous quarter. Quarterly attributable production for next year is expected to average approximately 47,000 ounces.

Construction of the ninth leaching pad was concluded. To ensure continuous operations, construction of the tenth leaching pad has begun and is expected to be concluded by the end of 2013.

The Centauro Deep exploration project is progressing well with encouraging results obtained from our drilling programme. Mining works reached 6,556 metres in 2012, construction of a pumping station began in the last quarter and the construction of the exploration shaft is expected to start in 2013.

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

	<b>4Q 12</b>	<b>4Q 11</b>	<b>% change</b>	<b>3Q 12</b>	<b>FY 12</b>	<b>FY 11</b>	<b>% change</b>
Gold prod'n (Oz)	6,313	23,321	-72.9	14,928	60,104	88,767	-32.3
Silver prod'n (kOz)	3	11	-72.7	5	29	50	-42.0

Annual gold production decreased when compared to 2011 as a result of our decision to process lower ore grades which are economically viable at current prices, and lower ore grades at the production stopes mined at deeper levels. The lower ore grades also decreased recovery rates and the speed at which recovery takes place, resulting in a significant increase of gold inventories at the pads. We are currently analyzing the best alternative to accelerate the recovery of gold in the leaching pads. Nevertheless, attributable gold production for next year is expected to remain at approximately 60,000 ounces.

Quarterly gold production decreased by 72.9% and 57.7% compared to the fourth quarter in 2011 and previous quarter as a result of the aforementioned slower recovery, however the main reason was the effect of the year-end assay adjustments mentioned earlier. Excluding this effect gold production at this mine would have decreased only by approximately 40% and 7% against 4Q11 and 3Q12 respectively.

Quarterly attributable gold production is expected to maintain similar levels of those presented in the 3Q12.

## Noche Buena mine production - Attributable

	4Q 12	4Q 11	% change	3Q 12	FY 12	FY 11	% change
Gold prod'n (Oz)	10,245	-	N/A	13,839	36,690	-	N/A
Silver prod'n (kOz)	1	-	N/A	3	8	-	N/A

The start-up of Noche Buena in March was crucial to accomplishing the new record high gold production. This new mine continued to ramp-up and reached full capacity by the end of 2012, thus producing 36,690 attributable ounces of gold, 9.0% higher than the expected figure for the year.

The main reason for the quarterly production decrease was the adverse effect of the year-end assay adjustment mentioned earlier. Excluding this effect 4Q12 gold production at this mine would have been approximately 17% higher compared to 3Q12.

Furthermore, as mentioned in the exploration section below, encouraging results were obtained from our drilling activities, thus an expansion of capacity will be concluded in 2013 in order to increase average annual gold production to 75,000 attributable ounces from 2013-2018.

## Update on development projects

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

The construction of the DLP at Herradura remains on track to be concluded in the third quarter of 2013, with commercial production expected in the following quarter.

In the last quarter of 2012, works on the foundations for the mills and thickeners progressed significantly. Construction of the reagents warehouse, energy station and maintenance workshop continued.

This project is expected to increase gold production by a total of 412,000 ounces over the 2013-2020 period. The DLP will play a key role at this District, firstly by processing the high grade ore from the Herradura and Soledad-Dipolos pits, and secondly by treating the mineral from the possible Centauro Deep underground mine.

- ***San Julián***

Construction of the San Julián silver-gold mine began in the last quarter of the year. Mining works and detailed engineering of the plant continued. Work on the infrastructure for water and drainage progressed, while construction of the landing strip began and is expected to be concluded in February 2013.

This US\$500 million project is expected to be concluded in the second half of 2014 and will produce an average of 9.6Moz of silver and 40,000 ounces of gold per year once at full capacity, thus playing a critical role towards achieving our long-term goal.

## Exploration

Drilling continued at 25 prospects and projects (22 in Mexico and 3 in Peru) using 55 rigs, completing 133,800 metres of core and 66,700 metres of reverse circulation. Exploration efforts are concentrated around our operating mines and in development and advanced exploration projects. Updated resource and reserve figures will be released at the time of

Fresnillo plc's preliminary results once the external technical audit is completed. Significant increases in both reserves and resources are anticipated.

Positive results were obtained at Noche Buena East, Centauro, Centauro Deep, and Tajitos in the Herradura District, in both near surface gold showings and at deeper higher grade targets. Drilling continues south and east of the Fresnillo mine, testing geophysical and geochemical targets; infill drilling at the Juancipio joint-venture continues to upgrade resource quality along the Valdecañas vein. Encouraging results were obtained at the Las Casas vein system and at the San Ramón satellite operation in the Ciénega District.

At the San Julián development project, mine workings total now 27.4km, crosscuts confirm the size and grade of the JM disseminated ore body and the Todos Santos vein, while exploration continues in the northern part of the district at Todos Santos Norte, Santa Sofia and San Nicolas veins. Mine workings advanced to 2.2km at Orisyvo, where good gold grades have been confirmed along 400 metres of drifting; a detailed underground exploration programme will be carried out in 2013.

Drilling has delivered interesting gold and silver grades over mineable widths in virgin areas of the Guanajuato district, and positive results continue to come from the Coneto silver-gold prospect, a joint-venture with Ores Minerals, and from the Pilarica silver prospect in Peru.

The 2013 Mexico and Peru exploration programmes and budgets were reviewed; a number of new zones will be evaluated in selected high potential gold and silver belts that were generated in the 2012 programme.

### **Safety Performance**

Unfortunately, a fatal accident occurred at the San Julián development project in the fourth quarter, adding up for a total of six fatalities in 2012. This resulted from a breach in Fresnillo plc's safety procedures.

We are deeply saddened and concerned about the repeated breaches of our safety procedures despite our ongoing efforts to reinforce safety measures and provide a safe work environment. We are determined to continue working through extensive campaigns to ensure strict adherence to the safety policies set up and foster a renewed safety culture across the whole company, from exploration to operations. In addition, we will continue training our workers and contractors, assessing and managing the risks and closely supervising all working areas.

We are conscious of the consequences that the loss of a loved one has amongst the family, friends and colleagues and we will not give up until we achieve our zero fatal accidents target.

### **Costs update**

Fresnillo plc will continue to invest in cost control initiatives aiming at preserving healthy margins across any economic scenario. Notwithstanding, we anticipate further increases mainly in energy and operating materials which are expected to negatively affect our costs in 2013. In addition, higher stripping ratios and increased development at some of our operating units will increase costs. Further detail around costs will be provided on our Preliminary Results release in the first quarter of 2013.



There will be a conference call for analysts and investors on Tuesday 22 January at 8:30am (London time). The dial in details are as follows:

Participants' dial in number: **+44 (0) 1452 561394**  
Conference ID: # **89812965**

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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 Stock Exchange under the symbol FRES.

Fresnillo has seven operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega, San Ramón, Herradura, Soledad-Dipolos and Noche Buena; two development projects – a dynamic leaching plant to treat high grade gold ore from the Herradura and Soledad-Dipolos mines and San Julián; and four advanced exploration prospects – Centauro Deep, Juanicipio, Orisyvo and Las Casas as well as a number of other long term exploration prospects. In total, 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.