Driving Long-Term Value from Solid Foundations

Fresnillo plc
Annual Report 2015

Fresnillo plc is the world's leading silver miner and one of Mexico's largest gold producers.

Across precious metal price cycles and changing market conditions, we aim to optimise current performance and uphold our commitment to long-term growth and profitability. This value creation strategy is supported by our solid foundations of a strong balance sheet, high quality assets, low cost and flexible operations, disciplined approach to development, and a commitment to sustainable business practices.

Performance Highlights

Operational highlights

Silver production[1]
47.0 moz
▲4.4%

Total attributable silver resources[2]
1,970.7 moz
▼1.9%

Gold production[3]
761.7 koz
▲27.8%

Total gold resources[2, 3]
35.5 moz
▲4.2%

Read more about **operations:** p50–59
1

Read more about **exploration:** p62–65
3

- Annual silver production at upper end of guidance, primarily driven by Saucito II ramp-up
- Annual gold production surpasses both 2015 guidance and 2018 target, steady state reached at Herradura
- San Julián phase 1 commissioning revised to 2Q 2016
- Gold resources increased 4%, silver resources and gold reserves relatively stable, silver reserves decreased 6%
- Redoubling safety measures following fatalities in late 2015 and early 2016

Financial highlights

Adjusted revenue[4]
$1,583.3m
▲2.5%

Profit from continuing operations
$200.4m
▼18.4%

Gross profit
$433.1m
▼16.9%

Adjusted EPS[5]
$6.9 cents
▼6.8%

EBITDA
$547.5m
▼3.5%

Total dividends paid
$5.1 cents
▼56.8%

- Adjusted revenue[4] of US$1,583.3 million, 2.5% above 2014 as higher volumes more than offset lower metal prices
- Gross profit and EBITDA of US$433.1 million and US$547.5 million, down 16.9% and 3.5%
- Profit from continuing operations of US$200.4 million, down 18.4%
- Basic and diluted earnings per ordinary share from continuing operations of US$9.6 cents, 34.7% lower
- Adjusted EPS[5] of US$6.9 cents, down 6.8%
- Net operating cash flow of US$542.9 million, up 346.5% on 2014
- CAPEX of US$474.7 million; exploration expenses of US$140.2 million; US$37.5 million of dividends paid
- Healthy balance sheet, strong cash position of US$500.1 million

1 Including 4.0 moz from Silverstream contract.
2 Resources reflect attributable 56% ownership in Juanicipio.
3 All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).
4 Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and gold, lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.
5 Adjusted basic and diluted earnings per ordinary share from continuing operations, prior to the revaluation effects of the Silverstream contract.

Who We Are

Fresnillo plc is the world's leading silver mining company and one of Mexico's largest gold producers. Headquartered in Mexico City, we are a FTSE 100 company with shares trading on the London and Mexican Stock Exchanges.

Alberto Baillères (left)
Non-executive Chairman
p6–7

Octavio Alvídrez (right)
Chief Executive Officer
p12–15

Business Model and Strategy

We seek to create value for stakeholders across precious metal cycles, focusing on high potential silver and gold projects that can be developed into low cost, world-class mines.

1 Maximise the potential of existing operations

Optimise capacity, replenish reserves, continuously improve productivity and cost structure, and leverage expansion opportunities.

2 Deliver growth through development projects

Develop, build and commission projects that meet stringent criteria for mineral content and associated costs.

3 Extend the growth pipeline

Invest continuously across price cycles to ensure a pipeline of growth projects at different stages.

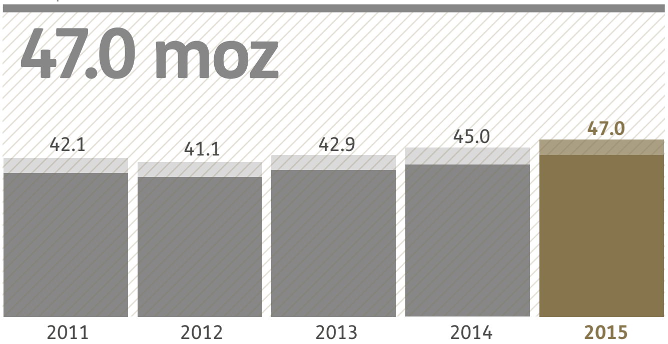
4 Advance and enhance the sustainability of our business

Prioritise safety and health, responsible environmental stewardship, the wellbeing of our communities, and best governance practices.

Performance

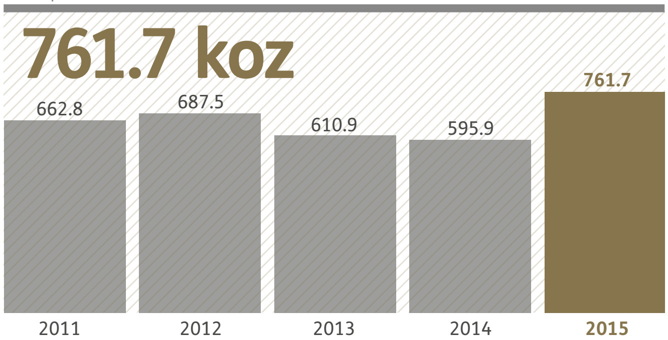
Committed to delivering on our production goals, profitably and sustainably.

Silver production



Graph illustrates silver production from our own mines, with shaded portion representing additional ounces accrued under the Silverstream contract.

Gold production



All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).

2015 EBITDA margin

37.9%

2015 EBITDA

US$547.5m

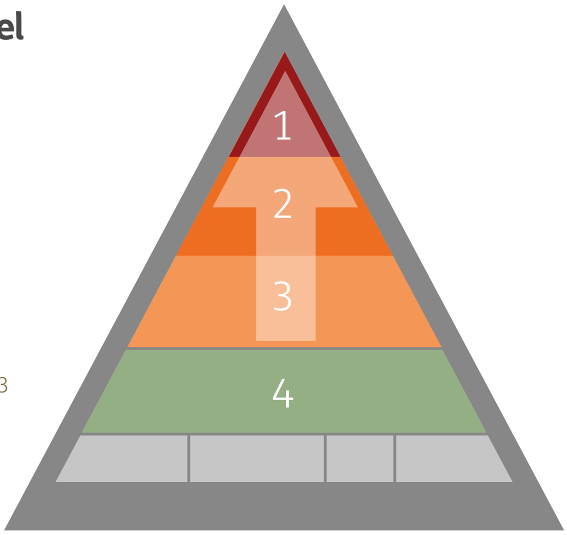
Social and Sustainability Report

Our Environment, Social and Governance (ESG) performance was recognised with the inclusion of Fresnillo plc in the Euronext-Vigeo EM 70 Index.

Read more about **sustainability:** p66–86

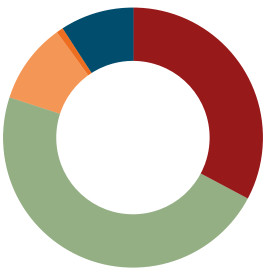
Our Business Model

Our value creation strategy is intrinsically linked to the business model



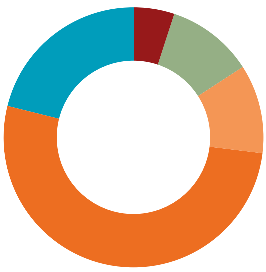
Read more about **our business model:** p18–23

2015 Silver production by mine



Fresnillo	33%
Saucito	47%
Ciénega	10%
Herradura	1%
Noche Buena	0%
Silverstream	9%

2015 Gold production by mine



Fresnillo	5%
Saucito	11%
Ciénega	11%
Herradura	52%
Noche Buena	21%

Where We Operate

Historically, Mexico has been a mining friendly country, with significant geological resources, strong potential for continued growth, robust mining laws in place, a skilled workforce and solid infrastructure. We will continue to seek and evaluate growth opportunities in Mexico but also consider opportunities elsewhere in Latin America.

1 Mines in operation

1 Fresnillo

Silver reserves	**201.6 moz**
Gold reserves	**525.0 koz**

Read more p50–51

2 Saucito

Silver reserves	**130.7 moz**
Gold reserves	**730.0 koz**

Read more p52–53

3 Ciénega & San Ramón satellite

Silver reserves	**69.2 moz**
Gold reserves	**810.0 koz**

Read more p54–55

4 Herradura (incl DLP)

Gold reserves	**5.34 moz**

Read more p56–57

5 Noche Buena

Gold reserves	**1.01 moz**

Read more p58–59

6 Soledad-Dipolos

Gold reserves	**0.71 moz**

Operations at Soledad-Dipolos are currently suspended.

2 Development and advanced exploration projects

7 San Julián

Silver reserves	**146.0 moz**
Gold reserves	**420.0 koz**

Read more p60

9 Orisyvo

Indicated and inferred resources:

Gold	**8.9 moz**
Silver	**12.6 moz**

Read more p64

11 Centauro Deep

Indicated and inferred resources:

Gold	**4.3 moz**

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8 Centauro Extension

Evolution of main pit at Herradura; resources included therein

Read more p56

10 Juanicipio

Indicated and inferred resources (attributable):

Silver	**126.2 moz**
Gold	**578.0 koz**

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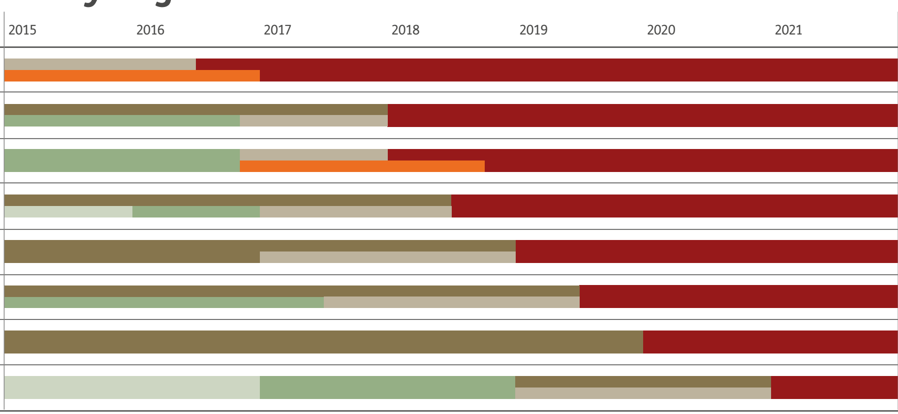
12 Las Casas, Cebollitas Cluster

Reported as part of Ciénega

Read more p63

Expected delivery of growth



Project	Investment (US$m)[1]	Expected avg. annual production[2]
San Julián	515	10.3 moz Ag 44 koz Au
Fresnillo 9,000 TPD (Optimisation project)	30	3 moz Ag
Pyrites Plant[3] (Optimisation project)	155	3.5 moz Ag 13 koz Au
Juanicipio	305[4]	10 moz Ag 30 koz Au
Centauro Extension	120	Extended LoM of 390 koz Au
Ciénega 5,000 TPD (Optimisation project)	55	15 koz Au 1.3 moz Ag
Centauro Deep	200	125 koz Au
Orisyvo[5]	350	136 koz Au

[1] Estimated [2] Total average annual production
[3] On hold post detailed engineering
[4] Total investment (of which 56% Fresnillo plc; 44% MAG Silver [5] On hold

Construction flotation plant, Construction tailings flotation; Construction leaching plant, Plant adequation, Plant construction; Production; Mine development; Basic engineering; Detailed engineering

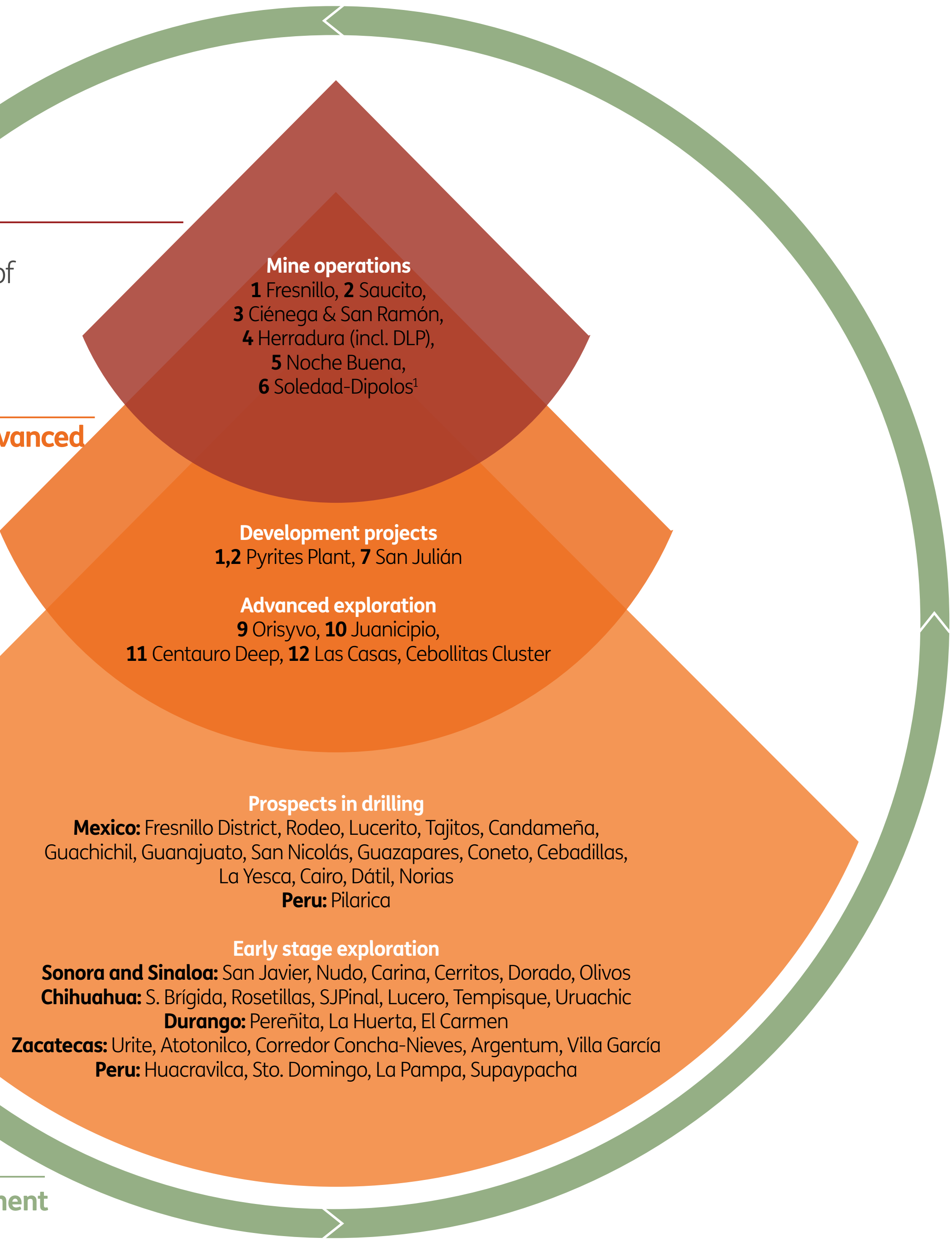
A strong growth pipeline

Our goal is to profitably and sustainably maintain the Group's position as the world's leading silver producer and one of Mexico's largest gold producers. We have an extensive portfolio of projects and prospects.

1 Mines in operation
Maximise the potential of existing operations

2 Development and advanced exploration projects
Deliver growth through development projects

3 Exploration
Extend the growth pipeline



4 Sustainable development
Advance and enhance the sustainability of our business

[1] Operations at Soledad-Dipolos are currently suspended.

Chairman's Statement

In the past year we have witnessed a continued downward trend in precious metal prices, to levels not seen in five years. This has led to short-term operational and financial challenges and raised long-term strategic questions for our industry.

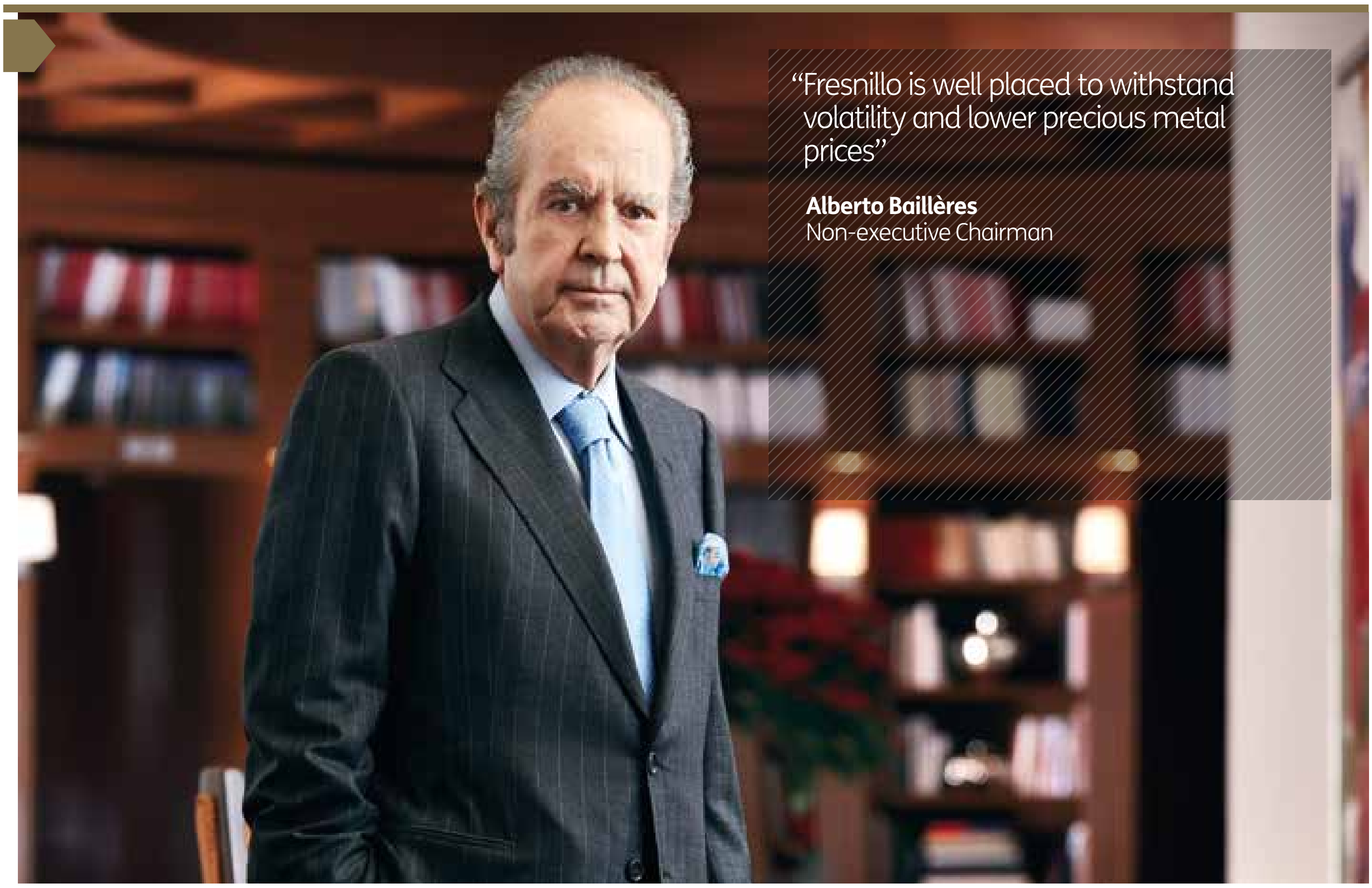
However, we have seen periods of uncertainty and low prices before and believe that, with our high quality assets, conservative financial structure and ability to adjust operations and investments, Fresnillo plc has demonstrated its capacity to meet these challenges, maintain solid profit margins and continue to pursue its long-term goals.

Within this context we successfully ramped up the Saucito II expansion, significantly ahead of the original three-year timeframe. This was essential to achieving the 4% rise in silver production year over year, to the upper range of our guidance. In addition, we reached steady state at Herradura, which combined with higher throughput at Saucito, increased the 2015 gold production to a record of 762 koz, 28% above the previous year and strongly ahead of guidance. Notably, at the time of our IPO in 2008 we had set a ten-year gold production target of 400 koz, which has been revised upward several times due in part to the acquisition of the remaining 44% of Penmont in 2014, and we have surpassed even that target.

Development projects advanced largely according to plan. In the second quarter of this year we will commission the first stage of the US$515 million San Julián mine, the key growth project to achieve our silver production target of 65 moz by 2018. Detailed engineering neared completion for the pyrites plant, which will recover silver and gold from old and current tailings of the Fresnillo and Saucito mines. The Juanicipio advanced exploration project in the Fresnillo District is moving closer to the development phase, with production expected to begin in 2018.

Exploration results were mixed, with a 4.2% rise in total gold resources and 1.9% decrease in silver resources. Gold reserves remained relatively stable while silver reserves decreased 6.0%, mainly at Fresnillo and San Julián. Our resource base remains exceptionally sound, particularly given the lower silver prices used for the estimates.

The maturity of the Company's Health, Safety, Environment and Community Relations (HSECR) System progressed toward its 2016 targets, as determined by an independent assessment. Notwithstanding the significant reduction in fatalities over the past few years, it is with much sadness I report one fatal accident in 2015, and two fatalities in early 2016, a disturbing reversal of our safety record. It is the Company's responsibility to ensure that everyone who works at our operations returns home safely to their family every day. The Board will



"Fresnillo is well placed to withstand volatility and lower precious metal prices"

Alberto Baillères
Non-executive Chairman

always give the highest priority to safety issues and has overseen investigation of these accidents, ensuring that management takes action to improve safety systems and practices. I encourage you to review our social and sustainability performance set out on pages 66 to 86 for a deeper look at our programmes and progress, as well as how we intend to support the UN's sustainable development goals.

Revenues increased mainly as a result of higher production volumes and productivity improvements, which more than compensated for the 10.4% and 16.1% declines in our average realised gold and silver prices, respectively. As a result, total adjusted revenues of US$1,583.3 million were 2.5% above last year. Furthermore, the 19.2% average devaluation of the Mexican peso benefited peso-denominated production costs. However, profit attributable to equity shareholders was US$70.5 million, down 35.0%, mainly due to the non-cash accounting effect of the devaluation of the Mexican peso on deferred taxes.

EBITDA of US$547.5 million was 3.5% lower than in the previous year, while cash flow from operations was a healthy US$542.9 million, 346.5% higher mainly due to a reduction in accounts receivable. Our year-end cash balance was US$500 million, and net debt was US$300 million.

After a comprehensive review of the Company's financial situation, capital requirements, growth targets and the precious metal markets, the Board declared an interim dividend of 2.1 US cents per share and a final dividend of 3.35 US cents per share, totalling US$24.7 million.

Our goal is to create long-term shareholder value, and I believe that this can be achieved by balancing growth, corporate social responsibility and attractive returns for our shareholders. The Group's dividend policy takes into account the profitability of the business and underlying earnings, as well as its capital requirements and cash flows, whilst maintaining an appropriate level of dividend cover. A total dividend of between 33 and 50 per cent of profit after tax is paid out each year in the approximate proportion of one-third to be paid as an interim dividend, two-thirds to be paid as a final dividend. This gives us the required flexibility to consider the underlying cyclical behaviour of precious metal prices.

The Board's governance agenda in 2015 was focused on the action plan based on the 2014 External Board Evaluation and in response to UK Corporate Governance Code changes taking effect this year, most significantly conducting the assessment of viability for the preparation of the Viability Statement. The Corporate Governance Report set out on pages 98 to 136 illustrates the full range of Board actions in pursuit of long-term shareholder value creation.

The Board also continued to take an active role in setting strategy, reviewing progress against plan and ensuring management retains sufficient flexibility to respond to market dynamics and operational developments. Our role is perhaps most vital in the allocation of capital, and my colleagues and I are aligned in seeking a balance between growth, returns to our shareholders and maintaining a strong financial position.

It is with these priorities in mind that we scaled down our capital expenditures and exploration budget in 2015, and have begun to implement our contingency plan in 2016 to safeguard our financial position at a time of cyclically low precious metal prices. Specifically, we have deferred equipment orders for the planned pyrites plant and development work at Orisyvo. We will continue to monitor market conditions closely to evaluate the timing of reinstating these projects, or if further deferrals are required, and will act accordingly. We have also directed management to focus on further cost reductions, productivity improvements and value preservation measures.

The challenges we face today are real and evolving, as we detail in our Market Overview and Risk sections (pages 16 to 17 and 36 to 47). While there is little consensus on when we might next see upside, I believe that our low cost operations, development project pipeline and portfolio of exploration projects constitute the solid foundations to drive long-term shareholder value.

Fresnillo is well placed to withstand volatility and lower precious metal prices and to reap the benefits of an eventual upturn. For now, we will focus on ensuring that our operations are working to their full potential, bringing our new San Julián mine on line as planned, replenishing reserves and continuing to explore core districts.

It is in these challenging circumstances when strong leadership is most deeply appreciated, and for this reason I wish to recognise our management team and the people of Fresnillo for their endurance, and my fellow Directors for their invaluable advice and support.

Alberto Baillères
Non-executive Chairman

Our Investment Case

Our solid foundations provide a competitive advantage in the mining industry and position us to drive long-term value.

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Strong balance sheet

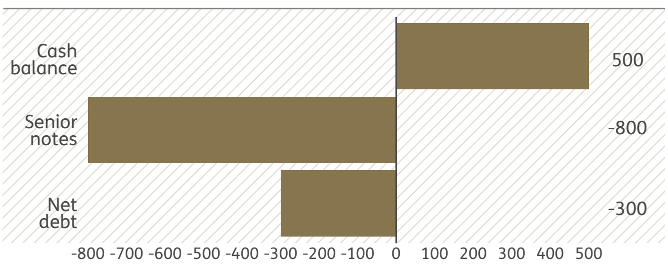
How this drives value: operational flexibility, investments for growth, returns to shareholders

We aim to maintain a strong financial position with a healthy cash balance and a low leverage ratio. This enables us to balance investment in profitable growth with returns to our shareholders, while optimising our operations. Even in the current metal price environment, we were able to invest US$474.7 million in capex, US$140.2 million in exploration and pay out US$37.5 million in dividends, and still close the year with a strong cash position of US$500 million and low leverage.

Net debt: EBITDA

0.55x

As at 31 December 2015
(US$m)



p50–65

High quality assets

How this drives value: long-term visibility, long life returns

We are amongst the largest concession holders in mineral-rich Mexico. We hold a portfolio of low cost gold and silver mines, high potential development projects and advanced exploration prospects, with a focus on district consolidation that allows us to leverage our local knowledge and achieve significant synergies through shared infrastructure.

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How this drives value: healthy margins, adaptability across price cycles

Our high quality assets allow us to extract mineral profitably even in depressed metal price environments, with all-in sustaining costs below average realised prices at each of our mines in 2015. We benefit from the ability to tailor mine plans and leverage expertise, and within our districts to share personnel and plant capacity accordingly. We optimise performance with a focus on continuous improvement in productivity and efficiency, and lower unit consumption of operating materials and energy. In 2015 cost per tonne decreased at four of our five operating mines.

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How this drives value: long-term profitable growth

Our development projects meet stringent viability criteria, including environmental and social impact, sustaining capital expenditures and rates of return. Delivery timelines and budgets are optimised to allow us to advance towards our production targets whilst adjusting for adverse market conditions to maintain a healthy financial position.

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How this drives value: licence to operate

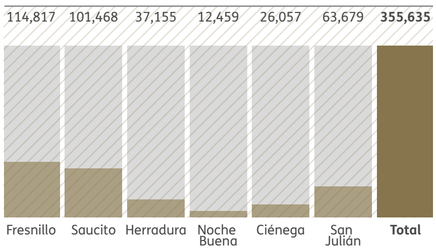
We understand the needs of our local communities and prioritise local goods and service for our operations, continue to work to ensure the safety and health of our people, and strive for continuous improvement in minimising our environmental footprint. This is essential not only for operational continuity but in order to drive value for all our stakeholders. We invested US$19.06 million in our HSECR initiatives in 2015, following an investment of US$20.54 million in 2014.

Vibrating screens at Saucito result in capacity increase

Construction of milling area at San Julián nears completion

Total hours of safety training

355,635



Strategic Report

Strategy

Performance

Chief Executive's Letter

The mining industry faces significant pressures and challenges today: depressed prices, technical difficulties in accessing mineral resources and rising demands of multiple stakeholders. Many in our industry have responded by increasing productivity, innovating processes and technologies, and improving their response to competing interests. By necessity, best industry practices have been redefined.

But many miners have rationalised portfolios, curtailed production, cancelled or deferred investment in new projects and reduced exploration. Such cash preservation measures may be critical in the short term but, taken to the extreme, could undermine the foundations of long-term value creation.

In that regard Fresnillo is well placed, with solid foundations on which to drive long-term value creation: a strong balance sheet that enables us to invest across cycles, high quality assets, low cost and flexible operations, a disciplined approach to development, and a commitment to sustainable business practices.

These foundations uphold our commitment to balancing growth and returns, together with maintaining a strong financial position, allowing us to optimise performance in current market conditions while pursuing profitability and sustainability across precious metal price cycles.

Indeed, we continued to generate solid profit margins in 2015, albeit lower year on year, while all-in sustaining costs (AISC) for many of our mines remain amongst the lowest in the industry. We advanced our development projects and by investing in exploration across price cycles, we generated increases in gold resources over 2014, whilst silver resources remained relatively stable despite lower price assumptions.

We remain prepared to act, of course, favouring actions that accelerate cash flow while deferring investments that do not compromise the optimal timing of our critical growth projects. Such was the case in 2015 when we lowered our capital expenditure and exploration spending from their original budgeted amounts.

We also encountered some internal challenges of our own in the year. At the Fresnillo mine, we fell short of our own expectations of operational excellence following development delays that had begun in 2013 concurrent with the natural and expected decline in silver ore grade. These delays, which limited access to richer stopes, were caused by a combination of factors including narrower veins, which increase dilution and require additional development to maintain throughput levels, poor rock quality necessitating additional shotcreting and anchoring, issues with contractors, and insufficient implementation of in-mine infrastructure.

"Our commitment to balancing growth and returns, together with maintaining a strong financial position, allows us to optimise performance in current market conditions"

Octavio Alvídrez
Chief Executive Officer

We continue to see the results of the measures we implemented at the Fresnillo mine gradually come through, with grades and throughput increasing in the final months of the year, whilst lowering dilution; I am confident of a turnaround in 2016 with a target of a double-digit increase in ore milled.

At Herradura, our focus this year centred on increasing our processing capacity to cater for both the solution produced at the leaching pads and the dynamic leaching plant (DLP). We installed a second Merrill Crowe plant and made technical modifications to the DLP, which allowed us to reach steady state production by year end.

Safety continues to be our highest priority and I am deeply saddened to report one fatality in late 2015 and two in early 2016, as well as an increase in injury rates. Failure to meet our targets in this regard has profound human implications, more than any other goal we set ourselves. We must continue to strengthen our safety culture and address the human factors involved in the majority of accidents in order to safeguard our workforce and retain our licence to operate.

In each of these areas above, we have taken important steps to improve performance in 2016 and we will hold ourselves accountable for the targets I outline below.

Operating and financial performance
We produced a record 47.0 moz of silver in 2015 (including the Silverstream contract), at the top end of our guidance range and 4.4% over 2014. This primarily reflected the ramp-up of Saucito II that resulted in higher ore throughput, as well as milling efficiencies at the Saucito I plant. Higher silver ore grade at Ciénega also contributed to the increase in production. These factors more than offset lower ore grade and volumes processed at Fresnillo.

2015 silver production

+4.4%

Gold production of 762 koz increased 27.8% over the same period of 2014, against our target of 715-730 koz and surpassing the 2018 gold production target of 750 koz. This was a result of Herradura and its dynamic leaching plant being fully operational for the year, and installation of a second Merrill Crowe plant that was key in increasing capacity and reaching steady state.

By-product lead production increased 48.3% on 2014, to 42,413 tonnes, as a result of increased ore throughput and higher ore grade at Saucito and higher ore grades at Ciénega and Fresnillo. Similarly, by-product zinc production increased 45.2% to 46,022 tonnes due to higher ore throughput and ore grades at Saucito and higher ore grades and recovery rates at Fresnillo. We expect base metal production to continue to increase as we extract at deeper levels of the Fresnillo mine, and our capacity to process these lead and zinc ores will increase following the plant expansion.

Our development projects and high quality growth pipeline remain a key pillar of our long-term growth strategy. We significantly advanced development of the San Julián silver-gold project, and despite delays in permitting, weather-related issues, security concerns and a high rotation of contractor personnel arising from the project's remote location, execution delays were relatively minimal. The commissioning of the stage 1 leaching plant is now expected in the second quarter of 2016, only months after the revised target date.

Detailed engineering continued at the pyrites project, which is expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines. Once engineering is completed in mid-2016, further work on the project will be put on hold as part of the contingency plan implemented by the Board to safeguard our financial position; equipment orders and construction work will resume as market conditions warrant.

2015 gold production

+27.8%

Exploration mainly focused on areas of influence at current operating mines and key exploration sites, with our advanced exploration projects all progressing according to plan. At Juanicipio, mining works continued at a good pace and drilling showed positive results with a 10% increase in silver resources. We saw increases in silver-gold resources at the Huizache, San Julián Sur, Guanajuato and Rodeo projects.

Our resources and reserves reflect lowered price assumptions: the silver price assumption decreased to US$15 per oz (2014: US$18). The gold price assumption for open pit resources was lowered to US$1,300 per oz (2014: US$1,350), consistent with the price used for the purpose of the design of the pit shell, allowing for adequate long-term design flexibility. The gold price assumption for underground reserves and resources and for reserves in open pits was unchanged at US$1,150 per oz. Notwithstanding these reductions, our high quality asset base remains healthy. Gold resources increased 4.2%, whilst silver resources and gold reserves decreased by 1.9% and 1.5% respectively. Silver reserves decreased, mainly at Fresnillo and San Julián, to 547.6 moz.

We continued to advance our HSECR framework in the year, and saw improvement in many key areas outside of the aforementioned safety issues. A notable highlight was the introduction of renewables in our energy portfolio as we move to decouple growth from carbon emissions. Moreover, our progress in terms of carbon emissions reporting transparency earned a 93 rating from the Carbon Disclosure Project against our initial rating of 58 in 2010. The response to climate change and the need to build resilience in a carbon-constrained economy, particularly in light of COP21 commitments, will require our considerable focus. Also notable was our inclusion as a top emerging markets performer by Vigeo, an international research group on environmental, social and governance issues.

While our financial performance in the year was impacted by the decline in precious metal prices, with our average realised silver and gold prices 16.1% and 10.4% lower than in 2014, respectively, this was more than compensated by the higher volumes of metal produced and sold in 2015.

Chief Executive's Letter
continued

2015 adjusted revenues

+2.5%

2015 EBITDA

-3.5%

As a result, adjusted revenues totalled US$1,583.3 million, 2.5% above the previous year. Higher cost of sales that included a significant hedging loss weighed on gross profit, which declined by 16.9% to US$433.1 million. Lower exploration expenses helped stem the decline in EBITDA to 3.5%, resulting in an EBITDA margin of 37.9%. The 16.9% devaluation of the Mexican peso against the US dollar resulted in non-cash charges to the income statement and affected the monetary position and value of certain assets and liabilities, resulting in a much higher deferred tax charge. A detailed review of our performance is set out in the Financial Review (pages 87 to 95).

Moving forward: our 2016 outlook and objectives

While we see long-term fundamental support for precious metals as we outline in our Market Overview (pages 16 to 17), we do not expect significant shifts in the factors driving current volatility, nor does there appear to be a clear catalyst that would support a return to higher prices.

Fresnillo remains well positioned to weather such volatility, with sufficient financial and operating flexibility. Our long-term strategic goals are unchanged: to profitably and sustainably maintain the Group's position as the world's largest primary silver company and a leading gold producer in Mexico. Having already attained our 2018 gold production and reserves targets, we remain committed to our silver targets of 65 million ounces production at that time, and 650 million ounces in reserves.

Our near-term focus remains on controlling expenditures, optimising performance and delivering returns, even as we hold firm to our belief that value creation requires sustainable growth through the disciplined development of new projects and ongoing investment in exploration across prices cycles. As such, and in consideration of the contingency plan, we have budgeted US$600 million in capital expenditures for 2016, to be allocated primarily to San Julián and sustaining capex at current operations, and US$135-140 million for exploration. However, we will continue to monitor market conditions and may adjust the budget accordingly.

We aim to produce 49-51 moz of silver, including 4 moz from the Silverstream, and 775-790 koz of gold in 2016. In addition, we will continue to pursue a favourable resolution on Soledad-Dipolos, where mining and beneficiation were suspended in 2013 following contested ownership of some surface lands; since that time, we have fostered strong relationships with other neighbouring agrarian communities that have led to the signing of new agreements.

As always, we will seek additional efficiencies at all our operating mines, investing in productivity and controlling costs to maintain our cost position and solid margins. I personally benchmark our success by the ability to meet our objectives within a framework of maturing sustainability and good governance, and continuous improvement in our safety culture.

I am humbled by and grateful for the confidence placed in us by our people and our communities, our suppliers and contractors, and our clients and shareholders, and feel a deep personal responsibility to meeting our commitments on sustainable value creation. I look forward to working together in 2016 to drive that vision ever forward.

Octavio Alvídrez
Chief Executive Officer

Fresnillo Today
Strategic Report
Corporate Governance
Financial Statements

2016 silver production guidance

49-51 moz

2016 gold production guidance

775-790 koz

2015 objectives	2015 performance	See more
Zero fatalities, continuous improvement in safety	One fatality in 2015 (vs. one in 2014); two in January 2016	p70–73
45-47 moz silver, including Silverstream	Met guidance at 47 moz mainly due to higher throughput at Saucito, offsetting lower ore grade at Fresnillo	p2
670-685 koz gold, later revised upwards to 715-730 koz	Exceeded guidance at 762 koz mainly due to Herradura and its DLP being fully operational for the year, and steady state having been reached at the mine post the installation of the second Merrill Crowe plant	p2
San Julián phase 1 start-up in 4Q15	Deferred to Q2 2016 following delays in permitting, weather-related issues, security concerns and a high rotation of contractor personnel	p60
Launch next phase of growth at Ciénega: start construction of plant expansion, build tailings dam #3, conduct pre-feasibility study of mine expansion for Board approval; finalise detailed engineering of the pyrites plant and commence construction	Following positive exploration results, capacity expansion at Ciénega was deferred in order to evaluate need for increased milling levels, permitting process underway for tailings dam; detailed engineering works continue at the pyrites plant	p54–55, 61, 63
Exploration budget of approximately US$170.0 million, focused around current mines and advanced exploration projects	Risk capital invested in exploration reduced to US$151 million	p62–65
Evaluate mine plan option for Centauro Extension; continue exploration of Centauro Deep	At Centauro Extension, development of optimal pit design was concluded; mining works continued at Centauro Deep, geological model being revised	p56–57, 63
Adapt water stewardship and biodiversity strategies	Collaborating internally to forecast future energy demands and identify reduction opportunities	p74–79
Further advance maturity of HSECR system towards fully integrated system by 2016 target	Maturity of HSECR system reached an overall level of 92.3%	p66, 68

Our commitments and targets for 2016	See more
Maximise the potential of existing operations > Fresnillo: Stabilise the rate of development at 4,500 metres per month, improve ore grade and production levels; advance engineering on the capacity optimisation project > Produce 49-51 moz of silver, 775-790 koz of gold > Increase efficiency and control costs	p50-59
Deliver growth through development projects > San Julián: Commission leaching plant to process ore from the veins (phase 1) in 2Q16, flotation plant to process ore from the disseminated ore body (phase 2) in 4Q16 > Pyrites plant: Complete engineering; equipment orders and construction on hold as per contingency plan	p60–61
Extend the growth pipeline > Deploy US$135-140 million in exploration investment	p62–65
Advance and enhance the sustainability of our operations > Continue to strive for zero fatalities, continuous improvement in safety > Conclude advancement of HSECR system towards its 2016 target	p66–86

Market Overview

As a major silver and gold mining company, Fresnillo plc is exposed to the market dynamics common to the global precious metals industry. In addition, given that the majority of our people and operations are located in Mexico, country-specific factors can affect our strategy and outlook.

Market size and position

In silver, our peer group are other primary silver miners, although it should be noted that much of global silver production is derived as a by-product of gold, lead, zinc and copper mines. Fresnillo plc has long been amongst the top three global producers of silver, both by-product and primary, and we aim to maintain our leadership position amongst global producers.

	2015	2014	2013
Primary silver producers (production in moz)			
Fresnillo plc	**47**	**45**	**43**
Polymetal International plc	32	29	27
Coeur Mining, Inc.	16	17	17
Hochschild Mining plc	15	16	14
Hecla Mining Company	12	11	9
Silver Standard Resources, Inc.	10	9	8
Silver Corp Metals Inc.	4	5	5
Global silver producers, by-product and primary (production in moz)			
Fresnillo plc	**47**	**45**	**43**
KGHM Polska Miedz S.A.	41	40	37
Goldcorp Inc.	40	37	30
Pan American Silver Corp.	26	26	26
South 32 Limited	22	N/A	N/A
BHP Billiton	11	34	37

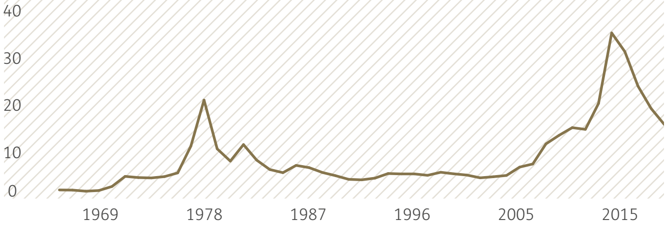
In gold, we benchmark our performance against medium-sized global gold miners with similar levels of annual production.

Medium-size gold producers (attributable production in koz)			
Agnico Eagle Mines Limited	1,671	1,429	1,100
Randgold Resources Limited	1,211	1,147	910
Polymetal International plc	861	945	805
Fresnillo plc[1]	**762**	**596**	**611**
Petropavlovsk plc	504	625	741
OceanaGold Corporation	419	307	326
Coeur Mining Inc.	328	249	262
Hochschild Mining plc	166	101	116

[1] All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).

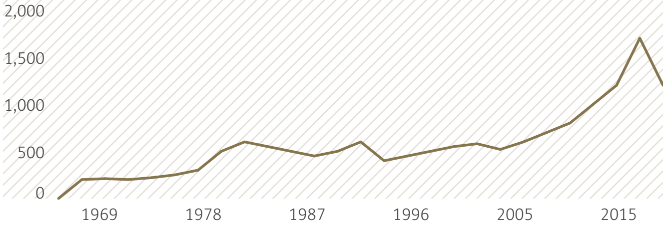
Average annual silver prices 1969-2015
US$ in nominal prices

15.7/ounce



Average annual gold prices 1969-2015
US$ in nominal prices

1,160.1/ounce



Key trends shaping our industry
The mining industry faces a number of underlying trends that impact competitiveness and viability.

Declining metal prices are putting pressure on revenues and profitability. The average gold price was lower for the third consecutive year, largely due to a strengthening US dollar and an improving US economy that presages higher interest rates. Similarly, the average price of silver reached a six-year low, despite indications of rising industrial demand. There is no clear consensus on the timing and likelihood of a return to higher prices.

Metal supply is limited, and ore grades are declining. The industry's investment in exploration has declined in line with reduced capital inflows, and junior miners, upon whom much new exploration has been dependent, are even more sensitive to capital constraints. No new major deposits have been identified in recent years, thus mine life will be reduced if volumes are sustained at current operations. Miners will increasingly rely on lower grade deposits or those with more complex metallurgy, while the search for new deposits may take more time and be in less hospitable and secure areas.

Due to limited supply and declining ore grades, some costs are rising. Given the aforementioned trend regarding deposits, and the lack of economies of scale that bigger and richer deposits would allow, the costs associated with the additional time and materials needed to extract and process deeper and lower grade metals are higher. In addition, the environmental and social costs of maintaining mining operations have increased.

Viability for many miners in the current environment relies on rationalising portfolios. Gains from productivity improvements and process innovations have helped drive down costs, but at insufficient levels to sustain capital requirements across much of the industry. Layoffs, suspended operations and divestitures have all increased, which will likely force a new round of industry consolidation.

Anti-mining activism and government regulation and nationalisation continue to rise. In Mexico specifically, no new duties or restrictions were placed on the industry in 2015, although there is an emerging initiative towards indigenous consultation. Pressure to amend environmental laws remains high domestically and industry-wide.

Challenges in securing land access and ownership. In Mexico specifically, mining concessions confer no rights to the surface land above the mineral resources in the subsoil. Concession holders must negotiate private agreements with landowners, including communally held land as recorded in the National Agrarian Registry. Inconsistent registration and enforcement of inherited ownership rights for communal land has led, in some cases, to renegotiation of land agreements, and increased rent for land, water and occupancy agreements.

Continued insecurity in Mexico. Crime and violence, much of it fuelled by drug cartels, continues to affect many parts of the country. Federal police and armed forces have increased their enforcement activities, as have private citizen groups. Despite the escalation of enforcement, the security situation in Mexico remains a critical issue, particularly in remote areas.

Responding to these challenges
Our business model and strategic priorities have remained relatively unchanged over time. The Group's conservative approach to growth and leverage, combined with a commitment to operational excellence, responsible business practices and disciplined capital allocation provide valuable downside protection, allowing us to deliver shareholder returns and strengthen stakeholder relations even in the current environment. At the same time, upside potential remains high given our continued investment in exploration across price cycles.

Costs in most of our mines remain below current and projected market prices for gold and silver, thus we continue to operate in line with our stated 2018 production targets. Nonetheless, lower prices have coloured our budget considerations in areas such as exploration and the timing of certain capital expenditures, and we remain open to the possibility of adjusting investment in capex and exploration in accordance with precious metals markets conditions, but without changing our long-term production targets.

On trends specific to Mexico, including land access and security, we have put in place a range of risk mitigation measures to ensure operational continuity. See pages 39 to 41.

Maintaining our competitive position across the cycle
To assess our competitiveness within our peer groups, we look primarily at the following two factors, neither of which are materially influenced by the aforementioned market dynamics:

Our average cash cost per metal: We track all-in sustaining costs (AISC) as a means to monitor current production costs and preparations for future production; however, we continue to use the traditional cash cost metric as we believe it is more representative of the production costs incurred during the period, eliminating distortions caused by non-recurring sustaining costs. We define cash cost as the total cash cost (cost of sales plus treatment and refining charges, less depreciation), less revenues from by-products, divided by ounces of silver or gold sold. Our strategic objective is to remain in the lowest quartile of the cost curves, which we again achieved in 2015 at most of our mines.

The quality and quantity of our mineral assets: Cash costs provide a picture of a company's current ability to extract its resources at a reasonable cost, but long-term competitiveness is dependent on the actual size of the resource base. A strong indicator of future production is the ability to convert measured, indicated and inferred resources into proven and probable reserves.

