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## **Production Report**

**for the three months ended 30 June 2012**

### **Overview**

- Quarterly and half year attributable gold production reached record levels. Quarterly gold production was 127,003 ounces up 15% compared to 2Q11 and 4% compared to the previous quarter.
- Gold production at Noche Buena reached 10,380 ounces in 2Q12, on plan to reach its full capacity and produce 42,000 attributable ounces of gold annually.
- On track to achieve the 2012 production target of 460,000 ounces of gold.
- Quarterly silver production including the Silverstream increased by 4.9% compared to 1Q12 illustrating the successful ramp up at Saucito.
- On track to achieve 2012 production target of 41 million ounces of silver, including the Silverstream, with ramp-up of silver production at Saucito further offsetting lower ore grade at Fresnillo.
- Construction of the dynamic leaching plant at Herradura is progressing according to schedule with start-up expected in 2013.
- Completion of the pre-feasibility study of Juanicipio on a stand-alone basis.
- On track to complete the San Julián pre-feasibility study by 2H12.
- Gold reserves were increased at Noche Buena and two new veins were discovered south of the Fresnillo mine.

Jaime Lomelín, Chief Executive Officer, said:

“We were pleased with our performance in the second quarter of the year with record gold production and silver production up on the previous quarter as we started to see the results of our successful ramp up at Saucito. The new Noche Buena gold mine and continued solid performance at Cienega, together with higher ore grade at Saucito, contributed to a record level of quarterly and half yearly gold production. We remain confident of achieving the 2012 production target of 460,000 ounces of gold.

For silver, the ramp-up at Saucito will continue over the second half of this year. Together with the higher ore grades from Cienega, this will compensate for the expected lower output from the Fresnillo mine due to lower ore grades. As a result, total production for the year will be similar to that achieved in 2011. We are confident that we will achieve our full year production target of 41 million ounces of silver, including silverstream, this year.

We are committed to progressing the group’s exploration projects and have intensified our drilling programme. We have also continued the construction of ramps at San Julian, Orisyvo and Centauro Deep.

Furthermore, gold reserves were increased at Noche Buena and additional analysis will be conducted to evaluate a possible expansion. The construction of the dynamic leaching plant at Herradura and the project to expand milling capacity at Fresnillo

progressed well. All of this represents a further step forward and consolidates Fresnillo's position as a significant gold producer in its own right.

We will continue focusing our efforts towards stabilising production at our Fresnillo mine, delivering growth through new operations and discovering new deposits of precious metals. Combined, these actions will enable us to continue to deliver on our short and long term goals.”

### **Total Production - Attributable**

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Silver prod'n (kOz)	9,143	10,461	-12.6	8,769	17,912	19,544	-8.4
Silverstream prod'n (kOz)	1,133	906	25.1	1,027	2,160	1,916	12.7
Total Silver production (kOz)	10,276	11,367	-9.6	9,796	20,072	21,460	-6.5
Gold prod'n (Oz)	127,003	110,070	15.4	121,792	248,795	206,477	20.5
Lead prod'n (t)	6,580	5,357	22.8	6,265	12,844	10,602	21.1
Zinc prod'n (t)	6,640	5,565	19.3	6,925	13,565	11,429	18.7

Quarterly attributable silver production, including silverstream, increased by 4.9% over the first quarter of 2012 due to the continued ramp-up at Saucito and higher silver production at Ciénega, which more than compensated for the lower silver grade at Fresnillo. However, quarterly silver production decreased by 9.6% compared to the second quarter of 2011 mainly due to the expected natural decline in silver grades at the Fresnillo mine. This adverse effect also impacted silver production for the first six months of the year, recording a 6.5% decrease when compared to the same period of 2011.

Quarterly and year to date silver production at the Sabinas mine, which contributes to the Silverstream, increased as a result of better ore grades.

Quarterly attributable gold production reached a record high of 127,003 ounces as a result of the successful ramp-up of production at Noche Buena and higher volumes of ore milled at Ciénega. These positive aspects, together with increased ore throughput from Saucito boosted year-to-date attributable gold production to a record level of 248,795 ounces.

Quarterly by-product lead production increased when compared to the second quarter of last year and previous quarter as a result of higher ore grades at Fresnillo and Saucito. With respect to quarterly by-product zinc production, the increase over the same period of 2011 was due to higher ore grades and volumes of ore milled at Fresnillo and increased ore throughput and recovery rates at Ciénega.

