



14 January 2011

Production Report

for the three months ended 31 December 2010

Overview

- Quarterly attributable silver production of 10.5m oz, up 3.6% on the corresponding period last year (including 0.91m oz from the Silverstream).
- Record quarterly attributable gold production of 100,822 oz, a 26% increase over the corresponding period last year as Soledad-Dipolos exceeds expectations.
- Record annual silver production of 42.1m oz, up 2.0% year on year (including 3.5m oz from the Silverstream).
- Record annual attributable gold production of 368,995 oz, up 33% year on year
- Construction of the Saucito development project, and expansions at Ciénega and Soledad-Dipolos are on track to be concluded in 1H 2011.
- Board approval of Noche Buena gold project with commercial production expected in H1 2012 with an estimated average production of 75,000 oz pa.

Outlook for 2011

- Silver production expected to increase by 5% to 44m oz (including 3m oz from the Silverstream) as Saucito starts up in H1 2011.
- Attributable gold production expected to increase by 8% to 400,000 oz as Soledad-Dipolos and Ciénega expand production throughout 2011.
- Construction of Noche Buena will commence for expected production in 2012.
- Exploration budget to be significantly increased to US\$251.4m, up 151% on the approximately US\$100.1m spent in 2010.¹
- Cost control initiatives and operating efficiencies will continue across all operations.

Jaime Lomelín, Chief Executive Officer, said:

“I am very pleased to report that we have concluded 2010 by producing a record amount of silver and gold. Our newest gold mine, Soledad-Dipolos, was an important factor in this excellent performance, as well as efficiency measures at our mines and the implementation of the six sigma management tool improvements. We are on track for the next phase of growth with the start up of Saucito, the expansion at Ciénega and Soledad-Dipolos and the commencement of construction at Noche Buena. Our aim of producing 65 million ounces of silver and more than 400,000 ounces of gold by 2018 is getting closer with these new projects and is supported by our solid track record of delivery.”

¹ These figures include drilling activities across the Company's growth pipeline and mining works for exploration.

Total Production - Attributable

	4Q 10	4Q 09	% change	3Q 10	FY 10	FY 09	% change
Silver prod'n (kOz)	9,596	9,361	2.5	9,868	38,571	37,916	1.7
Silver stream prod'n (kOz)	908	780	16.4	819	3,542	3,359	5.4
Total Silver production (kOz)	10,503	10,141	3.6	10,687	42,113	41,275	2.0
Gold prod'n (Oz)	100,822	80,080	25.9	91,822	368,995	276,584	33.4
Lead prod'n (t)	5,036	4,652	8.3	4,797	18,977	17,264	9.9
Zinc prod'n (t)	5,805	4,645	25.0	5,842	22,472	19,526	15.1

Quarterly attributable silver production increased by 2.5% when compared to the fourth quarter of 2009 due to higher ore tonnage milled at the Fresnillo mine. However, when compared with the previous quarter, silver production decreased by 2.8% as 91,043 tonnes of ore from Saucito were stock piled in preparation for the start-up of the Saucito mill.

In the fourth quarter of 2010, Fresnillo plc accrued 907,600 silver ounces under the Silverstream Agreement. This production level represented increases of 16.4% and 10.8% when compared to the corresponding period of 2009 and the previous quarter, respectively, as a result of higher ore grades at the Peñoles' Sabinas mine.

Attributable silver production for the full year 2010 recorded an increase over 2009, achieving a record level at 42.1 million ounces of silver, including 3.5² million ounces produced at the Sabinas mine under the Silverstream Agreement.

Quarterly attributable gold production reached a record level of 100,822 ounces. Similarly to previous quarters of 2010, the 25.9% increase over the comparable period of 2009 was largely explained by the start of commercial production at Soledad-Dipolos during 2010.

Fourth quarter gold production increased by 9.8% when compared to the previous quarter of the year due to higher volumes of ore deposited and better recoveries at Herradura and the continued ramp-up at Soledad-Dipolos.

Annual attributable gold production increased more than expected reaching a record high of 368,995 gold ounces. In addition to the start-up of Soledad-Dipolos, the 33.4% increase reflected the increased volumes of ore deposited, higher ore grades and improved recoveries at the Herradura mine. Furthermore, higher mill throughput and improved metallurgical recoveries at Ciénega also contributed to the increase in gold produced.