We continuously invest in exploration across price cycles to expand and strengthen our asset base, using strict cost criteria to ensure that extraction will be economically viable even in low metal price environments. As a result, our total resources and reserves have grown at a fairly steady pace and we have a range of organic growth projects that extend across the prospecting, drilling and resource definition stages, ensuring that we can benefit from the next cyclical upswing.

Our 2015 resource estimate indicates continued growth in gold resources, whilst silver resources were relatively stable despite lower price assumptions. See pages 62 to 65.

Business Model and Strategy

We seek to create sustained value for stakeholders across precious metal cycles, focusing on high potential silver and gold projects that can be developed into low cost, world class mines. Our value creation strategy is intrinsically linked to the business model.

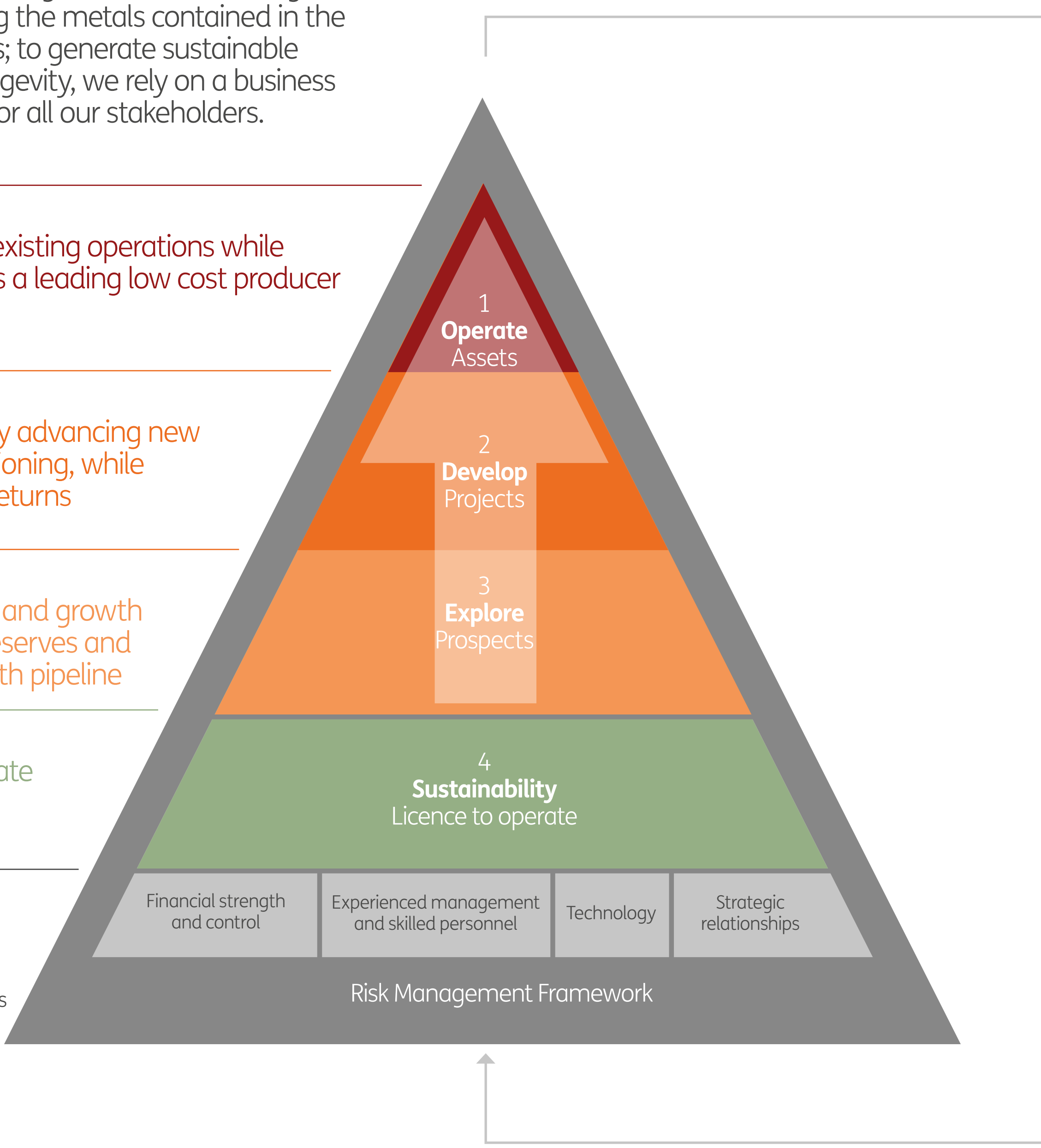
At the heart of our business is gold and silver mining. We generate revenue by selling the metals contained in the ore we extract and process; to generate sustainable growth and ensure our longevity, we rely on a business model that creates value for all our stakeholders.

1 Operate
Maximise the potential of existing operations while maintaining our position as a leading low cost producer

2 Develop
Deliver profitable growth by advancing new projects towards commissioning, while optimising cash flow and returns

3 Explore
Ensure business continuity and growth by replenishing depleted reserves and maintaining a robust growth pipeline

4 Sustainability
Uphold our licence to operate



Strategic resources and relationships
Safeguard, deploy and invest in our strategic resources, and nurture and strengthen our strategic relationships

Risk management framework
Embed a culture of risk awareness through an effective risk governance structure

Precious metal value chain

Fresnillo plc

Exploration for mineral resources → Development & construction of new mines → Mineral extraction and beneficiation → Smelting and refining → Brokers → Buyers

Value creation

Job creation	Infrastructure	Payment for goods and services	Treatment and refining charges	Dividends	Tax revenue	Knowledge
Wages and benefits	Education/ healthcare	Support for local economy		Capital gains	GDP contribution	Increased influence
Profit sharing	Arts/athletics					
Professional development	Conservation					
	Quality of life					

Strategic relationships

p22–23

Employees	Communities	Suppliers	Customers	Shareholders and Partners	Government	Membership organisations
Productivity	Access	Quality	Timely intake and payment	Capital	Concessions	Best practices
Commitment	Trust	Fair prices	Flexibility		Permits	Increased influence
	Respect	Technical support			Access to capital markets	

Stakeholder support

Business Model and Strategy continued
Business model components

1 Operate
The extraction and beneficiation of ore from our operating mines

Strategic focus:	Maximise the potential of existing operations
Priorities:	Optimise capacity and recovery rates by adjusting mining methods and beneficiation processes; generate continuous improvements in productivity and cost controls; leverage expansion opportunities
KPIs:	Production by metal, cost per tonne by mine, productivity by mine (ore milled or moved per person)
Competitive advantages:	In most of our mines, AISC on a life of mine basis are significantly lower than current and projected market prices for gold and silver, positioning our cost performance competitively amongst industry peers

Key assets

Asset	Type	Main Metal	Year
Fresnillo district			
Fresnillo	Underground	Silver primary	1554
Saucito	Underground	Silver primary	2011
Ciénega district			
Ciénega	Underground	Gold/Silver	1992
San Ramón (Ciénega satellite)	Underground	Gold/Silver	2012
Herradura district			
Herradura	Open pit	Gold	1997
Soledad-Dipolos[1]	Open pit	Gold	2010
Noche Buena	Open pit	Gold	2012

[1] Operations at Soledad-Dipolos are currently suspended.

Key risks:
- Impact of global macroeconomic developments
- Access to land
- Potential actions by the government
- Security
- Public perception against mining
- Union relations
- Human Resources

See pages 50–59 for a detailed review of our mining operations.

2 Develop
The development and construction of new operating mines and facilities

Strategic focus:	Deliver growth through development projects
Priorities:	Adhere to strict delivery timelines and capex budgets
KPIs:	Project delivery against budget/timeline
Competitive advantages:	All projects meet stringent viability criteria, including environmental impact, sustaining capital expenditures and rates of return; our district consolidation strategy offers synergy potential with our other prospects and projects, reducing total capex requirements; engineering and construction are carried out by our in-house teams

Key assets

In progress: San Julián Underground mine in the prospective San Julián district. Phase 1 start-up 2Q16; Phase 2 4Q16	Estimated 10.3 moz silver and 44,000 oz gold per year
Pyrites treatment plant Facility to process historical and ongoing tailings from Fresnillo and Saucito mines to increase metal recovery rates	On hold post detailed engineering. Annual production expected to average 3.5 moz silver and 13,000 oz gold; production less than two years from reinstatement pending market conditions

Key risks:
- Impact of global macroeconomic developments
- Access to land
- Potential actions by the government
- Security
- Public perception against mining
- Projects (performance risk)
- Union relations
- Human Resources

See pages 60–61 for a detailed review of our development projects.

3 Explore

The search for ore deposits that expand our resource base and replenish reserves

Strategic focus:	Extend the growth pipeline
Priorities:	Allocate funding across metal price cycles; advance prospects and projects along the exploration pipeline in accordance with strict criteria (from early stage to drilling to advanced); convert resources to reserves
KPIs:	Total attributable resources by metal
Competitive advantages:	We hold one of the largest sets of mining claims in Mexico; prospects must meet strict criteria on ore grades, metallurgical recoveries and environmental impact, and have a minimum potential of 100 moz of silver or 2 moz of gold equivalent in order to advance along the pipeline

Key assets

Asset	Main Metal
Fresnillo district	
Juanicipio	Silver
Ciénega district	
Las Casas, Cebollitas Cluster	Silver and gold
Herradura district	
Centauro Deep	Gold
Chihuahua (greenfield)	
Orisyvo	Gold
Other early stage projects and prospects, Mexico and Peru	

Key risks:

- Impact of global macroeconomic developments
- Access to land
- Potential actions by the government
- Security
- Public perception against mining
- Exploration
- Human Resources

See pages 62–65 for a detailed review of our exploration pipeline.

4 Sustainability development

Policies and practices that ensure the responsible operation of our business

Strategic focus:	Advance and enhance the sustainability of our business, today and for future generations
Priorities:	Eliminate unsafe workplace conditions and behaviours; improve and maintain the health of our people; minimise the environmental impact of our activities; engage with and support the development of our communities; secure the talent pipeline and ensure a fair workplace; fully integrate the HSECR system across the organisation
KPIs:	Fatalities and injuries, greenhouse gases, water, community investment
Competitive advantages:	Deep understanding of our home market culture and communities, enabling us to meet best practices domestically and in line with international standards

Key pillars

Health	Safety
Environment	Community relations
People	

Key risks:

- Potential actions by the government
- Security
- Public perception against mining
- Safety
- Human Resources
- Environmental incidents

See pages 66–86 for a detailed review of our sustainability practices and performance.

Business Model and Strategy continued

Risk management framework

The identification, evaluation and mitigation of the principal risks that could affect the Company's ability to execute its strategy and deliver on its commitments.

Strategic focus
Embed a culture of risk awareness through an effective risk governance structure.

Priorities
Identify, assess and mitigate risk at all levels of the organisation, including the Board.

Competitive advantages
Our conservative approach towards risk, and ability to mitigate and manage it, supports our long-term value creation strategy.

See pages 36–47 for a detailed review of our risk management programme

Strategic resources

The key inputs required to sustain our value creation model.

Strategic focus
Safeguard, deploy and invest in our strategic non-mineral resources (human, financial, IT) and nurture and strengthen our strategic relationships (stakeholders).

Experienced management and skilled personnel
Select, recruit, train, develop, compensate and retain personnel with the requisite knowledge and experience to execute our strategy.

Technology
Deploy systems and methods that support exploration efforts, increase productivity, reinforce sustainability, enhance accountability, and support decision-making and financial planning processes.

Financial strength and control
Maintain strict control of cash, assets, costs and expenses to maintain our solid balance sheet and competitive position as a low cost producer, ensure resources to finance growth opportunities and guarantee operational continuity, and deliver shareholder returns.

See pages 87–95.

Strategic relationships

Our key stakeholders for and with whom we create shared value.

Strategic focus
Nurture and strengthen our strategic relationships.

Contract and unionised labour
Provide a safe, equitable and fair work environment.

See pages 84–86.

Communities
Invest directly and through partnerships in a range of initiatives that aim to enhance quality of life and long-term wellbeing, with a focus on environment, education, health and social integration, entrepreneurship and social infrastructure.

See pages 80–83.

Suppliers
Negotiate long-term purchase agreements to secure better pricing and ensure timely availability of key equipment, materials and services.

The Group contracts Servicios Administrativos Peñoles, S.A. de C.V. (SAPSA), a subsidiary of the Company's controlling shareholder, Industrias Peñoles, S.A.B. de C.V. (Peñoles), to supply administrative services. The relationship is regulated by a Services Agreement (NSA, or New Services Agreement), ensuring that all services are delivered at arm's length and on normal commercial terms as per the Relationship Agreement with Peñoles.

See page 111.

Customers
Partner with refiners and smelters who help maximise our revenue stream.

All the primary products originating from our mines in 2015 were sold to the Met-Mex Peñoles, S.A. de C.V. refining and smelting facility in Torreón, Coahuila (Mexico) under a series of supply agreements that enable us to benefit from relatively low transport costs associated with the proximity of their operations. The terms of the supply agreements with Met-Mex are set on an arm's length basis based on international benchmarks. The Group has sold to other refiners and smelters in the past and may do so in the future if conditions warrant.

Shareholders and note holders
Balance returns with investment in long-term growth.

Peñoles holds 75% of the issued share capital of Fresnillo plc and has been the principal investor in Group assets for over 50 years, as well as a significant supplier to and customer of the Company, as described above. We believe Peñoles is committed to our long-term growth and development. The remaining 25% of Fresnillo plc shares trade on the London and Mexican Stock Exchanges, and bondholders own US$800 million of Senior Secured Notes due 2023. The Group maintains a regular dialogue with its independent investors and note holders as described in the Corporate Governance Report.

Partners
Enter into and execute mutually beneficial business agreements.

The Group owns a 56% interest in Minera Juanicipio S.A. de C.V., with MAG Silver Corporation holding 44%; the agreement was entered into for the development of the Juanicipio concession. We also partner with a number of junior exploration companies to conduct early stage prospecting.

"Social acceptance of our projects is our most valuable intangible asset"

Rafael MacGregor
Chairman, Health, Safety, Environment and Community Relations Committee

Authorities and regulators
In Mexico and Peru, secure mining concessions and adhere to the laws and regulations governing all companies, and those for natural resources and mining companies in particular, including environmental, construction, explosives and labour laws, among others; in Mexico and London, adhere to issuer requirements of the London and Mexico Stock Exchanges, as well as financial and regulatory oversight from securities regulators.

Membership organisations
Learn about, advocate for and advance initiatives that support our strategic objectives.

We belong to a number of industry and trade groups: CAMIMEX, the Mexican Mining Chamber, which promotes sector agreements, advocates industry positions, and sets benchmarks for the mining sector; CESPEDES (Sustainable Development Studies Commission for the Mexican Private Sector, part of the Mexican Business Coordinating Council, or CCE), which coordinates the private sector stance on key issues such as the transition towards a green economy and greenhouse gas mitigation efforts in the country; and the Mining Cluster for the State of Zacatecas, through which mining industry participants in Zacatecas state promote the development of economic, social and environmental best practices across the supply chain.

Engagement of community in reforestation at Ciénega

Key Performance Indicators
1 Operate

Our performance in the year:

Silver production increased, mainly driven by throughput at Saucito, whilst **gold production also rose**, exceeding both 2015 guidance and our 2018 target, as a result of Herradura and its dynamic leaching plant being fully operational for the year. Continued focus on efficiency and controlling costs led to lower cost per tonne at almost every mine this year.

See pages 50–59

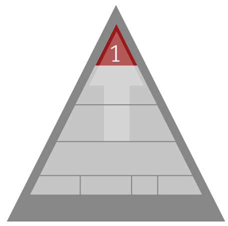
Steady state reached at Herradura

2015 silver production

47.0 moz

2015 gold production

761.7 koz



2015 objectives	2015 performance	2016 objectives
Optimise capacity and recovery rates		
› Saucito II: continue to ramp-up	› Saucito II: concluded ramp-up in 2Q15, significantly ahead of the three-year timeframe previously anticipated	
› Fresnillo: increase average development rate to 4,000m/month	› Fresnillo: increased average development rate to over 4,000m/month	› Fresnillo: further increase average development rate to 4,500m/month
› Herradura: install second Merrill Crowe plant and increase solution processing capacity	› Herradura: second Merrill Crowe plant commissioned in 4Q15 and solution processing capacity increased; steady state reached in 4Q15	
Leverage expansion opportunities		
› Ciénega: evaluate capacity expansion alternatives	› Ciénega: following positive exploration results, capacity expansion was deferred in order to evaluate optimal milling levels and plant location	› Ciénega: continue exploration at areas of influence and evaluate optimal configuration of additional capacity
› Herradura: pit evaluation for Centauro Extension	› Herradura: pit design work was concluded	› Herradura: evaluate construction of second milling line at the DLP
Increase efficiency and control costs		
› Seek continuous improvement	› Lower cost per tonne at Saucito, Ciénega, Herradura and Noche Buena › Productivity indicators improved at Saucito and Ciénega	› Seek continuous cost improvements through dedicated work teams at each business unit
Replenish and increase reserves		
› Ongoing	› Gold reserves remained stable, whilst silver reserves decreased due mainly to lower price assumptions	› Ongoing

For mine specific information
see pages 50–59

Key Performance Indicators continued
1 Operate KPIs

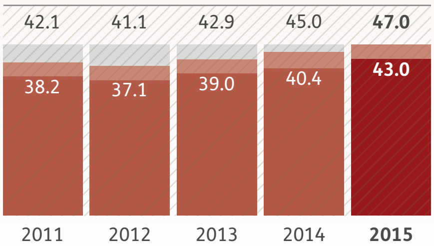
Production

Sum of ounces produced, plus ounces accrued through the Silverstream contract. This indicator monitors total production levels at our mines and contributions from advanced development projects.

Graph (left-hand side) illustrates silver production from our own mines, with shaded portion representing additional ounces accrued under the Silverstream contract.

Silver production
Millions of ounces

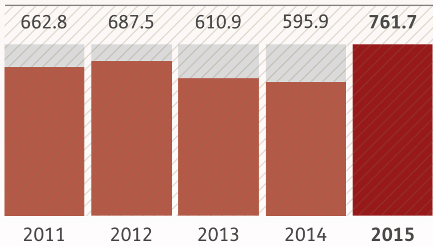
47.0



Higher ore throughput at Saucito more than offset lower production at Fresnillo.

Gold production
Thousands of ounces

761.7



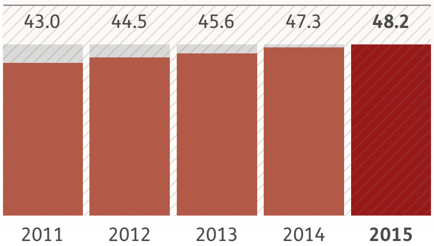
Herradura and dynamic leaching plant fully operational, steady state achieved.

Cost per tonne

Adjusted production costs (total production costs less depreciation, profit sharing and exchange rate hedging effects) divided by total volume of tonnes processed. This monitors variations of costs directly related to the production process; the analysis of such variations improves management's decision-making.

Fresnillo
US$/tonne milled

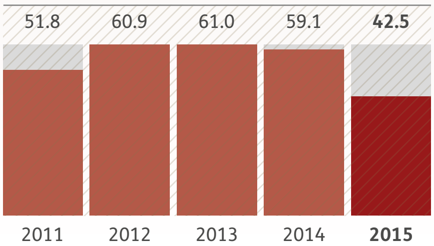
48.2



Inefficiencies generated by lower throughput, and to a lesser extent, increased wages to unionised employees and additional contractors hired, mitigated by foreign exchange benefits and lower unit energy prices.

Saucito
US$/tonne milled

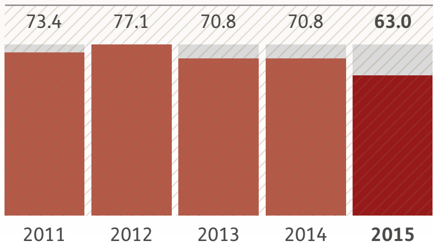
42.5



Economies of scale from higher throughput, lower unit energy prices, and foreign exchange benefits.

Ciénega & San Ramón
US$/tonne milled

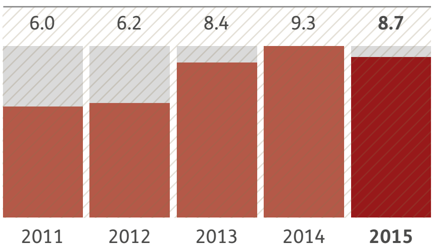
63.0



Foreign exchange benefits, lower unit energy prices and efficiencies achieved.

Herradura
US$/tonne deposited

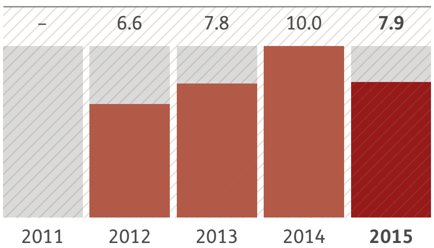
8.7



The positive effects of the lower stripping ratio and foreign exchange benefits were partly offset by the lower average volume deposited per month.

Noche Buena
US$/tonne deposited

7.9



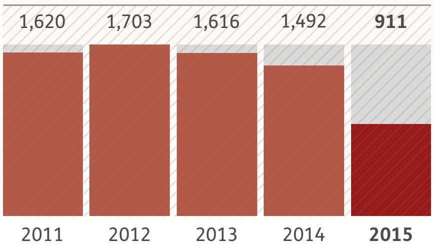
Increased volume of ore processed; efficiencies achieved and foreign exchange benefits.

Productivity

Tonnes of ore milled per person, including contractors, at underground mines; and tonnes of ore deposited and waste material moved per person, including contractors, at open pit mines.

Fresnillo
Ore milled per person (tonnes)

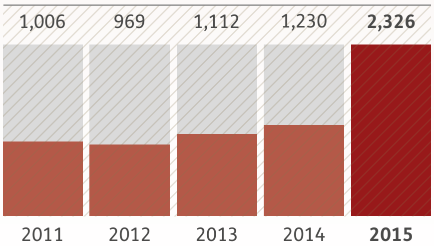
911



Lower volumes of ore processed and increased number of contractors hired to increase development rates.

Saucito
Ore milled per person (tonnes)

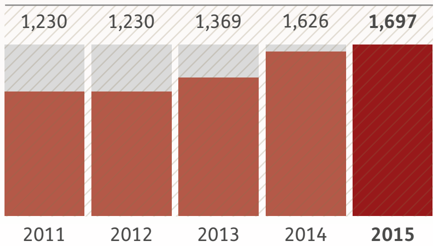
2,326



Increased volumes of ore processed and milling efficiencies.

Ciénega & San Ramón
Ore milled per person (tonnes)

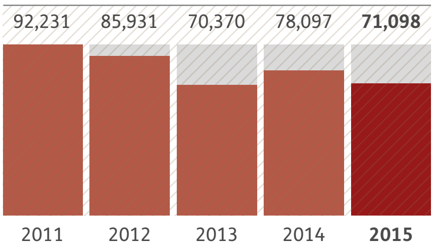
1,697



Unchanged volume of ore processed by fewer personnel.

Herradura
Ore/waste moved per person (tonnes)

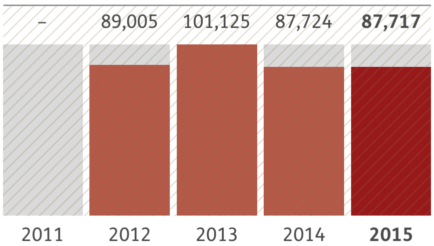
71,098



Lower volumes of ore/waste material moved in 2015 due to optimisation of the pit design.

Noche Buena
Ore/waste moved per person (tonnes)

87,717



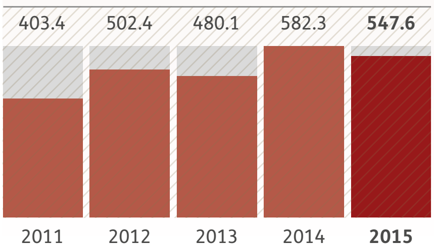
Broadly unchanged from 2014.

Proven and probable reserves

A measure of the quality of the Group's operating assets and our ability to extend the life of operating mines at profitable levels. Our goal is to have 650 million ounces of silver and 7.5 million ounces of gold in reserves by 2018.

Silver reserves
Millions of ounces

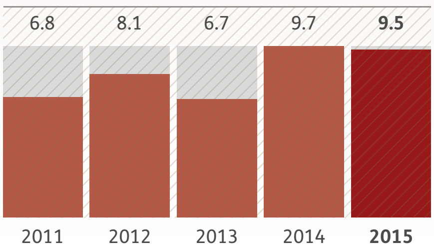
547.6



Silver reserves decreased 6.0% due mainly to lower silver price assumptions.

Gold reserves
Millions of ounces

9.5



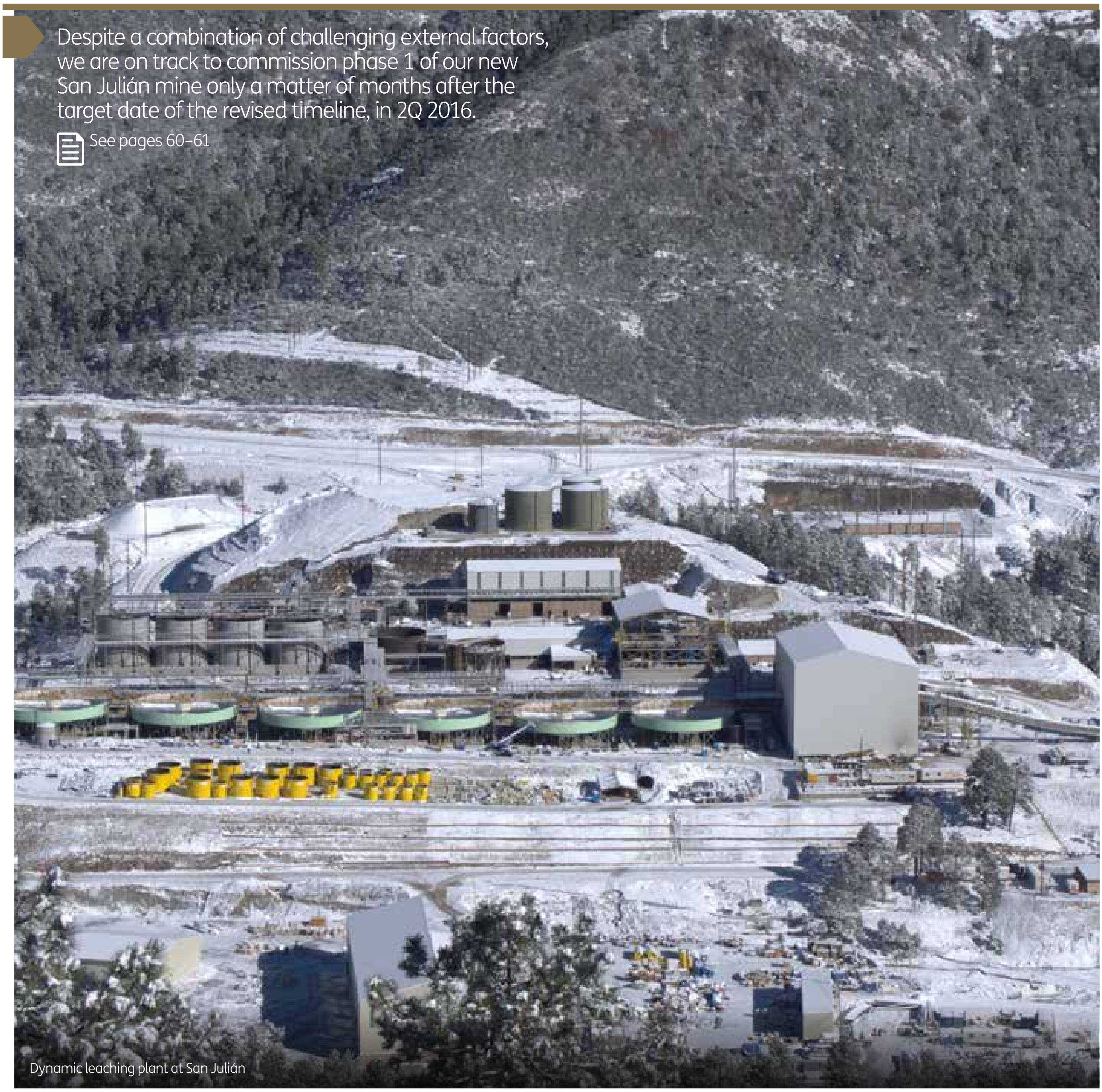
Gold reserves relatively stable, decreasing 1.5% mainly due to a decrease in reserves at Noche Buena.

Key Performance Indicators continued
2 Develop

Our performance in the year:

Despite a combination of challenging external factors, we are on track to commission phase 1 of our new San Julián mine only a matter of months after the target date of the revised timeline, in 2Q 2016.

See pages 60–61



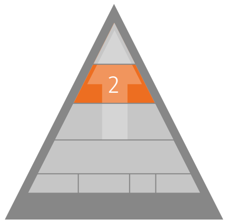
Dynamic leaching plant at San Julián

San Julián phase 1: leaching plant

2Q16 (est.)

San Julián phase 2: flotation plant

4Q16 (est.)



2015 objectives	2015 performance	2016 objectives
San Julián		
> Conclude construction of leaching plant; continue mining works at the veins; advance construction of water reservoir and initiate construction of the flotation plant	> Delays in permitting, weather-related issues, security concerns and a high rotation of contractor personnel due to the project's remote location resulted in execution delays	> Commission the leaching plant (phase 1) in 2Q16 > Flotation plant (phase 2) expected to be concluded in 4Q16
Pyrites plant		
> Pyrites plant: finalise detailed engineering and commence construction	> Detailed engineering neared completion	> Conclude detailed engineering > Equipment orders and construction on hold; project to resume pending Board approval as market conditions warrant

For optimisation projects at current operating mines see pages 50–59

2 Develop KPIs

Project delivery

Ability to adhere to forecasted schedules and budgets. This measures management's forecast strength and execution capabilities.

San Julián

Original capex budget
US$

500m

Revised capex budget
US$

515m

Total capex to date
US$

361m

Original timeline

2012–2014

Variation from original timeline: +18 months, or +6 months from revised timeline, to optimise capex allocation, ensure sufficient water supply for two plants, reinforce security, and take into account delays relating to permitting, weather and personnel rotation.

Pyrites plant

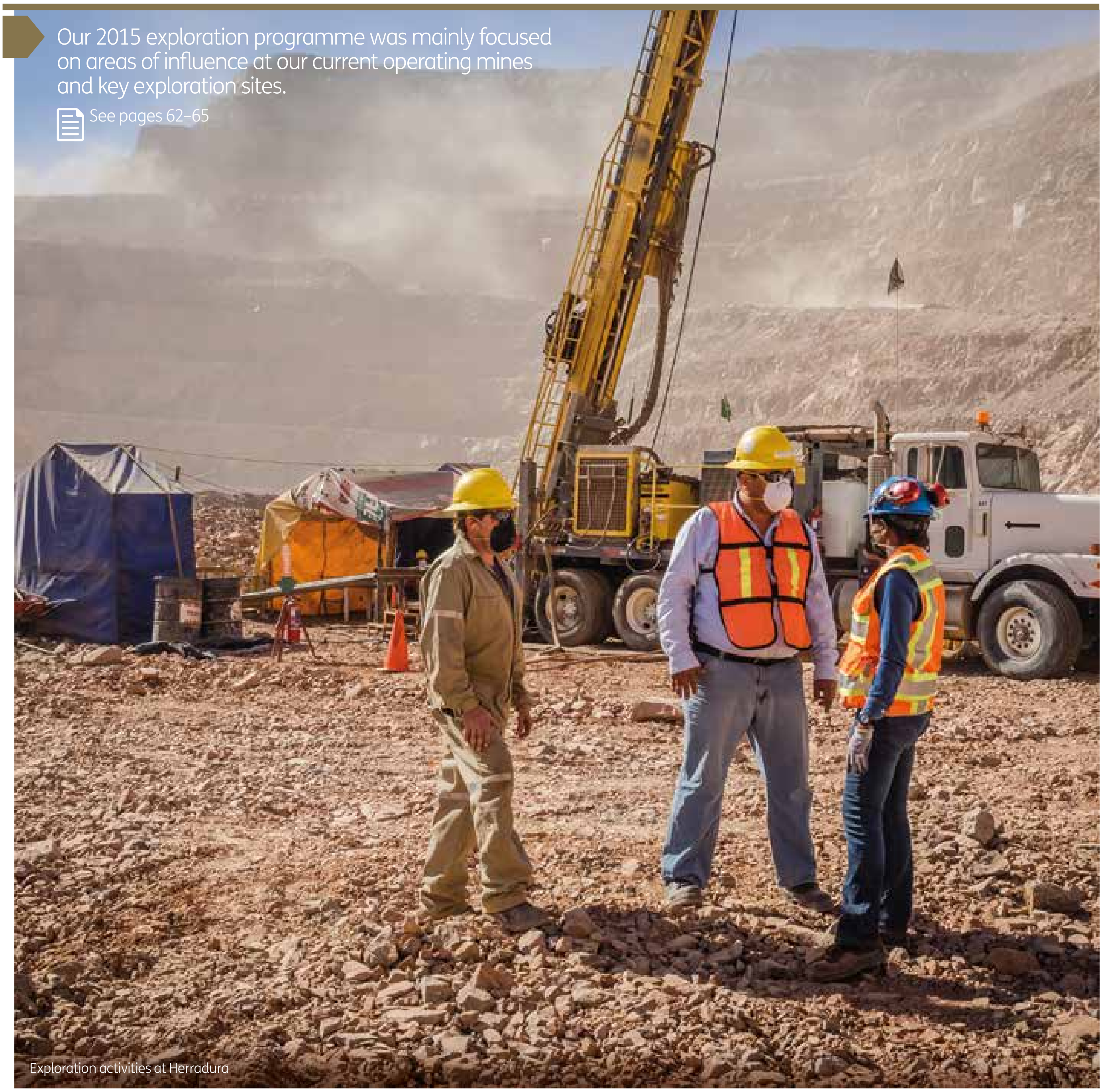
Whilst work continued in 2015 on detailed engineering, the next stage of the project – equipment orders – was put on hold in early 2016 in line with the Board's contingency plan; the project will resume pending Board approval as market conditions warrant. When reinstated, the US$155 million project is expected to take less than two years to reach production.

Key Performance Indicators continued
3 Explore

Our performance in the year:

Our 2015 exploration programme was mainly focused on areas of influence at our current operating mines and key exploration sites.

See pages 62–65



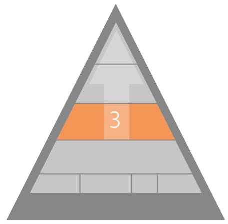
Exploration activities at Herradura

2015 exploration investment

US$151m

2016 exploration budget

US$135-140m



2015 objectives	2015 performance	2016 objectives
› US$170 million budgeted for exploration, including capitalised expenses	› US$151 million invested in exploration, including capitalised expenses	› US$135-140 million budgeted for exploration, including capitalised expenses
› Juanicipio: continue construction of the decline and further geological investigation	› Juanicipio: construction advanced, exploration resulted in 27.3% and 10.1% increase in gold and silver resources; project will be developed on a stand-alone basis	› Juanicipio: detailed engineering, further exploration
› Orisyvo: conclude preliminary economic assessment (PEA)	› Orisyvo: completed PEA; project currently deferred	
› Continue our exploration programme to gradually convert resources into reserves at our mines and at key projects	› The conversion from resources to reserves in our mines was insufficient to replenish silver reserves, except at Saucito. Resource upgrade at Candameña increased measured and indicated resources by 0.6 million gold ounces	› Ongoing exploration to convert resources into reserves at mines and at key projects

For project and prospect specific information see pages 62–65

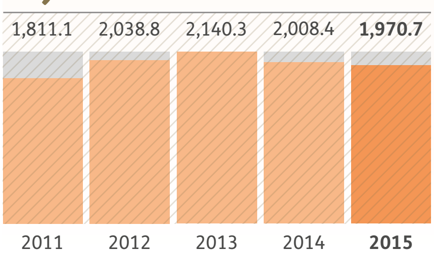
3 Explore KPIs

Total resources (attributable)

Quantifies measured, indicated and inferred resources at all our assets; an indicator of the Group's growth potential and ability to discover and develop new ore bodies.

Attributable silver resources
Millions of ounces

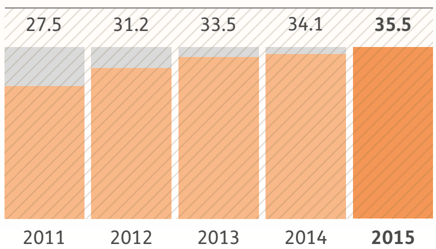
1,970.7



Silver resources decreased by 1.9% mainly due to changes in vein modelling and deep drill-hole results at Saucito and lower silver price assumptions at San Julián. This was partly mitigated by increased silver at Huizache, Juanicipio, Ciénega and Guanajuato.

Attributable gold resources
Millions of ounces

35.5



Gold resources rose 4.2% as a result of increases at Rodeo, Guachichil, Candameña, Guanajuato and Saucito.

Key Performance Indicators continued
4 Sustainability

Our performance in the year:

We further advanced our HSECR system towards the 2016 target of full maturity, increased community investment and reduced the level and intensity of our greenhouse gas emissions. We have also renewed our focus on safety following our recent track record, and hold ourselves accountable to our zero fatalities commitment.

See pages 66–86

2015 objectives

- Further advance the maturity of the HSECR system towards a fully integrated system by the 2016 target

2015 performance

- Maturity of HSECR system reached an overall level of 92.3%, as audited by PwC

2016 objectives

- Achieve full maturity of HSECR system as planned

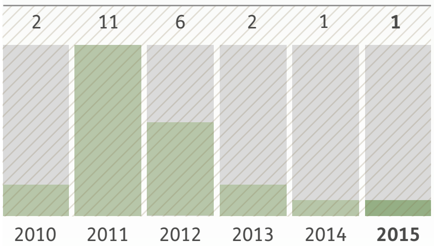
For pillar specific information see pages 66-86

4 Sustainability KPIs

Fatalities and Injuries

Fatal injuries

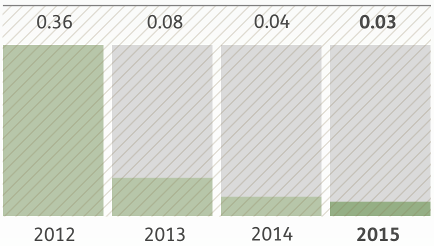
1



Number of fatal injuries to employees or contractors.

Fatal injury frequency rate (FIFR)

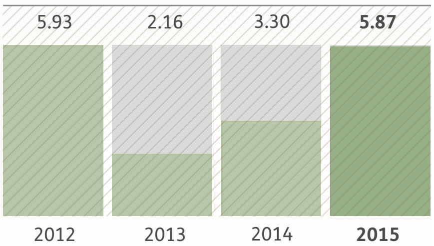
0.03



Number of fatal injuries to employees or contractors per 1,000,000 hours worked.

Lost-time injury frequency rate (LTIFR)

5.87



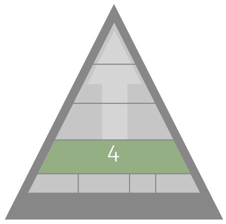
The number of lost-time injuries and fatalities per 1,000,000 hours worked. Lost-time injuries are work-related injuries rendering any of the Group's employees – full or part-time, direct or subcontracted, union or non-union – unable to perform his/her regular duties for one shift or more.

2015 HSECR system maturity

92.3%

2016 HSECR system maturity

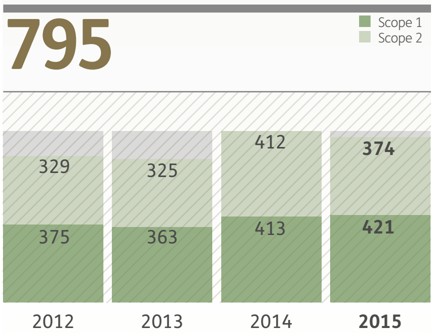
100% (est.)



Greenhouse Gases

GHG emissions
Kt of CO_2e

795

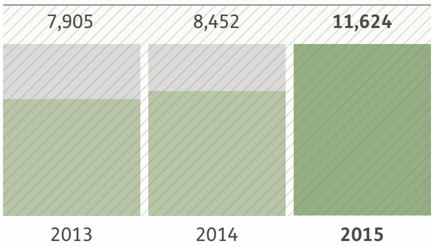


Greenhouse gas emissions estimated in kilotonnes (kt) of CO_2 equivalent.
Scope 1 (Direct Emissions): Combustion of fuel (mobile and stationary sources).
Scope 2 (Indirect Emissions): Electricity purchased from the Mexican National Grid (CFE), Thermoelectric Peñoles (TEP) and Wind Force Peñoles (FEISA).

Water

Water input
Megalitres

11,624

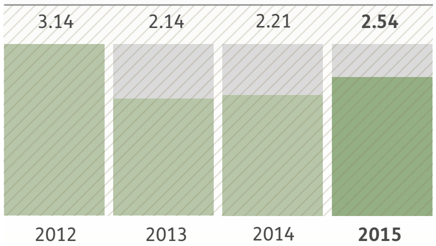


The volume of water received by a facility for intended use by its operations. It includes groundwater from aquifer interception (dewatering), bore fields, ore entrainment and third party wastewater.

Community Investment

Community investment
US$m

2.54

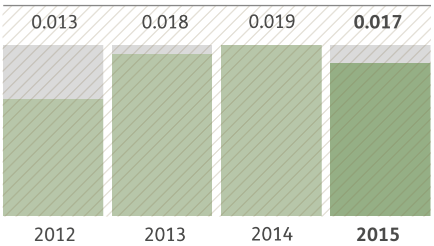


Contributions (cash, in-kind support and administration costs) made to support the communities where we operate, develop projects and explore, using five strategic levers: education, social welfare (public health, social interaction and sports), environmental awareness, community capacity building and infrastructure.

In spite of lower profits we increased our social investment.

GHG intensity
Tonnes of CO_2e per tonne of mineral processed

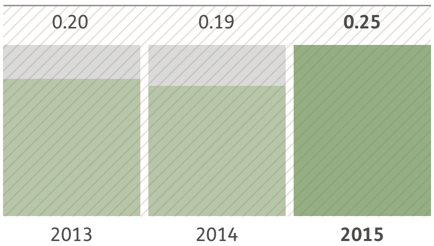
0.017



Greenhouse gas emissions per tonne of mineral processed.

Water intensity
M^3 per tonne of mineral processed

0.25



Water input per tonne of mineral processed.

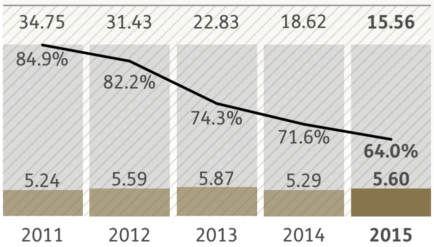
Key Performance Indicators continued
Financial KPIs

Cash cost per ounce

Total cash cost (cost of sales plus treatment and refining charges, less depreciation) less revenues from by-products divided by ounces of silver or gold sold. Used to compare profit margins and economic competitiveness amongst peers.

Fresnillo cash cost: silver
US$/ounce

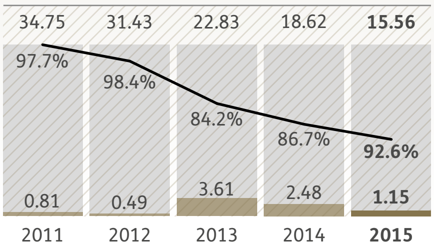
5.60



Increase in cash cost mainly explained by lower volumes sold, higher treatment and refining charges per silver ounce, and higher cost per tonne.

Saucito cash cost: silver
US$/ounce

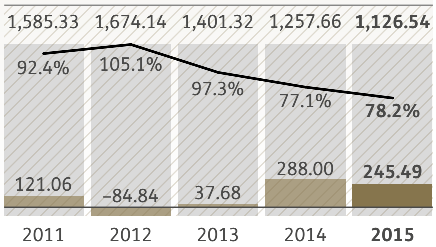
1.15



Decrease in cash cost driven by lower cost per tonne due to economies of scale achieved; and higher by-product credits.

Ciénega cash cost: gold
US$/ounce

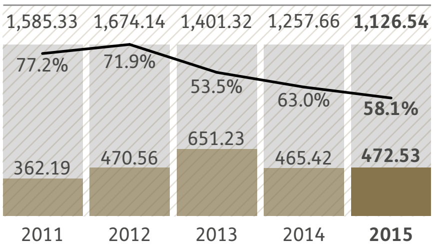
245.49



Decrease in cash cost explained by higher by-product credits and decrease in cost per tonne, partly offset by lower ore grade.

Herradura cash cost: gold
US$/ounce

472.53

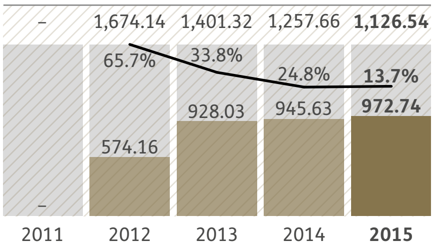


Increase in cash cost resulted from an adverse inventory valuation effect and lower by-product credits.

See page 91

Noche Buena cash cost: gold
US$/ounce

972.74



Increase in cash cost per ounce driven by an adverse inventory valuation effect and lower gold ore grade.

See page 91

— Gold/silver price
Cash cost

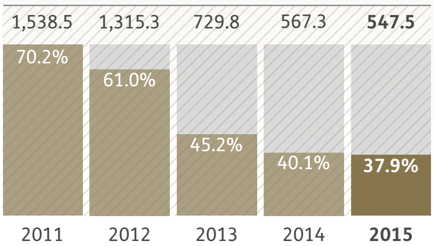
% figures represent margin between cash cost and gold/silver price

EBITDA, EBITDA margin and cash flow from operating activities before changes in working capital

EBITDA is gross profit plus depreciation included within cost of sales, less administrative, selling and exploration expenses. EBITDA margin is EBITDA divided by total revenue. Both EBITDA and cash flow from operating activities before changes in working capital measure the Group's ability to generate cash from its core business.

EBITDA and EBITDA margin
US$

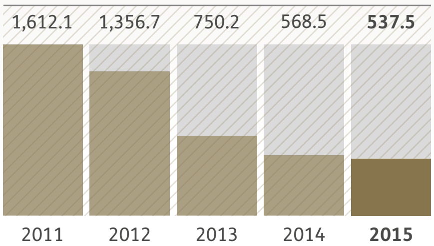
547.5m



Decrease mainly as a result of lower gross profit; partly mitigated by lower exploration and administrative expenses.

Cash flow generated from operations before working capital adjustments US$

537.5m



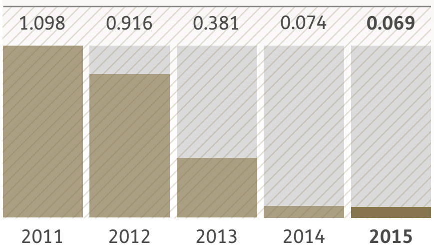
Lower profits resulted in a decrease in cash generated from operations before working capital adjustments.