Although year to date silver production is lower than in 2011, management remains confident of achieving its full year target of 41 million ounces of silver for 2012, including silverstream. Production from the recently prepared Jarillas vein at Saucito, together with higher silver grade ore processed at Ciénega from the San Ramón satellite mine will enable the company to close the gap between current production levels and the 2012 target.

As a result we remain on track to achieve our silver and gold production targets for the year of 41 million ounces of silver and 460,000 ounces of gold.

### **Fresnillo mine production**

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Silver prod'n (kOz)	6,618	8,334	-20.6	6,748	13,366	16,865	-20.7
Gold prod'n (Oz)	7,148	6,350	12.6	8,731	15,880	12,485	27.2

Lead prod'n (t)	4,425	3,374	31.1	4,277	8,702	6,739	29.1
Zinc prod'n (t)	4,184	3,358	24.6	4,125	8,309	6,579	26.3

As expected, quarterly and year to date silver production at the Fresnillo mine decreased by 20.6% and 20.7%, respectively, when compared to the same periods of 2011. The drop in production was caused by the foreseen decline of silver ore grades from an average of 436 g/t in the first half of 2011 to 333 g/t in the same period of 2012. This 23.6% decrease in silver ore grade was mainly explained by the gradual depletion of high grade stopes at the San Alberto zone. However, higher ore volumes processed at the mine partially mitigated the decrease in silver production. Quarterly silver production remained stable when compared to the previous quarter of 2012 as ore grades stabilize at between 330-340 g/t, in line with the forecasts for 2012 as a whole.

Quarterly and year-to-date by-product gold, lead and zinc production at this mine increased over the corresponding periods of 2011 as a result of higher ore grades and, to a lesser extent, increased ore milled.

The expansion of milling capacity from 8,000 to 10,000 tonnes per day to maintain annual silver production within a range of 26 to 28 million ounces is progressing well.

### Saucito mine production\*

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11*	% change
Silver prod'n (kOz)	1,754	1,745	0.5	1,494	3,248	1,932	68.1
Gold prod'n (Oz)	10,363	8,299	24.9	11,358	21,720	9,130	137.9
Lead prod'n (t)	661	501	31.9	485	1,146	559	105.0
Zinc prod'n (t)	362	245	47.8	349	711	290	145.2

\* 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.

Quarterly silver production increased by 17.4% when compared to the first quarter of 2012 due to the ramp-up of production at this mine. This helped to off-set the decline in production at the Fresnillo mine. However, quarterly silver production remained stable compared to the same period of 2011 as the added production resulting from the processing of high grade ore this year was similar to the additional production in 2011 resulting from processing ore obtained during the construction phase.

Quarterly gold production increased by 24.9% over the second quarter of 2011 due to higher ore grades. Notwithstanding, a decline in the recovery rates led to an 8.8% decrease in gold production compared to the previous quarter. Quarterly lead and zinc production was benefited by the higher ore grades when compared to the second quarter of 2011 and the first quarter of this year.

Production figures for the first half of 2012 comprised six months of commercial production, whereas figures for 2011 included only three months of operations as Saucito's start-up took place in April 2011. Saucito continues to ramp up the mine to full capacity of 3,000 tonnes per day which is expected by the end of 2012.

The construction of the 5,000 tonnes per day Jarillas shaft remains on schedule for start-up in late 2012. This project is expected to further contribute to the ramp up of production at this mine by providing direct access to new stopes at the Jarillas vein and reducing haulage and hoisting costs.

### Ciénega mine production

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	33,785	26,420	27.9	31,546	65,331	53,377	22.4
Silver prod'n (kOz)	724	301	140.5	466	1,190	576	106.6

Lead prod'n (t)	1,494	1,482	0.8	1,503	2,997	3,304	-9.3
Zinc prod'n (t)	2,094	1,962	6.7	2,451	4,545	4,560	-0.3

Quarterly and year-to-date gold production rose by 27.9% and 22.4% compared to the same periods in 2011 due to higher volumes of ore processed at this mine. The current milling capacity has surpassed the 930,000 tonnes per year expected from the expansion. Our new target this year is to reach a milling rate equivalent to a one million tonne capacity.

In addition, volumes of ore milled at Ciénega also reflected the contribution of the San Ramón satellite mine, where production is reaching 1,000 tonnes per day.

Silver production increased over all comparable periods due to higher ore grades and increased volumes of ore milled. The mine plan has been optimised to take into account the new higher silver ore grade found at the areas currently being exploited. Quarterly zinc production increased when compared to the same period of 2011 due to higher volumes of ore processed and improved recovery rates. Lower production of by-product lead and zinc were due to lower ore grades.

