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15 October 2012

## **Interim Management Statement and Production Report for the three months ended 30 September 2012**

### **Overview**

- Record year to date attributable gold production of 375,637 ounces, a 15.1% increase over the same period of 2011.
- Attributable quarterly gold production of 126,841 ounces increased by 5.9% compared to 3Q11 due to the contribution from the new Noche Buena mine.
- Year to date attributable silver production, including the Silverstream (3.1Moz.) decreased by 3.6% when compared to the same period in 2011 as a result of the anticipated decline in silver grades at the Fresnillo mine. However, silver production continues to improve quarter on quarter.
- Quarterly silver production of 10.3 million ounces, including the Silverstream, a 2.6% increase over the same period of 2011.
- Resources were increased at each of our seven operating mines with reserves notably increased at Noche Buena and Saucito. Audited figures will be released alongside our preliminary results on early March 2013.
- On track to achieve annual silver production target of 41Moz and 460,000 ounces of gold.

Octavio Alvidrez, Chief Executive Officer, said:

“The Group’s performance over the period demonstrates our commitment to maximise sustainable growth through the continued ramp up of Saucito and the new Noche Buena mine. These have allowed us to reach record levels of attributable gold production and maintain silver production levels in the year to date. We are on track to achieve our silver and gold production targets for 2012.

Higher ore throughput from Ciénega and an increase in ore deposited at Herradura also benefited gold production. Our growing position as a significant gold producer will be further consolidated by continued progress at our development projects.

Although year to date attributable silver production decreased, due to the anticipated and previously announced decline in Fresnillo’s ore grades, this was in part offset by higher silver ore grades processed at Ciénega and Saucito.

Our exploration projects are the cornerstone of our future growth. As a result we are pleased to announce that significant progress has been made in the drilling programme in the Herradura District where encouraging results were obtained at Tajitos. Further progress was also made in San Julián where encouraging drilling results are being evaluated.

As part of our sustainable growth perspective, Fresnillo is committed to the wellbeing of our workers and contractors. As a result we are deeply saddened and concerned by the

fatalities experienced this quarter. We have therefore further refined our safety programmes as we continue in our pursuit of achieving zero accidents.

Looking to the remainder of the year, Fresnillo is confident that it will continue to deliver growth through existing operations and new deposits and remains on track to meet its short and long term aspirations.”

### **Total Production - Attributable**

	<b>3Q12</b>	<b>3Q11</b>	<b>% change</b>	<b>2Q12</b>	<b>YTD 12</b>	<b>YTD 11</b>	<b>% change</b>
Silver prod'n (kOz)	9,375	9,147	2.5	9,143	27,287	28,692	-4.9
Silverstream prod'n (kOz)	953	919	3.7	1,133	3,113	2,835	9.8
Total Silver production (kOz)	10,329	10,067	2.6	10,276	30,400	31,527	-3.6
Gold prod'n (Oz)	126,841	119,768	5.9	127,003	375,637	326,245	15.1
Lead prod'n (t)	6,096	5,340	14.2	6,580	18,941	15,942	18.8
Zinc prod'n (t)	6,391	5,751	11.1	6,640	19,955	17,180	16.2

Year to date attributable silver production decreased by 3.6% (including the Silverstream) when compared to the same period of 2011 as a result of the anticipated decline in silver ore grades at the Fresnillo mine. However, total silver production continues to improve, quarterly silver production was modestly higher than both the previous quarter and corresponding quarter of 2011. This was in large part due to the increase in ore throughput at the Fresnillo mine, higher ore grades at Ciénega and the ramp-up of Saucito.

Year to date, Fresnillo plc accrued 3.1 million silver ounces under the Silverstream Agreement with Peñoles, representing a 9.8% increase when compared to 2011 and quarterly 3.7% increase when compared to the third quarter of 2011, as a result of better ore grade at the Sabinas mine.

We remain confident that we will reach our silver production target of 41 million ounces for 2012 as Saucito reaches its full capacity of 3,000 tonnes per day by the end of the year and additional higher grade ore from the Jarillas vein contributes to higher volumes of ore milled.