Earnings per share excluding post-tax Silverstream revaluation effects

Attributable profit available to equity shareholders, excluding the revaluation effects of the Silverstream contract divided by the weighted average number of shares in issue during the period. Monitors net profit levels generated for equity shareholders.

Earnings per share
US$

0.069



Lower profits divided across an unchanged weighted average number of shares in issue.

Managing our Risks

Risk is inherent in all business activities. We maintain a comprehensive risk management framework that serves to identify, assess and respond to our principal risks. Our approach is not intended to eliminate risk entirely, but rather to provide the structural means to identify, prioritise and manage the risks involved in our activities in order to support our value creation objectives.

Governance
The Board of Directors is responsible for maintaining the Company's risk management and internal control systems. The Board's mandate includes defining risk appetite and monitoring risk exposures to ensure that the nature and extent of significant risks taken by the Company are aligned with our overall goals and strategic objectives.

In accordance with our governance practices, the Audit Committee supports the Board of Directors in monitoring the Company's risk exposures and is responsible for reviewing the effectiveness of the risk management and internal control systems. The Risk Manager and Internal Audit support the Audit Committee in evaluating the design and operating effectiveness of the risk mitigation strategies and the internal controls implemented by management.

Executive Management reviews strategic objectives and risk appetite, assesses the level of risk related to achieving these objectives, and incorporates controls into the strategic and operating plans to mitigate them. This top-down risk identification and assessment process helps to ensure that the bottom-up process performed at the business unit level is aligned with and focused on current strategy and objectives.

Risk management framework diagram

Top-down
Oversight, identification, assessment and mitigation of risk at corporate level

Bottom-up
Identification, assessment and mitigation of risk at business unit level and across functional areas

The Board
- Has overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives and defines risk appetite
- Monitors the nature and extent of risk exposure against risk appetite for our principal risks
- Provides direction on the importance of risk management and risk management culture

Executive Committee
- Assesses and mitigates our risks Company-wide
- Monitors our risk management process and internal controls

Audit Committee
- Supports the Board in monitoring risk exposure against risk appetite
- Reviews the effectiveness of our risk management and internal controls systems

Internal Audit
- Supports the Audit Committee in reviewing the effectiveness of our risk management and internal controls systems

Operational level
- Risk management process and internal controls embedded across functional areas, mining operations, projects and exploration sites
- Risk identification, assessment and mitigation performed across the business
- Risk awareness and safety culture embedded across the business

Risk management system

The annual and ongoing elements of the Group's risk management process are controlled by well-established risk identification, assessment and monitoring processes. We have progressed in embedding a risk management culture amongst all employees, however this is an ongoing process and we are still working to demonstrate this with evidence collected through the monitoring of our controls to mitigate risks.

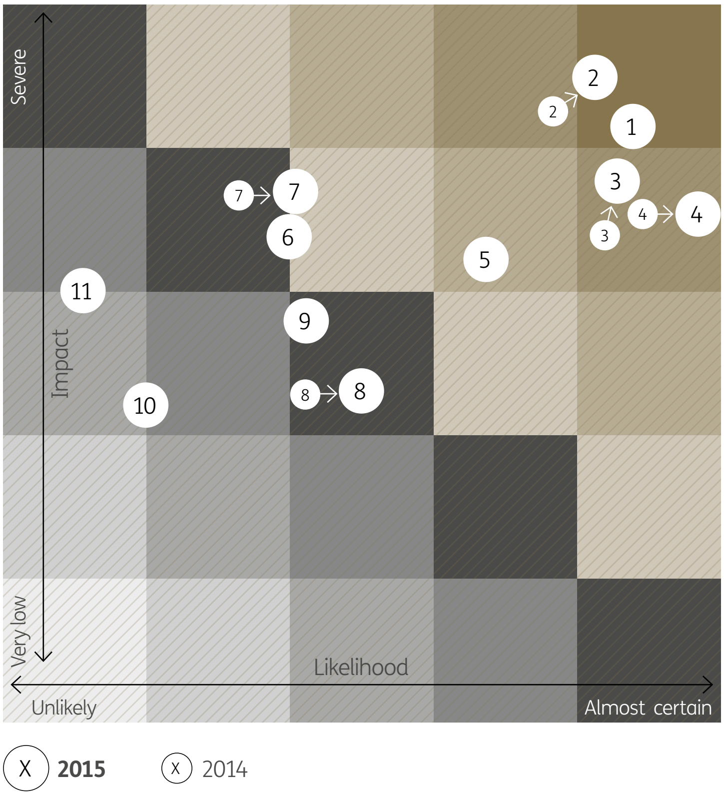
We have continued to build on our existing risk management framework, enhancing risk management and internal control systems across the business in line with changes to the UK Corporate Governance Code.

In addition to the permanent risk management activities, our priority for 2016 is to continue promoting a 'monitoring environment' which consists of validating the effectiveness of our current controls in order to support the Board in their responsibilities, which include monitoring and reviewing risk management and the internal control systems.

2015 risk assessment

The annual risk assessment exercise across all our operations, advanced projects, exploration offices, support and corporate areas identified and evaluated 104 risks in 2015. This universe was narrowed down into major risks monitored by Executive Management and the Audit Committee, and then further consolidated into 11 principal risks closely monitored by Executive Management and the Board of Directors.

For the bottom-up process, the teams in charge of each business unit determined the perceived level of risk for their individual unit. Executive Management then reviewed and challenged each perceived level through the evaluation of certain controls and relative risk levels, and compared it to Fresnillo plc's risk universe as a whole. The result of this exercise is used as another input for the selection of the principal risks of Fresnillo plc. The same risk analysis was conducted on advanced projects, detailing the specific risks faced by each project according to the unique characteristics and conditions of each site. The risk heat map for each business unit and development project is included in the Review of Operations (pages 50 to 61).



Risk*	
1. Impact of global macroeconomic developments (silver and gold prices)	(v)
2. Access to land	**(v)**
3. Potential actions by the government (e.g. taxes/more stringent regulations)	**(v)**
4. Security	
5. Public perception against mining	
6. Projects (performance risk)	(v)
7. Safety	
8. Union relations	
9. Exploration	
10. Human resources	
11. Environmental incidents	(v)

* Bold text indicates those risks which have changed during 2015.
(v) Risk that was considered for the viability assessment as detailed on page 48.

We believe there were a number of developments in 2015 that have the potential to adversely impact the entire Mexican mining industry. These include Mexico's transition towards indigenous consultation (which is an emerging initiative but worth monitoring); the perceived level of corruption across Mexico remaining high; continued legal challenges to the mining industry by individuals and local communities who may seek to disregard previous land agreements; and due to lower metal prices, profit levels have been impacted and also profit sharing to employees and union workers has decreased. As a result of these changes we determined that the following risk rating levels facing Fresnillo plc have increased: 'potential actions by the government', 'security', 'access to land' and 'union relations'. As with all our key risks, the Board and the Executive Committee continue to closely monitor them.

Managing our Risks continued

Impact of global macroeconomic developments

Risk description

There could be an adverse impact on our sales and profit, and potentially the economic viability of projects, from macroeconomic developments such as:

- A decrease in precious metal prices (primary driver of the risk); this was the case for silver and gold in 2015, with a decline of 16.5% and 8.5% respectively, in their annual average price over the previous year.
- Gold and silver prices continued to show high volatility in 2015.
- Most currencies suffered a devaluation vs US dollar, including the Mexican peso, in 2015.
- General inflation in Mexico was 2.06% in Mexican pesos in 2015; the specific deflation affecting the Company was 8.4% in US dollar terms.
- A decrease in the price of by-products. This was the case for lead with a decline of 13.6% and for zinc with a decline of 15.2% in the annual average price over the previous year.

Response/mitigation

Fresnillo's hedging policy remains guided by the principle of providing shareholders with full exposure to gold and silver prices. However, following shareholder approval for the acquisition of 44% of Penmont (and associated companies) in 2014, we initiated a specific hedging programme to protect the value of the investment made in the acquisition, using a collar structure to allow partial continued exposure to gold prices. The volume associated with this phased hedging programme was strictly limited to up to the 44% of production associated with the acquired Penmont assets and will not be extended to other assets in the Group. The total volume hedged was 1,559,689 oz of which 266,760 oz matured in 2015 with a profit of US$1.0 million. (For more details, see Financial Review on pages 89 and 93)

Fresnillo is not precluded from entering into derivatives to minimise its exposure to changes in the prices of lead and zinc by-products. As in previous years, the Group entered into a hedging structure in 2015 to mitigate the risk related to the sale of lead and zinc. See note 31 in the Financial Statements on page 192.

Furthermore, we have hedging policies in place for foreign exchange risk, including those associated with capex related to projects. The Company entered into a number of foreign exchange contracts of euros and Swedish kronas denominated forward contracts. See note 31 in the Financial Statements on page 191.

In response to a reduction in the price of certain of our main inputs due to a deflationary environment, we have started to renegotiate long-term conditions for our contracts in order to benefit from the current low prices.

Risk appetite

High

Risk rating (relative position)
2015: Very high (1)
2014: Very high (1)

Change in heat map:

=

Description of risk change

Most industry and financial analysts who follow metal prices continue to foresee lower average silver and gold prices for 2016 and high volatility in their long-term forecasts.

Link to strategy

- Mines in operation
- Development projects
- Growth pipeline

Key risk indicators

- Gross profit sensitivity to percentage change in metals price and to Mexican peso/US dollar exchange rate
- EBITDA sensitivity to percentage change in metals price and to Mexican peso/US dollar exchange rate

Change in heat map:

↑ Vertical movement indicates impact

→ Horizontal movement indicates likelihood

Access to land

Risk description

Given our strategy and exploration plan, failure or significant delays in accessing the surface over our mineral concessions and other land of interest is a persistent risk with a potentially high impact on our objectives. Potential barriers to land access include:

- Rising expectations of land owners.
- Refusal to acknowledge prior land acquisition terms and conditions by members of an agrarian community.
- Influence of multiple special interests in land negotiations.
- Conflicts in land boundaries with an often arduous resolution process.
- Succession issues among land owners resulting in a lack of clarity about the legal entitlement to possess and sell land.
- Litigation risk i.e. increased activism by judicial authorities.

Furthermore, insecurity and conflicts in our exploration and operation areas increase the complexity of land access.

Response/mitigation

To maximise our opportunities for successful land access we actively manage our mining rights and surface land hectares focusing on relevant areas; at the end of 2015, after adding required areas and divesting areas of less interest we held 2.0 million hectares, a 3% decrease vs 2014. Other initiatives include:

- Plan well in advance for land requirements and acquisitions (e.g. anticipating any issues with a potential land purchase before intensive exploration). In certain areas of interest, leasing agreements with purchase options are negotiated.
- Foster strong community relations through investment in community programmes and infrastructure. Such investments totalled US$2.5 million in 2015.
- Always seek tri-party cooperation between the government, community and ourselves in securing access to land.
- Early involvement of the community relations teams during negotiation and acquisition processes, including the exploration stage.
- Comprehensive review of the legal status of the Company's land rights in order to mitigate or eliminate litigation risk. This review is substantially concluded and certain areas of opportunity have been identified. We are in the process of implementing measures to manage this risk on a case-by-case basis.
- Continue working with our land negotiation teams, comprising negotiators hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.

Risk appetite

Medium

Risk rating (relative position)
2015: Very high (2)
2014: Very high (2)

Change in heat map:

Description of risk change

The mining industry has been facing legal challenges by individuals and local communities who may seek to disregard previous land agreements.

In addition, there is an industry-wide increase in the number of cases where access to land by the inhabitants is denied.

Combined with the previous risk described, Mexican governmental authorities are beginning to grant certain permits (such as environmental permits) only if the land owners also give their express consent, and not solely depending on whether a Company complies with environmental or construction requirements for permits.

Thus, the perceived level of this risk has increased.

Link to strategy

- Mines in operation
- Development projects
- Growth pipeline

Key risk indicators

- Percentage of land required for advanced exploration projects that has been purchased (overall and by project)
- Total US$ and percentage of project budget spend on HSECR activities, including community relations (at projects and exploration)

Managing our Risks continued

Potential actions by the government e.g. implementation of more stringent regulations for obtaining permits, etc.

Risk description

We face the risk of implementation of new governmental requirements that will have an adverse impact on us, or other potential, not yet materialised, new or more stringent ecological or explosives regulations or more difficult processes to grant permits.

During 2015, Mexico's Supreme Court of Justice heard a case relating to an injunction which analysed the merits and relevance of the right of indigenous communities to prior and informed consent within the overall process for granting mining concessions. Should the Court find in favour of the indigenous communities, a step towards creating precedent in this regard will have been taken that could eventually affect the granting of new concessions in Mexico.

Response/mitigation

Indigenous consultation is an ongoing topic, thus we will continue monitoring developments and working with the Mexican Mining Chamber to try and reach agreements that will benefit both parties going forward.

Nevertheless, such a huge change in the Mining Law could take time due to the complexity of the terms and proceedings yet to be discussed.

We continue collaborating with other members of the mining community via the Mexican Mining Chamber to lobby against new detrimental taxes/royalties or regulations. We also support the industry's lobbying efforts to improve the general public's understanding of the Mining Law.

We uphold strict controls on receiving, handling, storing and dispatching explosives in each of our operations and projects to maintain our explosives permits.

Risk appetite

Low

Risk rating (relative position)
2015: Very high (3)
2014: Very high (4)

Change in heat map:

Description of risk change

The indigenous consultation topic is being given greater focus in Mexico. This topic is currently not yet regulated by the Mexican Mining Law as such, however Mexico ratified the "Indigenous and Tribal Peoples Convention" issued by the ILO (International Labour Organisation) which states: "... governments shall establish or maintain procedures through which they shall consult these peoples, with a view to ascertaining whether and to what degree their interests would be prejudiced, before undertaking or permitting any programmes for the exploration or exploitation of such resources pertaining to their lands. The peoples concerned shall wherever possible participate in the benefits of such activities, and shall receive fair compensation for any damages which they may sustain as a result of such activities."

Another factor to increase the level of this risk is the perceived level of corruption across Mexico, which remains high. We share a general industry view that local and regional government levels in particular have regrettably worsened notwithstanding the national effort of the anti-corruption system, which as of today is not yet fully deployed. This situation might as a result cause a delay in obtaining permits for certain operations and/or projects.

Link to strategy

- Mines in operation
- Development projects
- Growth pipeline
- Sustainable development

Key risk indicators

- Number of media mentions related to mining regulations (i.e. tax/royalties/banning of mining activities in protected areas/legal precedents) and profile of those quoted (political parties, government officials, etc.)

Security

Risk description	Response/mitigation	Risk appetite	Link to strategy
Our people, contractors and suppliers face the risk of kidnapping, extortion or harm due to security conditions in the regions where we operate. We face the risk of restricted access to operations/projects and theft of assets. The influence of drug cartels, other criminal elements and general lawlessness in the regions where we operate, combined with our exploration and project activities in areas of transfer or cultivation of drugs, makes working in these areas of particular risk for us.	We closely monitor the security situation, maintain clear internal communications and coordinate work in areas of higher insecurity, along with the following practices to manage our security risks and prevent possible incidents: > We maintain close relations with authorities, including army encampments installed nearby certain of our operations. We also reinforce our relationship with the army secretariat at the regional level in order to align and coordinate efforts. > Travel management e.g. travel in convoy, use aircraft versus land travel (when possible) and avoid known insecure areas. > In 2015 we developed the engineering for the standard of technological and physical security measures for all of our business units. We started the implementation of this engineering which is expected to be concluded in 2016. > We contracted security personnel (internal and contractors) to improve the efficiency of our security strategy. > We continued to utilise logistics controls in 2015 to further reduce the probability of theft of mineral concentrate, including the use of real-time tracking technology and the use of guard services and control checkpoints in a "safe corridor," and reduced authorised stops in order to optimise delivery times and minimise the convoys' exposure. > We invest in community programmes, infrastructure improvements, and government initiatives to support development of lawful local communities and discourage criminal acts. > In order to ensure the security of our personnel, access to the San Nicolas del Oro prospect remains suspended because of the state of insecurity in Guerrero state. > Rotation of personnel to reduce their exposure to certain regions. > Promote reporting to authorities amongst our contractors.	Low **Risk rating (relative position)** 2015: Very high (4) 2014: Very high (3) **Change in heat map:** → **Description of risk change** Continued increased state of insecurity in the regions where we operate. We have suffered minor security incidents to contractor personnel; that said, incidents are getting closer to our operations and more frequent.	> Mines in operation > Development projects > Growth pipeline > Sustainable development **Key risk indicators** > Total number of security incidents affecting our workforce (thefts, kidnapping, extortion, etc.) > Number of sites affected and work days lost, by region and type of site > Number of media mentions related to security issues affecting the mining industry

Managing our Risks continued

Public perception against mining

Risk description	Response/mitigation	Risk appetite	Link to strategy
Public opinion globally is increasingly concerned with the potential adverse social and environmental consequences of opening and developing mining operations. This sentiment manifests itself through increased regulatory obligations for mining companies and increased social activism by communities and other grass roots organisations.	Communities are our strategic partners and having their trust requires understanding and engaging with them effectively and being accountable for our impact. Our programme for community engagement includes: › Conducting community perception studies across all our operating units. These perception audits have allowed each of the business units to update their social risks and opportunities. In 2016 we will focus our efforts on improving the specific areas of value for our communities. › Following the guidelines set out by the International Finance Corporation and the International Council of Mining and Metals. › Developing a new portfolio of proposals for institutional projects and alliances with non-governmental organisations (NGOs). › Implementing a state-of-the-art information system to support community relations and social investment, which includes analysis and logs of activities organised by the Company for the communities, and contribution requests made by the communities. › Monitoring public opinion within local and international media (newspapers, radio stations, local channels). › Working with communities at an early exploration stage to understand their needs and communicate the benefits of developing and operating a mine in terms of social welfare and quality of life. › Flawless environmental behaviour key to maintaining communities' trust. › The Company collaborates with peers in the international and Mexican mining community to pursue an industry response to this risk.	Low **Risk rating (relative position)** 2015: High (5) 2014: High (5) **Change in heat map:** = **Description of risk change** The continuous exacerbated social activism within the global mining sector has the potential to impact all our strategic areas as well as our ability to maintain the social licence to operate within the communities near our operations.	› Mines in operation › Development projects › Growth pipeline › Sustainable development **Key risk indicators** › Number of local actions by NGOs or other local social groups against mining, by region › Number of actions by NGOs or other local social groups against mining in the Americas › Number of media mentions related to manifestations against the mining industry

Projects (performance risk)

Risk description

Pursuing advanced exploration and development opportunities, which are core to meeting our strategic goals, carry certain project-related risks:

- Economic viability: impact of capital cost to develop and maintain the mine, future metal prices and operating costs through the mine's life cycle.
- Uncertainties associated with developing and operating new mines and expansion projects: fluctuations in ore grade and recovery, unforeseen complexities in the mining process, poor rock quality, unexpected presence of underground water or lack thereof, lack of community support, and inability to obtain and maintain required operating permits.
- Delivery risk: projects may go over budget in terms of cost and time, or may not be constructed in accordance with the required specifications, or major mining equipment may not be delivered on time.

Response/mitigation

Our investment evaluation process determines how to best direct available capital using technical, financial and qualitative criteria.

- Technical: we assess the resource estimate and confirmed resources, metallurgy of the mineral bodies, investment required in general infrastructure (e.g. roads, power, general services, housing) and infrastructure required for the mine and plant.
- Financial: we look at risk relative to return for proposed investments of capital. We set expected internal rates of return (IRR) per project as thresholds for approving the allocation of capital based on the present value of expected cash flows from the invested capital.
- Qualitative factors: e.g. alignment of the investment with our strategic plan and business model; synergies with other investments and operating assets; implications for safety, security, people, resourcing and community relations.

We closely monitor our project controls to ensure we deliver approved projects on time, on budget and as per defined specifications. The Executive Management team and Board of Directors are regularly updated on progress. Each advanced exploration project and major capital development project has a risk register containing the identified and assessed risks specific to the project.

In 2012, the Board approved the San Julián silver-gold project with an investment of US$515 million; San Julián is expected to produce an average of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity. At the end of 2015, the physical advance was 83% in line with the revised plan; the expenses incurred and committed were on budget. The major risk factor specific to this project is to obtain the environmental permits for the expansion of the tailings dam, however management does not expect this factor to impact the planned start of the project.

Risk appetite

Medium

Risk rating (relative position)
2015: Medium high (6)
2014: Medium high (6)

Change in heat map:

=

Description of risk change

Our strict investment governance process and system of capital project controls remain in place, safeguarding our ability to deliver growth through development projects on time and on budget. We are prepared to defer certain projects based on macroeconomic adverse conditions.

Overall we feel there is sufficient availability of equipment, machinery and contractors within the industry, and with the information available we do not expect additional cost pressure.

Link to strategy

- Development projects

Key risk indicators

- Earned value (rate of financial advancement vs physical advancement)
- Percentage of major equipment ordered and received according to plan
- Percentage of completion of mine development

Managing our Risks continued

Safety

Risk description

Inherent to our industry is the risk of incidents due to unsafe acts or conditions causing injuries or fatalities to our people.

Our people face risks inherent in the operations, such as fire, explosion, electrocution and carbon monoxide poisoning, as well as risks specific to each mine site and development project, for example rock falls caused by geological conditions, collisions of equipment in large operations, cyanide contamination, collisions between equipment and people and smaller vehicles.

Response/mitigation

We are committed to offering a safe workplace to our workers and contractors. We aim for a safety culture where our personnel and contractors have the knowledge, competence and desire to work safely. Our strategy is based on:

- Managing our knowledge of safety through identifying and analysing risks, evaluating controls, performing situational assessments, and monitoring performance.
- Engaging our stakeholders through the "No More Accidents" process, which has become a permanent programme to reinforce the safety culture. This programme includes "Leaders for Safety", "Behavioural Change", "Operational Discipline", "Rules that Save Lives" and comprehensive accident investigation.
- Launching initiatives to embed safety in our culture. Safety culture is routinely monitored to assess the attitudes, behaviours and disciplined elimination of unsafe conditions.

In 2015 the Total Recordable Injury Frequency rate increased to 20.98 (2014: 18.84) and the Lost Time Injury Frequency Rate increased to 5.87 (2014: 3.30).

Other mitigating activities include:

- The "SafeStart" programme was implemented in Ciénega, Fresnillo and Saucito. This programme focuses on the human factors that are involved in the majority of incidents and injuries.
- Training, for both employees and contractors. The average of workforce training in 2015 was 100 hours, of which 69 were related to HSECR training.

See Safety pages 71–73 for more on our safety strategy and programmes.

Risk appetite

Low

Risk rating (relative position)
2015: High (7)
2014: Medium high (7)

Change in heat map:

Description of risk change

We have continued to reinforce our safety strategy; regrettably we have not reached all our safety goals during the year as one of our contractors suffered a fatal accident at the Fresnillo mine due to a breach of safety protocol.

Link to strategy

- Sustainable development

Key risk indicators

- Safe behaviour index = percentage of work observed that is executed safely (in accordance with the Company's safety procedures)
- Unsafe conditions eliminated index = percentage of unsafe conditions observed and recorded that have been eliminated
- Operational procedures availability index = percentage of required safety procedures that are available

Union relations

Risk description

Although we have a risk of union action or degradation of union relations at some sites, our overall relationship continues to strengthen; however, internal union politics could impact us negatively as well as pressure from other mining unions which want to take over the Fresnillo labour contract.

Response/mitigation

We have clearly assigned responsibilities and programmes for maintaining close relationships with unions at mine sites and at the national level. We have maintained a close communication with the union leaders at various levels of the organisation to raise awareness about the economic situation the industry is facing. We engage experienced legal counsel, both internal and external, to support us. We are proactive and timely in our responses to the needs of the unions, and experienced no labour-related work stoppages in 2015.

We will continue closely monitoring union and labour developments.

Risk appetite

Low

Risk rating (relative position)
2015: Medium low (8)

2014: Medium low (9)

Change in heat map:

→

Description of risk change

Because of the lower price cycle in the industry, profit levels have been impacted thus profit sharing to the workers has decreased. This might be a concern for the unions.

Union leaders' attitudes have become more challenging. In addition to this, a new labour contract was signed with Saucito, as agreed with the union leader.

Internal struggles for leadership between certain sections of the union occurred as well as between different mining unions.

Link to strategy

- Mines in operation
- Development projects

Key risk indicators

- Union members' level of satisfaction
- Number of media mentions related to mining union developments

Exploration

Risk description

We are highly dependent on the success of the exploration programme to meet our targets in terms of strategic value-creation and our long-term production and reserves goals.

Risk factors that may impact prospecting and converting inferred resources (apart from the growing level of insecurity and access to land) include not having a robust portfolio of prospects in our pipeline with sufficient potential in terms of indicated and inferred resources, and insufficient concession coverage in target areas.

Also there could be a risk of losing purchase opportunities due to insufficient speed in decision making.

As our production escalates and more mines approach the end of their lives, it becomes increasingly challenging to replenish their reserves.

See Exploration pages 62–65 for more on our exploration programmes and investment.

Response/mitigation

Risk capital invested in exploration in 2015 totalled US$151 million, below budget; this was in accordance with the Group's decision to reduce exploration expenditures in light of current market conditions. Our exploration objectives for 2016 include a budgeted risk capital invested in exploration of approximately US$135-US$140 million, with the approximate spending split of 27% for operating mines, 27% for advanced exploration projects and the remaining 46% for prospects, regional prospecting and mining rights. We also ensure we have:

- A focus on increasing the regional exploration drilling programmes to intensify exploration efforts in the districts with high potential.
- For local exploration, aggressive in-field exploration to upgrade the resources category and to convert inferred resources into reserves.
- A team of highly trained and motivated geologists, both employees and long-term contractors.
- Advisory technical reviews by international third party experts – up-to-date and integrated GIS databases, remote sensing imagery and software for identifying favourable metallogenic belts and districts to be field-checked by the team.
- Drill-ready high priority projects.

During 2015 we revised our portfolio of concessions and determined that some did not have the expected potential; thus we voluntarily relinquished 62,873 hectares in order to focus our efforts on areas of greater potential.

Risk appetite

Medium

Risk rating (relative position)
2015: Medium (9)

2014: Medium (8)

Change in heat map:

=

Description of risk change

Reasonable investment in exploration, even at the low metal cycle, puts this risk on a stable level, and we foresee no change in status based on available information.

Link to strategy

- Growth pipeline

Key risk indicators

- Drill programmes completed (overall and by project)
- Change in the number of ounces in reserves and resources
- Rate of conversion from resources to reserves

Managing our Risks continued

Human Resources

Risk description

Our people are critical to delivering our objectives. We face risks in selecting, recruiting, training and retaining the people we need.

A lack of reliable contractors with adequate infrastructure, machinery, performance and skilled people is also a risk that might affect our ability to develop and construct mining works.

Response/mitigation

Recruitment: We assessed our hiring requirements for key positions for 2015, and aim to meet openings through internal training and promotion, and by recruitment through:

- Our close relationships with universities offering earth sciences programmes (we have dedicated programmes to identify potential candidates based on performance who may be hired as interns and/or employees on graduation).
- CETEF (Centre for Technical Studies Fresnillo) which teaches specific mining operational skills; 12 graduates from 2015 joined the Company as full-time employees.
- CETLAR (the Peñoles Centre for Technical Studies) which trains mechanics and electrical technicians; seven of the 2015 graduates joined the Company as full-time employees.

Retention: We provide a stable labour environment, strong corporate culture committed to our people, good working conditions, competitive benefits and career development opportunities. In 2015, Fresnillo plc was recognised by the Great Place to Work® Institute, and it currently ranks 17th among companies with more than 5,000 employees.

Contractors: We have long-term drilling and mining contracts. We invest significantly in training contractors, particularly on safety and environmental requirements. We have supported the enrolment of 49 of our contractor companies in their integration into the Self-Management Programme on Safety and Health at Work (PASST), promoted by the Mexican Secretariat of Labour and Social Welfare (STPS).

Risk appetite

Medium

Risk rating (relative position)
2015: Low (10)
2014: Low (10)

Change in heat map:

=

Description of risk change

Competition for skilled personnel has become less intense and we continue to see results from our ongoing university recruitment activities and employee retention strategies.

Due to the metal price low cycle, there are more contractors available; however they have also been affected by the current economic situation. As a result it continues to be a challenge to maintain the best available contractor personnel.

Link to strategy

- Mines in operation
- Development projects
- Growth pipeline
- Sustainable development

Key risk indicators

- Number of positions filled by area of specialty, for vacancies and new positions
- Employee turnover rate
- Average hours of training and professional development per employee
- Number of contractor personnel relative to unionised personnel per business unit

Environmental incidents

Risk description

Inherent to our industry is the risk of environmental incidents such as overflow/collapse of tailing dams, cyanide spills and dust emissions, among others, any of which could have a high potential impact on our people, communities and business.

Response/mitigation

Our environmental management system ensures effective compliance with Mexican regulations, ensures transparency and supports initiatives that reduce our environmental footprint. The Group was recognised with the GEI2 national award for the disclosure and auditing of its greenhouse gas inventory. Additionally, we disclosed our performance in the water and climate change programmes of the Carbon Disclosure Project. See Environment pages 74 to 79 for more results on our environmental strategy and indicators.

At the beginning of December 2015, a minor incident occurred due to the rupture of a pipeline while non-toxic solution was being pumped from the beneficiation plant to the tailings dam of Saucito. Authorities concluded that the situation was of limited scale, and as a result operations were not suspended. The affected area was completely cleaned and remediated. In May 2015, Herradura experienced a partial collapse of a small section of the embankment of a pond containing pregnant (gold bearing) solution. This failure was quickly detected and contained with a dyke, and extra pumps were set up to speed up the transfer of the solution to the contingency pond. The incident was reported to PROFEPA and environmental monitoring since the incident shows no negative environmental effects.

All our mining units are certified under ISO 14001 and have Clean Industry certification except for Saucito, which advanced in the process of obtaining both (to 90%) and is expected to conclude in 2016.

The Herradura mine is certified in the International Cyanide Management Code while at Ciénega the process is on hold, set to resume once expansion at the processing plant is complete. Noche Buena launched its certification process in December 2015; this is expected to be concluded in 2016.

We rigorously adhere to the requirements established by each project's environmental permit (Environmental Impact Manifest). We also continue to support contractors in their efforts to integrate environmental management systems.

See Environment pages 74–79 for more on our environment strategy.

Risk appetite

Low

Risk rating (relative position)
2015: Low (11)
2014: Low (11)

Change in heat map:

=

Description of risk change

Our environmental management system, environmental expenditures, and training of personnel are key factors which reduce the risk of major preventable incidents.

Link to strategy

> Sustainable development

Key risk indicators

> Number of business units (BUs) with ISO 14001:2004 certification
> Number of BUs with Clean Industry certification
> Number of BUs with International Cyanide Code certification
> Number of environmental permits for all advanced exploration projects (according to schedule)

Viability Statement

In accordance with provision C.2.2 of the 2014 revision of the UK Corporate Governance Code, and taking into account the Group's current position and its principal risks for a period longer than the twelve months required by the going concern statement, the Board established a working team to make recommendations on the preparation of the viability statement.

This team included two designated Directors, the CEO, CFO, COO, Head of Business Planning, and Head of Risk, with the Audit Committee overseeing the process.

After analysing various options, a period of five years, to December 2020, was chosen for the purpose of the viability assessment, in line with the Company's five-year forecast period normally used to evaluate liquidity and contingency plans which is key to us given that Fresnillo covers the full value chain from exploration to mine operation. It allows for modelling of capital expenditure and development programmes planned during the timeframe and reflecting cash flows generated by the projects currently under development. Due to the long business cycles in the mining industry, the Directors believed a shorter time period would be insufficient to perform an in depth analysis of viability.

Reporting on the Company's viability requires the Directors to consider those principal risks that could impair the solvency and liquidity of the Company. In order to determine those risks the Directors robustly assessed the Group-wide principal risks and operation-specific risks by undertaking consultations with Executive Management, mine managers and other personnel across the operations. Through these conversations the Directors also identified low probability, high loss scenarios – 'singular events' – with the potential magnitude to severely impact the solvency and/or liquidity of Fresnillo.

For the purpose of assessing the Group's viability, the Directors identified that of the principal risks detailed on page 37 the following are the most important to the assessment of the viability of the Group:

A. 'Impact of global macroeconomic developments', specifically volatility in the prices of gold and silver over a period of time
B. Access to land
C. 'Potential actions by the government' which could include a delay in obtaining permits and/or new restrictive regulations
D. Project delivery risks
E. Environmental incidents

It was determined that none of the individual risks, except for prices, would in isolation compromise the Group's viability. The Directors therefore went on to group principal risks into the following severe but plausible scenarios, in each case determining the risk proximity (how soon could the risk occur) and velocity (the speed with which the impact of a risk will be felt):

Scenario 1
Impact of global macroeconomic developments

Over a period of a year, precious metal prices fall and then remain at a low level for the following four years of the viability period, varying between US$972-US$1,033/oz for gold and US$14.0-US$14.8/oz for silver. To create this impartial projection for the future low metal price environment, an average of the three lowest forecasts from each year of the assessment were used, based on consensus estimates published by Bloomberg at the end of December 2015. This low metal price environment was deemed to be the most significant risk and pervasive across the Company. *(Principal risk A)*

Scenario 2
Bench collapse at an open pit mine

A landslide occurs covering the lower pit of one of our mines. Due to the unexpected nature of the event, fatalities occur. Production is gradually then ramped back up and re-established to full capacity. *(Singular event)*

Scenario 3
Tailings dam breach at a mine

A tailings dam collapses and tailings are released into the surrounding area, causing environmental damage. A fund is created by the Company to be used to remediate and compensate for any damages caused. The investigation into the causes of the event is drawn out and further time is needed for all environmental permits to be reinstated. As a result the mine remains closed throughout the viability assessment period. *(Principal risk E)*

Scenario 4
Flooding at a mine

A mine floods as a result of cutting into an unforeseen fault containing water, which then enters the mine and exceeds pumping capacity, thereby halting production. Production ramp-up to pre-event levels commences once management determines that it is safe to do so. *(Singular event)*

Scenario 5
Action by the Government at a mine

Explosives are stolen on site causing authorities to suspend the explosives permit at the mine. Production is halted at the mine whilst an investigation into the matter is completed. Once permits have been restored, production ramps back up to pre-event levels. *(Principal risk C)*

Scenario 6
Access to land at a mine

Conflicts with local communities arise resulting in the Company having to cease operations, until negotiations can be finalised and the land can be re-occupied. *(Principal risk B)*

Scenario 7
A project suspension due to Government actions

Due to local opposition, sufficient pressure is mounted on the Government by environmental groups leading to the Government declaring the zone surrounding the project a protected area and withdrawing all environmental permits, thereby resulting in the project being suspended for the duration of the viability period, while mitigating actions can be established. *(Principal risks C & D)*

The scenarios on the previous page are hypothetical and extremely severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place. In the case of these scenarios arising, various options are available to the Company in order to maintain liquidity so as to continue in operation, such as suspending some or all of the following capital expenditures: Pyrites plant (US$176.3 million), Orisyvo (US$393.3 million), Centauro Deep (US$363.8 million) and Centauro Extension (US$155.0 million), which are described in more detail on pages 50 to 65. A further option available to the Company is the reduction of exploration expenses by up to 50% on an annual basis (USD$71 million annual average). To quantify the impact on the Group's viability from the expected financial impact and remediation period for each of the above risks, management benchmarked its own experience against publicly available information on relevant and similar incidents in the mining industry.

All scenarios were first evaluated using average metal prices[1], and modelled to occur when each scenario would have the most significant impact on cash resources. Once the mitigation plans of deferring capital expenditure had been applied to the extent necessary, there was no threat to the viability of the Group. To create a more stringent test and further challenge the resilience of the Group, all scenarios were then overlaid with scenario one, (low metal prices) and then re-evaluated.

After these had been modelled, the only scenario that caused a certain degree of stress to cash flows was scenario number three in combination with the low metal prices scenario (number one), albeit the Directors consider the assumptions used for this scenario were greatly amplified for the purposes of this assessment. In addition to suspending capital expenditure, a further mitigating action could include a 50% reduction in the exploration budget for the first three years.

Strong risk management and internal control systems are in place (see page 36) throughout the Company. Through the internal control systems, the Directors monitor key variables that have the ability to impact the liquidity and solvency of the Company and are confident that management is able to sufficiently mitigate any situations as they might occur. Nevertheless, as a result of this assessment certain actions for the reinforcement of controls and their monitoring have been identified and will be implemented to further strengthen the control environment.

Based on the results from these scenarios, and having considered the established controls for the risks and the available mitigating actions, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period of their detailed assessment. This longer-term assessment process supports the Directors' statements on both viability, as set out above, and going concern, made below.

[1] Analyst consensus, Bloomberg, December 2015: Analyst Gold & Silver Forecasts.

Going Concern Statement

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 10 to 95. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 87 to 95. In addition, note 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

In making their assessment of the Group's ability to manage its future cash requirements, the Directors have considered the Company and Group budgets and the cash flow forecast for the period to 31 December 2017. In addition, they reviewed a more conservative cashflow scenario with reduced silver and gold prices of US$14.2/oz and US$973/oz respectively throughout this period, whilst maintaining current budgeted expenditure and only considering projects approved by the Executive Committee. This resulted in our current cash balances reducing over time, but maintaining sufficient liquidity throughout the period.

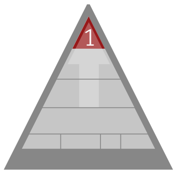
The Directors have further calculated prices (US$12.8/oz and US$920/oz for silver and gold respectively), which should they prevail to the end of 2017 would result in cash balances decreasing to minimal levels by the end of 2017, without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management have identified specific elements of capital and exploration expenditure which could be deferred without adversely affecting production profiles. Finally, management could amend the mining plans to concentrate on production with a higher margin in order to accelerate cash generation without affecting the integrity of the mine plans.

After reviewing all of the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

If the necessity arose to employ any or all of the above mitigations for an extended period, it may be that these could impact the Company's ability to achieve its targets for production and/or reserves by 2018.

Review of Operations
1 Mines in Operation



Fresnillo

Fresnillo is one of the world's oldest continuously operating mines; it produced 33% of the Group's total silver in 2015 and generated 20.1% of total adjusted revenue.

Ownership: **100% Fresnillo plc**	Location: **Zacatecas**
In operation since: **1554**	Mine life (years): **8 (2014: 10.2)**
Facilities: **Underground mine and flotation plant**	
Milling capacity (2015): **8,000 tpd / 2,640,000 tpy**	
Workforce: **946 employees, 1,698 contractors**	

	2015	2014	% change
Mine production			
Ore milled (kt)	**2,410**	2,625	(8.2)
Silver (koz)	**15,612**	20,098	(22.3)
Gold (oz)	**34,120**	35,676	(4.4)
Lead (t)	**16,248**	13,888	17.0
Zinc (t)	**19,029**	15,199	25.2
Silver ore grade (g/t)	**220**	258	(14.9)
Total reserves			
Silver (moz)	**201.6**	229.3	(12.1)
Gold (oz)	**525,000**	550,000	(4.5)
Avg ore grade in reserves			
Silver (g/t)	**296**	266	11.3
Gold (g/t)	**0.77**	0.64	20.3
Cut-off grade (g/t AgEq)	**231**	165	40.0
Total resources			
Silver (moz)	**747.02**	752.98	(0.79)
Gold (oz)	**1.62**	1.56	3.8
Avg ore grade in resources			
Silver (g/t)	**359**	354	1.4
Gold (g/t)	**0.78**	0.73	6.8
Cut-off grade (g/t AgEq)	**122**	103	18.4

Key developments in the year
Silver production decreased 22.3% in the year, due to lower ore grade resulting from limited access to the higher ore grade San Alberto, San Carlos and San Mateo areas of the mine, and lower volume of ore processed due to the delay in development activity in these areas caused by a combination of factors. These included: i) narrower veins at the deeper zones of the mine which require additional development and also lead to increased dilution; ii) poor rock quality necessitating additional shotcreting and anchoring; iii) issues with contractors; and iv) lack of necessary infrastructure in certain areas of the mine.

To address these issues, we enhanced contractor supervision, brought on additional contractors, took technical measures to manage stope instability and called on the expertise of engineers from our Ciénega mine where we have dealt with narrow veins for many years. This enabled us to increase our development rate to an annualised average of over 4,000 m/month, advancing declines in order to access higher ore grade veins at lower levels and regain flexibility at our operating stopes, and we plan to increase development rates further in 2016, to over 4,500 m/month.

We have begun to see an improvement in grades and production levels as a result of the measures we have taken, and expect to see further increases in 2016, with a double-digit increase in ore milled anticipated. Silver ore grades are expected to average approximately 240 g/t in 2016, and around 260 g/t in the long term; this compares to an average of 220 g/t in 2015. It should be noted that development ore has lower grades which in turn decreases overall production grades.

We evaluated options for the optimisation project and now plan a smaller capacity increase to 9,000 tonnes per day from the 10,000 tonnes previously anticipated. Notably, we expect to achieve this with less than one-third of the previously anticipated capex requirement (US$30 million vs US$100 million) including the adjustments necessary to process higher lead and zinc ore grades as we descend further into the mine. Once development rates and ore grades warrant, the project is expected to produce an additional 2-3 moz of silver per year upon commissioning.

The decline in silver contained in reserves was caused by some marginal blocks being removed from the model due to the decrease in silver price used to estimate the figures and the results of the infill drill holes campaign.

Capital expenditures
Total capex allocation in 2015 was US$205.6 million, primarily for mine development, and sustaining capex preparatory works for the San Carlos shaft deepening and sustaining capex preparatory works for the San Carlos shaft deepening (see page 95). In 2016 capex will largely be allocated to mining works, sustaining capex and deepening of the San Carlos shaft, which will reduce haulage costs and increase access to ore reserves at deeper levels of the mine.

2015 objectives

- Increase rate of development to 4,000 metres per month
- Continue preparatory works to deepen San Carlos shaft
- Expand tailings dam

2015 performance

- Development rate increased over the course of the year, with an annualised average of over 4,000 metres per month
- Preparatory works for deepening of San Carlos shaft progressed
- Revised capacity optimisation plan to 9,000 tpd
- Permitting process delayed tailings dam expansion

2016 objectives

- Further increase rate of development to 4,500 metres per month
- Advance engineering for plant optimisation and place long delivery time equipment
- Continue deepening of San Carlos shaft
- Move forward with tailings dam expansion by concluding land acquisition

Financial performance

Financial highlights	2015	2014	% change
Adjusted revenue (US$m)	**318.6**	460.3	(30.8)
Adjusted production costs (US$m)	**116.2**	124.2	(6.4)
Segment profit (US$m)	**150.0**	271.9	(44.8)
Capital expenditure (US$m)	**205.6**	175.9	16.9
Exploration (US$m)	**10.1**	5.6	80.4
Productivity (tonnes milled/person)	**911**	1,492	(38.9)
Cost per tonne (US$)	**48.2**	47.3	1.9
Cash cost ($/oz silver)	**5.6**	5.3	5.9
Margin ($/oz)	**10.0**	13.3	(24.8)
Margin (expressed as % silver price)	**64.0%**	71.6%	

Adjusted revenue, excluding inter-segment sales, declined 30.8% to US$318.6 million due to the 25.0% decline in silver volumes sold and 16.1% decrease in the price of silver.

Productivity decreased due to the lower volume of ore processed. Cost per tonne increased 1.9% over 2014 to US$48.2 mainly as a result of the lower ore throughput. Other factors impacting this indicator, although to a lesser extent, were the higher cost of personnel resulting from the 5.5% rise in wages in Mexican pesos to unionised personnel, the higher number of contractors hired to increase development rates, and increased fees paid to contractors in Mexican pesos. 88% of these factors were offset by the 19.2% devaluation of the Mexican peso/US dollar exchange rate and lower diesel and electricity prices.

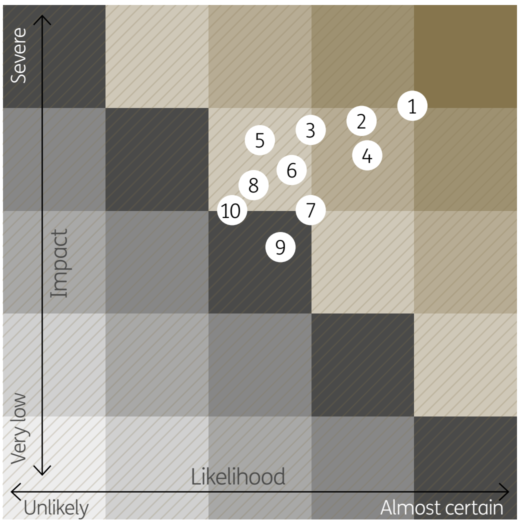
Cash cost per silver ounce increased 5.9% to US$5.6 (2014: US$5.3). Margin per ounce decreased 24.8% to US$10.0, and expressed as a percentage of silver price declined to 64.0% in 2015, from 71.6% in 2014 (see page 91).

Sustainability

Our facilities were visited by the head of the Environmental Protection Agency (PROFEPA) to enhance their knowledge of compatible mining in practice. In health, our physiotherapy unit has resulted in shortened injury recovery times.

See pages 66–86 for more social and sustainability highlights.

Business unit risks

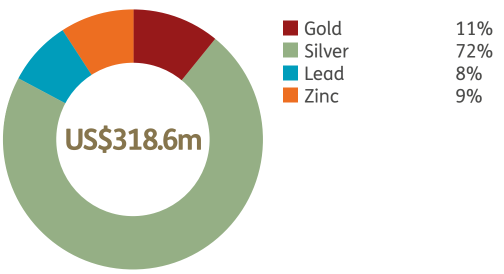


Due to the scale of Fresnillo's operation, delays in mining development and insufficient ventilation of infrastructure are among the key risks, along with those common to all the operations (metal prices, safety, security).

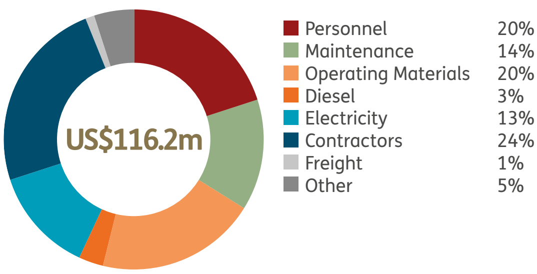
Description of risks

1. Volatility in the prices of gold and silver over a period of time.
2. Safety incidents impacting personnel, including: explosion, trapping, electrocution, being struck by falling rock.
3. Natural disaster, flooding or any catastrophe resulting in operational interruption for reasons not attributable to personnel.
4. Mining development delay caused by inefficiencies.
5. Accidents occurring while personnel are transported.
6. Theft of inventory, assets, materials (including explosives) or equipment.
7. Insufficient ventilation compromising operational continuity or causing physical damage to personnel or equipment.
8. Lack of necessary land access.
9. Security risks including damage to staff or contractors, or that result in restricted access to projects/operations.
10. Unusual increases in labour costs required for the operation of the business unit.