This excellent performance of our operations was in part the result of the initial benefits obtained through the implementation of the six-sigma methodology and several efficiency projects.

Fresnillo mine production

	4Q 10	4Q 09	% change	3Q 10	FY 10	FY 09	% change
Silver prod'n (kOz)	9,037	8,700	3.9	9,048	35,906	35,420	1.4
Gold prod'n (Oz)	7,401	6,079	21.7	6,090	24,979	24,684	1.2
Lead prod'n (t)	3,348	3,194	4.8	3,052	12,236	11,058	10.7
Zinc prod'n (t)	3,097	2,743	12.9	3,102	12,212	11,510	6.1

² Total production at the Sabinas mine was 3.5 million silver ounces. Fresnillo plc accrued 3.1 payable silver ounces, in line with the Silverstream Agreement.

Quarterly silver production at the Fresnillo mine increased when compared to the final quarter of 2009 as a result of higher volumes of ore milled and improved metallurgical recoveries. Production was broadly stable compared with the previous quarter of 2010.

On an annual basis, record silver production was achieved as a result of the increase in ore milled over the year. These higher volumes are the result of the increased milling capacity from 7,500 to 8,000 tonnes per day that followed the implementation of six-sigma methodology and the efficiencies obtained from the increased use of long-hole mining.

Quarterly by-product gold production increased when compared to the corresponding period in 2009 and the third quarter of 2010 as a result of higher gold ore grades; whilst annual gold production remained stable when compared to 2009. Annual lead and zinc production, which are also considered by-products, increased, again due to higher ore grades.

The production figures for the Fresnillo mine do not include development ore from Saucito processed at the Fresnillo mill. In the fourth quarter of 2010, 208,150 oz of silver, 1,335 oz of gold, 59 tonnes of lead and 40 tonnes of zinc were recovered from the Saucito ore and are included in the total production figures but not in the Fresnillo mine figures. However, in preparation for the start-up of the Saucito mill in 1Q 2011, 91,043 tonnes of ore were stock piled.

On an annual basis, 1.2 million oz of silver, 6,323 oz of gold, 273 tonnes of lead and 147 tonnes of zinc were produced from the development works at Saucito.

The construction of the San Carlos shaft continued to progress according to schedule and is expected to be concluded in the second half of 2011. This US\$19.1 million project will enable the extraction of mineral from the western zone of the San Carlos vein, thus reducing haulage costs at the Fresnillo mine.

Ciénega mine production

	4Q 10	4Q 09	% change	3Q 10	FY 10	FY 09	% change
Gold prod'n (Oz)	29,155	29,710	-1.9	28,424	113,351	103,510	9.5
Silver prod'n (kOz)	275	446	-38.3	247	1,198	1,589	-24.6
Lead prod'n (t)	1,628	1,448	12.4	1,611	6,468	6,118	5.7
Zinc prod'n (t)	2,668	1,900	40.4	2,634	10,112	7,950	27.2

Quarterly gold production decreased slightly when compared to the corresponding period in 2009 as a result of a temporary decline in ore grades, which was in part mitigated by higher volumes of ore milled. However, quarterly gold production increased by 2.6% when compared to the third quarter of 2010 due to higher ore grades.

Gold production for the full year increased by 9.5% mainly due to higher volumes of ore milled which was the result of the timely preparation of new stopes, maintenance improvements and the initial benefits from the implementation of the six-sigma methodology. As expected, gold ore grade remained steady at 4.3 g/t in 2010.

Quarterly and annual by-product silver production was affected by the expected lower silver grades, resulting in a 38.3% and 24.6% decline in comparison to the corresponding periods in 2009, respectively. This adverse effect was more than compensated by the increased gold production. Quarterly silver production increased as a result of higher ore grades and improved recovery rates when compared to the previous quarter of 2010.

Lead production increased over all comparable periods mainly as a result of higher volumes of ore milled and improved recovery rates. Quarterly and annual zinc

production increased significantly due to better ore grades, recovery rates and volumes of ore milled when compared to the corresponding periods in 2009.

The US\$13.3 million project to sink the shaft at Ciénega a further 300 metres to gain access to deeper ore reserves remained on track and is expected to be concluded in the second half of 2011. In the fourth quarter of 2010, the shaft sinking was completed. The remainder of the mining works, crusher installation and change of hoist cables will be concluded in 2011.