A record level of attributable year to date gold production of 375,637 ounces, an increase of 15.1%, was reached as a result of the start-up of our new Noche Buena mine and higher gold ore grade and volumes of ore processed at Saucito. Higher volumes of ore milled at Ciénega as a result of the expanded plant capacity and higher ore processed from San Ramón (180,109 tonnes) also contributed to the increase in gold production.

As usual in the course of business, Fresnillo is currently in the process of reconciling assay differences with Met-Mex Peñoles. This mainly relates to slag shipments with high gold content from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena). We estimate that this settlement will result in an adjustment that will reduce total annual gold volume sold between 2 to 3%. Once final agreement is reached, total annual gold production volumes will be adjusted accordingly. This will not impact our ability to reach our gold production targets this year.

Attributable gold production in the third quarter was slightly lower than the second quarter of 2012, mainly due to the decrease in recovery rates at Soledad-Dipolos and Herradura but 5.9% higher compared to 3Q2011 for the reasons noted above.

Year to date by-product lead production increased by 18.8% when compared to the same period of 2011 as a result of higher ore grades and volumes milled at the Saucito and

Fresnillo mines. Quarterly lead production increased by 14.2% as a result of higher tonnages milled at Fresnillo and higher grades at Saucito and Fresnillo. Similarly, year to date by-product zinc production increased by 16.2% when compared to the same period of 2011 due to higher grades at Fresnillo and Saucito.

### Fresnillo mine production

	3Q12	3Q11	% change	2Q12	YTD 12	YTD 11	% change
Silver prod'n (kOz)	6,531	6,416	1.8	6,618	19,897	23,281	-14.5
Gold prod'n (Oz)	6,978	6,075	14.9	7,148	22,857	18,559	23.2
Lead prod'n (t)	3,992	3,171	25.9	4,425	12,693	9,910	28.1
Zinc prod'n (t)	3,941	2,968	32.8	4,184	12,250	9,547	28.3

Year to date silver production decreased by 14.5% when compared to the same period of 2011 as a result of a 20 percent decline in ore grades (329 g/t 2012 vs. 409 g/t 2011). This was due to, firstly limited access to the San Alberto and Santa Cruz high grade stopes as development took longer than anticipated (we expect to have full access to these stopes by November); and secondly, the natural and anticipated decline in silver grades. However, the increase in the volume of ore milled mitigated these effects and benefited quarterly production, which remained similar to the third quarter of 2011.

Ore grades are expected to remain at similar levels throughout the remainder of the year.

Year to date and quarterly by-product gold, lead and zinc production increased compared to the same period of 2011 as a result of higher volumes of ore milled and higher ore grades in accordance with the geologic model of the ore body.

Modifications of Fresnillo's beneficiation plant began to better cope with higher lead and zinc grades.

Additionally, we continue to evaluate the different alternatives to expand the plant capacity from 8,000 to 10,000 tonnes per day to maintain annual silver production levels.

### Saucito mine production

	3Q12	3Q11	% change	2Q12	YTD 12	YTD 11*	% change
Silver prod'n (kOz)	1,800	2,321	-22.4	1,754	5,048	4,253	18.7
Gold prod'n (Oz)	12,384	12,701	-2.5	10,363	34,105	21,831	56.2
Lead prod'n (t)	712	666	6.9	661	1,858	1,225	51.7
Zinc prod'n (t)	470	533	-11.8	362	1,180	823	43.4

\* YTD11 figure: includes ore processed in 1Q11 as a result of the initial tests during the commissioning of Saucito and commercial production since April 2011.

Year to date silver production increased by 18.7% compared to the same period of 2011 mainly as a result of the ramp up of production and higher ore grades from the production stopes.

However, quarterly silver production decreased by 22.4% when compared to the third quarter of 2011 due to lower ore volume milled. This resulted from two factors: i) a mill malfunctioning causing the plant to stop operations for 3 days (we expect to make up for the lost production in the final quarter of the year); and ii) the fact that last year the mine

processed additional ore from the stock pile extracted during the construction phase. Notwithstanding the problems with the mill, the mine was able to process similar ore volumes to those of the previous quarter.