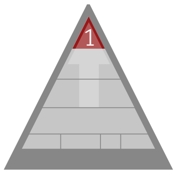
Adjusted revenue



Adjusted production costs



Review of Operations continued
1 Mines in Operation



Saucito

Saucito, including the Saucito II expansion, is becoming one of the Group's most important assets and is critical to achieving our 2018 production target of 65 million ounces of silver. It produced 47% of the Group's total silver in 2015 and generated 29.6% of total adjusted revenue.

Ownership: **100% Fresnillo plc**	Location: **Zacatecas**
In operation since: **2011**	Mine life (years): **5.2 (at 7,500 tpd capacity) (2014: 6.0 at 4,600 tpd capacity)**
Facilities: **Underground mine and flotation plant**	
Milling capacity (2015): **6,600 tpd / 2,200,000 tpy**	
Workforce: **379 employees, 906 contractors**	

	2015	2014	% change
Mine production			
Ore milled (kt)	**2,339**	1,535	52.4
Silver (koz)	**21,984**	15,397	42.8
Gold (oz)	**84,884**	57,227	48.3
Lead (t)	**20,740**	9,967	108.1
Zinc (t)	**21,023**	10,501	100.2
Silver ore grade (g/t)	**327**	339	(3.3)
Gold ore grade (g/t)	**1.42**	1.40	1.8
Total reserves			
Silver (moz)	**130.70**	115.57	13.1
Gold (oz)	**730,000**	500,000	46.0
Avg ore grade in reserves			
Silver (g/t)	**313**	389	(19.5)
Gold (g/t)	**1.75**	1.70	2.9
Cut-off grade (g/t AgEq)	**224**	216	3.7
Total resources			
Silver (moz)	**373.72**	447.18	(16.4)
Gold (moz)	**1.80**	1.64	9.8
Avg ore grade in resources			
Silver (g/t)	**283**	352	(19.6)
Gold (g/t)	**1.36**	1.29	5.4
Cut-off grade (g/t AgEq)	**134**	136	(1.5)

Key developments in the year

Annual silver production rose 42.8% from its 2014 level mainly due to the start-up of Saucito II in late 2014, milling efficiencies at the Saucito I plant, higher volumes of ore processed from the Jarillas, West and East areas, and improved dilution control. These factors more than offset a lower recovery rate. Post commissioning in late 2014, Saucito II fully ramped up by 2Q 2015, significantly ahead of plan thanks to expertise gained at Saucito I, and on budget.

We increased milling capacity at the Saucito I plant to 3,600 tpd, from its original nominal capacity of 3,000 tpd, with the installation of vibrating screens, and plan to similarly optimise capacity at the Saucito II plant in 1H 2016. The total nominal capacity of Saucito is expected to increase to 7,500 tonnes per day following this installation.

In 2016, the average silver ore grade at Saucito is expected to be around 295 g/t and going forward, is expected to average approximately 300 g/t.

Silver reserves increased due to conversion of resources into reserves, despite the lower silver price assumption, albeit with a decrease in the silver ore grade. However, changes in exploration and modelling affected silver ore grade and decreased silver resources. Gold reserves and resources rose as a result of the increased tonnage and higher gold ore grade encountered at the mine. It should be noted that a considerable portion of ore produced comes from development and mining works, thus production grade is lower than grade in reserves.

Capital expenditures

Capital expenditures in 2015 totalled US$108.3 million, primarily allocated to in-mine development and sustaining capex, with around US$3.5 million invested in the installation of the vibrating screens at Saucito I. In 2016, capex will be allocated primarily to mining works, deepening of the Jarillas shaft and sustaining capex, and the installation of vibrating screens at Saucito II.

2015 objectives

- Continue development at Saucito II to support ramp-up
- Continue converting resources into reserves
- Initiate construction of the third tailings dam
- Obtain Clean Industry and ISO 14001 certifications

2015 performance

- Concluded ramp-up of Saucito II in 2Q15, significantly ahead of three-year timeframe previously anticipated
- Increased development rates to 3,600 metres per month to convert resources into reserves
- Construction began on third tailings dam
- ISO 14001 certification process 90% complete
- Technical adjustments made at Saucito I that increased capacity to 3,600 tpd

2016 objectives

- Technical adjustments to Saucito II to increase overall Saucito capacity to 7,500 tpd
- Continue converting resources into reserves
- Obtain ISO 14001, OHSAS 18001 & Clean Industry certifications

Financial performance

Financial highlights	2015	2014	% change
Adjusted revenue (US$m)	**468.4**	372.5	25.7
Adjusted production costs (US$m)	**99.4**	90.8	9.5
Segment profit (US$m)	**295.2**	235.0	25.6
Capital expenditure (US$m)	**108.3**	114.4	5.3
Exploration (US$m)	**8.6**	3.2	2.7
Productivity (tonnes milled/person)	**2,326**	1,230	89.1
Cost per tonne (US$)	**42.5**	59.1	(28.1)
Cash cost ($/oz silver)	**1.2**	2.5	(52.0)
Margin ($/oz)	**14.4**	16.1	(10.6)
Margin (expressed as % silver price)	**92.6**	86.7	

Adjusted revenues at Saucito increased by 25.7% to US$468.4 million as a result of the increase in sales volumes, which was partly offset by the adverse effect of lower metal prices. The mine's contribution in consolidated silver revenues rose to 51.3% in 2015 (2014: 37.7%), representing now the main contributor to consolidated silver revenues. Gold remains an important revenue driver for the mine, with an 18.5% participation to Saucito's revenue (2014: 17.8%) and representing 10.4% of the Group's gold revenues.

Productivity increased in the year reflecting the successful ramp-up at Saucito II and milling efficiencies achieved at the Saucito I plant.

Cost per tonne decreased 28.1% to US$42.5 mainly as a result of the economies of scale obtained from the increased ore throughput, and to a lesser extent, the lower diesel and electricity prices, and the favourable effect of the exchange rate.

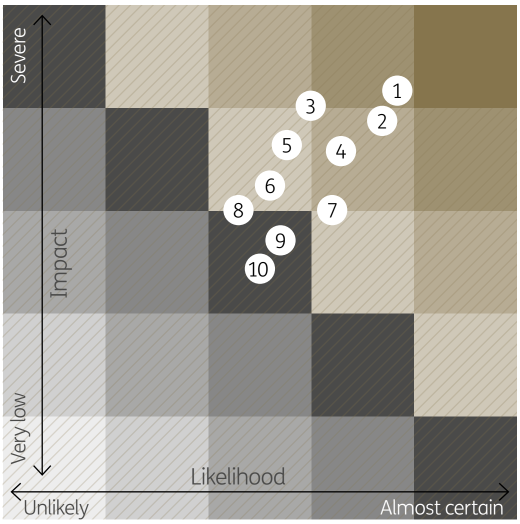
Cash cost per silver ounce decreased to US$1.2 per ounce (2014: US$2.5 per silver ounce). Margin per ounce decreased 10.6% to US$14.4 in 2015 (2014: US$16.1), whilst expressed as a percentage of silver price the margin increased from 86.7% to 92.6%.

Sustainability

Our "walking together" programme reinforced the key safety activities to be performed regularly by mine supervisors. Environmental efforts included planting vegetation on tailings pond slopes to prevent erosion.

See pages 66–86 for more social and sustainability highlights.

Business unit risks

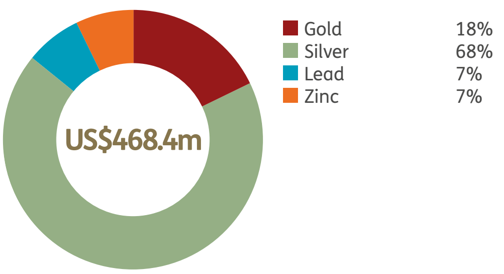


Due to the presence of faults containing water, and in light of previous experiences at this mine, an unexpected presence of water in areas of operation is perceived as a high risk, in addition to those common to all operations.

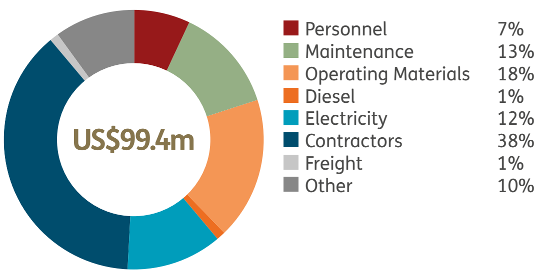
Description of risks

1. Volatility in the prices of gold and silver over a period of time.
2. Unexpected presence of water in areas of the operation.
3. Safety incidents impacting personnel, including: explosion, trapping, electrocution, being struck by falling rock.
4. Natural disaster, flooding or any catastrophe resulting in operational interruption for reasons not attributable to personnel.
5. Accidents occurring while personnel are transported.
6. Theft of inventory, assets, materials (including explosives) or equipment.
7. Lack of necessary land access.
8. Security risks including damage to staff or contractors, or that result in restricted access to projects/operations.
9. Inordinate increases in labour costs required for the operation of the business unit.
10. Major mechanical failure, fire, explosion or any catastrophe resulting in operational interruption.

Adjusted revenue



Adjusted production costs



Review of Operations continued
1 Mines in Operation

Ciénega

Ciénega has long been classified as a gold mine, but silver revenues have risen markedly in recent years reflecting the mine's rich silver resources.

Ownership: **100% Fresnillo plc**	Location: **Durango**
In operation since: **1992**	Mine life (years): **10.0 (2014: 11.4)**
Facilities: **Underground mine, flotation and leaching plant**	
Milling capacity (2015): **4,000 tpd / 1,340,000 tpy**	
Workforce: **470 employees, 314 contractors**	

	2015	2014	% change
Mine production			
Ore milled (kt)	**1,329**	1,341	(0.9)
Silver (koz)	**4,828**	4,075	18.5
Gold (oz)	**85,662**	108,211	(20.8)
Lead (t)	**5,425**	4,736	14.6
Zinc (t)	**5,970**	6,000	(0.5)
Silver ore grade (g/t)	**129**	108	18.9
Gold ore grade (g/t)	**2.07**	2.59	(20.0)
Total reserves			
Silver (moz)	**69.20**	75.32	(8.1)
Gold (oz)	**810,000**	890,000	(9.0)
Avg ore grade in reserves			
Silver (g/t)	**162**	154	5.2
Gold (g/t)	**1.89**	1.82	3.8
Cut-off grade (g/t AgEq)	**Multiple**	196	–
Total resources			
Silver (moz)	**152.28**	142.40	6.9
Gold (moz)	**1.52**	1.58	(3.8)
Avg ore grade in resources			
Silver (g/t)	**163**	148	10.1
Gold (g/t)	**1.62**	1.64	(1.2)
Cut-off grade (g/t AgEq)	**Multiple**	156	–

Key developments in the year
Annual gold production decreased 20.8% as a result of the expected lower ore grade following the depletion of higher grade areas with wider veins. Silver production increased 18.5% due to richer veins at the San Ramón satellite and development ore from the new Taspana vein with higher silver ore grades.

Following favourable exploration results and greater potential seen in the Cebollitas cluster, we deferred the capacity expansion project in order to evaluate optimal milling levels and location. We will continue to analyse the district's capacity requirements as exploration continues (see detailed exploration results on page 63). We plan to expand the second tailings dam in 2016 as we await permitting for a third dam.

As expected, the average gold ore grade decreased during the year, while the silver ore grade increased. The average gold ore grade for 2016 is expected to be around 2.0 g/t and remain around these levels going forward. The average silver ore grade is expected to be around 120 g/t in 2016 and remain at these levels going forward.

Gold resources increased as a result of exploration efforts in the Taspana and Tajitos veins.

Capital expenditures
As a result of the deferral, minimal capex was allocated to the expansion project in 2015, while US$24.6 million was invested in development and sustaining capex, including equipment to optimise the milling process, and permitting and engineering for the third tailings dam. Budgeted capex for 2016 will mainly be allocated to sustaining capex, including expanding the second tailings dam, and safety and environmental spending.

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2015 objectives

- Conclude evaluation of capacity optimisation alternatives; complete engineering and commence construction
- Conclude permitting process and initiate construction of the third tailings dam
- Continue exploration of the Cebollitas Cluster and direct mine development work

2015 performance

- Deferred capacity optimisation in order to evaluate need for increased milling levels and location of plant expansion
- Intensified exploration efforts at areas of influence
- Permitting process still underway for tailings dam #3; permitting secured to increase capacity of tailings dam #2

2016 objectives

- Continue exploration at areas of influence
- Expand second tailings dam while permits are pending for the third tailings dam

Financial performance

Financial highlights	2015	2014	% change
Adjusted revenue (US$m)	**169.5**	206.0	(17.7)
Adjusted production costs (US$m)	**83.7**	95.0	(11.9)
Segment profit (US$m)	**71.1**	97.0	(26.7)
Capital expenditure (US$m)	**24.6**	37.9	(35.1)
Exploration (US$m)	**20.5**	27.6	(25.7)
Productivity (tonnes milled/person)	**1,697**	1,626	4.4
Cost per tonne (US$)	**63.0**	70.8	(11.1)
Cash cost ($/oz gold)	**245.5**	288.0	(14.8)
Margin ($/oz)	**881.1**	969.7	(9.1)
Margin (expressed as % gold price)	**78.2**	77.1	

Adjusted revenue decreased 17.7% to US$169.5 million in 2015 due mainly to the lower volumes of gold sold and the decrease in metal prices. Ciénega is the Group's most polymetallic mine, as evidenced by the 47.9% contribution from silver, lead and zinc (2014: 40.5%).

Cost per tonne milled at Ciénega decreased 11.1% to US$63.0 reflecting the positive impact of the devaluation of the Mexican peso/US dollar exchange rate; lower energy costs; and efficiencies achieved at the beneficiation plant by reducing consumption of steel balls for milling and reagents, and at the mine by optimising the use of explosives.

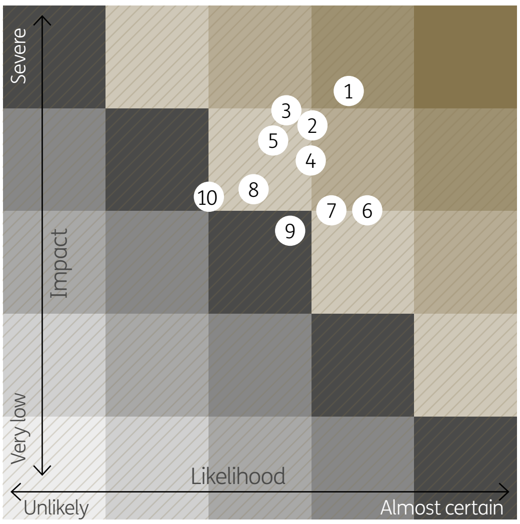
Cash cost per gold ounce decreased to US$245.5. Margin per ounce decreased to US$881.1 per ounce in 2015 (2014: US$969.7), however expressed as a percentage of gold prices the margin slightly increased to 78.2% (2014: 77.1%).

Sustainability

We operate a clinic that provides services to not only our workers but also their families and the wider community. The Silver Saves Lives project (see page 83) was launched in Ciénega with a project to harvest rainwater in two schools.

See pages 66–86 for more social and sustainability highlights.

Business unit risks

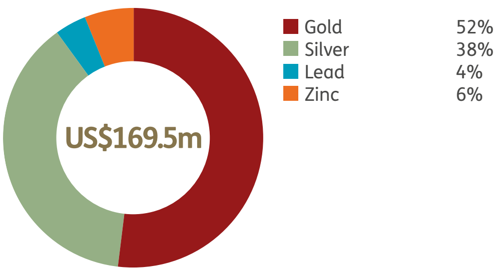


Given the remote location of the Ciénega mine, key perceived risks are electric power outages, insufficient personnel (by quantity and training), as well as environmental impact, along with the core common risks.

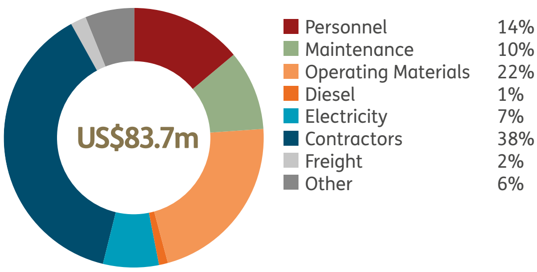
Description of risks

1. Volatility in the prices of gold and silver over a period of time.
2. Electric power outages that stop or slow operation of the business unit.
3. Safety incidents impacting personnel, including: explosion, trapping, electrocution, being struck by falling rock.
4. Insufficient ventilation compromising operational continuity or causing physical damage to personnel and equipment.
5. Impact on the environment in the area of influence through erosion or disturbance of biodiversity as a result of the business unit operation.
6. Theft of inventory, assets, materials (including explosives) or equipment.
7. Lack of sufficient personnel due to resignations or recruitment issues.
8. Personnel not adequately trained to meet operational needs due to competing priorities.
9. Delay in obtaining permits to use and store explosives or loss of licence.
10. Accidents occurring while personnel are transported.

Adjusted revenue



Adjusted production costs



Review of Operations continued
1 Mines in Operation

Herradura

Herradura is one of Mexico's largest open pit gold mines. It produced 52% of the Group's total gold in 2015 and generated 28.1% of total adjusted revenue.

Ownership: **Minera Penmont (100% Fresnillo plc)** Location: **Sonora**
In operation since: **1997** Mine life (years): **9.2 (2014: 9.4)**
Facilities: **Open pit mine, heap leach and Merrill Crowe plants; dynamic leaching plant (DLP)**
Workforce: **1,237 employees, 409 contractors**

	2015	2014	% change
Mine production			
Ore deposited (kt)	**22,875**	22,305	2.6
Total volume hauled (kt)	**117,033**	129,797	(9.8)
Silver (koz)	**526**	679	(22.5)
Gold (oz)	**398,866**	265,564	50.2
Gold ore grade (g/t)	**0.73**	0.72	1.2
Total reserves			
Gold (moz)	**5.34**	5.32	0.4
Avg ore grade in reserves			
Gold (g/t)	**0.79**	0.79	–
Cut-off grade (g/t Au)	**Multiple**	Multiple	–
Total resources			
Gold (moz)	**6.66**	6.79	(1.9)
Avg ore grade in resources			
Gold (g/t)	**0.82**	0.79	3.8
Cut-off grade (g/t Au)	**Multiple**	Multiple	–

Key developments in the year
Annual gold production increased 50.2% as a result of the following factors: i) an increase in volume of ore processed resulting from the mine being fully operational whilst the temporary explosives permit suspension affected production in 2014; ii) the DLP being operational for the full period following its start-up in March 2014, which resulted in an increase in ore processed and higher ore grades; iii) a higher overall speed of recovery at the leaching pads as we ramped up to steady state; iv) the installation of the second Merrill Crowe plant at the DLP which was key in increasing capacity and reaching steady state; and v) a small increase in the gold ore grade.

We commissioned the second Merrill Crowe plant in 4Q 2015 as planned, with equipment partly taken from the currently inactive operations at Soledad-Dipolos, and are now operating at 'steady state', with average annual output at Herradura, via heap leaching and DLP, estimated at over 360,000 ounces of gold. Additional operating improvements in the year included control room infrastructure enhancements and optimisation of tyre consumption. In 2016 we will carry out an economic evaluation for the construction of a second line at the DLP.

We stabilised gold inventory levels at the pads at 160 koz at year end, and will continue to evaluate and optimise for appropriate levels that balance efficiency of the leaching process and production costs.

At the Centauro Extension, work concluded on the development of the optimal pit design. Mining work continued at the Valles underground pilot mine with good results.

Gold reserves and resources remained stable year on year. Exploration activities at this mine included concluding infill diamond drilling in the Centauro and Valles ore bodies.

Gold ore grades in 2016 are expected to average 0.65 g/t and 0.72 g/t through the remaining life of the pit, with small fluctuations depending on the timing of the Centauro Deep project.

Capital expenditures
Capital expenditures in 2015 totalled US$119.7 million, which included US$24.5 million for the installation of the second Merrill Crowe plant at the DLP. The remainder was mainly invested in sustaining capex, including the construction of the twelfth leaching pad, and stripping activities. Capex for 2016 will mainly be focused on mining works, sustaining capex and basic engineering for the second milling line at the DLP.

2015 objectives

- Install a second Merrill Crowe plant
- Reach 'steady state' by 4Q 2015
- Construct eleventh leaching pad
- Conclude evaluation of the expansion of the Centauro pit as the natural evolution of the pit

2015 performance

- Commissioned second Merrill Crowe plant in 4Q15
- Reached 'steady state' operations
- Completed development of optimal pit design for the Centauro Extension
- Construction of eleventh pad on hold for site planning; construction of twelfth leaching pad neared completion

2016 objectives

- Conduct economic evaluation for Centauro Extension; subject to Board approval commence basic engineering and place initial orders for second milling line at DLP

Financial performance

Financial highlights	2015	2014	% change
Adjusted revenue (US$m)	**445.1**	342.7	29.9
Adjusted production costs (US$m)	**198.5**	207.2	(4.2)
Segment profit (US$m)	**219.0**	170.3	28.6
Capital expenditure (US$m)	**119.7**	63.1	89.7
Exploration (US$m)	**11.9**	14.7	(19.0)
Productivity (ore/waste moved per person)	**71,098**	78,097	(9.0)
Cost per tonne (US$)	**8.7**	9.3	(6.6)
Cash cost ($/oz gold)	**472.5**	465.4	1.5
Margin ($/oz)	**654.0**	792.3	(17.5)
Margin (expressed as % gold price)	**58.1**	63.0	

Adjusted revenue increased 29.9% to US$445.1 million reflecting the 55.2% increase in volumes of gold sold; which more than offset the 10.4% decrease in gold price.

Productivity decreased as a result of lower volumes hauled in 2015. This was driven by the decision to deposit at a slower pace to optimise inventory levels at the pads given the temporary processing capacity constraints.

Cost per tonne of ore deposited decreased 6.6% to US$8.7 due mainly to the lower stripping ratio and the positive effect of the higher Mexican peso/US dollar exchange rate. Approximately 73% of this was offset by the lower average volume deposited per month.

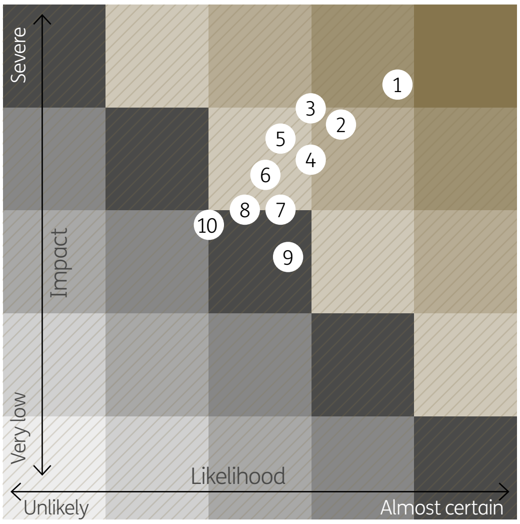
Cash cost per gold ounce was US$472.5, which represented a slight increase over 2014. However, margin per ounce decreased 17.5% to US$654.0, whilst margin expressed as a percentage of gold prices decreased from 63.0% in 2014 to 58.1% in 2015 (see page 91).

Sustainability

Our sustainability programme for Herradura and Noche Buena is run together across Minera Penmont. In 2015 we introduced an initiative to prevent back injuries, and aided a local NGO in building a surgery room.

See pages 66–86 for more social and sustainability highlights.

Business unit risks

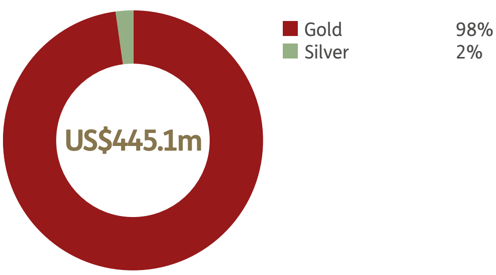


In light of recent history, a potential loss of explosives permits and litigation with adverse outcomes are closely monitored risks at Penmont; for the latter, however, recent land negotiations have been favourable. As seen for other mines, the common principal risks are also applicable here.

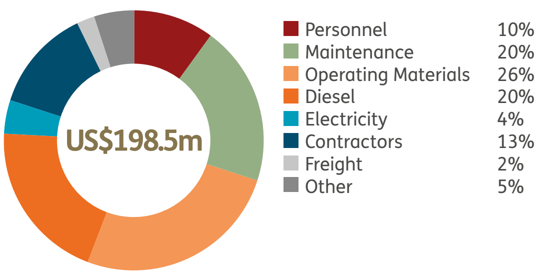
Description of risks

1. Volatility in the prices of gold and silver over a period of time.
2. Accidents occurring while personnel are transported.
3. Delay in obtaining permits to use and store explosives or loss of licence.
4. Major mechanical failure, fire, explosion or any catastrophe resulting in operational interruption.
5. Litigation with adverse outcome for the Company.
6. Impact on the environment in the area of influence through erosion or disturbance of biodiversity as a result of the business unit operation.
7. Inordinate increases in labour costs required for the operation of the business unit.
8. Theft of inventory, assets, materials (including explosives) or equipment.
9. Electric power outages that stop or slow operation of the business unit.
10. Inability to obtain necessary water concessions due to government control or private interests.

Adjusted revenue



Adjusted production costs



Review of Operations continued
1 Mines in Operation

Noche Buena

Noche Buena commenced operations as an open pit gold mine in 2012. Located in the Herradura District 23 kilometres from the Herradura mine, the mine was acquired in 2008 from Seabridge as part of the Group's district consolidation strategy.

Ownership: **Minera Penmont (100% Fresnillo plc)**	Location: **Sonora**
In operation since: **2012**	Mine life (years): **3.3 (2014: 4.0)**
Facilities: **Open pit mine, heap leach and Merrill Crowe plant**	
Workforce: **431 employees, 508 contractors**	

	2015	2014	% change
Mine production			
Ore deposited (kt)	**17,400**	15,607	11.5
Total volume hauled (kt)	**82,373**	92,593	(11.0)
Silver (koz)	**73**	102	(28.4)
Gold (oz)	**158,179**	129,242	22.4
Gold ore grade (g/t)	**0.50**	0.51	(3.0)
Total reserves			
Gold (moz)	**1.01**	1.11	(9.0)
Avg ore grade in reserves			
Gold (g/t)	**0.56**	0.55	1.8
Cut-off grade (g/t Au)	**0.30**	0.30	–
Total resources			
Gold (moz)	**1.05**	1.29	(18.6)
Avg ore grade in resources			
Gold (g/t)	**0.55**	0.53	3.8
Cut-off grade (g/t Au)	**0.30**	0.30	–

Key developments in the year
Annual gold production increased 22.4% due to a higher overall rate of recovery as a result of leaching pads four and five being operational for the full year post their construction in 2014. This was partly offset by lower ore grade as ore was deposited from higher banks to control haulage costs, rather than deeper, higher ore grade areas. Further efforts to improve efficiency and control costs included the optimisation of tyre consumption.

In 2016, it is expected that the average gold ore grade at Noche Buena will be around 0.47 g/t. Ore grades through the life of the mine are expected to average 0.52 g/t.

Gold reserves decreased as a result of the natural depletion of the pit, whilst resources decreased due to lower gold price assumptions.

Capital expenditures
Capital expenditures in 2015 totalled US$2.6 million, focused on sustaining capex, including the smelting capacity expansion. Spend in 2016 will also mainly be in sustaining capex, including leaching pad number six.

2015 objectives

- Implement measures to increase efficiency and control costs
- Expand smelting capacity at the Merrill Crowe plant

2015 performance

- Tyre consumption optimised, waste dumps relocated to reduce haulage distances
- Smelting capacity expansion progressed
- International Cyanide Code certification process commenced

2016 objectives

- Continue implementation of measures to increase efficiency and control costs
- Commission expanded smelting capacity
- Obtain International Cyanide Code certification

Financial performance

Financial highlights	2015	2014	% change
Adjusted revenue (US$m)	**181.7**	163.5	11.1
Adjusted production costs (US$m)	**138.0**	155.7	(11.4)
Segment profit (US$m)	**26.7**	25.8	3.5
Capital expenditure (US$m)	**2.6**	20.9	(87.6)
Exploration (US$m)	**3.7**	10.1	(63.4)
Productivity (ore/waste moved per person)	**87,717**	87,724	–
Cost per tonne (US$)	**7.9**	10.0	(20.5)
Cash cost ($/oz gold)	**972.7**	945.6	2.9
Margin ($/oz)	**153.8**	312.1	(50.7)
Margin (expressed as % gold price)	**13.7**	24.8	

Adjusted revenues at Noche Buena increased 11.1% to US$181.7 million, reflecting the higher sales volumes of gold that partially mitigated lower prices in 2015.

Cost per tonne at this mine decreased 20.5% to US$7.9 mainly due to the efficiencies achieved by the higher volume of ore deposited and changes in the drilling patterns that optimised consumption of explosives; and the favourable effect of the devaluation of the Mexican peso against the US dollar.

Cash cost per gold ounce slightly increased 2.9% to US$972.7. Margin per ounce decreased by 50.7% to US$153.8, and margin expressed as a percentage of gold price declined from 24.8% in 2014 to 13.7% in 2015 (see page 91).

Business unit risks

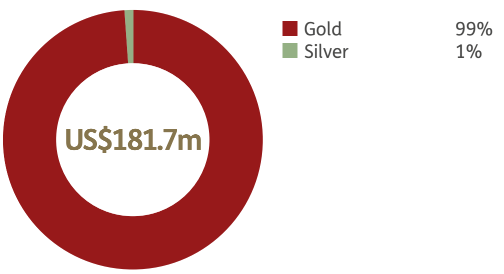
See Herradura for risks associated with all Penmont mines.

Sustainability

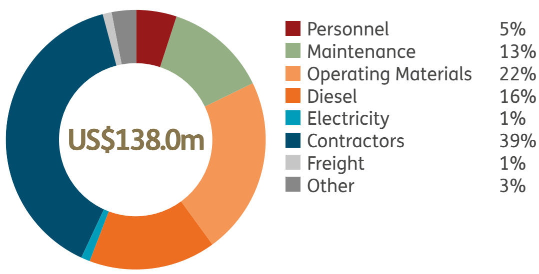
The International Cyanide Certification process was commenced at Noche Buena and the initial audit passed. We expect to obtain full certification in 2016.

See pages 66–86 for more social and sustainability highlights.

Adjusted revenue



Adjusted production costs



Review of Operations continued
2 Development projects

San Julián

In progress

Ownership: **100% Fresnillo plc**
Location: **Chihuahua/Durango border**
Facilities: **Underground mine, flotation plant and a dynamic leaching plant**
Commercial production: **2Q 2016 (phase 1) / 4Q 2016 (phase 2)**
Anticipated production: **Annual average of 10.3 moz silver and 44,000 oz gold**
Capex: **US$515.0 million**
Indicated and referred resources: **176.6 moz silver, 710 koz gold**

About the project
The San Julián silver-gold project is a cornerstone of the Company's 2018 production goals. The geological potential identified in the region thus far may be sufficient to establish a new mining district in the future.

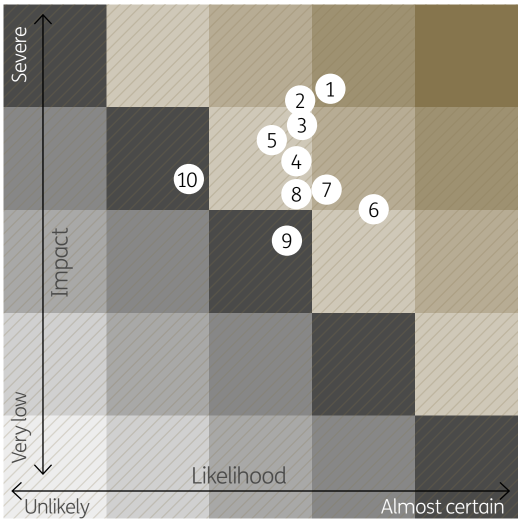
The project includes construction of two plants: i) a dynamic leaching plant to treat 3,000 tpd of ore from the veins; and ii) a flotation plant with 6,000 tpd capacity to process ore from the disseminated body. Average commercial production is estimated at 10.3 million ounces of silver and 44,000 ounces of gold per year, once at full capacity in 2017, with cash costs in the lowest quartile of the international cash cost curve.

Key developments in 2015
Mining works at the vein field, relating to both development and infrastructure have been concluded and further progress has been made on the construction of the leaching plant, crushing and milling areas, pumping station and electric infrastructure. The crushing platform at the flotation plant has been constructed, as well as plant foundations. Training for the San Julián leaching plant personnel has taken place and personnel facilities are being built.

However, delays in permitting, weather-related issues and a high rotation of contractor personnel due to the project's remote location together resulted in execution delays. The San Julián leaching plant, which will process ore from the veins (phase 1) is expected to be commissioned in 2Q16, a delay of several months from the previous revised target date of 4Q 2015. The flotation plant to process ore from the disseminated ore body (phase 2) remains on track, with commissioning expected in 4Q16.

A further capex spend of US$150 million in 2015 brings the total spent to date to US$361 million. The remaining US$154 million of the budget will be spent in 2016.

2016 priorities
- Commission the leaching plant in 2Q 2016
- Commission the flotation plant in 4Q 2016

Business unit risks


Project risks
The key risks in delivering the San Julián project without delay are procurement of the following: environmental permits, water concessions and all key equipment; the social licence to operate is an ongoing requirement of project delivery. The risk of metal prices on project profitability will also be monitored.

Description of risks
1. Failures/delays in obtaining environmental permits.
2. Projects that cannot be delivered on time, on budget and according to planned specifications.
3. Volatility in the prices of gold and silver over a period of time.
4. Inability to obtain necessary water concessions due to government control or private interests.
5. Sensitivity to project profitability due to changes in ore grade and metallurgical recovery that may affect the viability of the project.
6. Economic mineral found within narrow veins being difficult to exploit.
7. Social behaviours or actions by a group of people taking a stance against mining in the areas of influence of the business unit.
8. The surrounding communities do not provide their support or hinder operations due to complaints regarding dust, blasting vibrations, water use.
9. Inordinate increase in key input costs for the operation of the business unit/project.
10. Late delivery of key equipment to plant by the supplier (mills, pumps, filters).

Pyrites Plant

On hold

Ownership: **100% Fresnillo plc**	
Location: **Zacatecas, Fresnillo District**	
Facilities: **Leaching plant**	
Commercial production: **Less than two years from reinstatement**	
Anticipated production: **Annual average of 3.5 moz silver and 13,000 oz gold**	
Capex: **US$155.0 million**	

About the project

This facility is expected to increase silver and gold recovery rates by processing tailings, both historical and ongoing, from the Fresnillo and Saucito mines. The plant will froth float pyrite concentrates that will be leached in a 2,000 tpd dynamic leaching plant and Merrill Crowe plant to produce precipitates. Production is expected to total an average of 3.5 moz silver and 13,000 oz gold per year, and advances our objective to maximise production in the Fresnillo District.

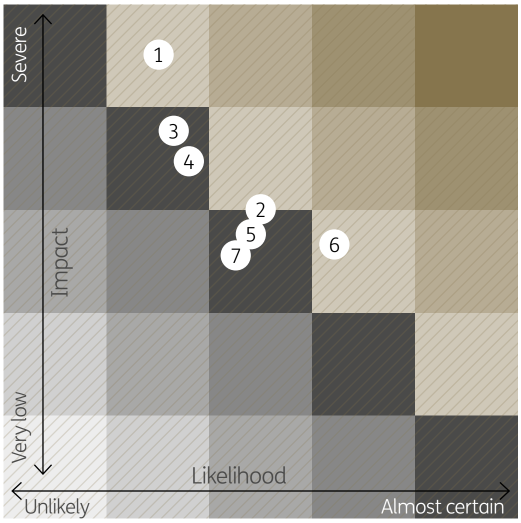
Key developments in 2015

We continued detailed engineering works for this project which are expected to be completed by mid-2016. Once this stage is reached, further work on the project will be put on hold as part of the contingency plan implemented by the Board; equipment orders and construction work will resume as market conditions warrant.

2016 priorities

> Conclude detailed engineering; resume project pending Board approval as market conditions warrant

Business unit risks



Project risks

Given the nature of this project, and that it would be the Company's first time undertaking this type of process, the key risk relates to a potential leak of hazardous materials.

Description of risks

1. Event which involves a leak or spill of cyanide or SO_2, which by its chemical properties could generate an event of major consequence on the premises of the business unit and/or in the nearby area.
2. Inexperience in the operation of a pyrite flotation plant as it is the first time this type of process will have been performed.
3. The surrounding communities do not provide their support or hinder operations (social licence for operation) due to community complaints regarding operations e.g. dust, blasting vibrations, noise, pollution, water use.
4. Risk of incidents during transportation of iron concentrate from the Fresnillo tailings plant to the leaching plant (possible environmental impact to the local communities).
5. The challenge faced in fine grinding to such small sizes (10 to 20 microns) to ensure metallurgical recovery.
6. Failures/delays in obtaining the required environmental permits (e.g. MIA, CUS, ETJ).
7. Limited capacity of electricity supply; with this new project the Fresnillo District will reach its limit.

Review of Operations continued
3 Exploration

We believe that consistent exploration investment is essential in maintaining a healthy project pipeline: core to our growth strategy and a key element in extending mine life.

2015 highlights

- Total risk capital invested in exploration was US$151 million, an 18.0% decrease compared to 2014
- Exploration was mainly focused on areas of influence at current operating mines and key exploration sites
- 10% increase in silver resources at Juanicipio
- Total gold resources increased 4.2%; attributable silver resources slightly decreased 1.9%
- Gold reserves decreased 1.5%, silver reserves decreased 6.0%

We focus on the discovery and potential acquisition of large, low cost silver and gold ore bodies in Latin America, in regions with the greatest geological potential and mining tradition such as Mexico and Peru. Prospects must have a minimum potential of 100 million ounces of silver or 2 million ounces of gold equivalent, and meet strict criteria on ore grades, metallurgical recoveries, extraction costs and environmental impact, in order to proceed.

Whereas in the past a tradition of mining in an area may have provided assurance that supportive community relations, permitting and security were a given, the situation is now more complex, with permitting processes less predictable, more challenges in negotiating land access with communities, and the level of insecurity rising in some regions (see Risks on pages 36 to 47). As a result, greater consideration is being given to the potential impact of these external factors, along with our criteria on geological potential, when prioritising investment amongst projects; generally projects in our current districts tend to be more attractive from this perspective, along with the economic benefits of potential shared infrastructure.

Reserves and resources
To estimate reserves and resources in 2015, we again used the 2012 Edition of the JORC Code. The gold price assumption for open pit resources was lowered to US$1,300 per oz (2014: US$1,350), consistent with the price used for the purpose of the design of the pit shell, allowing for adequate long-term design flexibility. The gold price assumption for underground reserves and resources and for reserves in open pits was unchanged at US$1,150 per oz. The silver price assumption decreased for the third consecutive year, to US$15.00 per silver oz (US$18.00 in 2014). Despite these reductions, gold resources increased 4.2%, primarily from gains at Rodeo, Guachichil, Candameña, Guanajuato and Saucito, whilst silver resources decreased mainly due to changes in vein modelling and deep drill-hole results in some areas at Saucito and lower silver price assumptions at San Julián; which were partly mitigated by increased silver resources at Huizache, Juanicipio, Ciénega and Guanajuato. Gold reserves decreased 1.5% to 9.5 moz, primarily due to a decrease at Noche Buena, and silver reserves decreased 6.0%, mainly at Fresnillo and San Julián due to lower price assumptions, to 547.6 moz.

We have built an experienced exploration team of 80 geologists and 74 technicians and administrative staff, and employ 300 local community members at our project sites.

2016 outlook

Risk capital of around US$135-140 million was approved for 2016, of which around US$25 million is estimated to be capitalised, with 27% of the budget to be spent in operating mines and 27% in advanced exploration projects.

Projects and prospects: current districts

Fresnillo District
Juanicipio

Ownership: **56% Fresnillo plc, 44% MAG Silver**
Location: **Zacatecas, 8km SW of the Fresnillo mine**
Indicated and inferred resources (attributable): **126.2 moz silver, 578,000 oz gold**

Indicated and inferred silver-gold-lead-zinc resources are located principally on the Valdecañas vein and to a lesser extent on the Juanicipio vein. Five deep drill holes on the Valdecañas vein intersected attractive values and resources were increased. Drilling on other targets has not yet localised new veins. The ramp was extended to 2,180 metres, metallurgical studies were conducted and basic engineering studies concluded. In 2016 we plan to continue the exploration drilling and ramp development, and conduct a detailed engineering study. This joint venture with MAG Silver will be developed on a stand-alone basis.

Other sites
30,690 metres of infill drilling were completed on the San Carlos and San Diego veins to convert resources to the indicated category in the deeper part of the Fresnillo mine. 47,560 metres of drilling on several prospects in the District established inferred resources on two new veins.

Ciénega District

Ownership: **Minera La Ciénega, S.A. de C.V. (100% Fresnillo plc)**
Location: **Durango**

Cebollitas Cluster
Development of the Taspana vein continues, showing good continuity of grade at 1 g/t gold and 250 g/t silver, maintaining an average thickness of three metres; ore from development works is sent to the Ciénega mill for processing. Exploration drilling and drifting continue in other veins of the district such as Tajos and Taspana West, which show attractive exploration potential.

San Ramón satellite mine
The diamond drilling programme from surface was completed, with 1,570 metres drilled, confirming additional mineralisation in the southern part of the district in several veins. Underground drifting continues along the main Porvenir-Bandera structure, and crosscuts designed to reach mineralised segments of other veins are in progress.

Las Casas-Rosario
Mining and development of the Las Casas, Casas del Bajo, and Rosario veins continue to confirm good grade and thickness. The Carolina vein discovered below Casas del Bajo is also being developed, adding to the reserve base of the Ciénega operation. Promising drill results were obtained from the newly discovered Rosario East shoot in the hanging-wall of the Transversal fault; mine workings are expected to reach this location in 2016.

Herradura District
Centauro Deep

Ownership: **Minera Penmont (100% Fresnillo plc)**
Location: **Sonora, below the Centauro main pit at Herradura**
Indicated and referred resources: **4.3 moz gold**

9,000 metres of drilling, extensive re-logging of core samples and mapping of workings in the Centauro and Valles areas were carried out to better define the resource model and identify new veins below the pits. Bulk sampling will be carried out in 2016 to determine the grade in areas with coarse gold, and an updated estimate made of the resources.

Other sites
11,200 metres of reverse circulation drilling were carried out at the Tajitos disseminated gold deposit to upgrade resources to the indicated category and explore extensions. Potential was identified to the north east of the deposit. 19,700 metres of drilling were also completed on the Norias property with negative results, and these claims were returned to their original owner. Permits were obtained for the Sierra Pinta and Elena prospects where drill testing is planned for 2016.

Review of Operations continued
3 Exploration
Projects and prospects: other prospects in Mexico

Orisyvo District

Ownership: **Minera Fresnillo, S.A. de C.V. (100% Fresnillo plc)**
Location: **Chihuahua**
Indicated and referred resources: **8.9 moz gold, 12.6 moz silver**

6,012 metres of underground diamond drilling and 2,205 metres of crosscuts were carried out in the year to upgrade resources to the indicated category and refine the resource model. A test stope and a preliminary economic assessment study were completed. However, given that Orisyvo would be a new district and thus require significant investment in infrastructure, it was decided to defer development. Additional metallurgical and engineering studies are in process. 7,000 hectares of claims were optioned at the adjacent Uruachic gold-silver district and exploration will continue in this area in 2016.

Guanajuato District

Ownership: **Minera Saucito, S.A. de C.V. (100% Fresnillo plc)**
Location: **Guanajuato**
Indicated and referred resources: **664 koz gold, 41.8 moz silver**

Guanajuato is a large historic silver-gold mining district where over 1.5 billion ounces silver equivalent have been produced from a network of veins along a 35 kilometre strike, and thus certain infrastructure is already in place. The Fresnillo holdings comprise several areas currently under exploration; the most advanced are the Opulencia, La Gloria and La Joya vein systems, where gold-silver resources were increased. 49,650 metres of diamond drilling was carried out in the year both to convert resources to the indicated category and explore new veins detected in mapping. Permits were obtained and the drilling programme and land acquisition will continue in 2016.

Guachilchil

Ownership: **Minera Saucito, S.A. de C.V. (100% Fresnillo plc)**
Location: **Zacatecas**
Indicated and referred resources: **1.0 moz gold, 15.5 moz silver**

An access agreement was negotiated with the local ejido and drilling initiated to test gold targets on the north claims. 8,500 metres of drilling were completed and the programme will continue in 2016.

San Nicolás District
(Guerrero)

Work has been postponed in this silver-gold district due to security issues in the region. However, there is considerable potential and the claims will be maintained.

Lucerito

Ownership: **55% Minera Mexicana La Ciénega, S.A. de C.V.; 45% Minera Saucito, S.A de C.V.**
Location: **Durango**
Indicated and referred resources: **2.0 moz gold, 141.4 moz silver**

A conceptual mining study of the project determined the project would deliver modest financial returns. Whilst refractory gold remains a metallurgical challenge that demands further investigation, some optimisation alternatives – including heap-leaching of oxide mineralisation – will be reviewed in 2016.

Candameña

Ownership: **Minera Fresnillo, S.A. de C.V. (100% Fresnillo plc)**
Location: **Chihuahua**
Indicated and referred resources: **1.2 moz gold, 32.5 moz silver**

Candameña is a low strip ratio open pittable disseminated deposit containing gold and silver. Surface land was acquired in the year, however drilling was postponed due to security issues. Metallurgical testing and a preliminary economic assessment will be completed in 2016.

Rodeo District
(Durango)

18,720 metres of diamond drilling were completed and resources increased in this near surface disseminated gold deposit. Column tests show the mineralisation is amenable to heap leaching and several additional targets will be explored in the district during 2016.

Coneto (Durango)
an association with Orex Minerals

4,656 metres of drilling carried out in 2015, completing the US$6 million investment required to secure a 55% stake in the project. Drilling is planned for 2016 by the joint venture to explore three gold-silver bearing veins with initial resources.

Guazapares District
(Chihuahua)

5,942 metres of drilling completed in a cluster of veins adjacent to Coeur's Palmarejo mine, focused on the Don Ese, Portales and Dana structures. Environmental and access permits were obtained and the evaluation will continue in 2016.