The expansion of milling capacity from 755,000 to 930,000 tonnes per year is progressing according to schedule and is expected to be completed in the first half of 2011, following investment of US\$24.9 million and sustaining capital expenditure of US\$0.5 million per annum. This project will contribute to maintain our production target of 110,000 gold ounces per year.

Herradura mine production - Attributable

	4Q 10	4Q 09	% change	3Q 10	FY 10	FY 09	% change
Gold prod'n (Oz)	44,462	43,407	2.4	38,953	162,984	145,510	12.0
Silver prod'n (kOz)	65	64	1.6	29	216	171	26.3

Quarterly and annual attributable gold production achieved new record levels due to the increased ore volumes deposited at the leaching pads, which resulted from the purchase of additional trucks and loaders.

Higher ore grades and improved recoveries also contributed to increasing annual attributable gold production. The expansion of the beneficiation plant to increase flow to 1,600m³ per hour combined with the implementation of the six sigma methodology increased efficiency at the Merrill-Crowe plant. These factors, added to the larger areas under irrigation at the leaching pads and drove recoveries above 2009 levels.

In the fourth quarter, initiatives aiming at ensuring continuity of operations and reducing costs continued to progress. Construction of the ninth leaching pad began and the first stage is expected to be concluded by the second half of 2011.

In December, the installation of the Mine Star software aimed at increasing productivity by optimising the assignment of trucks and loaders was completed. Initial benefits from this project are expected in the first quarter of 2011.

The construction of the diesel dispatch center remained on schedule to be concluded in the first quarter of 2011. The benefits will include reducing costs and ensuring continuity of operations by optimising equipment utilisation .

At the laboratory, efficiency will be enhanced by investing US\$2.4 million to automate the assay process. This project, which complements the automated sampling system, will be concluded by the third quarter of 2011 and will increase the volume of samples analysed per day from the Herradura and Soledad-Dipolos mines.

Lastly, a new system to add lime evenly to the mineral before depositing it in the pads was installed as part of an initiative to optimise sodium cyanide consumption in the leaching process, which will ultimately improve gold recovery and reduce costs.

At Centauro Deep, mining works aimed at confirming resources and conducting metallurgical tests continued. These activities will assist in defining a potential underground mine below the main pit of Herradura. In the last quarter of 2010, the exploration ramp advanced by approximately 218 metres, achieving a total of 460 metres for the full year. The target is to develop 2,000 metres of exploration mine works at this project by 2012.

Soledad-Dipolos mine production - Attributable

	4Q 10	4Q 09	% change	3Q 10	FY 10	FY 09	% change
Gold prod'n (Oz)	18,469	-	N/A	15,365	61,358	-	N/A
Silver prod'n (kOz)	11	-	N/A	7	29	-	N/A

Quarterly attributable gold production increased by 20.2% when compared to the previous quarter of 2010 due to higher volumes of ore deposited at the recently concluded second leaching pad. In the first year of start-up, attributable gold production surpassed the expected annual production achieving 61,358 ounces of gold. Increased stripping and the acquisition of additional equipment in anticipation of the expansion contributed to the production increase.

Construction of the third, fourth and fifth leaching pads remained on schedule. This US\$18.0 million investment is part of the expansion to produce 130,000 total gold ounces per annum and is expected to be completed in 2011.

Saucito Project

Construction of the Saucito project is progressing according to schedule and commercial production is expected to start in the first half of 2011. In the first quarter of 2011 the mill will start its commissioning.

The total length of the ramps and development works to date is 33,695 metres. Sinking of the Jarillas shaft reached 365 metres depth out of the total 645 metres planned.

Development ore from Saucito was processed at the Fresnillo mill during 2010. Additionally, 91,043 tonnes of ore was stock piled during the quarter under review in preparation for the mill start-up in Q1 2011, with initial estimated production of 4.7 million ounces of silver in 2011.

Noche Buena project

Following the positive outcome of the Noche Buena feasibility study in October, the Board of Directors approved the construction of this gold project located within the Herradura District. Noche Buena is owned by the Penmont joint venture, which is 56% owned by Fresnillo plc and 44% by Newmont Mining Corporation.

Noche Buena will be an open pit mine and is expected to produce 376,000 gold ounces over the initial five year mine life.

The estimated pre-operative capital expenditure is US\$63 million and the mine is expected to become operational in the first half of 2012 with an estimated annual average production of 75,000 gold ounces.

