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## **Interim Management Statement and Production Report for the three months ended 30 September 2010**

### **Overview**

- Quarterly silver production of 10.69m oz reached a new record level (including 0.82m oz of the Silverstream).
- Record quarterly attributable gold production of 91,822 ounces, a 44.4% increase over the corresponding period last year.
- On track to achieve 2010 production target of 340,000oz attributable gold and of 41.1moz of silver (including 3.0 m oz of the Silverstream).
- Construction of the Saucito development project on schedule for start up in 1H 2011.
- Expansion of Ciénega's milling capacity is progressing according to schedule.
- Positive exploration results were achieved at the Herradura mine (Centaurus Deep) and at the San Julián and Orisyvo projects.
- Cost control measures and efficiency initiatives remain firmly on track.

Jaime Lomelín, Chief Executive Officer, said:

“In the third quarter, the solid performance at our operating mines contributed to record levels of quarterly gold and silver production. Our exploration programme remains on schedule with positive results in several projects. This outcome has encouraged us to initiate the construction of adits and ramps in the projects with most potential to confirm drilling results and obtain larger samples for metallurgical tests. Significant progress was also achieved at the Saucito project and the Ciénega expansion project, both of which remain on track to become operational in the first half of 2011.

This operational performance was enhanced by the significant increase in metal prices over the period. These factors contributed to a strong overall result in the third quarter and give us confidence that the year as a whole will be one of the most successful in Fresnillo's history.”

### **Total Production - Attributable**

	<b>3Q 10</b>	<b>3Q 09</b>	<b>% change</b>	<b>2Q 10</b>	<b>YTD 10</b>	<b>YTD 09</b>	<b>% change</b>
Silver prod'n (kOz)	9,868	9,750	1.2	9,615	28,975	28,555	1.5
Silver stream prod'n (kOz)	819	819	0	989	2,635	2,578	2.2
Total Silver production (kOz)	10,687	10,570	1.1	10,604	31,610	31,134	1.5

Gold prod'n (Oz)	91,822	63,610	44.4	91,254	268,173	196,504	36.5
Lead prod'n (t)	4,797	4,166	15.1	4,654	13,941	12,612	10.5
Zinc prod'n (t)	5,842	4,682	24.8	5,784	16,667	14,881	12.0

Quarterly and year-to-date attributable silver production was slightly higher when compared to the corresponding periods in 2009 and resulted in record production levels.

In the third quarter of 2010, Fresnillo plc accrued 819,000 silver ounces under the Silverstream Agreement, in line with the comparable period of 2009. The average silver ore grade at the Peñoles' Sabinas mine returned to normal levels, explaining the 17.2% decrease in production when compared to the exceptional Q2 2010.

Attributable gold production continued to benefit from the start-up of commercial production at Soledad-Dipolos. In addition, higher mill throughput at Ciénega and improved gold ore grade and recovery rates at Herradura also contributed to increased quarterly and year-to-date gold production when compared to the same periods of 2009. These factors drove attributable gold production to new record levels. Quarterly attributable gold production remained stable when compared to the second quarter of 2010.

By-product lead and zinc production increased by 15.1% and 24.8% respectively, when compared to the third quarter of the previous year, mainly as a result of better ore grades and recoveries at the Ciénega and Fresnillo mines.

The total metal production of the Group has also benefited from the Saucito development ore processed at the Fresnillo mill.

Management remains confident of achieving its 2010 production guideline levels.

### **Fresnillo mine production**

	3Q 10	3Q 09	% change	2Q 10	YTD 10	YTD 09	% change
Silver prod'n (kOz)	9,048	9,176	-1.4	9,022	26,868	26,720	0.6
Gold prod'n (Oz)	6,090	6,028	1.0	5,890	17,578	18,605	-5.5
Lead prod'n (t)	3,052	2,834	7.7	3,057	8,888	7,864	13.0
Zinc prod'n (t)	3,102	2,895	7.2	3,301	9,116	8,768	4.0

Quarterly silver production at the Fresnillo mine recorded a modest decrease when compared to the third quarter of 2009 as a result of extracting ore from lower grade veins. Quarterly and year-to-date silver production nonetheless remained broadly stable when compared to the second quarter of 2010 and the previous year.