Projects and prospects: other prospects in Peru

Pilarica District

Ownership: **100% Fresnillo plc**
Location: **Ayacucho, Peru**
Indicated and referred resources: **36.5 moz silver**

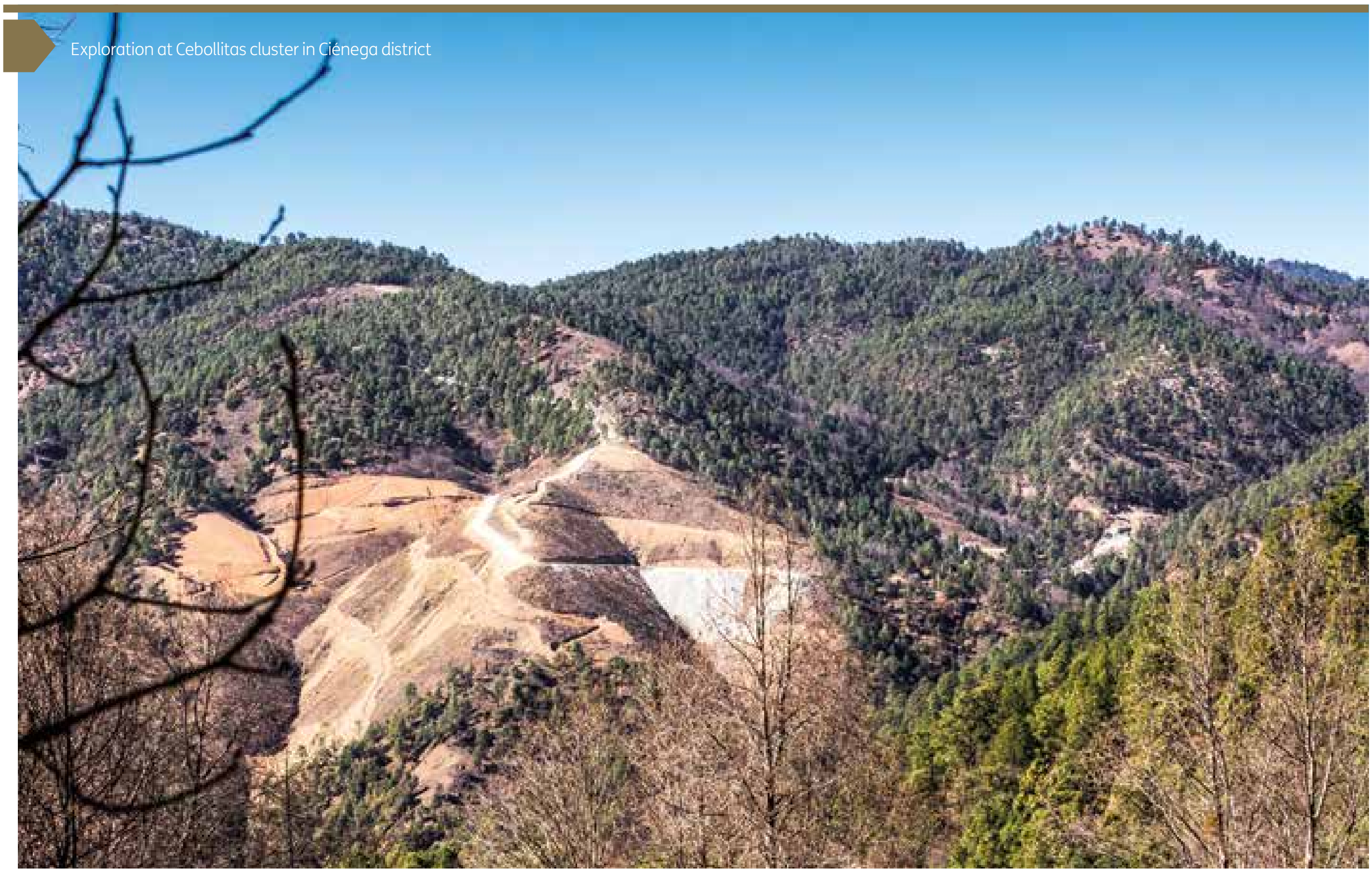
21,600 metres of diamond drilling were completed in the year, upgrading the resources to the indicated category in this open pittable silver manto deposit. Additional claims were purchased at the adjacent Machucruz silver property, and environmental permits obtained to continue the drilling programme in 2016.

Santo Domingo District (Antabamba)

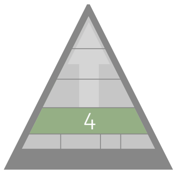
Mapping and sampling were carried out on a series of gold-silver bearing veins with interesting values at surface. Disseminated gold values were also located in two prominent outcrops. Access for drill testing in 2016 was negotiated with the local community.

Supaypacha

Prospecting located this virgin disseminated gold-copper deposit and an application for drilling permits was submitted to the environmental authorities. Negotiations to acquire surface land are in progress.


Exploration at Cebollitas cluster in Ciénega district

Social and Sustainability Report



We benchmark our success within a framework of maturing sustainability practices and continuous improvement in our safety culture.

Letter from the Chairman of the Health, Safety, Environment & Community Relations Committee

Our commitment to create long-term value is founded on responsible mining practices. The Health, Safety, Environment & Community Relations (HSECR) Committee evaluates, on behalf of the Board, the effectiveness of management to meet the sustainability challenge.

The Committee met during 2015 in accordance with its terms of reference to monitor the progress made towards reaching full maturity of the HSECR system. As audited independently by PwC, maturity reached an overall level of 92.3% (2014: 84.5%). We consider the process to be on track to achieve full maturity by 2016 as planned. The Sustainability Policy was also evaluated by the HSECR Committee and subsequently endorsed by the Board.

Our Environment, Social and Governance (ESG) performance was recognised with the inclusion of Fresnillo plc in the Euronext-Vigeo EM 70 Index. This ESG index recognises the 70 most sustainable companies operating in emerging markets.

The report that accompanies this letter summarises the most relevant aspects of the Group's HSECR record and performance for 2015.

Health
Fresnillo plc is fully committed to the overall health and wellbeing of employees and contractors. A preventive approach to health has been emphasised. Health performance highlights include:

- A fruitful collaboration was established with the National Autonomous University of Mexico (UNAM) Foundation to provide free dental treatments and prescription eyeglasses for our neighbouring communities at each of our mines
- An internal assessment mechanism was introduced to evaluate the performance of our health department and regulatory compliance within our operations

Safety
Although mining is considered a high-risk activity, any injuries whatsoever incurred by the Company's employees or contractors are unacceptable. We regret to report one fatality in a work-related accident during the year as well as two fatalities in early 2016. Considering the decline in the safety record of the Company, we have instructed management to take decisive action to improve safety practices. A comprehensive investigation has been conducted in each case and concrete measures taken in order to prevent similar accidents.

Safety performance highlights include:

- Operations continued to develop their competencies in emergency response. Drills were conducted at all operations and projects
- The Noche Buena mine launched its Cyanide Code certification process in December 2015

Environment
Good environmental performance is a fundamental condition for social acceptability of mining projects. We continuously monitor the performance and responsiveness of management with regard to environmental challenges. Environmental performance highlights include:

- Management responded well to a tailings spill at the Saucito mine and an incident with pregnant solution at the Herradura mine, both of which were dealt with and investigated in a satisfactory way. After completion of environmental remediation, monitoring confirmed that sources of contamination were successfully removed
- Reduction of the carbon footprint

Community Relations
Social acceptance of our projects is our most valuable intangible asset. We strive to engage communities to manage their expectations and develop relations based on mutual trust. Community relations highlights include:

- Communities surrounding our operations and main development projects were engaged through perception studies and social risk assessments
- The Silver Saves Lives initiative was launched at Ciénega with a pilot project to harvest rainwater and engage communities with water awareness activities

In the accompanying report, stakeholders are provided with a deeper view into the Company's overall HSECR efforts in 2015.

The Committee will continue to oversee, on behalf of the Board, the important work of reaching our HSECR goals and objectives and achieving excellence on HSECR matters.

We extend our deepest condolences to the bereaved families. We will honour the memory of our employees by ensuring that safety is our utmost priority.

Very truly yours,

Rafael MacGregor
Chairman, Health, Safety, Environment and Community Relations Committee

Social and Sustainability Report continued

The case for compatible mining

Mining is an essential activity that creates value at the local and global level. We believe it can be compatible with high stakeholder expectations vis-à-vis social and environmental performance, and, indeed, that our social licence to operate is dependent upon our meeting those expectations. Therefore, responsible business practices must be deeply integrated in the operations, and factors affecting stakeholders taken into consideration at every critical decision-making level. This is reflected in our business model, wherein sustainable business practices ground our value-creation pyramid.

Furthermore, compatible mining enhances our competitive advantages: engaging communities from the earliest stages of exploration and development reduces project risk and supports asset values; community support and environmental stewardship can minimise disruptions and ensure operational continuity; and a solid ESG risk profile influences the cost of capital, essential to balance sheet flexibility.

Materiality

Our sustainability efforts address the issues that we consider matter to our stakeholders and have a direct and indirect impact on our business. We identify relevant issues engaging our local stakeholders and keeping track of global issues relevant to our industry and society at large. Recognising the importance of local stakeholders at the mine sites, we conducted a comprehensive perception study in the communities where we operate. The outcome is a “Relevance matrix” of the issues that matter to our stakeholders in the communities. We intend to further refine our approach, adopting best practices in materiality assessment.

The following are the five pillars of our sustainability strategy:

Health	Improve and maintain the health and wellbeing of our people. Pages 69 to 70
Safety	Eliminate unsafe workplace conditions and behaviours. Pages 71 to 73
Environment	Minimise the environmental impact and footprint of our activities. Pages 74 to 79
Community relations	Engage with and support the development of our communities. Pages 80 to 83
Our people	Secure the talent pipeline and ensure a fair and respectful workplace. Pages 84 to 86

THE GLOBAL GOALS
For Sustainable Development

EURONEXT vigeo World 120

Governance

The Board of Directors, through its Health, Safety, Environment and Community Relations (HSECR) Committee, evaluates the effectiveness of the Company’s policies, action plans and systems regarding HSECR matters. The Committee meets semi-annually to review performance and monitor management’s responses to key issues. A letter from the Chair of the Committee precedes this report and provides information on their work in the year.

The remuneration policy for our senior executives takes sustainability performance into partial consideration, specifically in the areas of stakeholder relations, teamwork and safety (see Remuneration Report on pages 126 to 136).

Our sustainability strategy is managed through our HSECR Management System, whose maturity is assessed semi-annually by PricewaterhouseCoopers (PwC) on the basis of its strategy, structure, processes, people and technology. We are on track to achieving a fully integrated HSECR system by our 2016 target.

Doing our part: UN Sustainable Development Goals

The United Nations General Assembly adopted the 2030 Development Agenda in September 2015, with an ensuing 17 Sustainable Development Goals (SDGs) and 169 targets that align the interests of governments, businesses, NGOs and society. At Fresnillo, we are committed to doing our part and ensuring that our sustainability strategy aligns with and advances the goals agreed upon by the international community.

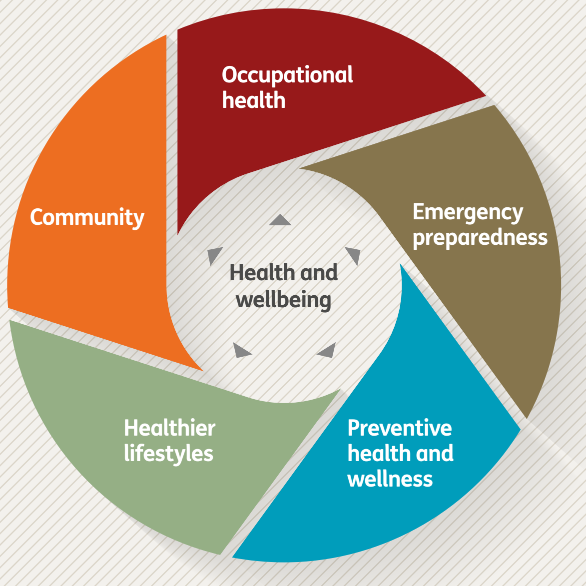
Specifically, we have initiatives that align with the following SDG goals: health and wellbeing; clean water and sanitation; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; responsible consumption and production; climate action; and life on land.

Awards and recognitions

Along with our inclusion in the Euronext-Vigeo Emerging 70 Index, other recognitions this year include: Ethics and Values in Industry from the Mexican Confederation of Industrial Chambers (CONCAMIN), and the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI). Industry standards certifications granted or under application in 2015 are detailed herein under their relevant categories.

Health

Strategy and objectives
We strive to keep our people healthy and prevent occupational diseases. Our approach aims to pre-emptively identify and manage the health risks to which our workforce is exposed. Preventive care and the promotion of healthier lifestyles can limit certain chronic diseases and enhance overall wellness and fitness for work. While our focus is set on prevention, emergency preparedness is a core competence of all our health teams. We work closely with local authorities and also support health initiatives in the communities where we operate.



Certification	Fresnillo	Saucito	Ciénega	Penmont
OHSAS 18001	Certified	In process	Certified	Certified
Sets out criteria for international best practice in occupational health and safety management				
Healthy Company	In process	In process	In process	Certified
Certification by Mexican health authorities for the implementation of best practice in occupational health and preventive care, including the promotion of healthier lifestyles				
Smoke-Free Company	Certified	In process	Certified	Certified
A prerequisite for the Healthy Company certification				

2015 objectives

- Enforce occupational health practices of contractors in line with our own policies
- Integrate contractors' health business processes with our Health & Safety Information System
- Seek Healthy Company and Smoke-Free Company certifications in all remaining units
- Extend Healthy Lifestyles programme to all units
- Identify and address psychological health risks with potential impact on safety performance

2015 performance

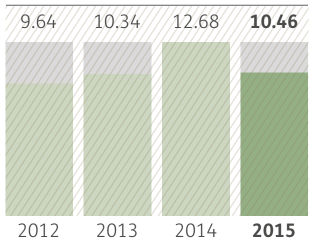
- Contractor adoption of our occupational health KPIs, procedures and training requirements ongoing
- Evaluated Health & Safety Information Systems; contractors will be considered at implementation
- Advanced the Healthy Company and Smoke-Free Company certifications process
- Healthy Lifestyles programme now operating in all our operations
- Business units convening multidisciplinary team for fitness, psychological, medical, and dietary advice; programme rolled out at Penmont, Ciénega and San Julián, where workers also surveyed to assess psychological stress levels and associated risks
- Three new cases of occupational diseases

2016 objectives

- Implement the Health & Safety Information System, including contractors
- Adopt ICMM standard for health KPIs
- Mature our assessment protocol for health-related risks
- Reinforce standardisation of health practices and policies across our operations

Investment in health
US$

10.46m



Social and Sustainability Report
continued

Occupational health
We seek to prevent, detect and treat work-related illnesses amongst our employees and contractors.

The main occupational health risks we address relate to the following: inhalable hazards (mainly emissions and dust), noise, fatigue, ergonomic stress, vibrations, light, heat stress, lead exposure, contact with or exposure to chemicals, dehydration, venomous snakes and spiders.

We monitor employee health at regular check-ups and test for occupational diseases. We utilise Alert-On randomly or methodically, based on job profile, to detect alcohol and drugs, as well as to evaluate fitness for work in critical activities such as high elevations or in mine shaft elevators by testing vital signs, vision and glucose levels among others. We also monitor blood lead levels for those working in areas with risk of exposure. Regrettably, three new cases of occupational diseases were diagnosed by health authorities during the year: two cases of occupational hearing loss (HL) and one case of occupational respiratory disorder (ORD).

Our health teams are Certified Occupational Hearing Conservationists (CAOHC), and trained in radiological protection (during X-rays), image interpretation of pneumoconiosis, and spirometric interpretation (respiratory capacity) by the American Thoracic Society (ATS). In addition, our team are certified lead auditors under ISO 14001 and OHSAS 18001.

Preventive health, wellness and healthier lifestyles
Prevention delivers multiple social and economic benefits. We seek to prevent chronic diseases such as diabetes and high blood pressure, seasonal illnesses such as influenza, and psychosocial diseases such as stress and burnout.

Thus we also screen for these during regular check-ups, particularly diabetes, high blood pressure and obesity, which are widespread in Mexico and require monitoring and treatment in order to work safely. Our Healthy Lifestyles programme supports good food habits and the prevention and control of obesity-related diseases. Women receive breast and cervical cancer screening, and we launched a campaign to raise awareness of these diseases. All employees over 50 have access to free annual health check-ups. We provide influenza vaccinations and vision tests that include prescription safety glasses. In 2015 we introduced a psychosocial survey as part of regular check-ups. Our Behavioural Change workshops, facilitated by psychologists, address stress and personal issues that could compromise awareness in the workplace and lead to accidents.

We continue to seek the Healthy Company and Smoke-Free Company certifications for all our units.

Emergency preparedness and response: a core competency
Our health departments treat any work-related injuries (concussions, burns, lacerations, broken limbs, dehydration, etc.) and respond to general health emergencies (heart attacks, diabetic shocks, diarrhoea, etc.). In addition, our paramedics are trained on rope rescue, confined space rescue, fire suppression, hazardous materials and cyanide emergencies. To practice, rescue teams participate in drills organised as part of the emergency response plans (see Safety on pages 71 to 73). In addition, our teams also participate in rescue competitions organised by the Mining Chamber of Mexico.

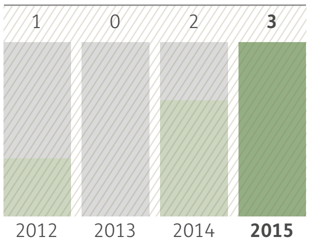
As part of responsible cyanide management at Penmont, we work with health authorities and civil protection organisations, including the fire department and Red Cross, in the neighbouring municipality of Caborca to respond effectively to any cyanide emergency. We have an agreement with a private hospital in Caborca to respond to cyanide-related medical emergencies.

Communities
We operate in some communities where access to healthcare is a stakeholder concern. We partner with health authorities on vaccination campaigns and breast and cervical cancer screenings, and engage communities to raise awareness of child obesity, dietary habits and personal hygiene, among other topics. We also support some communities with emergency health care.

To support access to dental and optometry care, we partner with the National Autonomous University of Mexico (UNAM) Foundation and sponsor health weeks during which Foundation doctors provide free health care and we support logistics, providing complementary glasses and transportation for communities. We also engage national health authorities to complete vaccination schemes and other health care services. In 2015, this programme provided close to 9,000 free medical consultations to our neighbouring communities at Ciénega, Fresnillo/Saucito and Penmont.

New cases of occupational diseases

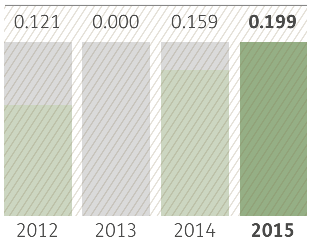
3



New cases of occupational diseases: An illness caused or aggravated by work activities or workplace conditions.

Disease rate (expressed per 1,000 persons at work)

0.199



Diseases rate: Occupational disease rates are expressed per 1,000 persons at work. The number of personnel at work is calculated based on the hours worked. Total personnel = hours worked per year/2,000.

Safety

Strategy and objectives
We seek to instill a safety culture where our workers and contractors have the knowledge, competence and desire to work safely. This is carried out through the No More Accidents programme, which is based on OHSAS 18001 and complies with the Self-Managed Safety Programme of the Mexican Labour Ministry.

We regret to report a fatal injury in 2015 and two fatal injuries in early 2016. We are committed to comprehensively investigate these accidents and implement the measures necessary to reverse the negative trend in our safety record.

2015 objectives

- Roll out SafeStart programme in all operations
- Analyse commercial software alternatives to the in-house Health & Safety Information System.

2015 performance

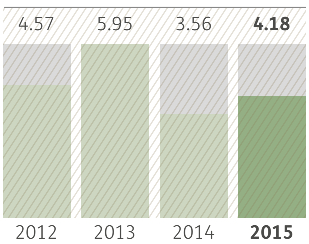
- One fatal injury in 2015 and two fatal injuries in early 2016
- SafeStart programme active at Ciénega, Fresnillo and Saucito
- Health & Safety Information Systems evaluated, decision made

2016 objectives

- Implement Health & Safety Information System, including for contractors
- Complete OHSAS 18001 certification process at Saucito
- Mature the Operational Discipline and safety assessments initiatives

Investment in safety
US$

4.18m



Social and Sustainability Report
continued

Assessing risk to manage our knowledge
We proactively assess risks in order to design operating procedures, equipment and training; situational assessments and legal compliance audits help us identify operational non-conformities and to develop specific action plans with clear deadlines and accountabilities. In 2015 we improved risk analysis of fire events and began to define the criteria to identify high-risk areas in underground mines. We intend to extend the situational assessment practice to development projects.

Engaging our stakeholders: No More Accidents
Leadership and engagement
We expect our managers, union representatives and contractors to have a leadership role in our safety culture. Once local union representatives are elected they participate in our training workshops aimed at developing safety leadership; accountability of our managers and contractors is monitored through situational assessments and compliance audits.

Our entire workforce is represented by formal Health & Safety (H&S) Commissions, who play a leadership role in the field. H&S Commissions also investigate the causes of accidents/occupational diseases, determine their preventive measures, and monitor compliance. Management, unionised employees and contractors are represented in these commissions.

We support our contractors in enrolling in the Mexican Labour Ministry's voluntary Self-Managed Safety Programme, whose main objective is to encourage a self-evaluation culture and continuous improvement mindset through the implementation of health & safety management systems. Companies participating in the programme can significantly reduce the number of mandated safety inspections.

Behavioural change
Human factors are involved in the majority of incidents and accidents. Rushing, frustration, fatigue and complacency lead to unintentional errors that increase the risk of injuries on or off the job. Fresnillo engages its workforce with three initiatives: i) DuPont's SafeStart programme reinforces safety awareness and develops specific critical error reduction techniques (CERTs) to decrease the risk of injury; each unit has a team responsible for implementation, and the programme has been launched at Fresnillo, Saucito and Ciénega; ii) the STOP (Stop, Think, Observe and Plan) programme teaches that all accidents can be prevented and promotes risk monitoring for all processes, emphasising the responsibility of the chain of command to detect and immediately remediate unsafe conditions; and iii) Behavioural Change workshops, facilitated by psychologists, provide guidance and counsel on handling personal issues that may cause distractions that lead to accidents.

Operational Discipline programme
Discipline in safety means doing the right thing all the time. This programme includes several phases: making procedures available, assuring the quality of the procedures, training and communication, evaluation of work cycles, and continuous improvement. Our units are reaching the fourth phase, evaluation of work cycles.

Rules that save lives
We aim to embed rules that save lives – those deemed safety-critical – into our safety culture; we have a regular process to review these rules and propose the inclusion of new ones.

Comprehensive accident investigation
Root cause analysis, applied methodically, allows us to derive valuable insights from accidents; outcomes are communicated to all business units in order to prevent similar accidents.

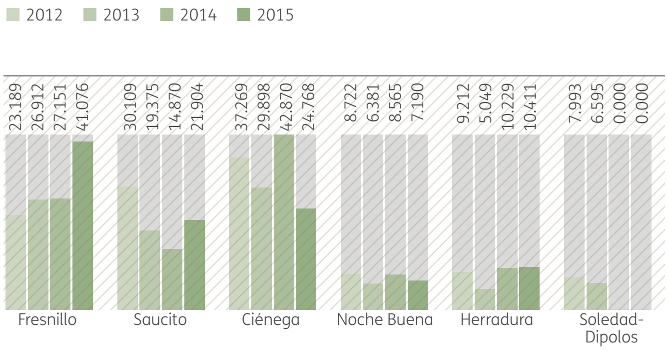
Safety culture
Our safety culture is routinely monitored to assess the attitudes, behaviours and disciplined elimination of unsafe conditions.

Emergency response plans and drills
We reviewed our emergency response manuals in 2015, trained senior managers to manage crises, and conducted drills across our operations to evaluate performance.

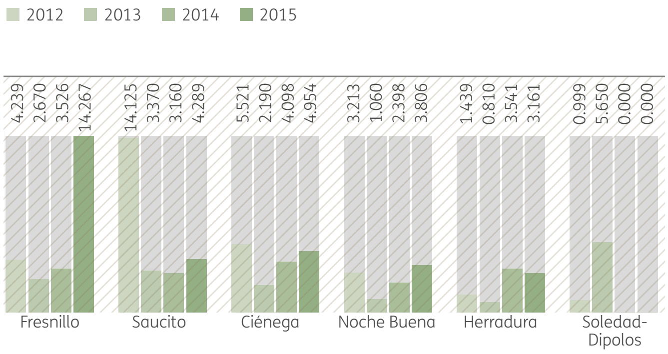
Safe cyanide management
Cyanide is a chemical compound extremely effective in dissolving gold from its ore, and is widely used for that purpose in our industry in a process called cyanide leaching. However, in high concentrations cyanide can be toxic to humans and many living organisms. Responsible management of cyanide is critical to ensure the safety of our people, contractors, neighbouring communities and the environment.

We apply strict health and safety measures to prevent spills and any exposure of our workforce to cyanide. Likewise, we train our response teams to contain accidental releases and respond to any incidents of exposure. The Herradura mine is certified in the Cyanide Code, which sets out best practices for transporting, storing, using, and disposing of cyanide, as developed by the International Cyanide Management Institute (ICMI). Noche Buena launched its certification process in December 2015. See also "Cyanide management: environmental aspects" on page 78.

Total Recordable Injury Frequency Rate (TRIFR)
For every 1,000,000 hours



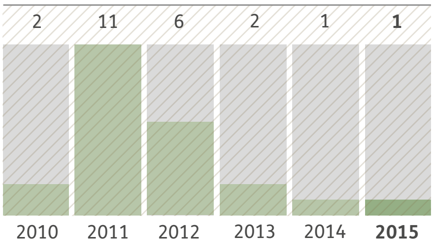
Lost Time Injury Frequency Rate (LTIFR)
For every 1,000,000 hours



Performance

Fatalities

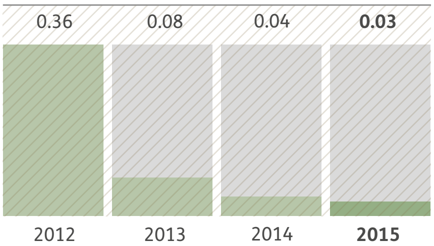
1



Number of fatal injuries to employees or contractors.

Fatal Injury Frequency Rate (FIFR)
For every 1,000,000 hours

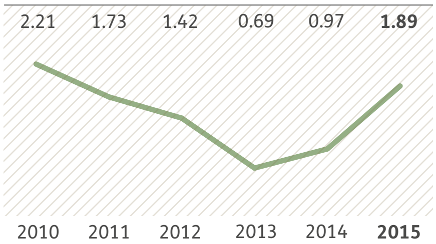
0.03



Number of fatal injuries to employees or contractors per 1,000,000 hours worked.

Accident rate

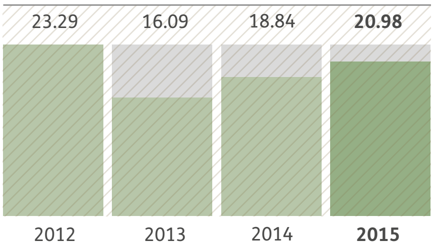
1.89



The number of accidents divided by the total number of employees and contractors.

Total Recordable Injury Frequency Rate (TRIFR) For every 1,000,000 hours

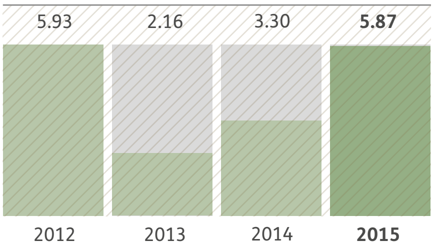
20.98



The number of fatalities + lost-time cases + restricted work cases + medical treatment + first aid cases per 1,000,000 hours worked.

Lost Time Injury Frequency Rate (LTIFR)
For every 1,000,000 hours

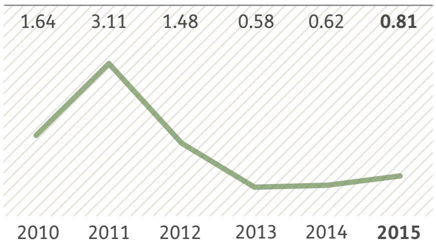
5.87



The number of lost-time injuries + fatalities per 1,000,000 hours worked.

Lost workday rate

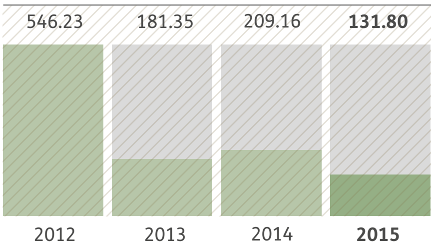
0.81



The number of days lost to accidents divided by the total number of employees and contractors.

Severity Rate
For every 1,000,000 hours

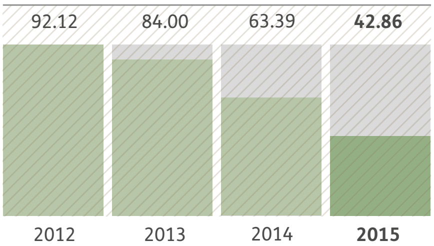
131.80



Lost work days per 1,000,000 hours worked.

Duration rate

42.86



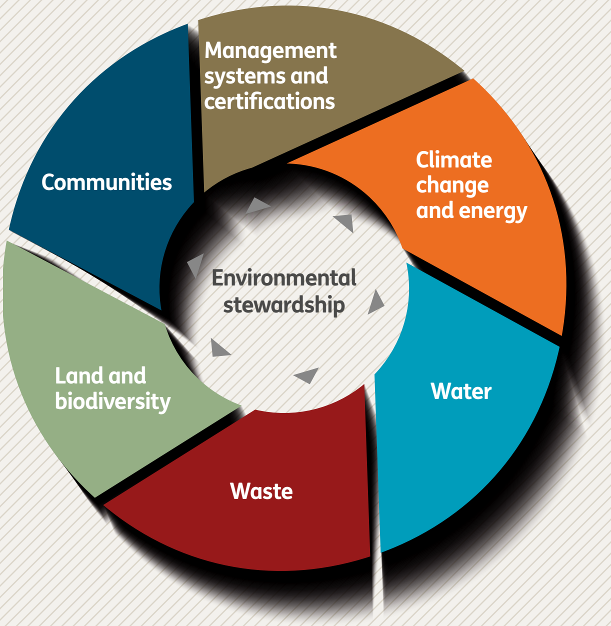
Lost work days / number of lost-time injuries + fatalities.

Social and Sustainability Report
continued

Environment

Strategy and objectives

Mining and processing precious metals, whilst essential industries, consume water, disturb land and produce waste and greenhouse gases in the ordinary course of business. Minimising the impact of our activities and being transparent and accountable regarding our environmental footprint are crucial to making mining compatible and retaining our social licence to operate. Our environmental management system ensures effective compliance with regulations and supports initiatives to reduce our environmental footprint.



Certification	Fresnillo	Saucito	Ciénega	Herradura	Penmont Noche Buena
ISO 14001	Certified	In process	Certified	Certified	Certified
Framework and criteria for an effective environmental management system.					
Clean Industry	Certified	In process	Certified	Certified	Certified
Certificate granted by the Mexican Environmental Authority to promote environmental audits, compliance with regulations and adoption of best practices.					
International Cyanide Management Code	N/A	N/A	On hold*	Certified	In process
Sets criteria for the global gold mining industry on cyanide management practices.					

* The process will resume once the mine's capacity optimisation plan is determined.

2015 objectives

- Update contingency response plans, including simulations
- Set carbon emissions and water targets
- Adapt water stewardship and biodiversity strategies
- Obtain Clean Industry and ISO 14001 certification at Saucito

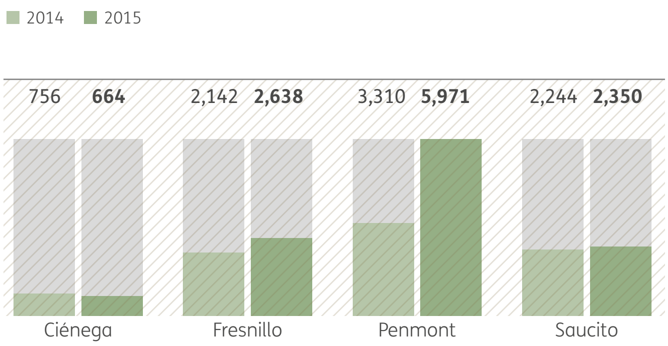
2015 performance

- Contingency response plans have been reviewed and practiced at Penmont, Fresnillo and Saucito
- Collaborating internally to forecast future energy demands and identify reduction opportunities
- Engaged NGOs as potential partners to shape biodiversity and water stewardship strategies that go beyond compliance
- ISO 14001 and Clean Industry certification processes advanced 90% at Saucito
- Renewables were introduced to our energy portfolio
- Responsible reactions to a tailings spill at Saucito and a pregnant solution spill at Herradura. Additional preventative measures have been put in place

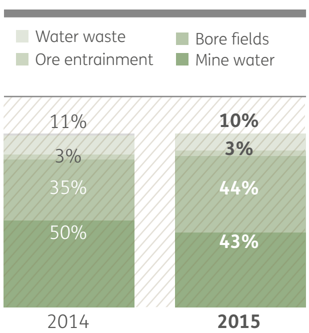
2016 objectives

- Set carbon emissions and water targets
- Obtain Clean Industry and ISO 14001 certification at Saucito
- Implement an information system
- Strengthen the mechanism for internal audits of environmental compliance

Water input
Megalitres



Sources of water



Water

Mining and processing ore require large volumes of water. We operate in some arid regions where water is frequently a relevant issue for communities. Hence, securing access and being responsible water stewards are critical success factors. Our water management approach is based on operational excellence and cooperation with stakeholders, notably communities, authorities and NGOs.

Risk assessment

Responding to the expectations of our stakeholders, we conduct our evaluation of water risk using the World Resources Institute's (WRI) Aqueduct tool, which uses a wide-ranging set of indicators aggregated using a weighting profile recommended for the mining industry by the WRI. This tool provides an overall water risk assessment based on the geographical location of our mining operations.

Water risk assessment under current conditions

	Overall Water Risk	Physical Risk Quality	Physical Risk Quantity	Regulatory & Reputational Risk
Fresnillo	Medium to high risk	No data	High risk	Low to medium risk
Saucito	Medium to high risk	No data	High risk	Low to medium risk
Penmont	Medium to high risk	Low to medium risk	High risk	Low to medium risk
Ciénega	Medium to high risk	Low to medium risk	Medium to high risk	Low to medium risk

Physical risk quality considers return flow ratio and upstream protected land; physical risk quantity considers baseline water stress, inter-annual variability, seasonal variability, flood occurrence, drought severity, upstream storage and groundwater stress; regulatory and reputational risk considers media coverage, access to water and threatened amphibians.

Water quantity

Fresnillo relies primarily on groundwater (mine water and wells) and municipal wastewater to supply its operations. While groundwater is thought to be less vulnerable to climate change, our operations nevertheless aim to improve water efficiency. Where we operate in river basins experiencing water stress, we seek to minimise the use of freshwater.

Our key efforts to reduce our water footprint include the implementation of closed circuits, use of wastewater, process improvements and reducing ore dilution. As water stress is one of the most important parameters in overall water risk, we explore scenarios using Aqueduct to assess the effect of climate change on water resources. Our Fresnillo and Saucito operations build resilience using municipal wastewater and donating cleaned mine water to the community. Ciénega, located in the mountains upstream, relies on mine water (the ore is below the groundwater table) and donates excess water to the communities. Penmont, located in an arid and low water use region, is supplied with wells. The proximity of Penmont to the sea offers an opportunity to explore the use of seawater.

Water stress considering climate change scenarios (2020 and 2030)

	Business as usual 2020	Business as usual 2030	Pessimistic 2020	Pessimistic 2030
Fresnillo	Near normal	1.4x increase	Near normal	1.4x increase
Saucito	Near normal	1.4x increase	Near normal	1.4x increase
Penmont	1.4x increase	1.4x increase	1.4x increase	1.4x increase
Ciénega	Near normal	1.4x increase	Near normal	1.4x increase

Water stress measures the ratio of total annual water withdrawal to average annual available blue water. This is a commonly used indicator also known as relative water demand.

We calculate our water inventory using the Water Accounting Framework for the Minerals Industry, designed by the Sustainable Minerals Institute of the University of Queensland and the Minerals Council of Australia. This framework has been useful to standardise concepts internally and benchmark amongst our operations and with other mining companies.

Statement of Water Inputs and Outputs in megalitres

for the period 1 January 2015 to 31 December 2015

Category	Element	Sub-element	2015	2014
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Mine water	**4,949**	4,230
		Bore fields	**5,163**	2,995
		Ore entrainment	**312**	269
	Third party	Wastewater	**1,200**	958
Total Water Inputs			**11,624**	14,098
Output	Surface water	Discharges	**130**	170
	Other	Water entrained in concentrates	**24**	19
Total Water Outputs			**154**	189

1 megalitre = 1,000 m^3

Water Deviations in megalitres

for the period 1 January 2015 to 31 December 2015

Category	Element	Sub-element	2015	2014
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Aquifer interception (dewatering)	**14,129**	8,989
Total Water Inputs			**14,129**	12,437
Output	Surface water	Discharges	**13,055**	8,118
		Supply to third party (donation)	**206**	82
		Loss (evaporation, infiltration, etc.)	**868**	790
Total Water Outputs			**14,129**	12,437

1 megalitre = 1,000 m^3

Social and Sustainability Report
continued

Statement of Operational Efficiency
for the period 1 January 2015 to 31 December 2015

	Unit	2015	2014
Total volume to tasks	megalitre	**57,197**	42,715
Total volume of reused water	megalitre	**46,537**	35,085
Reuse efficiency	%	**81.36%**	82.14%
Total volume of recycled water	megalitre	**988**	1,240

1 megalitre = 1,000 m^3

Intensity

Intensity measurement:

Water input (in m^3) per tonne of mineral processed	0.25 m^3/tonne	0.19 m^3/tonne
Fresh water input (in m^3) per tonne of mineral processed	0.22 m^3/tonne	0.17 m^3/tonne

Water quality
Mining is less vulnerable than other industries to the quality of incoming water; however, discharge quality is important to downstream users. We monitor and take action to ensure our discharges respect water quality regulations. Our mineral processing facilities use closed water circuits to eliminate the need to discharge process water into water streams; our discharges primarily consist of wastewater from non-industrial facilities such as camps and offices, and are treated prior to discharge.

Most of our underground mines require de-watering (draining groundwater by pumping) to allow access to the ore. Unused water is sent to settlement ponds to control suspended solids before discharging the now cleaned water downstream.

Reputation and regulations
We have not detected negative downstream impacts on the ecosystems due to our groundwater intake or surface water discharge, nor have we experienced conflicts with our communities arising from contamination or use of water resources.

Fresnillo supports its communities by donating water from its mine dewatering operations. We believe such community cooperation helps limit conflicts due to access issues. We also work with municipalities to invest in water and wastewater infrastructure, notably with their mining tax funds (see Community Relations pages 80 to 83). The Mexican congress abandoned a project to introduce a new federal law on water.

Fresnillo plc engages public policymakers and other stakeholders through the Mexican Chapter of the World Business Council for Sustainable Development (CESPEDES) and the Water Advisory Council. These organisations support cost-effective policy measures and water stewardship; their positions and initiatives can be consulted on their respective websites (www.cespedes.org.mx), (www.aguas.org.mx).

Climate change and energy
Governance
The climate agreement reached in December 2015 at the 21st Conference of the Parties (COP21) in Paris is a clear sign of the transition to a lower-carbon, more energy-efficient economy. The Board's HSECR Committee has incorporated a review of our performance, risks and opportunities in this regard at their semi-annual meetings with management, who are responsible for integrating climate change into the business and operating strategy.

Operational and energy efficiency
Deeper mining, increased haulage distances and lower ore qualities require greater energy to extract and process. Leadership in energy efficiency is key to business and environmental resilience. Our climate change and energy management approach is based on operational excellence and progressive introduction of cleaner sources of energy.

The main initiatives that have improved our energy efficiency in open pit operations are the optimisation of the truck fleet, use of diesel additives, and optimisation of waste dumps to reduce haulage distances. In underground operations, our initiatives are related to the optimisation of ventilation and measures to reduce ore dilution. In 2015, Saucito was supplied with wind energy, reducing our footprint associated with mineral processing.

We account for and monitor our greenhouse gas (GHG) emissions based on an inventory management plan (IMP), a best practice proposed by the Climate Leaders programme of the US Environmental Protection Agency (EPA). Although our operating mines set energy efficiency targets each year, we are also committed to evaluating the mechanisms and suitability of other science-based targets.

Strategy implementation, carbon cost exposure and carbon regulation readiness
We pay carbon taxes indirectly, since carbon taxes are currently embedded in the price of fossil fuels and will soon be included in the price of electricity. Mexico's carbon tax for fossil fuels, based on their carbon content, is paid by producers and importers, and thus embedded in the fuel prices paid by consumers. The new electricity market will have tradable clean energy certificates (CELs) in 2018; energy companies participating in the electricity market will be mandated to have a clean energy portfolio equivalent to 5% of its production. A CELs market will operate to provide flexibility and efficiency in the electricity market. This regulation is the mechanism chosen by the Mexican government to meet the decarbonisation target of 35% of its electricity market by 2024.

We anticipate that the progressive deregulation of diesel prices and the expected long-term reduction of electricity prices as a result of the above-mentioned reforms will counter our exposure to carbon taxes. To test the resilience of our business we are using the International Energy Agency's 450 Scenario, which aims to limit the concentration of GHGs in the atmosphere to around 450 parts per million of CO_2 in order to meet the goal of limiting the global rise in temperature to 2°C.

The government has started operating its mandatory emissions registry. Our rapid compliance with the regulation reflects our experience in voluntary reporting.

Preparedness for the physical impacts
The most significant climate change impacts for our Company relate to water. See page 75 for a more detailed discussion of our water usage and conservation efforts.

Public policy
As with water stewardship, we engage public policymakers and other stakeholders through the Mexican Chapter of the World Business Council for Sustainable Development (CESPEDES), whose positions and initiatives can be consulted on their website.

The most important policies regulating GHG emissions in Mexico are: the General Climate Change Law (2012); National Strategy on Climate Change, 10-20-40 years (2013); the carbon tax (2014); National Emissions and Emissions Reductions Registry (2014); and the Energy Reform Law and Regulations (2014).

For the COP21 climate agreement, Mexico presented its Intended National Determined Contribution (INDC), committing to unconditionally reduce 25% of its GHGs and short-lived climate pollutants emissions (below BAU) for the year 2030. This commitment implies a 22% reduction of GHGs and 51% of black carbon. The underlying target-setting hypothesis forecasts a net emissions peak starting from 2026, decoupling GHG emissions from economic growth; emissions intensity per unit of GDP will decline by around 40% from 2013 to 2030[1]. These binding international commitments are expected to translate into enhanced local regulations.

Transparency and disclosure
We participate in the climate change programme of the Carbon Disclosure Project (CDP) and the Mexican GHG disclosure programme, GEI México.

Carbon performance

Global GHG Emissions for the period 1 January 2015 to 31 December 2015

	GHG emissions (tonnes of CO_2e)		Energy (MWh_e)	
	Reporting year 2015	Comparison year 2012	Reporting year 2015	Comparison year 2012
Scope 1 (direct emissions): Combustion of fuel (mobile and stationary sources)	421,409	375,121	1,645,485	1,385,448
Scope 2 (indirect emissions): Electricity purchased from the Mexican National Grid (CFE), Wind Force Peñoles (FEISA) and Thermoelectric Peñoles (TEP)	374,391	329,245	673,339	420,615
Intensity measurement: Emissions and energy reported above per tonne of mineral processed	0.017	0.013	0.050	0.034

[1] (http://www4.unfccc.int/submissions/INDC/Published%20Documents/Mexico/1/MEXICO%20INDC%2003.30.2015.pdf).

Methodology: We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our operational control. We do not have responsibility for any emission sources that are not included in our Consolidated Statement. We have used the WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition).
Scope 1: All direct GHG emissions.
Scope 2: Indirect GHG emissions from consumption of purchased electricity

Changes to the comparison year:
- Scope 1: Emission factors of fossil fuels were updated to reflect the energy contents recognised by the Mexican Energy Ministry.
- Scope 2: The emission factor for the electricity supplied by Thermoelectric Peñoles was updated.

Waste management
Our operations produce mineral waste – either mining, processing (beneficiation) or metallurgical – and in much smaller proportion, non-mineral waste from operating materials such as tyres, used lube oil, materials impregnated with grease and oil, and cans, among others. To determine appropriate waste management methods for mineral waste, Fresnillo analyses its potential to generate acid mine drainage (see below) and determines its mobility and concentrations of metals and metalloids.

Mining waste
Mining waste includes the overburden (rock or soil overlaying a mineral deposit) of open pit operations and gangue (the rock or mineral occurring with the metallic ore but of no commercial value) excavated in underground works to access the ore. It does not contain ore or the concentration is below the cut-off grade and cannot be processed economically. Most mining waste is transported and deposited in waste dumps for permanent storage; some waste rock is used underground in cut and fill operations. Most of our mineral waste is generated by the open pit operations at Penmont. The foundations of waste dumps and their slopes are engineered and monitored to provide stability over time.

Processing waste
Processing waste refers to the portion of ore considered too poor to be further processed. Tailings (a fine-grained slurry) are the processing waste of beneficiation. In some of our operations, tailings are considered by-products that may serve as input for tailing processing plants for further recovery of metals. The slurries are pumped from the plants to sedimentation ponds, known as tailing dams, for safe storage. The decanted water, released by the sedimentation of tailings, is harvested and pumped back to the processing plants. For safety reasons, we do not allow tailing ponds to be operated as water reservoirs; therefore, our tailing ponds have channels to deviate water runoff. Embankments are periodically monitored to evaluate structural integrity, including earthquake response.

Social and Sustainability Report
continued

In December 2015, Saucito experienced a rupture in the pipeline connecting the processing plant to the tailings pond. Once the failure was detected, the flow of tailings was immediately halted. In cooperation with the Mexican Environmental Protection Agency (PROFEPA), it was determined that the burst in the pipeline released 450 tonnes of tailings, covering 8,000m² of industrial land and 1,600m² of land adjacent to the mine. Remediation consisted of cleaning the tailings, removing and replacing the topsoil and repairing the pipeline. The tailings released were considered benign as their lab characterisation indicated that: i) the concentration of heavy metals and metalloids were below the legal maximum levels; and ii) minerals in the tailings do not produce acid mine drainage. Remediation work concluded successfully, eliminating any risk to the environment or to the health of communities. A review of our design and operating procedures for the management of tailings facilities is underway.

Metallurgical waste
Metallurgical waste refers to piles of spent ore and the tailings produced by heap and dynamic leaching respectively. In both cases, cyanide-bearing mineral waste is disposed of safely. The use of an impermeable membrane in heaps and tailings prevents seepage to groundwater. We believe progressive rehabilitation of mineral waste facilities is the best path for responsible mining. Revegetation of waste dumps at Ciénega and particularly the tailing ponds at Fresnillo are valuable examples of engaging stakeholders in compatible mining practices.

Non-mineral waste
Non-mineral wastes are most commonly managed through recycling, off-site treatment and disposal. Hazardous wastes are subject to strict regulation by Mexican authorities at our own storage facilities and at hazardous waste receiving facilities. Our management systems include policies to reduce and reuse.