The 2008 purchase of the Noche Buena from Seabridge Gold Inc ("Seabridge") included a US\$5 million payment on commencement of production and a 1.5% royalty. In December 2010, Penmont purchased the royalty and the cash payment for a total consideration of US\$10.12 million in cash.

Update on exploration

The 2010 exploration programme was successfully completed, totaling US\$100.1 million. In the fourth quarter of 2010, exploration continued on budget with 40 diamond drill rigs and three reverse circulation rigs in operation. Internal reserve and resource estimates were completed in December, for Saucito, Noche Buena, San Julián, Orisyvo, Juanicipio, Centauro Deep, San Ramón and Las Casas. The audited results will be released at the time of the Preliminary Financial Results in March 2011. Good results were obtained at the Minera Saucito, Centauro Deep and Orisyvo projects, where the gold-silver resources increased. Resources were also successfully upgraded to the

indicated category with infill drilling at the San Julián (Chihuahua), San Ramón (Ciénega District), Noche Buena (Herradura District) and Minera Juanicipio (56% Fresnillo plc and 44% Mag Silver) projects.

Positive drilling results were obtained in the early stage San Nicolas del Oro (Guerrero), El Cairo (Durango), and Guanajuato (Guanajuato) projects, where new targets were identified by mapping and sampling. Drilling was also initiated at the Manzanillas (Durango), Tajitos (Sonora), Jaralillo (Zacatecas), and Tocayos (Zacatecas) properties continuing our focus on the Ciénega, Herradura and Fresnillo mining districts. Drilling resumed at San Juan in a new target area.

Permit applications were submitted for drill programmes at the Candameña gold property (Chihuahua), optioned in the third quarter of 2010, and the Cebadillas and Yesca silver-gold properties (Nayarit) that were optioned in the quarter under review.

The exploration budget for 2011 will be expanded to US\$251.4 million, a 151.0% increase over 2010. The 2010 and 2011 exploration figures include drilling activities across the growth pipeline and mining works for exploration.

Scoping studies and pre-feasibility studies

- *San Julián*

In the fourth quarter, the Company received the results of the scoping study for the San Julián project conducted by AMC Consultants (Canada) Limited. AMC recommends developing the disseminated ore body to be followed later by the development of the gold vein system which still requires additional exploration. This sequential development plan is expected to maximise the present value of the project. However, additional exploration activities and metallurgical tests must be conducted before a definitive mine plan can be developed for this project.

As part of the total exploration budget for 2011, the Board authorised an investment of US\$105 million to construct ramps and develop mining works that will enable the Company to further optimise the economic viability of this project.

- *Orisyvo*

The scoping study for the eventual open pit mine confirmed the dimensions and resources (over 5 million gold ounces) using untested and conservative recovery rates for oxide and sulphide ores. Given the results of the scoping study, the Company will continue metallurgical testing and exploration to improve the project economics.

The construction of an adit to conduct underground drilling and to obtain bulk samples for larger scale metallurgical tests is included in the 2011 budget approved by the Board. This will help to increase and upgrade the resources and confirm the economic viability of the project.

- *Juanicipio*

In December, AMC presented the progress of the Juanicipio prefeasibility study. AMC will deliver the final draft of the report by the end of January 2011.

Safety performance

It is with deep regret to report that one of our unionised workers suffered a fatal accident in November at the Fresnillo mine. In a breach of the safety protocol set by the company, a scoop-tram operator fell into an ore pass while mucking. A detailed investigation of the accident was carried out immediately which confirmed that the accident was caused by a failure to comply with the established safety procedures. Nevertheless, additional measures were taken to prevent such an incident from occurring again. Fresnillo plc reiterates its commitment to reinforce the existing safety procedures and programmes and will continue pursuing its zero fatal accidents target. The Company extends its sincere condolences to the family of our colleague.

There will be a conference call for analysts and investors on Friday 14 January at 9.00am BST (London time). The dial in details are as follows:

Participants' dial in number: +44 (0) 1452 541 076

Conference ID: 36062675

A replay of the conference call will be available for one week on the following number:

Dial in number: +44 (0) 1452 55 00 00

Conference ID: 36062675#

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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 four producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura and Soledad-Dipolos; two development projects – Saucito and Noche Buena; and four advanced exploration prospects –San Juan, San Julián, Orysivo and Juancipio as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 1.91 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 over 400,000 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.