Quarterly by-product gold production remained stable during the third quarter compared to the corresponding period in 2009 and increased by 3.4% from the levels achieved in the second quarter of 2010 as a result of higher gold ore grades. However when compared with the same period in 2009, Fresnillo mine gold production for the first nine months of 2010 declined mainly as a result of lower ore grades earlier this year.

The reported production from the Fresnillo mine does not include development ore from Saucito processed at the Fresnillo mill. In the third quarter of 2010, 537,100 oz of silver, 2,990 oz of gold, 134 tonnes of lead and 107 tonnes of zinc were recovered from the Saucito ore and are included in the total production figures but not in the Fresnillo mine figures.

Sinking of the San Carlos shaft, an important initiative to reduce haulage costs at the Fresnillo mine, remains on track and is expected to be concluded by the third quarter of

2011. The civil works of the concrete head frame and the hoist building were completed. In the third quarter, sinking of the shaft advanced by 95 metres, reaching 455 metres out of a total of 560 metres.

### **Ciénega mine production**

	3Q 10	3Q 09	% change	2Q 10	YTD 10	YTD 09	% change
Gold prod'n (Oz)	28,424	26,175	8.6	28,564	84,196	73,800	14.1
Silver prod'n (kOz)	247	393	-37.2	310	923	1,143	-19.2
Lead prod'n (t)	1,611	1,310	23.0	1,559	4,839	4,670	3.6
Zinc prod'n (t)	2,634	1,766	49.2	2,483	7,445	6,050	23.1

Both quarterly and year-to-date gold production increased significantly when compared to the corresponding periods in 2009 as a result of higher volumes of ore milled. The ongoing development of the mine and maintenance improvements were the main reasons for increasing ore throughput at Ciénega. Quarterly gold production remained in line with the previous quarter of 2010.

Quarterly by-product silver production was affected by lower ore grades, resulting in a 37.2% and 20.5% decline in comparison to the corresponding period in 2009 and the previous quarter, respectively. Silver production for the first nine months of the year also decreased when compared to the same period of last year. However, the favourable effect of the increased gold production more than compensated for the adverse effect of the lower by-product silver production.

The project to sink the shaft a further 300 metres to gain access to deeper ore reserves is progressing according to schedule. In the third quarter, the shaft sinking reached 219.3 metres out of a total of 300 metres.

The project to expand milling capacity from 755,000 to 930,000 tonnes per year remains on track and is expected to be completed in the first half of 2011. Orders for all critical equipment have been placed.

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

	3Q 10	3Q 09	% change	2Q 10	YTD 10	YTD 09	% change
Gold prod'n (Oz)	38,953	30,675	27.0	39,672	118,522	102,103	16.1
Silver prod'n (kOz)	29	21	38.1	67	151	108	39.8

Attributable gold production in the third quarter increased by 27.0% over the same period of 2009 due to improved ore grades and recovery rates. The improved recovery was driven by the higher efficiency achieved at the Merrill-Crowe plant and larger areas under irrigation at the leaching pads. However, quarterly attributable gold production remained stable when compared to Q2 2010. Attributable gold production for the first nine months of the year increased by 16.1% over the corresponding period in 2009 as a result of the higher ore grade, recovery rates and increased volumes of ore deposited at the leaching pads.

The construction of the eighth leaching pad at Herradura was concluded and ore was deposited to start the irrigation process in October. This project will ensure stable production at the mine.

As a result of positive drilling results, the construction of an exploration ramp at the Centauro Deep target, located below the main pit of the Herradura mine, was approved. This project will enable the Company to perform additional exploration activities aimed at confirming resources and conducting metallurgical tests that will help define a possible underground mine. In the past four months, construction of the ramp advanced by 241.5 metres.