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

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	47,672	46,252	3.1	46,722	94,394	88,226	7.0
Silver prod'n (kOz)	35	66	-47.0	49	84	142	-40.8

Quarterly attributable gold production increased slightly when compared to the second quarter of 2011 and the first quarter of 2012 as a result of higher volumes of ore deposited. This positive aspect, together with improved recovery rates also benefited attributable gold production for the first half of the year, which increased by 7.0% over the same period in 2011.

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

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	17,655	22,749	-22.4	21,209	38,864	43,260	-10.2
Silver prod'n (kOz)	9	15	-40.0	12	21	28	-25.0

Quarterly and first half attributable gold production decreased by 22.4% and 10.2%, respectively, compared to the same periods in 2011 and by 16.8% compared to the previous quarter mainly as a result of the expected lower ore grades and recovery rates. This outcome continued to be in line with the Group's decision to process additional economic lower grade ore to optimise profitable production volumes. Notwithstanding, we expect to produce slightly more than the stated annual capacity of 130,000 total gold ounces per year (72,800 attributable).

#### **Noche Buena mine production – Attributable**

	2Q 12	2Q 11	% change	1Q 12	YTD 12	YTD 11	% change
Gold prod'n (Oz)	10,380	-	-	2,227	12,606	-	-
Silver prod'n (kOz)	4	-	-	1	4	-	-

As planned, production at this open pit mine continued ramping-up in the second quarter and gold production reached 10,380 ounces. Management remains confident of producing 42,000 attributable ounces of gold per year reaching its full capacity.

#### **Update on development projects**

- ***Dynamic leaching plant at Herradura***

The construction of the dynamic leaching plant to process high grade ore from the Herradura and Soledad-Dipolos pits is progressing according to schedule and will be concluded in the third quarter of 2013. Over the period, orders for all the equipment and construction contracts were placed. As stated previously, the site for the new leaching plant will be relocated as a possible expansion of the Centauro pit could take place due to the additional gold resources found in the surrounding areas. As a result, the total capital expenditure was reviewed and increased from US\$106.8 million to US\$116.0 million. This project is expected to increase gold production by a total of 412,000 ounces over the 2013-2020 period and additionally played a key role as part of the possible expansion of the Centauro pit.

### **Update on exploration**

In the Herradura District good intersections of gold-bearing veins continued to be found at Centauro Deep below the pit. The construction of ramps to conduct additional exploration activities and underground drilling continued with 2,800 metres developed during the first half of 2012. Infill drilling at the new Noche Buena mine has increased the gold reserves and an extension of mineralization was discovered 1km to the east of the pit. These results will be used to carry out additional studies to evaluate a possible expansion of this mine.

At the Fresnillo District two veins with silver values were discovered south of the mine area. At the Fresnillo mine, additional resources with high silver grade were found below the San Carlos vein. Infill drilling is in progress at Saucito to upgrade resources to the indicated category for mine planning.

Positive results have been obtained at the San Ramón satellite operation in the Ciénega District, where a new ore-shoot is being delineated east of the main ore body along the Porvenir vein.

Good progress was made on the San Julián and Orisyvo advanced drilling projects, and new targets were identified at Lucerito in Durango and Guanajuato. Drilling has been initiated at the Pilarica silver project in Peru and at the Guachichil gold project in Zacatecas, which is located next to Goldcorp's Camino Rojo project. An agreement was signed with the community at the Coneto joint-venture and environmental permitting is in progress.

### **Juanicipio pre-feasibility study**

The pre-feasibility study for the stand-alone Juanicipio project (Fresnillo plc 56%, MAG Silver Corp 44%) was completed in June.

The next course of action will be for the Technical Committee of the Joint Venture to make a recommendation on next steps to its Board.

### **Safety Performance**

In the last three months, we continued strengthening our Safety Action Plan. Fresnillo plc held a meeting with contractors to share experiences, safety results and ensure that the new policies and procedures set up by the Company are being implemented. Furthermore, the Group initiated, in collaboration with the Mexican Secretariat of Labour, a new programme to analyse safety risks and prevent accidents. These activities, together with ongoing safety initiatives, resulted in zero fatal accidents over the period. We will continue integrating our enhanced safety procedures into our day-to-day operations and work diligently to achieve our zero fatality target.

There will be a conference call for analysts and investors on Wednesday 18 July 2012 at 09.00am BST (London time). The dial in details are as follows:

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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 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.