Year to date gold production at this mine increased by 56.2% when compared to the same period of 2011 mainly due to a 33 percent increase in gold ore grade (1.8g/t 2012 vs. 1.4 g/t 2011) and increased volumes of ore processed. Production in the third quarter increased by 19.5% compared to the previous quarter.

The commissioning of the Jarillas shaft in late 2012 will further contribute to the ramp up at Saucito. Additionally, this project will provide direct access to new stopes at the Jarillas vein and will reduce haulage costs.

Year to date by-product lead and zinc production increased by 51.7% and 43.4% respectively, when compared to the same period of 2011 due to higher grades and Saucito's ramp-up. Quarterly by-product lead production increased by 6.9% compared to the same period of 2011 due to increased volumes of ore milled.

### **Ciénega mine production**

	<b>3Q12</b>	<b>3Q11</b>	<b>% change</b>	<b>2Q12</b>	<b>YTD 12</b>	<b>YTD 11</b>	<b>% change</b>
Gold prod'n (Oz)	31,128	32,307	-3.6	33,785	96,460	85,684	12.6
Silver prod'n (kOz)	1,003	366	174.0	724	2,193	942	132.8
Lead prod'n (t)	1,393	1,502	-7.3	1,494	4,390	4,807	-8.7
Zinc prod'n (t)	1980	2,250	-12.0	2,094	6,525	6,810	-4.2

Year to date gold production increased by 12.6% compared to the same period of 2011 due to the higher ore throughput by the expanded mill to 930,000 tonnes per year. For the year as a whole we expect to surpass the designed capacity and reach one million tonnes. Ore processed from San Ramón (180,109 tonnes), a satellite of Ciénega, has also contributed to the yearly increase of gold production.

Quarterly gold production slightly decreased by 3.6% compared to the third quarter of 2011 and by 7.9% compared to the previous quarter as a result of lower expected ore grades. We expect a slightly lower gold grade for the next 12-15 months. The reason for expanding the plant was to compensate the anticipated lower grade. In contrast we have seen silver grades at this mine increase substantially as described below.

Year to date by-product silver production increased by 132.8% compared to the same period of 2011 due to a 99 per cent increase in the silver ore grade (94.4g/t 2012 vs. 47.5 g/t 2011) due to the increased ore processed from San Ramón with higher silver grades. As a result, quarterly silver production increased by 174.0% and 38.6% compared to the same period of 2011 and the second quarter of 2012. Should this trend continue, Ciénega will become primarily a silver mine.

Year to date and quarterly lead production decreased by 8.7% and 7.3%, respectively when compared to the same periods of 2011 due to lower ore grade. Similarly, year to date and quarterly by-product zinc production decreased when compared to the same period of 2011 as a result of lower ore grade.

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

	<b>3Q12</b>	<b>3Q11</b>	<b>% change</b>	<b>2Q12</b>	<b>YTD 12</b>	<b>YTD 11</b>	<b>% change</b>
Gold prod'n (Oz)	47,585	46,498	2.3	47,672	141,979	134,724	5.4

Silver prod'n (kOz)	33	35	-5.7	35	117	177	-33.9
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Year to date attributable gold production increased by 5.4% when compared to 2011 as a result of higher volumes of ore deposited. Quarterly attributable gold production remained similar to the same period of 2011.

The higher gold prices allow us to continue mining lower ore grade areas, thus maximizing the long-term economic value of the mine.

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

	3Q12	3Q11	% change	2Q12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	14,928	22,187	-32.7	17,655	53,792	65,446	-17.8
Silver prod'n (kOz)	5	10	-50.0	9	26	38	-31.6

Year to date attributable gold production decreased by 17.8% compared to the same period of 2011 as a result of lower recovery rates due to the increase in the height of the leach pads which slows the recovery process. In addition, production was also lower due to our decision to process lower ore grades to maximize long-term economic value.