		Unit	2015	2014
Mine waste	Waste rock	Tonne	**115,302,731**	127,711,136
Processing waste	Tailings	Tonne	**5,877,794**	5,326,868
Metallurgical waste	Tailings	Tonne	**2,925,918**	2,199,316
	Heaps	Tonne	**37,366,591**	35,699,818

Cyanide management: environmental aspects
Environmental protection measures are critical for cyanide leaching systems; we operate in compliance with international best practices as put forth by the International Cyanide Management Institute (ICMI) and the Mexican standard "NOM-155-SEMARNAT-2007" that establishes environmental requirements for gold and silver leaching systems.

Groundwater sources are protected from cyanide seepage with an impermeable liner for the heaps where ore is deposited, and the soil layer (foundation) beneath the liner is geo-technically engineered to provide structural stability. Channels surrounding the heaps and contingency ponds are hydraulically designed to handle flood flows caused by extreme rainfall events and monitoring up and downstream proactively detects changes in water quality. Once gold and silver are extracted from the cyanide solution, process water is reused in the leaching process; water is also harvested from the cyanide-bearing tailings and recirculation generates savings in cyanide, reductions to the fresh water footprint and elimination of discharges to water streams.

In May 2015, Herradura experienced a partial collapse of a small section of the embankment of a pond containing pregnant (gold bearing) solution. This failure was quickly detected and contained with a dyke, and extra pumps were set up to speed up the transfer of the solution to the contingency pond. The spillage totalled 70 m³ of pregnant solution with 15 ppm of sodium cyanide. Remediation consisted of removal of the contaminated soil and reconstruction of the affected section of the embankment. The incident was reported to PROFEPA and environmental monitoring since the incident shows no negative environmental effects.

	2015	2014
Sodium cyanide (NaCN) (tonne)	**8,451**	6,810

Acid mine drainage
Acid mine drainage (AMD) is a major environmental challenge for the mining industry. Some geologic environments naturally contain sulphides, especially pyrites (FeS_2) which are the most common sulphide. Mining activities may increase the exposure of sulphides to air and water, which initiates a complex oxidation process that may lead to acid mine water (low pH) capable of dissolving metals and metalloids. Uncontrolled AMD represents a risk to surface and groundwater resources during mine operation as well as a legacy issue after closure.

Not all sulphides generate AMD, as other minerals may naturally buffer the acid. We characterise all mineral wastes to detect their potential to generate AMD, and operations with AMD risk implement site-specific management strategies such as dry coverage, collection and treatment to minimise AMD risk in mineral storage.

Biodiversity and land
We are subject to international agreements Mexico has signed to protect endangered species as well as national regulations that mandate relocation of vulnerable species. Our environmental impact assessments identify such species.

We partner with the Sonoran state government to protect the Sonoran Pronghorn near our Penmont operations, continued our partnership with PROFEPA to host confiscated animals in one of our community parks in the city of Fresnillo, and funded a project led by our partner Naturalia as part of our WildCorp commitment. Ciénega has set aside a 1,000-hectare conservation area encompassing land reclaimed from its operations as well as areas rehabilitated from deforestation.

	Unit	2015	2014
Rehabilitated land	Ha	**100.00**	208.21

Atmospheric emissions
Our operations release gases and particulates to the atmosphere that may have an effect on people and the environment. These emissions result from moving ore, mining waste and burning fossil fuels, especially diesel for trucks and mining equipment, and include nitrogen oxides (NOx), sulphur oxides (SOx), carbon monoxide (CO), and particulate matter (PM).

Emissions of CO and NOx come from burning fossil fuels. Prolonged exposure to CO at high concentrations in underground operations may affect the nervous system and heart and could eventually be lethal. NOx contribute to the formation of fine particulates in the atmosphere and can cause respiratory problems; prolonged exposure to high concentrations in underground operations may cause eye, skin and respiratory irritation, bronchial spasms, lung edema, low oxygenation and can eventually be lethal. To prevent exposure in underground operations, we rely on advanced ventilation systems, and in addition, every miner working underground must have a carbon monoxide detector and a self-rescue respirator as part of their mandatory personal equipment. CO levels underground are monitored regularly and internal audits verify compliance with maximum level regulations.

Emissions of PM come from burning fossil fuels, windblown erosion of exposed areas and stockpiles, wheel-generated and blasting-related dust. PM emissions smaller than ten micrometres in diameter (PM10) can be retained in the lungs, and in high concentrations may lead to respiratory and cardiovascular diseases. PM10 from fuel combustion, known as diesel particulate matter (DPM), is generally more harmful than PM10 coming from diffuse sources such as windblown erosion or wheel-generated dust.

NOx and PM levels depend on engine technology. Mexico recently introduced new standards that would require new heavy-duty diesel vehicles sold after 1 January 2018 to meet emissions standards equivalent to those in the United States (EPA 2010) or the European Union (Euro VI standards). This regulation will require new vehicles to be equipped with diesel particulate filters (DPFs), advanced NOx after treatment, full on-board diagnostic (OBD) systems, and fail safes which ensure correct operation of emissions control systems. The new Mexican standard is expected to reduce PM 90%-98% and NOx from 93%-95% according to the International Council on Clean Transportation (ICCT).

SOx emissions at Fresnillo come from burning of fossil fuels. Cleaner diesel is an important factor in reducing emissions from heavy-duty vehicles, and the aforementioned filter-based standards require ultralow-sulphur diesel with contents no more than 15 parts per million (ppm). While the border region and major metropolitan areas of Mexico are all supplied with 15 ppm sulphur diesel, the rest of the country continues to be supplied with diesel containing up to 500 ppm sulphur; recent energy reform in Mexico will allow for fuel imports in 2017.

Among its initiative to reduce diesel consumption and associated emissions, Herradura implemented the MineStar system, which optimises the fleet of trucks and mining equipment in the open pit mine; in addition, the Penmont complex has been using additives to reduce the use of diesel.

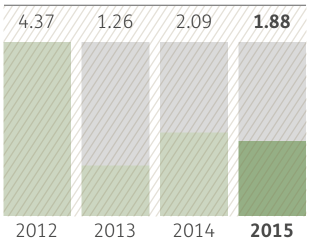
Environmental aspects in our value chain
Our key operating materials include sodium cyanide, tyres, explosives, steel for drilling, fuels (diesel and gasoline), lube oil, steel balls and liner plates for milling. From an environmental standpoint, the most sensitive is sodium cyanide (NaCN), which we procure from certified manufactures, distributors and transporters. Corporate procurement is responsible for enforcing this policy. Separately, fuel transporters are required to be insured for environmental incidents.

Contractors must comply with Mexican regulations and the environmental procedures of our management system, which is reflected in their contracts. Contractors with more than 100 employees are required to implement a management system.

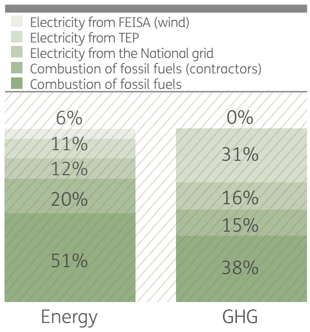
Communities
We engage our neighbouring communities to raise environmental awareness through events such as World Water Day, World Environment Day and Tree Day. We conduct talks, contests, performances and reforestation campaigns with elementary schools and amongst our employees and contractors.

Investment in environment
US$

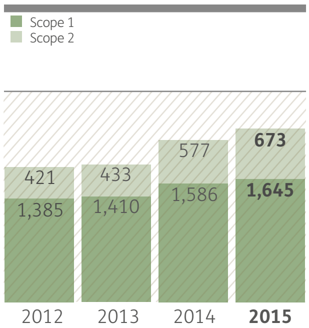
1.88m



Energy – GHG profile

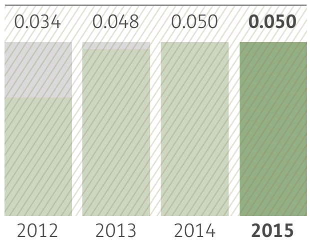


Energy
GWhe

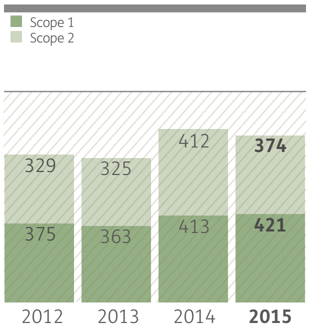


Energy intensity
MWhe per tonne

0.050

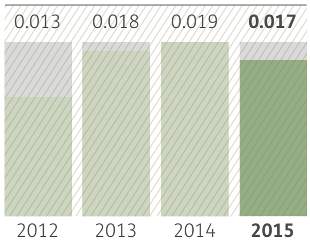


GHG emissions
Kt of CO_2e



GHG intensity
Tonnes of CO_2e per tonne of mineral processed

0.017



Social and Sustainability Report
continued

Community relations

Strategy and objectives

Our communities are strategic partners. Having their trust requires effectively engaging them and being accountable for our impacts. We recognise that building trust is the only way to obtain and preserve our social licence to operate. Our corporate strategy covers all phases of the mining cycle.

Advancing our knowledge

We build our knowledge of communities by identifying stakeholders and understanding their positions on relevant issues. With the support of the Borealis Information System we track our stakeholder registry, informal and formal meetings, incident and commitment registries and grievances. Continuous engagement and comprehensive social analyses help us gain further understanding of the risks and opportunities in the communities where we operate.

2015 objectives

- Match our units with NGOs to increase collaboration and partnerships on projects to benefit communities
- Launch regional and corporate social investment committees
- Enhance collaboration with the land acquisition team to bring social expertise to the process
- Continue identifying and adopting best practices in stakeholder engagement; consolidate those adopted in 2014

2015 performance

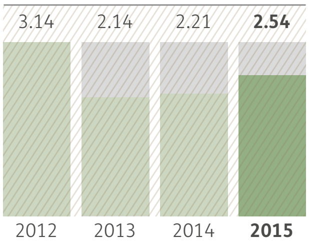
- Developed a new portfolio of proposals for institutional projects and alliances with NGOs
- Presented and analysed operating rules and framework for Regional Committees
- Ongoing collaboration between the community relations and land acquisition teams, notably in San Julián and Saucito
- Focused on multiple maturity practices
- The Silver Saves Lives initiative was launched at Ciénega with a rain harvesting project

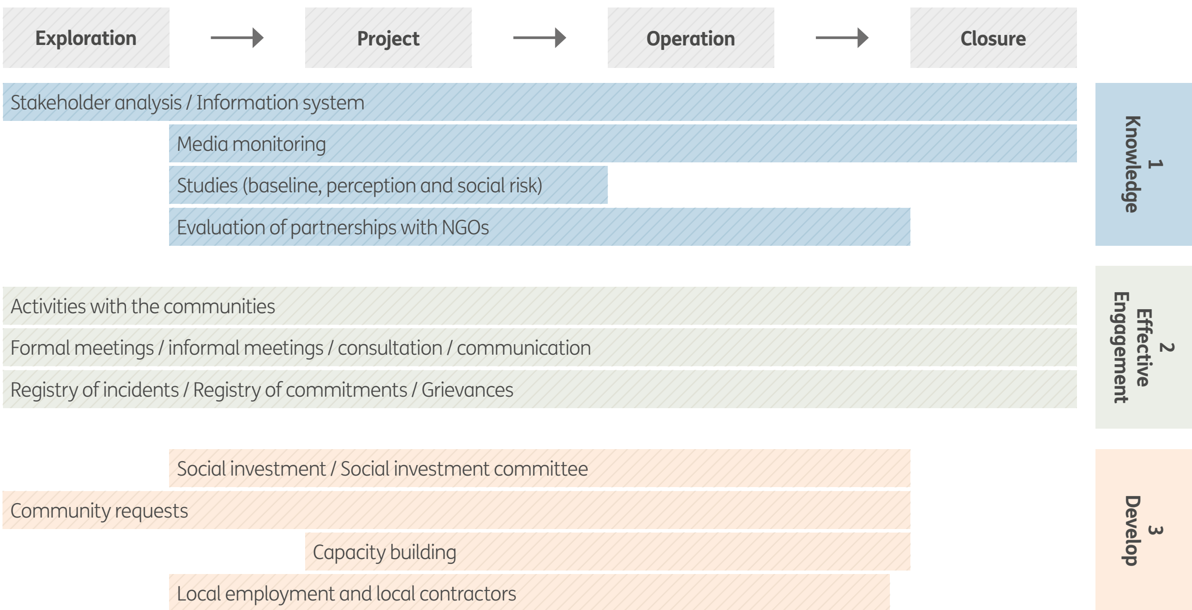
2016 objectives

- Review results of perception studies; leverage insights to improve social investment and engagement strategies
- Design and implement a protocol to conduct follow-up visits to the operations and projects
- Ongoing adoption and maturity of best practices in community relations

Community investment
US$

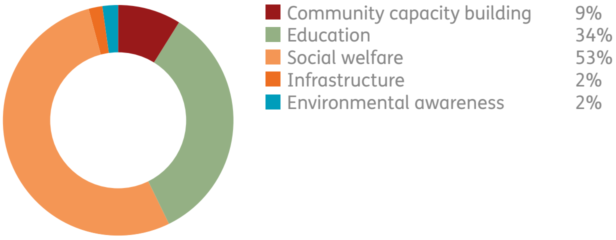
2.54m



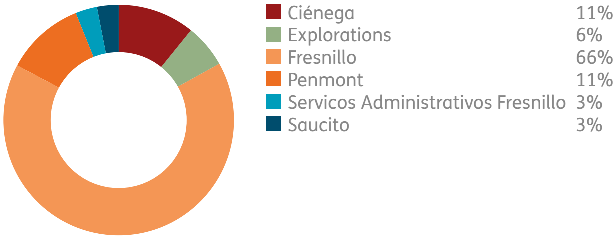


Performance

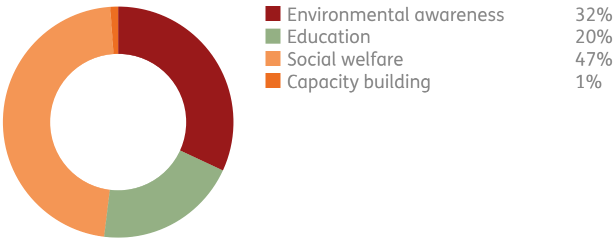
Community investment by strategic lever (%)



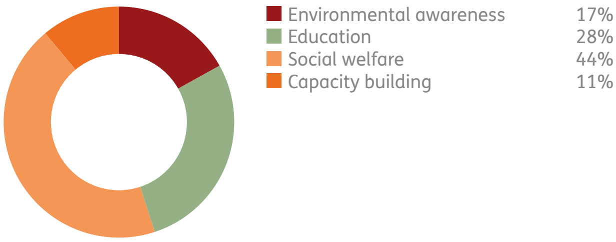
Community investment by business unit (%)



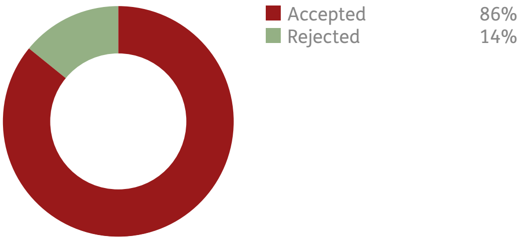
Activities by strategic lever (%) – Exploration



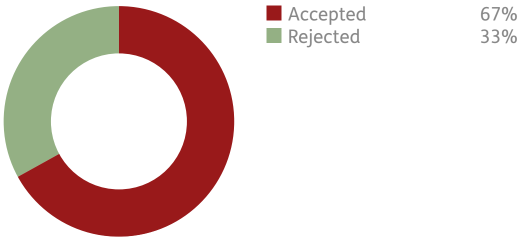
Activities by strategic lever (%) – Operations



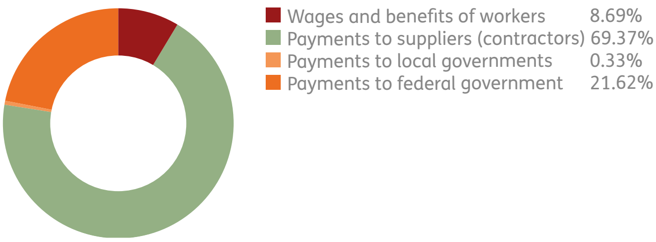
Contributions requested by the community (%) – Exploration



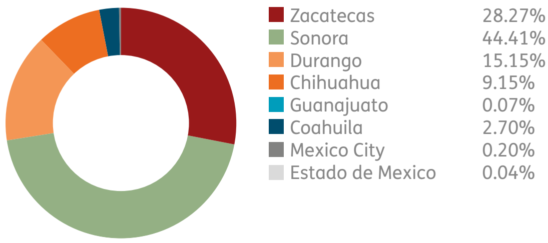
Contributions requested by the community (%) – Operations



Economic value distributed (%)



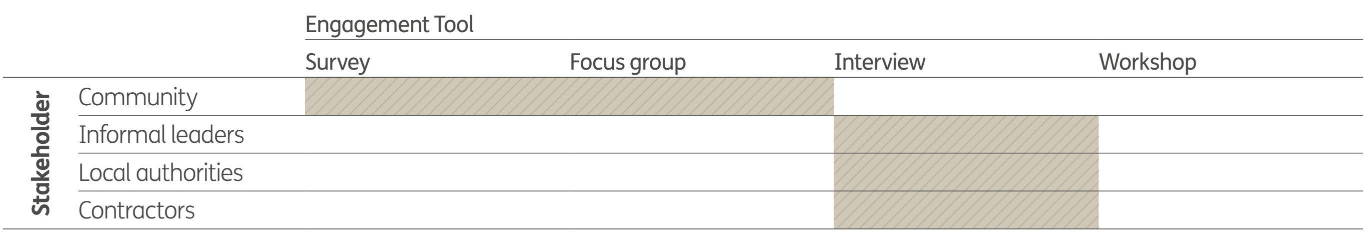
Economic value distributed by state (%)



Perception studies

In addition to informal and formal meetings that help us detect relationship risks and opportunities, we periodically commission comprehensive perception studies to deepen our insight on the issues that matter to our communities. These aim at evaluating how we are perceived as employers, neighbours and to what extent our credibility, environmental and social commitment are recognised.

In 2015 we conducted such a perception study in all our operating units. The pollster CINCO, specialised in social and reputational studies, assisted us with the methodological design and field implementation. We approached our stakeholders using different quantitative and qualitative engagement tools (see below). In addition, we performed social risk assessments in our key advanced exploration and development projects. These studies adopt key social elements required by the Equator Principles, the framework by which banks look to manage environmental and social issues in project financing.



Social and Sustainability Report
continued

Dimension	Description
Employer	How the relationship between employees and the Company is perceived. Elements considered include: pride, remuneration, work conditions, health & safety, training, stability, growth opportunities, wellbeing
Social commitment	How our contribution to the community is appreciated. Elements considered include: cooperation in emergencies, participation in community activities, infrastructure support, promotion of sports, health, family values, education
Environmental commitment	How our environmental stewardship is rated. Elements studied include: environmental compliance, certifications, care for natural resources and biodiversity, emissions, waste management, clean technology, promotion of environmental awareness, responsible use of water and energy
Value creation and credibility	How the Company is perceived, the value we create and our ethical behaviour. Elements considered include: leadership, modernity, regional value creation, job creation, development of local suppliers, ethics and integrity, legal compliance, transparency, communication, credibility, coherence (speech vs actions), honesty, care
Neighbour	How our engagement efforts are esteemed. Elements considered include: mitigation and avoidance of impacts, capacity building, care of the communities, respect for the local customs, cooperation to solve issues, social acceptance

The outcomes of these perception studies and social risk assessments will be presented to senior managers and the community relations teams throughout 2016 to improve our engagement and social investment strategies.

Engaging effectively

Effective engagement improves our understanding of the community and builds mutually beneficial relationships. We aim to engage early to manage community expectations and develop trust through the mining lifecycle. Building a reservoir of stakeholder capital is key to resilience when challenges arise. The focus of our engagement efforts changes over the lifecycle of operations, as follows:

Exploration	Our exploration teams are the first to establish contact with the community. Our stakeholders are identified and the engagement efforts focus on obtaining temporary land access to explore and assessing social risks.
Project (feasibility – development)	The identification and relation with our stakeholders deepens in this phase of the cycle. Local hiring, contracts and social investment are part of our efforts to build trust. We conduct social risk assessments in our advanced feasibility and development projects. These studies facilitate the identification of the issues that matter to the community.
Operation	We engage the communities regularly with formal and informal meetings to manage their expectations and detect risks and opportunities. Comprehensive perception studies help to monitor the perception of the benefits and the assessment of the issues that matter to the community.

Land acquisition is a major risk due to rising expectation of landowners; our land acquisition and community relations teams are enhancing their collaboration to bring social expertise to this critical process, notably at San Julián and Saucito.

As part of the ongoing maturity process, we focused on the following practices: stakeholder mapping, informal and formal meetings, social baselines, social impact assessments, incident and commitment registries and grievances. We are committed to advancing the maturity of these practices.

Relevance matrix

Issues that matter to our stakeholders in the communities
(Ranging in increasing relevance from 0 to 10)

- Water
- Security
- Pavement on streets and sidewalks
- Electricity supply in houses
- Wastewater infrastructure
- Unemployment
- Road infrastructure

Developing with the community

Our strategic social investments target development levers such as education, capacity building and infrastructure. We also contribute to social welfare (public health, social interaction and sports) and help raise environmental awareness within our communities.

Given our knowledge of the communities and engineering expertise, we work with local authorities on proposals for Mining Fund infrastructure projects in the communities where we operate (see below). Our community relations teams facilitate health weeks with the UNAM Foundations, securing community participation and collecting feedback on health and other issues that matter to the communities. We continue to build on our partnership with INNOVEC and the government of Zacatecas state to support the teaching of science in elementary schools. Schools in the neighbouring communities of Fresnillo and Saucito are in the pipeline of schools to receive government funding to implement this innovative programme.

We continued our efforts to engage NGOs on development projects, resulting in a new portfolio of proposals and alliances that our business units may reference to facilitate their social investment initiatives. In addition, we launched regional and corporate social investment committees. We expect to keep maturing this governance mechanism of social investment.

Silver Saves Lives (SSL)

Access to safe drinking water is a major global challenge. The Silver Saves Lives initiative, launched with the assistance of Agile Sustainability, aims to make clean water more accessible to vulnerable groups within society and addresses part of our commitment to support goal number six of the SDGs, to *ensure availability and sustainable management of water and sanitation for all.*

Silver Saves Lives will begin by addressing national and local health issues in Mexico, targeting communities where we operate and clean water access is perceived as a concern. However, we intend for SSL to eventually become an international effort by pursuing partnerships with organisations such as UNDP, UNICEF, the Silver Institute and others. SSL is designed to propose a range of solutions depending on specific communities' needs; we anticipate working with a variety of partners, amongst them the communities themselves.

In 2015, we partnered with Isla Urbana and ConcentrArte, both NGOs, to develop a proposal for a pilot water harvesting project at Ciénega. A workshop was organised to stimulate constructive dialogue and alignment of objectives between the mine and strategic partners. We also introduced an innovative application of the photo voice method (storytelling aided by photography) aimed at bridging the divide between mine and community, particularly on the issue of water.

Economic impact

Our economic contribution creates value in the regions where we operate through total wages and benefits, payments to local contractors and suppliers, and municipal, state and federal taxes.

Mining Fund

The Mexican government introduced new mining rights in 2014. The Tax Collection Agency will allocate 80% of this revenue to a Mining Fund for infrastructure and development projects in the municipalities where mining companies operate. The Mining Fund allocates 62.5% to the municipalities and 37.5% to state governments.

The Mining Fund will finance construction and refurbishment of infrastructure such as schools, pavement, rural roads, public lighting, sewage and landfills. The federal agency for Rural and Urban development (SEDATU) is responsible for setting the operating rules of the Mining Fund and overseeing the appropriate uses of monies. Regional committees have been created to evaluate and determine which projects will receive funding, whose members include one representative each from the federal, state and municipal governments, the community and the mining industry. Funds are channelled through the Mexican Development Bank.

The Mining Fund started operations in the final quarter of 2015 with the allocation of the taxes collected in 2014. The Fund is expected to raise social acceptability of mining companies, although municipalities manage vast territories with communities both near and far from actual mining operations. We believe that a key success factor to raising social acceptability rests on the willingness of municipalities to allocate a reasonable part of their funds to those communities near mining operations.

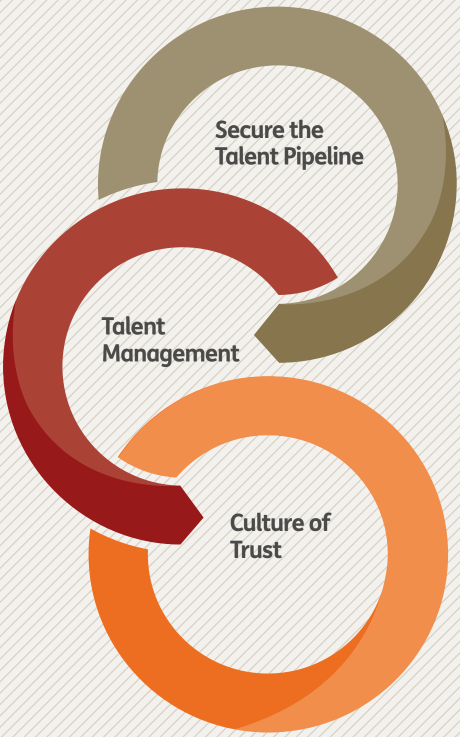
We have begun to engage local authorities and regional mining fund committees to consider funding projects in the communities where we operate. The outcomes of the perception surveys and regular engagement were used to identify the most relevant infrastructure issues for the communities. We supported the communities with the preliminary design and budgeting of project proposals for water and wastewater projects, pavements, lighting, education infrastructure, sanitation and landfills, among others.

	2015	2014
Mining fund (USD)	**11,365,022**	6,239,305

Social and Sustainability Report
continued

Our people

Strategy and objectives
We seek to attract, develop and retain the best people, and engage them over the long-term. We work to develop an organisational culture based on trust, and to embed ethics and integrity into our culture in order to create a fair and respectful workplace.



2015 objectives

- Formalise an action plan with the feedback received in the workplace survey
- Integrate ethics and integrity considerations in the criteria used for key HR processes
- Advance the ethics and integrity programme by engaging union leaders and training unionised workers
- Launch anti-bullying and harassment campaign

2015 performance

- Presented results of the workplace survey to senior HR managers
- New employee training includes ethics and integrity component
- Held pilot workshops with union representatives of Penmont and Ciénega with positive outcomes
- Launched anti-bullying campaign
- Launched online learning tools for core competency training

2016 objectives

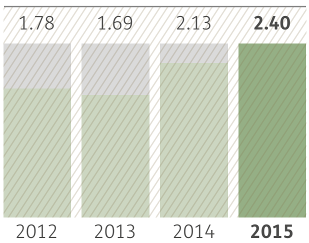
- Train unionised workers in the ethics and integrity programme
- Enhance readiness of crisis committees at each business unit
- Implement information systems to manage contractor employees in our operations

Ethics and culture
We aspire to demonstrate a well-established ethical culture through our actions and behaviours. Our values are the cornerstone of our Ethics and Culture programme.

Human resources
We seek to strengthen the talent pipeline to satisfy our present and future business needs, ensuring we have the people with the right skills and development potential to execute our business strategy. Embedding ethics and integrity into our organisational culture is the path we have chosen to build trust among our stakeholders.

Investment in training
US$m

2.40



Securing the talent pipeline

Planning our human capital requirements is carefully aligned to our operations, with frequent feedback to monitor progress. To attract young talent in geology, metallurgy and mining engineering, we collaborate with leading educational institutions in Mexico and offer students internships of varying lengths. Partner universities include the National Autonomous University of Mexico (UNAM), National Polytechnic Institute (IPN), University of Guanajuato, Autonomous University of Zacatecas (UAZ), Autonomous University of Chihuahua (UACH), University of Sonora (UNISON) and the Autonomous University of San Luis Potosí (UASLP).

We recruit graduates from the pool of interns through the Engineers in Training programme; these graduates are assigned a coach from the operations who supervises their development and provides performance appraisals. Engineers in training with good appraisals receive permanent job offers. We also recruit experienced professionals to enhance the talent pipeline. Interns, engineers in training and experienced professionals participate in an ethics and integrity workshop, a presentation of our policies and safety training tailored to their job profile.

Our Centre for Technical Studies (CETEF) trains mining technicians to cater for our specific needs. CETEF candidates are chosen from the communities surrounding our operations, thus securing talent and strengthening our social licence to operate. Training is based on a German hands-on model, whereby students spend 20% of the time studying theory and 80% practicing with the same equipment they would find in our operations. To recruit maintenance technicians, we partner with Peñoles to train our interns at their Centre for Technical Studies at Laguna del Rey (CETLAR).

Talent management

Developing and retaining our people for the long term is fundamental to executing our business strategy.

Performance appraisal is key to talent management; the assessment cycle begins with the definition of annual objectives that align with business objectives, and that are then evaluated at the end of the year. Appraisals include an evaluation of skills needed for the position and any recommended training or continuing education. To address the most common skills requirements – problem analysis, effective communication, negotiation and budget controls – we launched a virtual campus to train our people.

In addition, we have begun to evaluate the leadership potential of our people based on a Hogan assessment tool; results are cross-analysed with their annual performance appraisal to identify development opportunities. The outcomes of this programme will also serve as a foundation for succession plans.

We develop our high potential middle managers via the Leaders with Vision programme, in which senior executives deliver seminars throughout the year as a mechanism to engage and mobilise our people. The executives participate in a training programme organised by the Mexico Autonomous Institute of Technology (ITAM), a leading business school.

Responsible labour policies, diversity and human rights

Human and labour rights

We are strongly committed to internationally recognised human and labour rights, and take necessary measures to prevent and remedy any deviations thereof. Child labour and compulsory work are banned from our operations. We respect freedom of association and collective bargaining. We do not tolerate any form of harassment, intimidation or discrimination. To raise awareness, we launched the Aguas (Watch out) campaign to engage people to speak out and denounce bullying and harassment.

The Honours Commission is responsible for investigating and sanctioning unethical behaviours, including infringements to human and labour rights. Our Fresnillo Plays Fair whistleblowing programme allows anyone to anonymously denounce cases of unethical behaviour, including human right violations.

Women in mining

Management is committed to building a cultural environment where employees can flourish, irrespective of gender. The proportion of women in our workforce is 8.5% (2014: 9.4%), compared to 7.2% overall in Mexico's metal and mining industry. While slightly above the national average, we aim to reverse our downward trend and increase our gender diversity. This will take time to rectify but it has been changing, particularly in relation to unionised workers. The Company is committed to hiring and developing women with educational training in mining engineering, geology, finance and accounting.

Labour practices and union engagement

We are committed to mutually respectful relations with local labour unions through continuous dialogue and collaboration. To date, Fresnillo plc has not experienced a work stoppage or industrial action as a consequence of labour disputes.

Each business unit has a union committee with elected representatives. Once union representatives are elected, we partner with their national committee to engage new leaders with training courses that develop leadership skills and raise awareness of their rights and responsibilities. Union committees have ongoing interactions with the Company. The HR superintendent is responsible for maintaining permanent dialogue with the commission. The management team in each operation organises results presentations several times a year to foster common understanding of the business.

Collective bargaining covers wages, recruitment and dismissals, materials/tools/machinery, shifts/working hours/holidays/vacations, work permits (flexibility), disciplinary measures, training (and induction), health & safety, work-related risks, accidents and non-occupational diseases, occupational diseases, life insurance (compensation), career (echelons, seniority, etc.), restructures, savings fund and early retirement compensation. In addition, collective agreements specify the commitment to manage restructuring responsibly. Whenever there are redundancies in a mine or a specific department we give preference to these employees to fill open positions in other mines or departments.

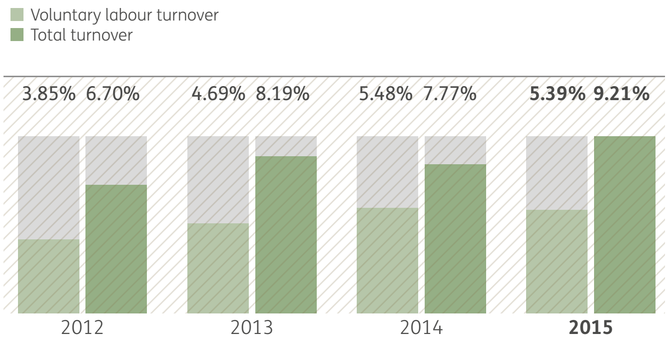
Social and Sustainability Report
continued

Our people continued

Great Place to Work® Trust Index©
As part of our employee engagement efforts we conduct the Great Place to Work perception survey to measure the level of trust, pride and camaraderie based on the quality of the workplace experience. In 2015, Fresnillo plc was recognised as a Great Place to Work in Mexico and currently ranks 17th among companies with more than 5,000 employees.

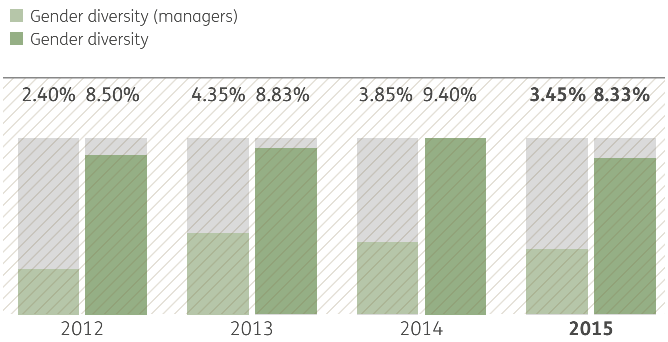
Social aspects in our value chain
Our labour clauses require contractors to comply with all legal regulations, notably enrolling their workers in the public health and retirement system (IMSS) and the housing loan system (INFONAVIT). We apply our own health & safety guidelines and procedures to our contractors.

Voluntary labour turnover



Number of permanent employee resignations as a percentage of total permanent employees hours worked.

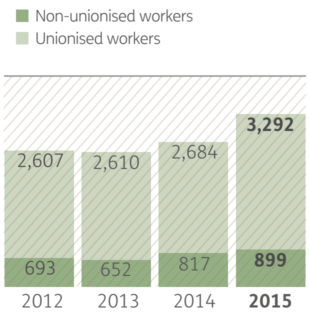
Gender diversity



Percentage of women, and female managers

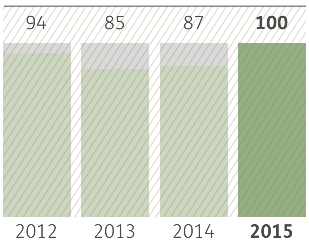
Employees and contractors

Unionised workers



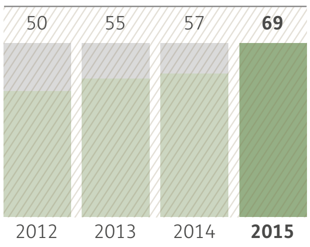
Average workforce training
Hours

100



Average HSECR training
Hours

69



Financial Review

The Consolidated Financial Statements of Fresnillo plc are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. This Financial Review is intended to convey the main factors affecting performance and to provide a detailed analysis of the financial results in order to enhance understanding of the Group's financial statements. All comparisons refer to 2015 figures compared to 2014, unless otherwise noted. The financial information and year-on-year variations are presented in US dollars, except where indicated. The full Financial Statements and their accompanying notes can be found on pages 138 to 197.

Commentary on financial performance

As we set out below, challenging and unpredictable conditions in the precious metals industry in 2015, combined with Company-specific issues, affected our financial results in the year. Notwithstanding these factors, the Group's profitable operating profile, disciplined focus on productivity and efficiency, and strong asset portfolio give us confidence in our cash generating capacity and ability to generate sustainable stakeholder value over the long term.

Fresnillo plc's financial performance largely reflects the Group's operational performance, asset quality, and the ability of our management and personnel to execute towards our strategic goals. However, there are a number of macroeconomic variables that lie beyond our control which affect financial results. These include:

Precious metal prices

In 2015, the strengthening of the US dollar, an improving US economy and the significant decline in oil prices put further downward pressure on precious metal prices. The average realised gold price decreased 10.4%, to US$1,126.5 per ounce and the average realised silver price decreased 16.1% to $15.6 per ounce. Furthermore, the average lead and zinc prices decreased 13.6% and 15.2% year on year.

The Company has structured certain hedge positions to cover the risk of precious metal prices, as set out in the Financial Statements on page 192.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate devalued by 19.2%, from $13.30 per US dollar in 2014 to $15.85 per US dollar in 2015. This resulted in a favourable effect estimated at US$48.0 million on the Group's production costs, as costs denominated in Mexican pesos (approximately two-thirds of total costs) were lower when converted to US dollars.

The Mexican peso/US dollar spot exchange rate at 31 December 2015 was $17.21 per US dollar, compared to $14.72 per US dollar at the beginning of the year. The 16.9% devaluation had an adverse effect on: i) monetary assets and liabilities transacted in Mexican pesos; ii) the Mexican peso/US dollar hedge programme and related realised and unrealised gains and losses; and iii) taxes and mining rights as the devaluation resulted in an increase in related deferred tax liabilities.

Income statement

	2015 US$m	2014 US$m	Amount US$	Change %
Adjusted revenue[1]	**1,583.3**	1,545.0	38.3	2.5
Lead and zinc hedging	**3.9**	0.1	3.8	>100
Treatment and refining charges	**(142.8)**	(131.4)	(11.4)	8.7
Total revenues	**1,444.4**	1,413.7	30.7	2.2
Cost of sales	**(1,011.3)**	(892.6)	(118.7)	13.3
Gross profit	**433.1**	521.1	(88.0)	(16.9)
Exploration expenses	**140.2**	168.8	(28.5)	(16.9)
EBITDA[2]	**547.5**	567.3	(19.8)	(3.5)
Finance income	**65.8**	7.5	58.3	>100
Finance costs	**(45.5)**	(54.6)	9.1	(16.7)
Profit before income tax	**212.4**	251.1	(38.7)	(15.4)
Mining right	**14.0**	15.7	(1.7)	(11.1)
Income tax expense	**129.0**	118.3	10.7	9.1
Profit for the year	**69.4**	117.1	(47.7)	(40.7)
Profit for the year, excluding post-tax Silverstream effects	**50.0**	63.2	(13.2)	(20.9)
Attributable profit	**70.5**	108.4	(37.9)	(35.0)
Attributable profit, excluding post-tax Silverstream effects	**51.1**	54.5	(3.4)	(6.2)
Basic and diluted Earnings per share (US$/share)[3]	**0.096**	0.147	(0.051)	(34.7)
Basic and diluted Earnings per share, excluding post-tax Silverstream effects (US$/share)	**0.069**	0.074	(0.005)	(6.8)

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and gold, lead and zinc hedging.
2 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.
3 The weighted average number of ordinary shares was 736,894,000 for 2015 and 2014. See note 19 in the Consolidated Financial Statements.

Financial Review continued

Cost deflation
For the first time since the Company's IPO in 2008, there was a net decrease in the weighted average input cost over the year, of 8.4%. This deflation reflected, amongst other factors, the favourable effect of the 19.2% average devaluation of the Mexican peso against the US dollar.

Labour
Employees received a 5.5% increase in wages in Mexican pesos and administrative employees at the mines received a 4.5% increase; when converted to US dollars the deflation factor was 11.7%.

Energy
Electricity
The Group's weighted average cost of electricity decreased by 35.6% to US$7.1 cents per kW in 2015, compared to US$11.0 in 2014. Electricity rates are set by the Comisión Federal de Electricidad (CFE), the national utility, based on their average generating cost, which correlates mainly to fuel oil and coal prices. In 2015, the decrease in electricity rates by CFE was mainly explained by the lower oil prices and its efforts to substitute expensive fuels for cheaper and cleaner alternatives such as natural gas and renewable energy.

Diesel
The weighted average cost of diesel in US dollars decreased 11.1% from US$83.5 cents per litre in 2014 to US$74.2 cents per litre in 2015. Diesel prices are controlled by Petróleos Mexicanos (PEMEX), the national oil company.

Operating materials

	Year over year change in USD %
Steel balls for milling	-6.9
Lubricants	-5.4
Tyres	-5.0
Sodium cyanide	-3.5
Other reagents	-2.2
Explosives	-2.1
Steel for drilling	0.8
Weighted average of all operating materials	**-3.8**

For the second consecutive year, unit prices of the majority of key operating materials decreased due to the lower demand for these inputs, resulting in a net weighted average decrease of -3.8%. This reflects the combined effect of price inflation and the weighting of each component in the total cost of operating materials. There has not been a significant impact from the devaluation of the Mexican peso/US dollar exchange rate as the majority of these items are dollar denominated.

Contractors
Agreements are signed individually with each contractor and have specific terms and conditions that cover operating materials, equipment and labour, amongst others. Contractor costs are an important component of the Company's total costs, denominated in Mexican pesos. In 2015, increases granted to contractors, whose agreement was due for review during the period, ranged from 1.9%–23.9% in Mexican pesos (equivalent to -14.5% to 3.9% in dollar terms), resulting in a weighted average decrease of 4.8% in dollars.

Maintenance
Unit prices of spare parts for maintenance decreased 6.4% on average in US dollars.

Others
Other cost components include freight and insurance premiums, which decreased by an estimated 4.0% and 3.6% respectively on a per unit basis. The remaining components had an average deflation of 5.7% over 2014.

Treatment and refining charges
Treatment and refining charges[1], which are deducted from adjusted revenue for the purposes of revenues as disclosed in the income statement, are determined annually using international benchmarks. Treatment charges per tonne of lead concentrate decreased by 7.0%, whilst silver refining charges and treatment charges per tonne of zinc concentrate remained relatively stable year on year. However this was more than offset by the increase in volumes of lead and zinc concentrates with high silver contents shipped mainly from Saucito to Met-Mex, resulting in an 8.7% aggregate increase in treatment and refining charges.

The effects of the above external factors, combined with the Group's internal variables, are further described below through the main line items of the income statement.

Revenues
Consolidated revenues (US$ millions)

	2015 US$ million	2014 US$ million	Amount US$	Change %
Adjusted revenue[2]	**1,583.3**	1,545.0	38.3	2.5
Gold, lead and zinc hedging	**3.9**	0.1	3.8	>100
Treatment and refining charges	**(142.8)**	(131.4)	(11.4)	8.7
Total revenues	**1,444.4**	**1,413.7**	**30.7**	**2.2**

[2] Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and gold, lead and zinc hedging.

Total revenues for the full year of US$1,444.4 million increased by 2.2% over 2014. This was mainly explained by higher adjusted revenue, which rose 2.5% to US$1,583.3 million as a result of the increase in sales volumes which more than mitigated the lower metal prices. However, this positive effect was slightly offset by the 8.7% increase in treatment and refining charges.

[1] Treatment and refining charges include the cost of treatment and refining as well as the margin charged by the customer.

In 2015 we entered into derivative contracts to hedge part of our lead and zinc by-product production through collar structures, resulting in a US$3.9 million gain recorded in the income statement. The chart below illustrates the expired hedging structures, results in 2015 and the outstanding hedged position as of 31 December.

	2015		As of 31 December	
Concept	**Zinc**	**Lead**	Zinc*	Lead*
Weighted floor (US$/tonne)	**2,120**	**2,044**	2,205	1,985
Weighted cap (US$/tonne)	**2,536**	**2,381**	2,543	2,259
Expired volume (tonne)	**11,179**	**4,397**	–	–
Gain recognised in income	**1,684,725**	**1,157,383**	–	–
Total outstanding volume (tonne)	**–**	**–**	4,536	4,272

* Monthly settlements until December 2015.

In addition, in 2014 we initiated a one-off gold hedging programme to protect the value of the investment made in the Penmont acquisition, the effects of which are recorded as finance income and a small portion in revenue as detailed on pages 93 and 192. The chart below illustrates the expired hedging structures, results in 2015 and the outstanding hedged position as of 31 December.

Concept	**2015**	2014	As of 31 December* 2015
Weighted floor (US$/oz)	**1,100**	1,100	1,100
Weighted cap (US$/oz)	**1,431**	1,440	1,426
Expired volume (oz)	**266,760**	35,413	–
Gain recognised in income	**1,023,580**	–	–
Total outstanding volume (oz)	**–**	–	1,257,516

* Monthly settlements until December 2019.

The Group's hedging policy remained unchanged for the remainder of the portfolio, providing shareholders with full exposure to gold and silver prices.

The higher volumes sold mainly due to the ramp-up at Saucito II and Herradura resulted in a positive impact on revenues of US$247.2 million. This was partly offset by the US$208.9 million unfavourable effect of the lower metal prices.

The contribution of gold to adjusted revenues rose from 47% in 2014 to 52% in 2015 and the contribution of silver decreased from 46% to 39%. This resulted from the combination of: i) the increase in the volume of gold sold (+28.3%) being higher than that of silver (+3.4%); and ii) that whilst the average price of gold decreased 10.4%, average silver price decreased 16.1%, thus increasing the gold/silver price ratio from 67.3 to 73.8.

Adjusted revenues[3] by metal (US$ millions)

	2015		2014					
	US$ million	**%**	US$ million	%	Volume variance	Price variance	Total US$	%
Silver	**617.4**	**39**	714.9	46	22.1	(119.6)	(97.5)	(13.6)
Gold	**827.4**	**52**	720.5	47	176.7	(69.8)	106.9	14.8
Lead	**67.1**	**4**	51.5	3	24.4	(8.7)	15.7	30.3
Zinc	**71.3**	**5**	58.1	4	24.0	(10.8)	13.2	22.7
Total adjusted revenues	**1,583.3**	**100**	**1,545.0**	**100**	**247.2**	**(208.9)**	**38.3**	**2.5**

3 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and gold, lead and zinc hedging.

In terms of adjusted revenues by mine, Saucito has become the main contributor to adjusted revenues as a result of the successful ramp-up at Saucito II. Herradura increased its share of consolidated adjusted revenues due to higher volumes of gold produced and sold resulting from the ramp-up to steady state post the lifting of the suspension of the explosives permit in 2014, and the first full year of operations at the dynamic leaching plant. The increased gold production at Noche Buena slightly increased its contribution. In contrast, Fresnillo contributed a lesser share of adjusted revenues and decreased to the third most important contributor to adjusted revenue, reflecting the lower volumes produced as a result of the operational challenges faced in this mine (see pages 50 to 51). The lower gold grades at Ciénega combined with lower precious metal prices resulted in a decrease in its contribution to adjusted revenues.