An automated dispatch center is under construction as an initiative to optimize equipment utilization rates, reduce costs, and ensure continuity of operations.

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

	3Q 10	3Q 09	% change	2Q 10	YTD 10	YTD 09	% change
Gold prod'n (Oz)	15,365	-	N/A	16,298	42,889	-	N/A
Silver prod'n (kOz)	7	-	N/A	8	18	-	N/A

As part of the mine plan, attributable gold production in the third quarter decreased by 5.7% when compared to the previous quarter of 2010, which resulted from assigning equipment to stripping activities as preparation for future expanded production.

Construction of the second leaching pad at Soledad-Dipolos was successfully concluded on schedule and in line with the budget. In addition, engineering for the third, fourth and fifth leaching pads was started as part of the expansion plan to produce 130,000 total gold ounces per annum from 2011. The investment for the construction of leaching pads will be US\$18.0 million and is expected to be completed by the end of 2011.

### **Saucito Project**

Construction of the Saucito project remains on track. Civil works at the milling, flotation and filtering areas continued and the construction of the tailings dam is progressing well. The shells of the ball mill and SAG mills were installed whilst additional key equipment continued arriving. The installation of the electric lines and pipelines to supply electricity and water is advancing according to schedule. The total length of ramps and development works reached 28,444 metres.

### **Update on exploration**

In the third quarter of 2010, exploration continued on budget with 40 diamond drills rigs and one reverse circulation rig in operation. An update to the Reserves and Resources will be published at the year end. Good results were obtained at the Minera Saucito project where resources increased on the Jarillas and Santa Natalia veins. The Minera Juanicipio (56% Fresnillo plc) infill drill program on the Valdecañas vein was completed and the prefeasibility study is in progress.

Drilling was completed at the Noche Buena deposit (indicated resources of 600,000 oz of gold). Geophysical anomalies along strike of the mineral zone are now being tested and the prefeasibility study is in progress.

At the Ciénega mine additional holes have been drilled on the San Ramón and Las Casas veins to upgrade part of the resources to the indicated category.

At San Julián, infill drilling continues on the JM disseminated silver deposit and good gold-silver grades were obtained from the San Atanasio and Ruth vein system. A scoping study is being carried out by AMC Consultants and will be concluded by year end.

Drilling at the Orisyvo project has increased the oxide gold resource, whilst good grades were also confirmed in the central sulphide zone. A scoping study for the mine design is in progress and expected to be concluded by year end.

With regard to early stage exploration projects, drilling was initiated at the San Bartolo (San Nicolás del Oro, Guerrero), Lucerito (Durango) and Tajitos (Corredor Herradura, Sonora) properties; initial promising gold-silver values were obtained in all three

areas. An exploration option agreement to explore the Candameña gold property (Chihuahua) was signed and drilling is planned for 2011.

### **Safety performance**

After 3 years of impeccable record, we regret to report that we suffered one fatal accident in August at the Ciénega mine. Following a thorough investigation by the company, it appears that the death was a result of a supervisor's failure to follow company safety procedures.

The safety of our employees is one of Fresnillo plc's highest priorities and we target zero fatalities. Thus any such incident demands the reinforcement of the rigorous safety procedures and programmes that we have in place. Fresnillo plc's Board and management team will continue monitoring the safety performance across the Group and ensure that the processes we have in place are adhered to. The Company extends its sincere condolences to the family of our colleague.

There will be a conference call for analysts and investors on Wednesday 13 October at 9.00am BST (London time). The dial in details are as follows:

Participants' dial in number: +44 (0) 1452 541 077

Conference ID: 16601340

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: 16601340

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 four producing mines, all of them in Mexico - Fresnillo, Ciénega, Herradura and Soledad-Dipolos; one development project - Saucito; and five advanced exploration prospects – Noche Buena, San Juan, San Julián, Orysivo and Juanicipio as well as a number of other long term exploration prospects and, in total, has mining concessions covering approximately 1.86 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.