Quarterly attributable gold production decreased by 32.7% compared to the third quarter of 2011 and 15.4% compared to the previous quarter for the reasons mentioned above.

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

	3Q12	3Q11	% change	2Q12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	13,839	-	N/A	10,380	26,445	-	N/A
Silver prod'n (kOz)	3	-	N/A	4	7	-	N/A

As expected, the production of Noche Buena continues to ramp up and it will reach its full capacity of 42,000 attributable ounces of gold per year by early 2013. Year to date attributable gold production was 20.1% above the planned production levels.

### **Update on development projects**

- ***Dynamic Leaching Plant at Herradura***

The construction of the dynamic leaching plant at Herradura continues according to schedule. Over the period, further progress was made with the SAG mill and ball mills being delivered on site. Orders for the pumping and compressors equipment were placed and the foundations will be finished in the upcoming months.

This project will be concluded by the third quarter of 2013 and is expected to increase gold production by a total of 412,000 ounces over the 2013-2020 period. Additionally, it will play a key role as part of the Centauro Deep project.

### **Update on exploration**

In the third quarter of 2012 intensive exploration continued at 10 projects and nine prospects with 60 rigs, completing 212,200 metres of core and 60,000 metres of reverse circulation drilling. Resources were increased at each of our seven operating mines, and reserves notably increased at Noche Buena and Saucito. Updated resource and reserve figures will be audited at year end and published in early March of 2013.

Near surface gold bearing structures are in exploration at Noche Buena East and Tajitos in the Herradura District. Higher gold values than were expected were also obtained in drilling at the Centauro Deep project below the main Herradura pit. Exploration continues south of the Fresnillo mine testing the extensions of known veins and new geophysical targets. At the Ciénega District, infill drilling has intersected economic silver-gold-lead-zinc values on the San Ramón, Cebollitas, and Las Casas veins.

Exploration and development ramps and drifts at the San Julián project now total 24 kilometres and parallel gold-silver veins were found in the Todos Santos Norte and Santa Sofía areas. Silver grades in the JM disseminated ore body were confirmed in five development crosscuts. Interesting preliminary results were obtained at the Coneto silver-gold project, a joint venture with Orex in Durango, and the Pilarica project, 100% owned by Fresnillo in Peru. Exploration resumed at the Guanajuato and San Nicolas del Oro silver-gold properties having secured the necessary social and environmental permits.

The exploration adit at the Orisyvo gold project was extended to 1100 metres length through the gold-bearing sulphide zone cutting sections grading over 2 g/t, and metallurgical testing of bulk samples is in progress. Infill drilling at the Minera Juanicipio joint venture with MAG Silver continues following the recommendations of the AMC prefeasibility study and the Juanicipio Technical Committee to convert inferred resources to the indicated category.

- ***San Julián pre-feasibility study***

The San Julián pre-feasibility study was concluded in the third quarter of 2012. Approval is expected by the end of October 2012.

### **Safety Performance**

It is with deep regret that despite the stronger safety measures and improved safety conditions, Fresnillo plc suffered three fatal accidents of contractors. These resulted from preventive procedures not being properly followed. It brings the number of fatal accidents to five so far this year.

Fresnillo plc finds this situation unacceptable. There is nothing more important than a human life and we will continue with our efforts to guarantee that our workers and contractors are protected from injury and accidents.

The company has put in place a new initiative “No More Accidents” that builds on previous safety initiatives and places further focus on measures to reinforce adherence of workers and contractors to safety policies and to the new procedures being implemented. This includes, among other measures, further training for operators, improved risk management and performance evaluations for supervisors and a special inspection programme for all mobile equipment.

There will be conference call for analysts and investors on Monday 15 October at 08.30am BST (London time). The dial in details are as follows:

Participants’ dial in number: **+44 (0) 1452 542 400**

Conference ID: **34097430**

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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; one development project – a dynamic leaching plant to treat high grade gold ore from the Herradura and Soledad-Dipolos mine; and five advanced exploration prospects – San Julián, 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 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.