Adjusted revenues by metal

	2015	2014
Gold	**52%**	47%
Silver	**39%**	46%
Zinc	**5%**	4%
Lead	**4%**	3%
Total	**100%**	**100%**

Adjusted revenues by mine

	2015	2014
Saucito	**468.4**	372.5
Herradura	**445.1**	342.7
Fresnillo	**318.6**	460.3
Noche Buena	**181.7**	163.5
Ciénega	**169.5**	206.0
Soledad-Dipolos	**0.0**	0.0
Total	**1,583.3**	1,545.0

Financial Review continued

Volumes of metal sold

	2015	2014	Change %
Silver (koz)			
Fresnillo	**14,630**	19,513	(25.0)
Saucito	**20,337**	14,684	38.5
Ciénega	**4,129**	3,427	20.5
Herradura	**535**	673	(20.6)
Noche Buena	**63**	100	(37.0)
Soledad-Dipolos	**0**	0	0
Total silver (koz)	**39,694**	38,398	3.4
Gold (koz)			
Fresnillo	**31**	32	(3.6)
Saucito	**75**	53	42.5
Ciénega	**77**	97	(21.0)
Herradura	**409**	264	55.2
Noche Buena	**143**	128	11.9
Soledad-Dipolos	**0**	0	0
Total gold (koz)	**735**	573	28.3
Lead (mt)			
Fresnillo	**15,030**	12,754	17.8
Saucito	**18,916**	8,959	111.1
Ciénega	**4,352**	3,655	19.1
Total lead (mt)	**38,298**	25,369	51.0
Zinc (mt)			
Fresnillo	**15,936**	12,657	25.9
Saucito	**17,358**	8,643	100.8
Ciénega	**5,324**	5,399	(1.4)
Total zinc (mt)	**38,618**	26,699	44.6

Cost of sales

	2015 US$ million	2014 US$ million	Amount US$	Change %
Adjusted production costs[4]	**634.5**	678.0	(43.5)	(6.4)
Depreciation	**331.2**	296.2	35.0	11.8
Change in work in progress	**(6.3)**	(104.7)	111.0	(106.0)
Profit sharing	**12.8**	12.6	0.2	1.6
Hedging	**28.6**	1.1	27.5	>100
Others	**(2.1)**	9.5	(11.5)	N/A
Cost of sales	**1,011.3**	892.6	118.7	13.3

[4] Adjusted production costs is calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging.

Cost of sales totalled US$1,011.3 million, an increase of 13.3% over 2014. The US$118.7 million increase is explained by the following combination of factors:

> **A decrease in adjusted production costs (-US$43.5 million):** This was mainly driven by: i) the efficiencies achieved at Saucito, Noche Buena, Ciénega and the dynamic leaching plant resulting from the economies of scale (-US$53.2 million); ii) the favourable effect of the devaluation of the Mexican peso/US dollar exchange rate when converting peso-denominated costs to US dollars (-US$48.0 million); iii) energy costs, excluding foreign exchange effects, decreased due to lower unit prices of electricity and diesel (-US$12.6 million); iv) the lower volumes of ore processed at Fresnillo (-US$10.2 million); and v) others (-US$4.6 million) including a decrease in the unit cost of consumables priced in US dollars (electricity, operating materials, spare parts, diesel, etc.); partially offset by the increase in unit cost of personnel (excluding foreign exchange effects) and other items in pesos. These positive effects were partially offset by: i) the increased ore throughput at Saucito, Noche Buena and Herradura (US$70.2 million); ii) additional adjusted production costs resulting from a full year of operations at the DLP (US$5.2 million); and iii) contractor costs increased as a result of a greater number of contractors used to carry out development, mainly at the Fresnillo mine, and an increase in the unit fees charged by contractors in Mexican pesos (US$9.7 million).

The positive effect of adjusted production costs was more than offset by increases in:

> **Variation in change in work in progress (+US$111.0 million).** This was mainly explained by the increase in ore inventories in 2014 at Herradura as a result of not having sufficient capacity at the Merrill Crowe plant to process all the rich solution coming from both the pads and the new dynamic leaching plant; and at Noche Buena as part of the ramp-up to the new expanded capacity. This year, the bottleneck at Herradura was eliminated and Noche Buena operated steadily, resulting in a small reduction in inventory. Additionally, this year due to the continued drop in gold price we recognised a write down of US$5.01 million in the value of inventories at Soledad and Dipolos.

> **Depreciation (+US$35.0 million):** The increase was explained by the higher depreciation recorded at Saucito as a result of the start-up of Saucito II, additional mining works depreciated at Fresnillo and increased depletion factors mainly at Herradura and Noche Buena.

> **Hedging (+US$27.5 million):** The Group enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. The Company had short-term forward dollar sales of US$116.5 million mature during the year at an average rate of $15.735 MXN/USD, resulting in a US$186,875 profit recognised in the income statement. As of 31 December, there were no outstanding forward instruments.

Additionally, the Group entered into a combination of put and call options structured at zero cost (collars). In 2015, these derivatives were used to hedge US$279.5 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $13.488 and $14.422 per US dollar respectively, resulting in a US$28.42 million loss recorded in the income statement. The total outstanding position using collar structures as of 31 December 2015 was US$198.0 million with maturity dates throughout 2015 with average floor and cap exchange rates of $14.92 and $17.97 per US dollar respectively. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.

> **Profit sharing (+US$0.2 million):** Slight increase due to higher profit base at Saucito and Penmont (Herradura and Noche Buena), as each Fresnillo subsidiary pays profit sharing individually.

> **Others (-US$11.5 million):** The change in others principally relates to unproductive costs incurred in the first quarter of 2014 related to the limited operations at Herradura due to the temporary suspension of the explosives permit; that situation was solved and thus no unproductive costs were recognised this year.

Cost per tonne, cash cost per ounce and all-in sustaining cost
Cost per tonne, calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage milled or deposited, is a key indicator to measure the effects of mining inflation and cost control performance at each mine and the Group as a whole. We have included cost per tonne hauled/moved as we believe it is a useful indicator to thoroughly analyse cost performance for the open pit mines. For more information on changes in cost per tonne by mine please see Review of Operations pages 50 to 59.

Cost per tonne

		2015	2014	Change %
Fresnillo	US$/tonne milled	**48.20**	47.29	1.9
Saucito	US$/tonne milled	**42.49**	59.14	(28.2)
Ciénega	US$/tonne milled	**62.99**	70.84	(11.1)
Herradura	US$/tonne deposited	**8.68**	9.29	(6.6)
Herradura	US$/tonne hauled	**2.66**	2.37	12.2
Noche Buena	US$/tonne deposited	**7.93**	9.98	(20.5)
Noche Buena	US$/tonne hauled	**1.67**	1.68	(0.6)
Soledad-Dipolos	US$/tonne deposited	**–**	–	N/A

Cash cost per ounce, calculated as total cash cost (cost of sales plus treatment and refining charges less depreciation) less revenues from by-products divided by the silver or gold ounces sold, when compared to the corresponding metal price, is an indicator of the ability of the mine to cover its production costs.

Cash cost per ounce

		2015	2014	Change %
Fresnillo	US$ per silver ounce	**5.60**	5.29	5.9
Saucito	US$ per silver ounce	**1.15**	2.48	(53.4)
Ciénega	US$ per gold ounce	**245.5**	288.0	(14.8)
Herradura	US$ per gold ounce	**472.5**	465.4	1.5
Noche Buena	US$ per gold ounce	**972.7**	945.6	2.9
Soledad-Dipolos	US$ per gold ounce	**–**	–	N/A

The particular variations in cash cost for each mine are explained as follows:

Fresnillo: US$5.60/oz (2015) vs US$5.29/oz (2014), (+5.9%)
The increase in cash cost per ounce is mainly explained by the lower volumes of silver sold, reflecting lower ore throughput and decline in ore grade (+US$1.46/oz); higher treatment and refining charges per silver ounce due to: lower silver ore grade which implies producing more concentrate per ounce of silver, higher zinc and lead ore grades which increases the volume of concentrates, and an increase in the participation of zinc concentrate which has a higher per unit treatment charge (+US$0.28/oz); and higher cost per tonne (+US$0.12/oz) (see page 51). This was partly mitigated by higher by-product credits per silver ounce due to the increase in lead and zinc volumes (-US$1.40/oz); and lower profit sharing (-US$0.14/oz).

Saucito: US$1.15/oz (2015) vs US$2.48/oz (2014), (-53.4%)
The decrease was driven by the lower cost per tonne (-US$1.71/oz) (see page 53); and higher by-product credits per ounce of silver resulting from increased gold, lead and zinc volumes sold (-US$0.44/oz). These positive effects were partly offset by the expected lower silver grade (+US$0.45/oz); higher treatment and refining charges resulting from the same reasons as mentioned for the Fresnillo mine (+US$0.25/oz); and higher profit sharing (+US$0.13/oz).

Ciénega: US$245.49/oz (2015) vs US$288.00/oz (2014), (-14.8%)
The decrease in cash cost was primarily explained by higher by-product credits per ounce of gold due to the increased volumes of silver and lead sold (-US$198.32/oz); the decrease in cost per tonne (-US$108.62/oz) (see page 55); and others (-US$5.83/oz). These favourable factors were partially offset by the expected decrease in gold grade (+US$221.58/oz); and higher treatment and refining charges resulting from lower gold ore grade which implies producing more concentrate per ounce of gold, and higher lead and zinc ore grades which increase the volume of concentrates (+US$48.68/oz).

Herradura: US$472.53/oz (2015) vs US$465.42/oz (2014), (+1.5%)
The increase in cash cost resulted from: an adverse inventory valuation effect, as ounces with a lower cost of production in the current period are mixed with the initial higher cost of inventory affecting cost of sales (+US$78.52/oz); and lower by-product credits per gold ounce due to the lower silver price and decreased volumes of silver sold (+US$27.45/oz). These negative effects were partly mitigated by: i) the unproductive costs recorded in 2014 in relation to the stoppage (-US$52.81/oz); ii) the lower cost per tonne (-US$33.89/oz) (see page 57); iii) higher ore grade (-US$8.45/oz); and iv) others (-US$3.70/oz).

Noche Buena: US$972.74/oz (2015) vs US$945.63/oz (2014), (+2.9%)
The increase in cash cost per ounce was mainly explained by i) the adverse inventory valuation effect mentioned for the Herradura mine (+US$164.27/oz); ii) the lower gold grade (+US$73.03/oz); and iii) others (+US$6.08/oz). These adverse effects were partially offset by the lower cost per tonne (-US$216.26/oz) (see page 59).

Soledad-Dipolos: There were no comparable figures in 2015 and 2014 due to the suspended operations.

In addition to the traditional cash cost described above, the Group is reporting all-in sustaining costs (AISC), in accordance with the guidelines issued by the World Gold Council.

This cost metric is calculated as traditional cash cost plus on-site general, corporate and administrative costs, community costs related to current operations, capitalised stripping and underground mine development, sustaining capital expenditures and remediation expenses.

Management considers all-in sustaining costs a reasonable indicator of the mine's ability to generate free cash flow when compared with the corresponding metal price, and a means to monitor current production costs and sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

Financial Review continued

All-in sustaining cost

		2015	2014	Change %
Fresnillo	US$ per silver ounce	**11.48**	9.84	16.7
Saucito	US$ per silver ounce	**7.11**	5.43	31.0
Ciénega	US$ per gold ounce	**710.37**	786.40	(9.7)
Herradura	US$ per gold ounce	**888.04**	862.19	3.0
Noche Buena	US$ per gold ounce	**1,015.40**	1,051.00	(3.4)
Soledad-Dipolos	US$ per gold ounce	**–**	–	N/A

Fresnillo: Higher, mainly due to the increase in capitalised development and mining works to move towards full capacity operations with access to sufficient stopes (further detail can be found on page 50); and the higher cash cost detailed above.

Saucito: Higher, as a result of the increase in capex invested in the expansion and in efficiency projects; which was partly mitigated by the lower cash cost detailed above.

Ciénega: Lower, primarily explained by the decrease in development, mining works and sustaining capex; and the lower cash cost detailed above.

Herradura: Higher, due mainly to the temporary increase in capitalised stripping costs and higher sustaining capex; and to a lesser extent, the higher cash cost detailed above.

Noche Buena: Lower, driven by the decrease in capitalised stripping costs; sustaining capex and lower cash cost detailed above.

Soledad-Dipolos: There were no comparable figures in 2015 and 2014 due to the suspended operations.

Gross profit

Gross profit, excluding hedging gains and losses, is a key financial indicator of profitability at each business unit and the Fresnillo Group as a whole.

Contribution by mine to consolidated gross profit, excluding hedging gains and losses

	2015		2014		Change	
	US$ million	**%**	US$ million	%	Amount	%
Saucito	198.7	44.4	188.9	33.3	9.8	5.2
Herradura	163.3	36.5	136.2	24.0	27.1	19.9
Fresnillo	83.1	18.5	206.7	36.4	(123.6)	(59.8)
Ciénega	17.1	3.8	40.8	7.2	(23.7)	(58.1)
Noche Buena	(1.2)	(0.3)	11.5	2.0	(12.7)	N/A
Soledad-Dipolos	(13.0)	(2.9)	(16.5)	(2.9)	3.5	(21.2)
Total for operating mines	**448.0**	**100.0**	**567.6**	**100.0**	**(119.6)**	**(21.1)**
MXP/USD exchange rate hedging (losses) and gains	(28.6)		(1.1)		(27.5)	N/A
Other subsidiaries	13.6		(45.4)		59.0	N/A
Total Fresnillo plc	**433.1**		**521.1**		**(88.0)**	**(16.9)**

Total gross profit, net of hedging gains and losses, decreased 16.9% to US$433.1 million in 2015.

The US$88.0 million decrease in gross profit was mainly explained by: i) the adverse effect of lower silver and gold prices (-US$187.0 million); ii) the 8.2% decrease in ore throughput and 14.9% decrease in silver grade at the Fresnillo mine (-US$64.3 million); iii) higher depreciation (-US$35.0 million); and iv) other effects (-US$8.4 million).

The above factors were partially mitigated by higher gross profit related to: i) increased ore volumes processed at Saucito (+US$117.2 million); ii) the 19.2% devaluation of the Mexican peso/US dollar (+US$48.0 million); iii) the positive effect of reaching steady state at Herradura (+US$23.8 million); iv) the first full year of operations at the dynamic leaching plant (+US$13.4 million); and v) higher ore grades at Herradura (+US$4.3 million).

On a per mine basis, Saucito became the largest contributor to the Group's consolidated gross profit, reflecting the increased volumes produced and sold as a result of the ramp-up of Saucito II and strong margins generated at this mine, despite the lower metal prices. Gross profit at Herradura increased 19.9% to US$163.3 million in 2015 due to Herradura and its DLP being operational for the full year, the ramp-up to steady state and the commissioning of the second Merrill Crowe plant. This increased Herradura's share of the Group's consolidated gross profit from 24.0% in 2014 to 36.5% in 2015. Gross profit at the Fresnillo mine decreased 59.8% to US$83.1 million in 2015, reflecting the adverse effect of the lower volumes produced and the decrease in metal prices, which reduced Fresnillo's contribution to the Group's total gross profit to 18.5%. Gross profit at Ciénega decreased 58.1% as a result of the lower sales volumes of gold and the decline in metal prices, which reduced its share of the Group's total to 3.8%. Lastly, at Noche Buena, the favourable effect of higher gold volumes produced and sold did not fully offset the impact of lower gold price and higher costs, generating a loss of US$1.2 million (including depreciation of US$43.5 million).

Administrative expenses

Administrative expenses decreased 7.0% from US$67.5 million to US$62.8 million due mainly to a decrease in non-recurring engineering and construction services provided by Servicios Industriales Peñoles, S.A.B. de C.V. and the positive effect of the devaluation of the Mexican peso against the US dollar in administrative expenses denominated in pesos.

Exploration expenses

Business unit/project (US$ millions)	**Exploration expenses 2015**	Exploration expenses 2014	**Capitalised expenses 2015**	Capitalised expenses 2014
Ciénega	**20.5**	27.6		
Fresnillo	**10.1**	5.6		
Herradura	**11.9**	14.7		
Soledad-Dipolos	**–**	–		
Saucito	**8.6**	3.2		
Noche Buena	**3.7**	10.1		
San Ramón	**4.5**	4.9		
San Julián	**3.3**	4.4		
Orisyvo	**13.3**	15.2	**0.4**	1.2
Centauro Deep	**10.0**	34.4	**0.4**	2.7
Guanajuato	**3.9**	4.0		
Juanicipio	**0.0**	0.0	**9.9**	10.1
Others	**50.4**	44.7	**0.4**	1.7
Total	**140.2**	168.8	**11.1**	15.7

Exploration expenses in 2015 totalled US$140.2 million, a 16.9% decrease over 2014, as a result of management's decision to continue reducing the expenditure given the decline in precious metals prices. Good results were obtained at a number of key exploration sites, and the resource base was expanded despite lower price assumptions (see exploration section pages 62 to 65). An additional US$11.1 million was recorded in association with mining works at Juanicipio and minor equipment acquired at the Centauro Deep and Orisyvo projects. Furthermore, unit costs for exploration and drilling came down substantially, which allowed for similar rates of advancement at a lower investment. As a result, total investment in exploration of US$151.3 million in 2015 decreased 18.0% over 2014, below the original budgeted figure of US$170 million. In 2016, risk capital invested in exploration is expected to be within the range of US$135-US$140 million, of which US$25 million is estimated to be capitalised.

EBITDA

	2015 US$ million	2014 US$ million	Amount	Change %
Gross Profit	**433.1**	521.1	(88.0)	(16.9)
+ Depreciation	**331.2**	296.2	35.0	11.8
- Administrative expenses	**(62.8)**	(67.5)	4.7	(7.0)
- Exploration expenses	**(140.2)**	(168.8)	28.5	(16.9)
- Selling expenses	**(13.7)**	(13.6)	(0.1)	0.7
EBITDA	**547.5**	567.3	(19.8)	(3.5)
EBITDA margin	**37.9**	40.1		

A gauge of the Group's financial performance and key indicator to measure debt capacity is EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. In 2015, EBITDA decreased 3.5% to US$547.5 million mainly due to the lower gross profit, which was partially mitigated by lower exploration and administrative expenses. EBITDA margin expressed as a percentage of revenues declined accordingly, from 40.1% in 2014 to 37.9% in 2015.

Other expenses

Other expenses decreased by 37.9% to US$15.9 million in 2015. This included disposals of fixed assets, remediation works carried out at the Saucito, Herradura, Fresnillo and Ciénega mines (see page 170) and costs incurred in the maintenance of closed mines. This positively compares to the US$25.5 million loss registered in the 2014 income statement.

Silverstream effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The revaluation of the Silverstream contract generated a US$6.1 million non-cash gain mainly as a result of the increase in resources at Sabinas, which more than offset the lower forward price of silver and the higher discount rate used. In addition, a US$21.6 million non-cash gain was generated by: i) the unwinding of the discounted values (US$20.3 million); and ii) the difference between payments (volume and price) actually received and accrued in 2015 and payments estimated in the valuation model as at 31 December 2014 (US$1.3 million). The total effect recorded in the 2015 income statement was US$27.7 million, which represented a 64.0% decrease from the US$77.0 million registered in 2014.

Since the IPO, cumulative cash received has been US$502.0 million, while total non-cash revaluation gains of US$550.3 million have been taken to the income statement. The Group expects further unrealised gains or losses will be taken to the income statement in accordance with the cyclical behaviour of the silver price or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the Balance Sheet section below and in notes 15 and 32 to the Consolidated Financial Statements.

Finance costs and income

Finance costs in 2015 decreased mainly due to the decline from US$44.4 million to US$36.0 million in accrued interest payable in relation to the US$800 million principal amount of 5.500% Senior Notes.

In 2014 we entered into derivative contracts to protect the value of the Penmont acquisition (see page 89). As at 31 December 2015, the outstanding collar derivative instruments mature over the period from January 2016 to December 2019 and hedge gold production of 1.3 million ounces with a floor price of US$1,100 per ounce and capped weighted average price of US$1,426 per ounce. In 2015, we recognised changes in the time value of the outstanding hedge position, resulting in a US$59.7 million non-cash gain recorded in the income statement.

Financial Review continued

Foreign exchange

A foreign exchange loss of US$36.2 million was recorded in 2015 as a result of the 16.9% devaluation of the Mexican peso against the US dollar. This loss adversely compares to the US$24.4 million loss recognised in 2014.

The Group also enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange associated with the purchase of equipment denominated in euro (EUR) and Swedish krona (SEK). At year end, the total EUR and SEK outstanding net forward position was zero EUR and SEK 14.46 million with maturity dates through to March 2016.

Volumes that expired during 2015 were EUR 2.42 million with a weighted average strike of 1.193 USD/EUR and SEK 59.67 million with a weighted average strike of 8.23 SEK/USD, which generated losses of US$0.1 million and US$0.9 million respectively. Both results were recognised in the income statement.

Taxation

Corporate income tax expense of US$129.0 million increased 9.1% over 2014 despite the lower profit base in 2015. This was mainly explained by the devaluation of the Mexican peso against the US dollar, which increased deferred income taxes, generated by higher differences arising between the carrying amount of assets and liabilities (denominated in US dollars) and their tax bases (denominated in Mexican pesos). As a result, the effective tax rate was 60.7%, significantly above the statutory corporate tax rate of 30%. Furthermore, US$14.0 million related to the special mining rights was registered in the income statement in 2015. Including the effect of mining rights, the effective tax rate was 67.3%.

Profit for the year

Profit for the year decreased by 40.7% to US$69.4 million, whilst profit attributable to equity shareholders of the Group declined by 35.0% from US$108.4 million to US$70.5 million in 2015.

Excluding the effects of the Silverstream contract, profit for the year decreased 20.9% to US$50.0 million. Similarly, profit attributable to equity shareholders of the Group, excluding the Silverstream effects, declined by 6.2% to US$51.1 million.

Cash Flow

A summary of the key items from the cash flow statement is set out below:

	2015 US$ million	2014 US$ million	Amount US$	Change %
Cash generated by operations before changes in working capital	**537.3**	568.5	(31.2)	(5.5)
Decrease/(Increase) in working capital	**51.3**	(183.4)	234.7	(128.0)
Taxes and employee profit sharing paid	**(45.8)**	(263.5)	217.7	(82.6)
Net cash from operating activities	**542.9**	121.6	421.3	346.5
Silverstream contract	**39.4**	58.8	(19.3)	(32.9)
Purchase of property, plant & equipment	**(474.7)**	(425.6)	(49.1)	11.5
Dividends paid to shareholders of the Company	**(37.5)**	(87.0)	49.4	(56.8)
Net interest (paid)	**(30.5)**	(37.6)	7.1	(18.8)
Purchase of minority shares	**–**	(450.5)	450.5	N/A
Net increase/(decrease) in cash during the period before foreign exchange differences	**52.2**	(798.2)	850.2	N/A
Cash, cash equivalents and short-term investments at 31 December*	**500.1**	449.3	50.8	11.3

* As disclosed in the Consolidated Cash Flow Statement, cash and cash equivalents at 31 December 2015 totalled US$381.4 million and short-term investments held in fixed-term bank deposits amounted to US$118.7 million. In 2014, cash and cash equivalents at 31 December 2014 accounted for US$154.3 million and short-term investments amounted to US$295.0 million.

Cash generated by operations before changes in working capital decreased by 5.5% to US$537.3 million, mainly as a result of the lower profits generated in the year. Working capital decreased US$51.3 million mainly due to: i) a decrease in trade and other receivables resulting mainly from the lower metal prices (US$58.2 million); ii) a decrease in inventories (US$5.0 million); and iii) a decrease in prepayments and other assets (US$0.9 million). These reductions in working capital were partially offset by a decrease in trade and other payables (US$12.8 million).

Taxes and employee profit sharing paid decreased 82.6% over 2014 to US$45.8 million, mainly as a result of lower profits generated.

As a result of the above factors, net cash from operating activities increased significantly from US$121.6 million in 2014 to US$542.9 million in 2015.

Other sources of cash were the proceeds from the Silverstream contract of US$39.4 million.

The above funds were mainly used to purchase property, plant and equipment for a total of US$474.7 million, which represented an 11.5% increase over 2014. This was below the revised guidance of US$570 million as a result of the deferral of some expenditures in light of the prevailing low precious metal prices. Capital expenditures for 2015 are further described below:

Purchase of property, plant and equipment

	2015 US$ million	
Fresnillo mine	**205.6**	Mine development and purchase of in-mine equipment such as pumps, jumbos and a raiseboring machine. Construction of ramps and mining works, purchase of equipment for the leaching plant and acquisition of land at San Julián (US$150.3 million), and the Orisyvo project (US$1.2 million)
Saucito mine	**108.3**	Mining works and purchase of in-mine equipment
Herradura mine	**119.7**	Stripping activities, construction of leaching pad, sustaining capex and construction of the second Merrill Crowe plant
Ciénega mine	**24.6**	Development, replacement of in-mine equipment, purchase of equipment to optimise the milling process and employees' facilities
Noche Buena	**2.6**	Expansion of smelting capacity at the beneficiation plant, construction of leaching pads and diesel supply station
Juanicipio project	**9.9**	Exploration expenses
Other	**4.0**	Exploraciones Mineras Parreña and SAFSA
Total purchase of property, plant and equip.	**474.7**	

Dividends paid to shareholders of the Group in 2015 totalled US$37.5 million, a 56.8% decrease from 2014, in line with our dividend policy that includes a consideration of profits generated in the period. The 2015 payment included: i) the final 2014 dividend of US$22.1 million; and ii) the 2015 interim dividend paid in September of US$15.5 million.

Net interest of US$30.5 million was paid, mainly reflecting the interest paid in relation with the issuance of the US$800 million principal amount of 5.500% Senior Notes.

The sources and uses of funds described above resulted in a net increase of US$52.0 million in cash and cash equivalents, which combined with the US$449.3 million balance at the beginning of the year and the US$1.2 million unfavourable effect of the exchange rate resulted in cash, cash equivalents and short-term investments of US$500.1 million at the end of 2015.

Balance Sheet

Fresnillo plc continues to prioritise and maintain a strong, flexible financial position.

Cash, cash equivalents and short-term investments increased during the year to US$500.1 million as explained above.

Inventories slightly decreased 1.6% to US$300.6 million due to the decreased inventories of lead concentrate at Saucito, which more than offset the increase in inventories of gold deposited on the leaching pads at Herradura and Noche Buena.

Trade and other receivables of US$305.7 million decreased 33.0% as a result of the decrease in prices which reduced receivables from Met-Mex.

The change in the value of the Silverstream derivative from US$392.3 million at the beginning of the year to US$384.8 million as of 31 December 2015 reflects proceeds of US$35.2 million corresponding to 2015, (US$32.5 million in cash and US$2.7 million in receivables) and the Silverstream effect in the income statement of US$27.7 million.

The net book value of property, plant and equipment was US$2,138.6 million at year end, representing an 8.6% increase over 2014. The US$169.2 million increase was mainly explained by the capitalised development works at Fresnillo and Saucito; construction of San Julián and of the Merrill Crowe plant at Herradura; purchase of additional in-mine equipment and surface land; and construction of leaching pads at Herradura.

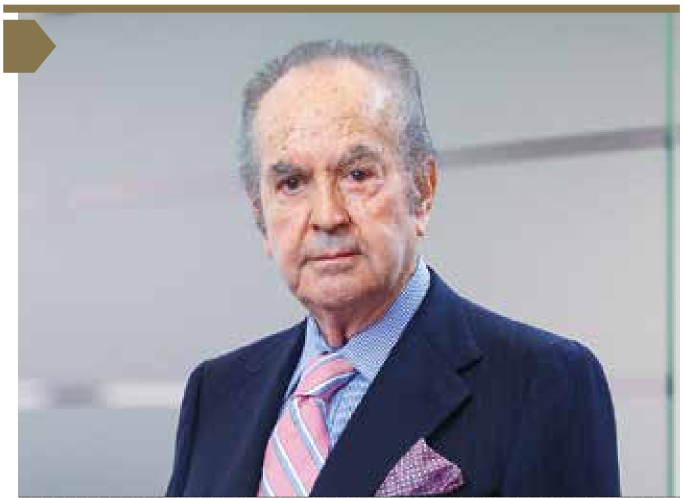
The Group's total equity was US$2,374.3 million as of 31 December 2015, a 3.1% increase over 2014. This was mainly explained by the increase in retained earnings, reflecting the 2014 profit, less dividend paid during the year, and the net unrealised gains on cash flow hedges.

Dividends

Based on the Group's 2015 performance, the Directors have recommended a final dividend of 3.35 US cents per Ordinary Share, which will be paid on 9 May 2016 to shareholders on the register on 22 April 2016. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars. This is in addition to the interim dividend of 2.1 US cents per share totalling US$15.5 million.

Corporate Governance

Chairman's Letter of Governance



"Over the years we have sought to ensure that the foundations on which the Group is based are firm providing a sound basis for both the near-term and longer-term development of our businesses."

Alberto Baillères
Chairman of the Board

Dear Shareholder,

Over the years we have sought to ensure that the foundations on which the Group is based are firm providing a sound basis for both the near-term and longer-term development of our businesses. Corporate governance has an important role to play in this: without sound governance structures, decision-making is less reliable and accountability for delivery is weakened. Consequently, in the absence of any major corporate activity this year, it has been possible for the Board and committees to devote more time and attention in our meetings to long-term strategic considerations. This seems entirely appropriate at this stage in the economic cycle of our industry.

A significant event on our governance agenda this year has been the important work that the Board has undertaken as part of the follow-up to our externally facilitated 2014 Board evaluation exercise. Fuller details are included in the Corporate Governance Report but I would highlight two particular aspects which I believe demonstrate the way in which the Board continues to work as an effective unit.

First, during the summer, a group of both executive management and Non-executive Directors undertook a review of the format and content of our regular Board papers. The aim was to identify ways in which they could be improved to better provide the information that the Board considers it needs to be able to oversee the Company's progress towards its strategic objectives, particularly the development aspects of strategy. Significant changes have now been made to our regular Board papers and our 2015 Board evaluation exercise has established that Board colleagues have welcomed the new formats.

Second, another working group, overseen by our Audit Committee have been working for much of the past year on the Board's response to the new UK Corporate Governance Code requirement that it publish a viability statement. The outcome of that work is set out on pages 48 and 49. This exercise has been thorough and well-structured, focusing our minds on our risk management framework enabling us to understand and test our longer-term planning in new and helpful ways.

In 2014, the composition of the Board changed as three new Directors were appointed. I am pleased that our new Directors have quickly brought their skills and experience to bear in Board and committee discussions and their contributions have been valued by their Board colleagues. The Nominations Committee has continued to keep the development of the Board at the heart of its deliberations and will continue to do so as we enter 2016.

The Board has spent time during the year thinking about our HSECR strategies and performance and for the first time, also devoted time to understanding the Group's organisational culture and values programme. There are signs of encouragement to be seen in this programme but there are also reminders of the work to be done for example in our health and safety performance. We will continue to monitor this in 2016.

I would like to thank my Board and management colleagues for their contributions to the corporate governance of the Company and I look forward to working with them in 2016 to continue to build on the governance foundations that we have established in support of our long-term objectives.

Yours sincerely

Mr Alberto Baillères
Chairman of the Board

UK Corporate Governance Code Compliance Statement

As a company with a premium listing on the London Stock Exchange, Fresnillo is required under the FCA Listing Rules to comply with the Code Provisions of the 2014 UK Corporate Governance Code (a copy of which can be found on the website of the Financial Reporting Council www.frc.org.uk) or otherwise explain its reasons for non-compliance. The following statement is therefore made in respect of the year ended 31 December 2015 in compliance with such requirement. The following sections of this report explain how the principles of the Code were applied and provide cross references to other sections of the report and/or the Company's website (www.fresnilloplc.com) where more detailed descriptions are available.

For the financial year ended 31 December 2015, the Company has complied with the provisions of the Code in all areas, save in respect of D.2.1, which provides that the Board should establish a Remuneration Committee of at least three independent Non-executive Directors. The composition of the Fresnillo Remuneration Committee is made up of three members including two independent Non-executive Directors, one of whom, Charles Jacobs, is the Chairman of the Committee. The Chairman of the Company, Mr Alberto Baillères, who was not independent at the time of his appointment, is also a member. The Board believes that Mr Baillères' experience and knowledge of the Group the Mexican market and his considerable contribution to the Remuneration Committee's deliberations justifies his membership of the Remuneration Committee. Mr Baillères is not involved in matters concerning his own remuneration.

In this section

- **Corporate Governance Overview**
  Here we set out an at-a-glance summary of our governance framework. It demonstrates how the key constituents of the Board process work together.
  Read more p100–101

- **The Board**
  This section introduces our individual Board members by providing details of the skills and experience that they bring to the Boardroom and the committees that they serve on.
  Read more p102–104

- **Corporate Governance Report**
  The Corporate Governance Report, which also includes the Nominations Committee Report and the Audit Committee Report, demonstrates how the Company fulfils the requirements of the UK Corporate Governance Code. This report analyses the leadership provided by the Board, the steps taken to ensure that the Board is effective and the framework by which the Board manages relationships with shareholders.
  Read more p105–123

- **Nominations Committee Report**
  Introduced by the Chairman of the Nominations Committee, this report outlines the Committee's philosophy on appointments and diversity and describes the activities of the Committee during the year.
  Read more p106–107

- **Audit Committee Report**
  Introduced by the Chairman of the Audit Committee, this report describes the Audit Committee's work during the year by reference to the principal responsibilities of the Committee for financial reporting, external audit, risk management and internal controls, internal audit, whistleblowing procedures and related party matters.
  Read more p114–123

- **Directors' Report**
  The Directors' Report is prepared in accordance with section 415 of the Companies Act 2006, and sets out information that the Directors are required to present in accordance with the Act.
  Read more p124–125

- **Directors' Remuneration Report**
  The Directors' Remuneration Report includes a letter from the Chairman of the Remuneration Committee summarising the Committee's key discussions during the year; an extended extract of the Remuneration Policy which was approved in 2014; and the Annual Report on Remuneration 2015 which describes how the policy has been applied during the year.
  Read more p126–136

- **Statement of Directors' Responsibilities**
  This statement confirms the Directors' responsibilities in relation to UK law and those International Financial Reporting Standards (IFRS) adopted by the European Union.
  Read more p137

Corporate Governance Overview

The role and interaction of the Board and its committees

The Board has delegated certain authorities to the following committees to facilitate the routine business of the Company:

Fresnillo plc Board

- Review and approve strategy and business plans
- Review performance of the management team
- Oversee the corporate governance framework
- Monitor risk management and internal control frameworks

Audit Committee

- Review published Company financial reports and underlying judgements
- Monitor the work of the external auditor
- Oversee the risk management framework
- Monitor internal controls and review the work of Internal Audit
- Oversee related party matters
- Oversee Group whistleblowing procedures
- Review of Viability Statement and going concern disclosures and supporting rationale

HSECR Committee

- Monitor the Group's HSECR systems
- Review reports on all fatalities and monitor management responses
- Verify the Group's HSECR activities
- Oversee HSECR policies and procedures

Nominations Committee

- Oversee the Board appointment process
- Evaluate skills, knowledge and experience needed on the Board
- Board and Executive Committee succession planning
- Review of size, structure and composition of the Board

Remuneration Committee

- Set Directors' Remuneration Policy
- Determine remuneration packages for Executive Committee members
- Set key performance indicators for Executive Committee members
- Approve annual bonus plan for Executive Committee members

Executive Committee

- Management of the Group's businesses
- Implementation of the Board's decisions
- Executive management of Group strategy
- Financial performance of the Group
- Operation of the Group's risk management framework

Honour Commission

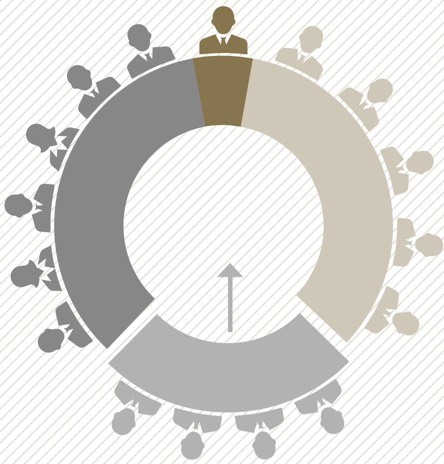
- Maintain ethical business standards within the Fresnillo Group
- Review cases notified to the whistleblowing hotline

Terms of reference for each of the Audit, Remuneration, Nominations and HSECR Committees are available on the Company's website (www.fresnilloplc.com/who-we-are/corporate-governance/terms-of-reference).

Leadership

Diversity and experience

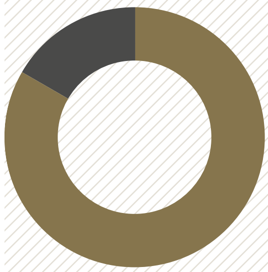
Board composition



The Board is comprised of twelve Non-executive Directors, six of whom are considered to be independent and six to be non-independent.

The structure and business of the Board is designed to ensure that the Board focuses its time and energy on strategy, monitoring the performance of the management team, governance, risk and control issues. Certain aspects of the Board's responsibilities have been delegated to appropriate committees to ensure compliance with the UK Companies Act, FCA Listing Rules and UK Corporate Governance Code (the 'Code').

Gender split



Non-executive Director tenure

Experience

Role of the Board

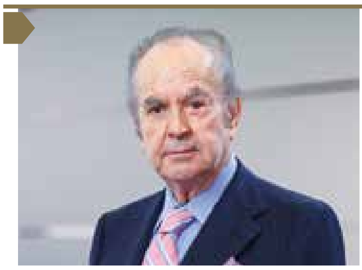
The Fresnillo Board's responsibility to establish and implement the Group's strategy is underpinned by a governance structure and processes developed in accordance with both the letter and the spirit of the Code.

Role of the Executive Committee

The Executive Committee, which consists of the most senior executives within the Company, is led by the Chief Executive Officer. Although none of the members of the Executive Committee sit on the Board, it forms an integral part of boardroom discussions as the Committee has responsibility for implementing decisions agreed in principle by the Board.

The Board of Directors

Chairman of the Board



Alberto Baillères Chairman

Date of appointment:
15 April 2008

Committee membership:
- Nominations Committee (Chairman)
- Remuneration Committee

Key strengths and experiences
- Long-term knowledge and understanding of the Mexican commercial environment
- Relationships within the Mexican and international businesses communities

Over a period of 50 years, Mr Baillères has built up unprecedented experience and knowledge of both the Group and the Mexican markets in which it operates from both investor and the supervisory perspectives.

Non-independent Directors

Alejandro Baillères Non-executive Director

Date of appointment:
16 April 2012

Key strengths and experiences
- Insurance and related financial services in Mexico
- Broad board-level commercial experience in Mexico

As a director of several Grupo BAL companies such as Grupo Nacional Provincial (a leading insurance company in Mexico), Mr Baillères brings knowledge and experience of Mexican and international business to his role.

Juan Bordes Non-executive Director

Date of appointment:
10 January 2008

- Senior executive (CEO-level) responsibilities over several years
- Board membership of companies spanning a broad range of sectors and industries

During his career, Mr Bordes has held both senior executive management roles and board responsibilities with companies spanning a number of different sectors, particularly within Mexico.

Arturo Fernández Non-executive Director

Date of appointment:
15 April 2008

- International economics and public policy
- Directorships of several Mexican companies

Mr Fernández' career brings together a solid academic economics background, many years' experience within the Mexican public policy arena and broad commercial experience (through board directorships of leading businesses in a number of sectors in Mexico).

Rafael MacGregor Non-executive Director

Date of appointment:
10 January 2008

Committee membership:
- HSECR Committee (Chairman)

- Capital markets
- Financial services and commercial sectors

Mr MacGregor has wide-ranging commercial experience in Mexico serving on the boards of a number of major companies across a number of sectors, including the Mexican Stock Exchange.

Jaime Lomelín Non-executive Director

Date of appointment:
15 April 2008

- Mining and engineering
- Senior operational experience within Mexico

Following a career in metals and mining, Mr Lomelín was Chief Executive Officer of Fresnillo plc from April 2008 to 15 August 2012 when he became a Non-executive Director, thus he brings senior management, mining and engineering experience to Board discussions.

Independent Directors

Key strengths and experiences

Guy Wilson **Senior Independent Non-executive Director**

Date of appointment:
1 July 2008

Committee membership:
> Audit Committee (Chairman)

> International audit and accountancy
> UK Government and Capital Markets

Following a career within Ernst & Young, which included 29 years as a Partner, Mr Wilson brings extensive experience of international audit and accounting practice, capital markets and transactions.

María Asunción Aramburuzabala **Independent Non-executive Director**

Date of appointment:
16 April 2012

Committee membership:
> HSECR Committee

> Executive experience within industrial and financial sectors
> Mexican and international M&A and capital transactions experience

Having been Vice Chairman of Grupo Modelo, one of Mexico's largest breweries, until it was sold to Anheuser-Busch InBev in 2012-13, and now also Chief Executive Officer of Tresalia Capital S.A. de C.V., Ms Aramburuzabala brings a broad range of commercial experience to the Board.

Bárbara Garza Lagüera **Independent Non-executive Director**

Date of appointment:
16 May 2014

Committee membership:
> Nominations Committee

> Mexican commercial and industrial
> International Board experience

As an experienced director, particularly through her career at Coca-Cola FEMSA (KOF) and Fomento Económico Mexicano (FEMSA), the largest franchise bottler of Coca-Cola products in the world, Ms Garza Lagüera brings a broad experience of Mexican commercial and international business.

Charles Jacobs **Independent Non-executive Director**

Date of appointment:
16 May 2014

Committee membership:
> Remuneration Committee (Chairman)

> Legal professional with a focus on capital markets, mining and metals
> International M&A experience

Through his experience as a senior partner of global law firm Linklaters LLP, Mr Jacobs brings a legal and regulatory perspective to the boardroom.

Fernando Ruiz **Independent Non-executive Director**

Date of appointment:
15 April 2008

Committee membership:
> Audit Committee
> Remuneration Committee
> Nominations Committee

> Mexican tax and accounting
> International board and audit committee

Mr Ruiz was managing partner of Chevez, Ruiz, Zamarripa y Cia., S.C., tax advisers and consultants in Mexico, and now serves on the board and audit committees of several Mexican and international companies. He has extensive knowledge of Mexican tax and accounting issues.

Jaime Serra **Independent Non-executive Director**

Date of appointment:
16 May 2014

Committee membership:
> Audit Committee

> Mexican government
> International trade and commerce

Following a distinguished career in Government in Mexico, with particular focus on international trade and industry, Mr Serra brings a broad range of experience of Mexican politics and international trade to the Board.

Executive Committee

Executive Committee

Key strengths and experiences

Octavio Alvídrez Chief Executive Officer

Date of appointment:
15 August 2012

Mr Alvídrez is invited to attend Board, HSECR Committee and Remuneration Committee meetings

- Mine management within Mexico
- UK investor relations

Mr Alvídrez has extensive experience within the mining industry, having previously held the position of General Manager of the Madero mine, one of Mexico's largest mines operated by Peñoles. Mr Alvídrez joined the Peñoles Group in August 1988. Since then he has held a number of senior operational and financial positions across Peñoles and Fresnillo, including that of Treasurer, Head of Investor Relations in London and Head of Procurement. He was appointed Vice President of the Silver Institute in June 2015, and is the Vice President of the Board of the Mines, Metallurgy and Geology School of the University of Guanajuato; and a Director of the Lowell Institute for Mineral Resources of the University of Arizona.

Mario Arreguín Chief Financial Officer

Date of appointment:
15 April 2008

Mr Arreguín is invited to attend Board and Audit Committee meetings

- Accountancy and treasury
- Investment banking

Mr Arreguín was previously employed by Peñoles where he held the position of Chief Financial Officer for 11 years and Group Treasurer for six years prior to this. Mr Arreguín has a background in investment banking and project management.

David Giles Vice President, Exploration

Date of appointment:
15 April 2008

Mr Giles is invited to attend Board meetings

- Senior exploration experience within Mexico
- Engineering and geology background

Following a 30-year career at Peñoles, Mr Giles held a number of senior management positions including Vice President of Exploration; prior to this he worked for AMAX, Corona Gold and Toromex. He is an officer of the Society of Economic Geologists and the Mexican Association of Mining Metallurgical and Geological Engineers.

Roberto Díaz Chief Operating Officer

Date of appointment:
1 November 2013

Mr Díaz is invited to attend Board meetings

- Senior project and operational experience
- Mining and engineering

Following a long career in the mining industry, Mr Díaz first joined Peñoles in 1977 and, following roles with other groups, re-joined Peñoles in 2007. He has previously served as Fresnillo's Vice President of Operations and Vice President of Project Development.

Board Structure

Board Membership

As at 31 December 2015, the Board consisted of 12 Directors – the Non-executive Chairman, Alberto Baillères, six independent Non-executive Directors and five non-independent Non-executive Directors. Details about the current Directors of the Company and summaries of their key skills, experience and perspective that they bring to the Board are set on pages 102–103.

In accordance with the UK Corporate Governance Code, all of the Directors will seek re-election by shareholders at the forthcoming Annual General Meeting.

Board Balance

The composition of the Board has been structured to ensure that no one individual can dominate the decision-making processes of the Board. The Chairman, Mr Baillères, is beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V. ('Peñoles'), the Company's controlling shareholder. Mr Baillères is also the Chairman of Peñoles and other companies within the BAL Group.

Board Composition and Independence

The Board is comprised of six Non-executive Directors who are considered to be independent and six Non-executive Directors who are considered to be non-independent, as shown in the diagram below.

Non-independent	Independent
Alberto Baillères (Chairman and Chairman of Nominations Committee)	Guy Wilson (Senior Independent Director and Chair of Audit Committee)
Alejandro Baillères	María Asunción Aramburuzabala
Juan Bordes	Bárbara Garza Lagüera
Arturo Fernández	Charles Jacobs (Chair of Remuneration Committee)
Rafael MacGregor (Chair of HSECR Committee)	Fernando Ruiz
Jaime Lomelín	Jaime Serra

The Board considers the Directors listed in the table above as independent, to be independent in character and judgement. For each of these Directors, their circumstances are assessed by reference to Provision B.1.1. of the Code and the Board remains satisfied that they are each independent when the scenarios set out in Code Provision B.1.1 are taken into account.

Charles Jacobs is a senior corporate partner with Linklaters LLP, the Company's legal advisors, and as a Director, he has not and will not, be involved in the provision of legal or any other services to the Company by Linklaters LLP. Fernando Ruiz has, since 2008, been a retired partner and consultant in the firm Chevez, Ruiz, Zamarripa y Cia., S.C., a firm providing professional services to the Company. Mr Ruiz was not involved in the provision of such services prior to his retirement. Guy Wilson retired as a partner of Ernst & Young LLP, the Company's auditors, in 2008. Mr Wilson was not involved in the provision of audit or any other services to the Company by Ernst & Young LLP prior to his retirement.

Peñoles has entered into a legally binding relationship agreement with the Company as required by Listing Rule 9.2.2 AR (2), which ensures that decisions in relation to transactions with Peñoles must be taken by the independent Non-executive Directors of the Company. The key provisions of this Relationship Agreement are summarised on page 111.

The Relationship Agreement complies with the independence provisions set out in Listing Rule 6.1.4 DR for controlled companies. The Company has complied with the independence provisions included in the Relationship Agreement during the financial year ended 31 December 2015. As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2015 by Peñoles and/or any of its associates.

The non-independent Directors listed above have been appointed to the Board by Peñoles pursuant to the Relationship Agreement.

Chairman's Independence

Mr Baillères was appointed to the Board by Peñoles pursuant to the Relationship Agreement, thus at the time of his appointment was not independent. Having been responsible for overseeing the successful development of the Group over many years, the Board considers that his continued involvement as its Non-executive Chairman is very important to the continued success of the Company.

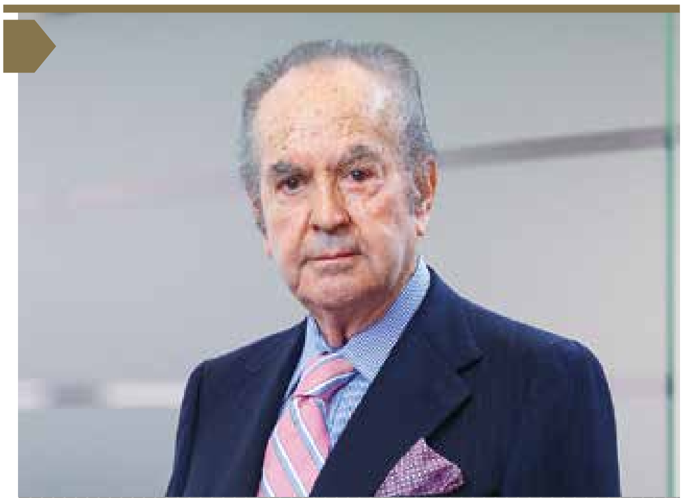
The Relationship Agreement continues to provide a transparent governance system, which ensures that the Company benefits from Mr Baillères' leadership and experience whilst being able to demonstrate to other shareholders that the Fresnillo Group is capable of carrying on its business independently. In particular, the Relationship Agreement ensures that transactions and relationships between the Fresnillo Group and its controlling shareholder are at arm's length and on competitive commercial terms.

Board Roles

The separate roles of Chairman and of the Chief Executive Officer are recognised and the requirements for these roles have been specified in writing and agreed by the Board in the Statement of Responsibilities. Octavio Alvídrez, the Chief Executive Officer, is not currently a member of the Board.

Guy Wilson, the Senior Independent Director, is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer, Chief Financial Officer or Head of Investor Relations.

Nominations Committee Report



"2015 was a year for consolidation and this is reflected in the activity of the Nominations Committee during the year."

Mr Alberto Baillères
Chairman of the Nominations Committee

Dear Shareholder,

Following a year of significant change in the composition of the Board in 2014, 2015 was a year for consolidation and this is reflected in the activity of the Nominations Committee during the year.

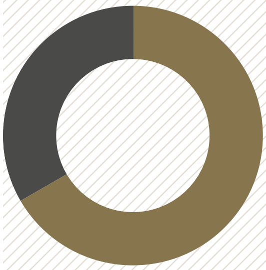
During the year, the Nominations Committee met two times and our priority for the year was to continue to focus on the long-term evolution of the membership of the Board and its committees. This discussion seeks to build on the changes in Board membership that have already occurred during the past few years. This is not an easy challenge because I have valued the support and wise counsel of all of the Directors who have served on the Fresnillo plc Board since the Company became a listed company in 2008. Nevertheless, I accept that the UK Corporate Governance Code requires us to ensure that the Board is refreshed over time and we are committed to doing that.

We are mindful of the challenges in attracting women into mining-related professions in Mexico. The Board has spent time understanding the organisational culture programme that the management team have been developing since 2013. A key part of that programme seeks to make sure that the Company provides an environment where employees can flourish, irrespective of gender. We therefore remain committed to the principle of diversity in the boardroom.

Yours faithfully

Mr Alberto Baillères
Chairman of the Nominations Committee

Experience



General Mexican and international business	2
Finance and tax	1

Members

- Chairman: **Alberto Baillères**
- Members: **Bárbara Garza Lagüera**
  Independent Non-executive Director
  Fernando Ruiz
  Independent Non-executive Director

Meeting participants

- Company Secretary

Membership

The members of the Nominations Committee are Alberto Baillères (Chairman of the Committee), Bárbara Garza Lagüera and Fernando Ruiz. The majority of the members of the Nominations Committee are, therefore, independent Non-executive Directors.

Role

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees and succession planning for the Directors and other senior executives. Before making appointments of new Directors, the Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board and identifying and nominating suitable candidates.

The Nominations Committee has approved Board Appointments and Board Diversity Policies which provide the framework for the Nominations Committee and the Board's approach to Board appointments.

Board Appointments Policy and Process in Summary

The Nominations Committee and the Board are committed to the principle of appointments to the Board being made on the basis of merit. The criteria for determining the composition of the Board and future Board appointments continues to be based on:

> Relationship Agreement requirements for appointments to the Board by Peñoles;
> The Company's leading position as a precious metals miner in Mexico;
> The Company's inclusion in the FTSE 100 Index;
> The specific functions on Board committees which independent Directors will be required to fulfil; and
> The criteria set out in the current terms of reference of the Nominations Committee.

The Nominations Committee does not use open advertising or retain any external consultants when making new appointments to the Board as it is considered unnecessary considering the Company's contacts within Mexico.

Board Diversity Policy in Summary and Progress

All Board appointments are made on merit. The Board recognises and embraces the benefits of having a diverse Board; particularly the value that different perspectives and experience bring to the quality of Board debate and decision-making. There are certain considerations which are taken into account in considering the composition of the Board such as background and experience, age, gender, and shareholder perspectives.

The Board believes that setting targets for the number of people from a particular background or gender is not the most effective approach to take. The Board will therefore look to follow the principles of this policy rather than specified quotas or targets.

The Board recognises that very few women are attracted to mining engineering and geology academic programmes in Mexico and, in view of the stage of development of Mexico, the participation of women in the labour force as a whole is still relatively low. This will take time to rectify but has been changing, particularly in relation to unionised workers, and the Company in committed to hiring and developing women with educational training in mining engineering, geology, finance and accounting. In the meantime, the Board has reviewed the organisational culture programme that has been developed since 2013 which, among other things, seeks to build a cultural environment where employees can flourish, irrespective of gender.

Full versions of the Board Appointments Policy and Process and the Board Diversity Policy can be found on the Company's website (www.fresnilloplc.com/who.we.are/Corporate.Governance/The.Board.Structure/Board Appointments and Diversity Policies).

Activity during 2015

The Nominations Committee met twice during the year.

Board Appointments

The Nominations Committee is committed to a progressive refreshing of the Board, as recommended by Code Provision B.2.3 of the UK Corporate Governance Code. Since 2012, five new directors have been appointed to the Board, including the appointment of two distinguished Mexican businesswomen which demonstrates the Nominations Committee and the Board's commitment to gender diversity.

Whilst there have not been any changes to the Board during 2015, the Nominations Committee has continued to discuss this requirement to ensure that a steady momentum is maintained.

Committee Membership

Having made some changes to the membership of the Board committees in 2014, as a result of changes to the membership of the Board itself in that year, the Nominations Committee reviewed the composition and effectiveness of the Board committees in 2015 and was satisfied that the committees are working well.

Executive Succession Planning

Each year, the Nominations Committee reviews a schedule of possible successors for all the positions on the Executive Committee (Chief Executive Officer, Chief Financial Officer, Vice President of Exploration and Chief Operating Officer). This review considers both short-term emergency and long-term planning scenarios. Any actions needed to support the development of potential long-term successors are discussed. The Nominations Committee also monitors the long-term evolution of the membership of the Board as a whole. These matters were all discussed by the Nominations Committee in 2015 and it is satisfied with the actions that are being taken to support this.

Other Nominations Committee Activity

The Nominations Committee also considered the following matters:

> Approval of the 2014 Nominations Committee Report prior to publication;
> The time commitment required from each Director;
> The proposed re-election of each of the continuing Directors at the Annual General Meeting; and
> A self-evaluation exercise.

The terms of reference of the Nominations Committee are available on the Company's website at www.fresnilloplc.com.

The letters of appointment for the Non-executive Directors are made available for inspection at the Company's registered office, during normal business hours.

Effectiveness

Board Process

The Board is responsible for setting the Group's long-term objectives and commercial strategy and overseeing the management of the Group's activities. The Board also provides leadership to the Fresnillo Group in establishing the values by which it will conduct its business. There is a formal schedule of matters reserved for the Board's decision which includes approvals of major expenditure and investments and key policies. This schedule is reviewed from time to time and was reviewed and revised in July 2015 to reflect regulatory developments since its last review.

A table of attendance of members of the Board and Board committees at meetings during the financial year ended 31 December 2015 is set out later in this report. All meetings of the Board are held in Mexico.

Board papers are usually circulated to Board members five days prior to the meeting to allow the Directors sufficient time to consider and deliberate papers. The agenda is prepared by the Company Secretary in consultation with the Chief Executive Officer and the Chief Financial Officer for the Chairman's approval.

As discussed later in this section, a new format for Board papers was adopted during the year following the 2014 Board evaluation exercise. The purpose of the changes was to promote a greater focus on the financial and operational progress of the key strategic projects and their implementation.

Papers in respect of strategic planning, policies and investment proposals for each Board meeting are prepared by members of the Executive Committee and are presented to the Board for its consideration under the Schedule of Reserved Matters, each proposal having been first considered and approved by the Executive Committee. In so doing, the Executive Committee aims to ensure that any such proposals take into consideration those factors set out in section 172 of the Companies Act 2006. Significant matters that purely require Executive Committee approval are reported to the Board.

Led by the Chief Executive Officer, members of the Executive Committee attend all of the Board meetings and present all of the papers on operational and financial matters. The only discussions which members of the Executive Committee are not present for are discussions about management succession and the annual Board evaluation report discussion.

The Directors may raise concerns at meetings of the Board and, if necessary, ask for such concerns to be recorded in the Board minutes. Directors also have access to the advice and services of the Company Secretary (whose appointment and removal is a matter reserved for the Board). A procedure has been established to enable Directors to obtain independent professional advice at the Company's expense in relevant circumstances.

Board Programme in 2015

The Board meets at least four times a year and has an established programme of meetings. The Board seeks to focus on strategic issues as well as overseeing the day-to-day operations of the Group. Its primary areas of focus in 2015 were:

	February	March	April	May	July
Specific activity and approvals	> Directors' interests declared > Review of 2014 Board Evaluation Report and associated Action Plan > Report on Hedging Programme Implementation > Budget update > Review of principal risks and uncertainties > Review of system of internal control > Review of Going Concern > Review of Annual Report > Review of dividend policy > Approval of Pyrites Plant Fresnillo/Saucito proposal > Approval of Merrill Crowe Plant at Herradura	> Approval by Board Committee of 2014 Results and Annual Report	> Review of progress with 2014 Board evaluation action plan discussion > Board lunch and strategy discussion	> Annual General Meeting	> Approval of interim results > Review of Going Concern > Review of principal risks and uncertainties > Review of terms of reference > Approval of revised Pyrites Plant Plan > Approval of opening of Chile Exploration Office
Strategy Presentation			> Sustainability strategy		

Regular activity considered at all meetings

- Directors' interests
- Chief Executive's Report
- Financial Report
- Board Committee Reports
- Risk and Anti-Bribery and Corruption update
- Investor Relations and Corporate Communications update
- Legal and Company Secretarial Report (including litigation update)

The Executive Committee

The Executive Committee consists of the most senior executives within the Fresnillo Group. It is responsible for the management of the Company's businesses including the implementation of decisions agreed in principle by the Board and all executive management of the operations of the Group within the strategy and budget approved by the Board. It has certain powers to approve smaller transactions on behalf of the Board (such significant transactions are reported and explained to the Board at its next scheduled meeting). Over the past few years, the role of the Executive Committee has evolved in three main areas: risk, business conduct and safety performance.

Members of the Executive Committee meet with non-independent members of the Board prior to each Board meeting. These discussions are minuted and copies of the minutes are circulated to all of the Directors.

Between Board meetings Directors are provided with information on important developments and issues such as:

- Reports on safety and fatalities;
- Important developments regarding projects/transactions; and
- Distribution of relevant information on precious metals sector.

Board Development and Evaluation

The Board recognises that sound governance has a role to play in securing strategic success and strong performance as well as in protecting the interests of its shareholders. The Board has sought to use its annual Board evaluation exercise, whether internally conducted or externally facilitated, to develop and improve its effectiveness.

July	October	December
> Review of an external review of the Group's anti-bribery and corruption framework > Approach to 2015 board evaluation > Approval of changes to the Schedule of Matters reserved to the Board, Disclosure Procedures and Share Dealing Code	> Update on Organisational Culture Programme > Approval of Met Mex rates for 2015 > Approval of 2016 Business plan and budget > Board Evaluation > Review of Code of Conduct and Anti-Corruption Policy > Review of viability statement process and key assumptions	> Amendment of certain parameters of the gold hedging programme relating to the Penmont minority acquisition
	> Long-term strategy 2015-2030	

Board development

A number of initiatives are in place to give the Non-executive Directors more information about the broader context to the Company's activities. These include strategy presentations by senior management and regular distribution of industry briefings on technical, market and sector issues.

Directors are encouraged to visit the Company's mines to familiarise themselves with the Fresnillo Group's operations.

All Directors have received briefings from the Company's advisers, including presentations to familiarise them with their duties and responsibilities as Directors of a UK listed company. The Chairman regularly discusses training and development needs with the Directors, usually as part of the Board and committee evaluation exercises.

Individual performance reviews

The Chairman meets with the Non-executive Directors informally from time to time without the executives present. These meetings provide an opportunity for the Chairman to ensure that the Non-executive Directors' training and development needs are being satisfied. The independent Non-executive Directors normally meet to evaluate the performance of the Chairman each October, following which the Senior Independent Director discusses the views of the independent Directors with the Chairman. The independent Directors held this meeting in 2015 after the February meeting and took the 2014 Board Evaluation review into account in their discussions and feedback to the Chairman.

Board performance evaluation

Fresnillo's approach to evaluating the effectiveness of the Board and its committees operates at two levels. Both the Board and Audit Committee undertake annual evaluations using a combination of externally facilitated and internally run evaluations over a three-year cycle. The cycle of Board and Audit Committee evaluations are summarised as follows:

Year 1	Year 2	Year 3
External Board evaluation (approach agreed with Chairman)	Follow-up on action plan from externally facilitated evaluation	Focus on outstanding and emerging issues arising from Action Plan

Board evaluation in 2015

In 2014, a new three-cycle commenced and the Board appointed Independent Audit Limited (IAL) as an external evaluator to assist with this review. In 2015, an internally facilitated evaluation was conducted to follow up on IAL's action plan.

Whereas in the 2011–2013 cycle the Board's general approach to governance was considered, in 2014 the evaluation focused on specific aspects of the effectiveness of the Board recognising the evolution of best practice standards over the past few years.
In September 2015, the annual Board evaluation exercise used an internally facilitated questionnaire approach to focus on the recommendations made by IAL in 2014 and subsequent actions taken in response (the Response Plans). The evaluation exercise sought to obtain Directors' views on the recommendations made by IAL and the adequacy of the Response Plans at the time of the evaluation survey.

Effectiveness continued

In 2014, IAL considered four aspects which are summarised below along with the specific actions agreed in response to the review, progress made in 2015 and any further actions required following feedback from the 2015 evaluation process.

Key Focus	> Performance and information reporting	> Project governance	> Control and culture	> Operational and organisational efficiency
Key Question	> Could information flows to the Board be improved to aid better discussion and focus on the strategic context?	> How can reporting to the Board on project risks and their management be improved?	> How can the Board engage better with management's culture and values programme?	> How can the Board as a whole improve the visibility of the way that management run the business?

Key Responses	2015 Progress	2015 evaluation comments and any further action
> The format and information contained in Board papers will be refined to help focus discussion on key issues and risks, particularly in relation to the performance and risk profile of key projects.	> New format Board papers adopted in July 2015.	> Well received by Board members, however continual monitoring of the suitability and format of the papers is required and should be reviewed in 2016.
> More time in Board meetings will be devoted to discussion of long-term strategic considerations (up to five years).	> Long-term strategy was an agenda item at the July and October Board meetings. Sustainability Strategy was also reviewed at the April Board meeting.	> The Board recognise the importance of discussions and presentations on long-term strategy. A decision as to how frequently and at which of the scheduled Board meetings it is discussed is to be decided.
> Enable Directors to understand the control and culture of the organisation more easily.	> A presentation on the organisation and culture and values programme initiated in 2013 was given at the October 2015 Board meeting. > In 2015, the Audit Committee and Board have sought to take an integrated approach to their reviews of the control environment in response to the new UK Corporate Governance Code changes. > Directors are encouraged to visit mine sites. A site visit was arranged for one Director during the year.	> Continue to review in 2016.
> More information will be provided to the independent Directors about the factors taken into account prior to proposals being made to the Board for approval.	> Minutes of pre-Board review meetings are now circulated to Directors.	> No further action required – review in 2016.

Audit Committee Evaluation
The Audit Committee has adopted a similar approach to the Board in engaging IAL periodically to undertake separate external evaluations of the Audit Committee. In 2014, IAL also separately reviewed the Company's risk management framework, to assess the effectiveness of its Internal Audit function and the external audit process. During 2015, the Audit Committee has been overseeing a series of actions taken in response to such reviews in 2014 which are explained further in the Audit Committee Report.

Other Committee Evaluations
The Nominations and Remuneration Committees undertake self-evaluation on an annual basis but given the relatively straightforward nature of their work, have not considered it necessary to use external facilitation for their reviews. Such reviews were conducted by both of these committees in 2015.

Board and Committee meeting attendance

Committee	Board	Audit Committee	HSECR Committee	Nominations Committee	Remuneration Committee
No. of meetings in year	4	5	2	2	3
Alberto Baillères	4/4	–	–	2/2	3/3
María Asunción Aramburuzabala	3/4	–	0/2	–	–
Alejandro Baillères	3/4	–	–	–	–
Juan Bordes	4/4	–	–	–	–
Arturo Fernández	4/4	–	–	–	–
Bárbara Garza Lagüera	4/4	–	–	2/2	–
Charles Jacobs	4/4	–	–	–	3/3
Jaime Lomelín	4/4	–	2/2	–	–
Rafael MacGregor	3/4	–	2/2	–	–
Fernando Ruiz	4/4	4/5	–	2/2	3/3
Jaime Serra	3/4	5/5	–	–	–
Guy Wilson	4/4	5/5	–	–	–

1 An additional meeting was held in December 2015 to approve an amendment to the current hedging programme. Board members were consulted about the proposal, however the final decision was made at a two-member meeting and therefore this meeting is not included in the table above.

2 All of the members of the Executive Committee attended all of the Board meetings in 2015.

Related party governance in practice

There are a number of checks and balances which ensure that there is full transparency in the way that related party transactions are dealt with by the Board.

Relationship Agreement

The Company continues to have a Relationship Agreement in place between Peñoles and the Company to regulate this ongoing relationship. The agreement was amended in November 2014 further to a review in line with the new Listing Rule requirements which came into effect on 16 May 2014. The principal purpose of the Relationship Agreement is to ensure that the Fresnillo Group is capable of conducting its business independently of the Peñoles Group, and that transactions and relationships with the Peñoles Group are at arm's length and on normal commercial terms.

Peñoles has also undertaken not to exercise its voting rights to amend the Articles of Association in a way which would be inconsistent with the provisions of the agreement. It has also agreed to abstain from voting on any resolution to approve a 'related party transaction' (as defined in paragraph 11.1.5 R of the Listing Rules) involving any member of the Peñoles Group.

Conflicts of interest

The duties to avoid potential conflicts and to disclose such situations for authorisation by the Board are the personal responsibility of each Director. Each Director ensures that he/she keeps these duties under review and informs the Company Secretary on an ongoing basis of any change in their respective positions, such as a new directorship taken on.

Each Director has completed a 'Director's List' which sets out details of situations where the Director's interest may conflict with those of the Company ('situational conflicts'). The Director's Lists have been re-submitted by each Director as at 31 December 2015 and the Board has considered and authorised any new situational conflicts identified in these re-submitted lists. In addition, Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with sections 175, 177 and 182 of the Companies Act 2006.

The following diagram summarises the approach taken to identify and manage related party transactions.

Identifying Directors' interests

Process	How this is managed	Responsibility
Monitoring of Directors' interests	If a Director is interested in a company which could potentially enter into transactions with a Fresnillo plc Group company, the Board will normally consider that interest under its arrangements for authorising conflicts of interest under s175 of Companies Act.	Directors

Managing a related party transaction

Proposed transaction ↓	Ongoing monitoring of Directors' interests and related parties of the Company provides the information to determine if a related party approval is required for a proposed transaction.	
Contract negotiation and verification ↓	The Executive Committee will seek to ensure that the best possible terms are achieved for a proposed transaction and that they are verified by industry benchmarking reports or independent valuation/assessment.	Fresnillo management and Executive Committee
Financial scrutiny ↓	The Audit Committee reviews the key terms of major transactions which are verified as to price and quality with external consultants or independent benchmarking where possible.	Audit Committee review
Independent Director approval	Under the Relationship Agreement, the independent Directors must approve any transaction with the Peñoles Group and its associates without the non-independent Directors voting.	Independent Directors

Relations with Shareholders

The Board seeks to ensure that the interests of minority shareholders in the Company are properly respected and aligned with those of major shareholders. As described on page 111, the Board maintains procedures for dealing with transactions with related parties as well as Directors' conflicts of interest.

The Company has an office in London where the Head of Investor Relations is based. The Group has implemented a strong communications and investor relations programme over 2015 as detailed in the diagram below.

The Company also aims to meet major shareholders and analysts at least twice a year, allowing the investors and analysts to discuss the results of the Group as well as giving them an opportunity to raise any queries or concerns they may have. The Senior Independent Director, Guy Wilson, has attended such meetings and it is his intention to continue to do so in order to sustain good communications between shareholders and the Company. The Chief Executive Officer and Chief Financial Officer participate in the major roadshows after preliminary and half yearly results are announced to meet with analysts and shareholders. They are joined by other members of the Executive Committee for some of these visits. The table below gives some examples of the discussion points at such meetings and the response from the Company.

Fresnillo grades and development delays	Detailed information about the measures being taken, clear progress updates in each production report and results announcement
Processing capacity constraints at Herradura	Regular updates given on the progress re. the second Merrill Crowe plant, increasing solution processing capacity, and reaching steady state
Precious metals backdrop and Fresnillo's ability to respond to lower prices	Clear articulation of ability to invest through the cycle, whilst retaining the flexibility to take market conditions into account
Capital allocation: capex vs. dividends	Reiteration of aim to balance quality growth with returns across the cycle
Costs	Detailed breakdown of cost metrics, including explanation of changes year-to-year and metric-to-metric; cost inflation/deflation breakdown by component
Increased detail on volumes processed/hauled	Additional disclosure re. volumes processed/hauled and clearer format for ore grade reporting provided from the first quarter production report onwards. This has been well received
Saucito II ramp-up	Frequent updates of key points in the ramp-up process: eg. testing, reaching steady state ahead of timetable
San Julián	Clear articulation of reasons behind the delay; context of a delay of this magnitude being typical for a project of this scale

	January	February	March	April	May	June	July	August
Investor relations activities	Conference calls following the production report announcement		Roadshow following the preliminary results announcement and presentation: UK, US, Canada Nordea mining reverse roadshow	Conference calls following the production report announcement			Conference calls following the production report announcement	Roadshow following the half-yearly results announcement and presentation: UK
Industry conferences			Citi Global Resources Conference, Canaccord Mining Forum		Bof AML Global Metals and Mining Conference	HSBC LatAM Investor Forum		

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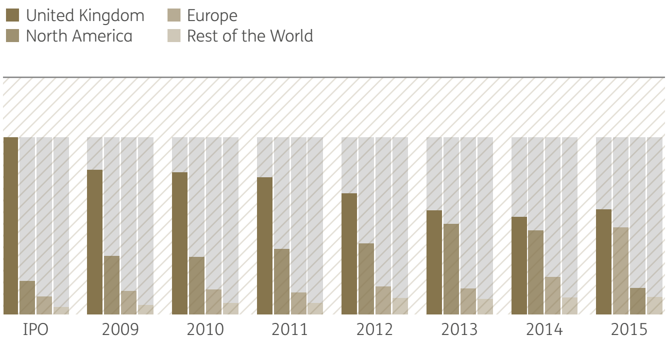
It is the role of the Head of Investor Relations in London to maintain ongoing relations with analysts and major shareholders; this is done by way of telephone calls and meetings. The Company also uses a full programme of mining conferences to meet with current and prospective investors. Contact with investors in Mexico is maintained through the Investor Relations Office in Mexico City. The Chief Executive Officer and Chief Financial Officer participate in the major roadshows to meet with analysts and shareholders. They are joined by other members of the Executive Committee for some of these visits. The Head of Investor Relations, supported by the Chief Executive Officer and Chief Financial Officer, gives a report at each Board meeting on communications and shareholder activity.

Geographical shareholder base

The following graph demonstrates the Company's global appeal with a significant shift since IPO in 2008 from a predominantly UK shareholder base.

Geographical split of free float shareholders since 2008



Major interests in shares

As at 29 February 2016, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

Notification received from:	Number of voting rights	%
Peñoles	552,595,191	74.99
BlackRock, Inc[1]	44,298,691	6.01
First Eagle Investment Management LLC	35,870,751	4.87

1 Includes interests held by BlackRock Global Funds.

September	October	November	December
Site visit	Conference calls following the production report announcement	UBS mining reverse roadshow	
Denver Gold Forum, Morgan Stanley Industrials and Natural Resources Summit, Deutsche Bank Metals and Mining Conference		JP Morgan Best of British Conference	Goldman Sachs Global Metals and Mining Conference

2015 Annual General Meeting

At the 2015 Annual General Meeting ('AGM'), all resolutions put to shareholders were passed by a majority of 97% or above. As such, the Company did not deem it necessary to specifically engage with shareholders over any of the items of business of the AGM. In accordance with changes to the UK Listing Rules applicable to companies with a controlling shareholder, the resolutions relating to the re-election of the independent Non-executive Directors required approval by a majority of votes cast by independent shareholders as well as all the shareholders of the Company. The table below shows the results of those resolutions and again, as these were passed on such a high majority by the independent shareholders as well as all shareholders, the Company is satisfied that no further engagement with shareholders is required specifically on the re-election of the independent Directors.

Resolution	Votes cast by all shareholders		Votes cast by independent shareholders	
	For (%)	Against (%)	For (%)	Against (%)
To re-elect Mr Guy Wilson	99.97	0.03	99.88	0.12
To re-elect Mr Fernando Ruiz	99.38	0.62	97.00	3.00
To re-elect Ms María Asunción Aramburuzabala	99.91	0.09	99.57	0.43
To re-elect Ms Bárbara Garza Lagüera	99.95	0.05	99.77	0.23
To elect Mr Jaime Serra	99.44	0.56	97.31	2.69
To elect Mr Charles Jacobs	99.96	0.04	99.80	0.20

Further to the Code provisions, details of proxy voting are presented at the AGM and final figures are announced to the London Stock Exchange and uploaded to the Company's website as soon practicable after the AGM.

2016 Annual General Meeting

The Company's eighth Annual General Meeting will be held on Tuesday 3 May 2016 at 12.00 noon. The business of the Annual General Meeting will be conducted in accordance with the provisions B.7.1, B.7.2, E.2.1 and E.2.2 of the Code. The Chairman of the Board and the chairmen of each of the Board committees will be available to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the Annual General Meeting will be sent to shareholders at least 20 working days prior to the date of the meeting. In planning the business of each AGM, the Board takes account of institutional shareholder guidelines on pre-emption rights, share buy-backs and shareholder rights in relation to general meetings when drafting the usual resolutions dealing with those matters. In each case, resolutions are presented to the AGM to give the Board flexibility to respond to market developments.

Authority to purchase own shares

The Company was authorised by a shareholders' resolution passed at the Annual General Meeting held in May 2015 to purchase up to 10% of its issued Ordinary Share capital. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of the Company's issued and authorised share capital. This authority will expire at the forthcoming Annual General Meeting and a resolution to renew the authority for a further year will be proposed. No shares were purchased by the Company during the year.

Audit Committee Report

"...two pleasing aspects of our work this year. Firstly, the work that management has done to create a transparent understanding of our internal control environment. Secondly, the extensive work across the Group to prepare the necessary documentation to support our viability statement"

Guy Wilson
Chairman of the Audit Committee

Dear Shareholder,

The continued decline of precious metals prices and the deterioration of the Mexican peso against the strength of the US dollar have required a change in the Audit Committee's priorities in 2015. The consequence of precious metal price decline has sharpened our focus on going concern and the new viability statement to ensure that we have sufficient resources in the years ahead. It has also prompted greater scrutiny of the assumptions underlying the methodology used to measure whether there has been any impairment in our mining assets. Exchange rate movements in the ratio between the Mexican peso and the US dollar require us to review closely the impact on our hedging arrangements and the effect on deferred tax movements due to the Group's substantial assets in Mexican pesos for Mexican tax purposes and that effect translated into US dollars.

This year, we have also substantially addressed the issues arising from the independent evaluation of the Audit Committee in 2014, the details of which are set out in the accompanying report.

I would particularly like to highlight two pleasing aspects of our work this year. Firstly, the work that management has done to create a transparent understanding of our internal control environment has been exemplary because it enables the system to be demonstrated with clarity throughout the Group. Secondly, the extensive work across the Group to prepare the necessary documentation to support our viability statement. This work has enabled us to have great confidence in the potential effects of some adverse scenarios and thus be able to estimate the appropriate financial implications and plan our remediation efforts. This enabled us to recommend that the viability statement be approved by the Board. Both of these large pieces of work demonstrate the ability of our people to work effectively together across disciplines.

Experience

Finance and tax	2
Political and public policy	1

Members

- Chairman: **Guy Wilson**
- Members: **Fernando Ruiz**
  Independent Non-executive Director
  Jaime Serra
  Independent Non-executive Director

Meeting participants

- Chief Financial officer
- Internal Audit
- Company Secretary
- Chief Executive Officer
- Chief Operating Officer
- Vice President, Exploration
- Head of Risk
- Head of Legal
- Head of IT
- External Auditor

Last year, in addition to our primary task of the oversight of financial accounting and reporting together with internal controls, concentrating on the financial judgements in the Financial Statements, I outlined five priorities for your Audit Committee in 2015. I now comment on progress so far:

2015 Priorities	Progress
> Monitoring management, risk and Internal Audit to improve the quality of the bi-annual reports to the Board on the effectiveness of the controls over risks at each of the operational mines, development projects and exploration areas effectively highlighting changes in the risk profile, if any	> Significant progress has been made in implementing movements in the risk profiles at operating and development projects but more work needs to be done in exploration areas
> Following the recent pronouncement from the FRC concerning the enhanced statement from the Board in the 2015 Annual Report about the Company's internal controls, we need to monitor the efforts of management and Internal Audit to examine all our internal controls to identify if any additional procedures are required before the Board can have the confidence in the data provided so that they can make the enhanced statement	> Management have done considerable work to clearly define the three levels of control over the identified risks in our operations, as set out in greater detail in the accompanying report
> The Company prepares a considerable amount of data on each project which is regularly reviewed by management. To date, this data is not summarised in a way to enable informed discussion at the Board. We will monitor management's development of a new summary presentation to ensure that it is concise and transparent for all parties	> Project data has been reformatted into a transparent presentation to the Audit Committee and the Board
> We will monitor management's development of a robust process to underpin the requirement for a statement by the Board regarding the Company's longer-term viability being for a period longer than that envisaged under the current going concern concept. We will therefore challenge management's assessment of the relevant evidence and assumptions underlying future years' projections in order to ensure that the Board's statement is appropriately worded	> Significant work has been done by management to provide robust evidence to support the Board's statement of long-term viability, which can be seen in the Strategic Report on page 48
> We will continue to review management's progress in developing the requirements to fulfil the IT strategy to ensure that these are consistent with corporate strategy and that any enhancements are cost effective	> The configuration of the IT strategy is a long-term process. We are satisfied that management and IT are collaborating well and that the development of new IT applications are progressing and are in line with the Group's strategy

For 2016, we assess our priorities in addition to our primary tasks as follows:

> Continuing to encourage management to enhance the transparency of the effectiveness of the internal controls over the identified risks to enable the Board to have continued confidence in our process.
> Continuing to encourage management to challenge the assumptions underpinning the long-term strategy of the Group to ensure that the Board can remain confident about the Group's long-term viability.
> Continuing to challenge management's progress to implement IT improvements to underpin the corporate strategy and ensure that such enhancements are cost effective.
> Conduct an effective and efficient audit tender process.

Despite this pressure, I managed to arrange to visit our operations in Ciénega, which has a different geographical configuration to our other mines that I have visited. I found the visit extremely helpful to understand the risks management need to address and the controls they utilise on a daily basis to mitigate those risks.

In closing, I would like to acknowledge, with gratitude, the contributions of my colleagues Fernando Ruiz and Jaime Serra which are always insightful and as a result, collectively, we can be an effective Audit Committee.

Yours faithfully

Guy Wilson
Chairman of the Audit Committee

Audit Committee Report continued

Membership

The members of the Audit Committee at 31 December 2015 were Guy Wilson (Chairman of the Committee), Fernando Ruiz and Jaime Serra. Guy Wilson was previously a partner at EY, bringing an international audit and accountancy perspective as well as extensive experience of capital transactions and corporate activity and is therefore considered to have recent and relevant financial, auditing and accounting experience. Further to the individual biographies on page 103, Fernando Ruiz and Jaime Serra have extensive experience of the economy and the business environment both in Mexico and internationally. In addition, Fernando Ruiz brings many years' knowledge of the legal and tax environment and Jaime Serra, political insight through the various roles he has held within the Mexican government (with particular focus on international trade and commerce). Consequently, together the Committee members bring broad and relevant perspectives to the issues they need to address.

The Chief Financial Officer and representatives from external and Internal Audit attend all meetings, with the Chief Executive Officer, other members of the Executive Committee and management attending where appropriate and also external advisers if relevant for specific matters.

Role

The role of the Audit Committee is set out in its terms of reference, a copy of which can be found on the Company's website. The terms of reference set out the duties of the Audit Committee under the following headings:

> Financial Reporting
> External Audit
> Risk Management and Internal Controls
> Internal Audit
> Whistleblowing Procedures
> Related Party Matters

In order to assist the Committee in fulfilling its duties whilst implementing good corporate governance, the Audit Committee developed a Committee Policy Manual which codifies the policies within the scope of the Audit Committee's responsibilities. This document is reviewed by the Committee on an annual basis.

Committee Evaluation

The Audit Committee uses regular evaluation processes as a means of ensuring that the governance over the controls environment is appropriate. In 2014 an independent evaluation of the Committee was carried out by Independent Audit Limited in parallel with the evaluation of the full Board. A number of workstreams have been established in response to the recommendations arising which have been largely the responsibility of management to implement. Progress has been monitored by the Audit Committee during the year. The following table summarises this activity and progress during the year.

Workstream	Progress during the year
> Improve the quality of dynamic reporting on the evolving risk profiles of operational mines, development projects and exploration areas.	> This work was completed and incorporated into the Board and Committee papers. The enhanced reporting was well received by Board members.
> Improve the understanding of how various sources of assurance (such as operational management, financial management, executive management, and Internal Audit) interact in the execution and monitoring of material controls as well as identify and address any gaps in the control framework.	> Significant progress has been made between the different participants in this process, with a report summarising the status and findings presented at the December 2015 meeting of the Audit Committee. This report served to inform the Board in its review of the system of internal controls and will enhance the framework within which internal controls are monitored on an ongoing basis in future.
> Re-design agenda papers for the Audit Committee (and the Board) to provide increased visibility and transparency on projects, with an aim to facilitate more informed discussion at Board level.	> A working party of executives and Non-executive Directors have re-designed the Board papers and these new formats have been adopted.
> Develop a robust process underpinning the new requirement to produce a viability statement, leading to a better understanding of the risks to the Company's strategy, monitoring of material controls over those risks and related potential mitigations.	> A comprehensive assessment of the time period for the viability review, the scenarios used to test the statement assumptions and financial model was developed and a full assessment of the impact of severe but plausible scenarios was undertaken.
> Embedding IT strategy into the broader strategy, with all relevant programmes subject to full risk review and monitoring.	> The IT function and management have collaborated on this and have prepared progress reports to the Audit Committee for each meeting. The Audit Committee is satisfied with progress to date.

The Company Secretary also facilitated a review of the Committee's terms of reference during the year. The Committee concluded that, following changes to the UK Corporate Governance Code, the terms of reference required amendments to reflect changes in the Audit Committee's role in monitoring risk, internal control, going concern, and assessing viability. These revisions were recommended to and subsequently approved by the Board in February 2016.

Audit Committee Activity during 2015
The Audit Committee met five times in 2015, following its usual pattern of meetings.

Timing of meeting	Main purpose of meeting	New UK Corporate Governance Code activity
February	> Review Annual Report and Financial Statements and EY report thereon	> Briefing on new Code requirements
April	> Post-year-end process review	> Review of paper on revised approach to the review of risk and the system of internal controls
July	> Review Interim Report and Financial Statements and EY report thereon	> Progress updates on risk, new approach to internal control and the process for preparing the viability statement
October	> Review Year-end Planning > Review Internal Audit Plan	> Discussion of viability statement period and approach to sensitivity analysis
December	> Review of hard-close audit report from EY and review year-end progress	> Progress updates

The following sections summarise how the Audit Committee has fulfilled its duties during 2015.

1. Financial reporting
The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor the appropriateness of financial reporting concentrating on, amongst other matters:

> Monitoring the risks and associated controls over financial reporting processes, including the process by which the Group's Financial Statements are prepared for publication.
> The quality and acceptability of accounting policies and practices.
> The clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements.
> Material areas in which significant judgements have been applied or there has been discussion with the external auditor.
> Whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
> Any correspondence from regulators in relation to our financial reporting.

The Audit Committee continually seeks to refine its processes for ensuring that it is satisfied with the appropriateness of financial reporting. Ahead of each annual audit and half-yearly review, the appropriateness of the areas of focus from prior year audits or reviews are re-assessed with management and EY to ensure that they remain valid and that there are no other financial risk areas that should be brought into the ambit of the audit or review. In undertaking their review of the 2015 half-yearly report, the Audit Committee sought to ensure that issues discussed during the audit of the 2014 full-year financial statements had been progressed and that there was consistency between the policies and judgements used in preparing the full-year and half-year financial statements.

In reviewing the 2015 half-yearly report and the 2015 Annual Report prior to recommending them to the Board for approval, the Committee, with the assistance of management and EY, identified a number of areas for particular focus. The key issues in the reporting context during the year were the process and analysis which were undertaken respectively ahead of the preparation of the statements on viability and going concern, impairment and hedging. These are outlined in the following table along with how we have addressed them:

Priority Areas of Focus in 2015

Description	Audit Committee action
Going concern	
The Directors must satisfy themselves as to the Group's ability to continue as a going concern for a minimum of 12 months from the approval of the Financial Statements, which involves assessing whether, in adverse circumstances, the Group has adequate liquid resources to meet its obligations as they fall due. A misstatement in going concern arises either (i) when the conclusion on whether going concern is appropriate is incorrect or (ii) when the Financial Statements do not appropriately represent the conclusion. If the Financial Statements do not appropriately reflect the conclusions on going concern, the effect is pervasive as it affects a significant number of accounts. With the Company's production profiles at each mine being relatively predictable and with budgeted expenditure for capital investment and exploration being necessary to achieve our strategy, our fundamental risk lies in metal prices as PTU, tax and dividend policies are a mathematical calculation from reported operating results. The continued uncertainty caused by falling metal prices and the management of capital and other expenditure to conserve cash are a critical area of focus. See pages 48–49	The Committee read management's schedules supporting and explaining the inputs and process underpinning the going concern assessment. These included Group budgets and cash flow forecasts for the period to December 2017, as revised in February 2016, including exploration and capital expenditure plans and sensitivities around those plans and the assumptions underlying the future trend of operating costs. Management have also considered scenarios to illustrate the sensitivities of cash flow forecasts to movements in metal prices. The Committee considered EY's report on this assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the Financial Statements. In particular, the Committee challenged management on the feasibility of mitigating actions and the potential speed of their implementation to achieve any flexibility required. The Committee reviewed and evaluated the conclusions of the Board's assessment of going concern and the proposed disclosures in the Financial Statements. **As a result of the procedures performed, the Committee satisfied itself that the going concern basis of preparation is appropriate and the Financial Statements appropriately reflect the conclusions on going concern.**

Audit Committee Report continued

Description	Audit Committee action
Impairment	
Adverse metals price volatility, reductions in reserves and resources, or operational issues potentially impact the recoverable value of mining assets (in the Consolidated Financial Statements of the Group) and investments in subsidiaries (in the standalone Parent Company Financial Statements). With the current level of precious metal prices and their future progression uncertain, the risk of the book value of mining assets and investment in subsidiaries becoming impaired has increased. The judgements in relation to impairment testing relate to the assumptions underlying the calculation of the recoverable amount of the assets being tested. *(See note 13 to the Financial Statements and note 6 to the Parent Company Financial Statements)*	The Committee challenged management's consistent application of assumptions used within the impairment review. This is a key area of focus for EY and the Committee has discussed with them the results of their procedures on the adequacy of the impairment models used by management and on the assumptions therein. The Committee then discussed with management and EY the headroom for each of the mining assets and investments in subsidiaries. As for the El Bajío situation at Soledad-Dipolos, the Committee has challenged management's current assessment of the recoverable value of our mining assets, and discussed with EY their view of the accounting judgements applicable and the appropriateness of disclosures. **The Audit Committee supported management's judgement not to record any impairment in mining assets but to record in the standalone Parent Company financial statements the impairment of certain investments in subsidiaries. The Audit Committee recognised that the reason for the impairment in those investments was principally that these were recorded at fair value in the Parent Company when the Fresnillo Group was created ahead of the IPO in 2008, whereas the underlying mining assets within the subsidiaries are carried at historic cost.**
Hedging	
The Company operates two hedging programmes: one in respect of currency (Mexican peso:US dollar) and the other the hedging programme set up in 2014 to mitigate the risk of future adverse movements in gold prices affecting the acquisition cost of the minority shareholding in Penmont. During the year, the Committee has considered the effect of the depreciation of the Mexican peso versus the US dollar, which attempts to protect the operating cost. It also separately considered the elasticity of the Penmont hedge. *(See note 31 to the Financial Statements)*	The Committee has been mindful of the potential impact of movements in both currency and commodity price movements on the hedging programmes. It has therefore continued to monitor management's assumptions and the data which drives financial reporting. It also discussed with EY their evaluation of the financial reporting model to ensure that it was appropriate for the hedging programmes. The Committee discussed with management the anticipated utilisation of the hedges over time to achieve management's objective. **The Audit Committee was satisfied that the accounting for hedging in the Financial Statements was appropriate and compliant with Accounting Standards.**

Continuing Areas of Focus in 2015:

Description	Audit Committee action
Mineral reserves and resources	
The estimation of mineral reserves and resources requires significant judgement with regard to future characteristics of mineral ore. Changes in the economic environment and future outlook may change the economic status of the reserves. Metal price assumptions determine the cut-off grade for identifying economically viable ore bodies. Reserves and resources, although not valued directly in our Financial Statements, are a primary driver of Fresnillo's market valuation, impact investors' decisions and play a significant part in the calculations of the depreciation of mining assets, the mine restoration model and related provisions and underpins the calculations used to assess whether there is any impairment of mining assets. As a result, inaccuracies in the estimation of reserves and resources would lead to broad implications across the Annual Report and Accounts. *(See pages 225 to 229 of the Annual Report)*	The Committee discussed with the Head of Exploration the composition of reserves and resources and considered carefully the report thereon by SRK (who independently audit the reserves and resources of the Group). The Committee also reviewed the reporting of reserves and resources within the Financial Statements. This is an area of key audit focus for EY and the Committee discussed with them the results of their procedures: > On the expertise and objectivity of SRK; and > On the comparison of metal price assumptions used by management in the determination of reserves and resources compared with price assumptions in various accounting models used in preparing numbers in the Financial Statements. **The Audit Committee challenged the determination of mineral reserves and resources performed by management, which has been independently reviewed by SRK, and was satisfied with the appropriateness of the review process and related disclosures.**

Description	Audit Committee action
Silverstream	
The Silverstream contract is a derivative financial instrument and is required to be reflected at fair value at each balance sheet date. The fair value can be impacted by any of the valuation inputs, but is most sensitive to the timing and volume of forecast production derived from the reserves and resources and production profile of the Sabinas mine, the estimated future silver price and the discount rate. The Silverstream contract represents not only a large asset on our balance sheet but, with such recently volatile precious metal prices, also the potential for change in its valuation can result in large, albeit non-cash, amounts in the income statement. *(See note 15 to the Financial Statements)*	The Committee challenged management's judgement that the valuation at the balance sheet date and the related gain of US$27.7 million was within the range of acceptable valuation outcomes. The Committee, as part of its review of the Annual Report and Accounts, reviewed the disclosures relating to the Silverstream contract including the sensitivity analysis. This is another key area of audit focus for EY and the Committee discussed with them their procedures in auditing the accuracy of the model used in the valuation and the key assumptions therein. The Committee was satisfied with the conclusions from the procedures performed. **The Audit Committee was satisfied with the accounting treatment and disclosure of the Silverstream contract in the Financial Statements.**
Related party transactions including revenue recognition	
Transactions with related parties in the normal course of business may carry no higher risk than transactions with unrelated parties; however, Fresnillo has a controlling shareholder and as a result has very strong ties both to Peñoles and the broader BAL group. There is a risk that related party relationships could be taken advantage of to manipulate earnings or otherwise distort the financial position. Furthermore, related party transaction disclosure requirements are onerous and there is a risk that disclosures in the Financial Statements could be inaccurate or incomplete. *(See note 28 to the Financial Statements)*	The Committee always scrutinises all major related party transactions that require independent Director approval to ensure that they are entered into transparently and conducted at arm's length and thus treat all shareholders fairly. This year the Committee again reviewed related party transactions which individually or in aggregate amounted to a significant size (see the section of this report headed 'Transactions with Related Parties'). The Committee also discusses EY's procedures to ensure revenue is recognised accurately and reviews the relevant disclosures in the Annual Report, comparing them with the related party transaction analysis requested from management throughout the year. **The Audit Committee was satisfied with the accounting treatment and disclosure of Related Party Transactions in the Financial Statements.**
PTU and taxation	
The taxation of mining companies in Mexico has been the subject of much attention and government action in Mexico in the past few years. This has been compounded by the impact of commodity and currency price movements on financial reporting of tax matters for the Company and its peers. There is a risk that deductions taken when calculating tax and PTU charges may be challenged, and that any resulting exposures to payable taxation and PTU may not have been provided for appropriately. Whereas the Committee does not consider that there is a risk of material misstatement of these numbers in the Financial Statements, in the current climate it is important for us to ensure that our shareholders have adequate information to conclude that the stated charges for PTU and taxation are fair and reasonable. (*See notes 8 and 11 to the Financial Statements)*	The reviews of PTU and taxation by the Audit Committee have similar characteristics. The Committee reviews all the significant accounting adjustments applied in determining profit subject to PTU or taxation for each subsidiary which are clearly set out in papers prepared by management. This is also an area of focus for EY, who report to the Committee on their work in these areas. The Committee challenges management's and EY's views and ascertains the degree to which such adjustments are supported by internal and/or external subject matter experts to ensure that they are appropriate and properly evidenced. During the year, the Audit Committee has, in particular, challenged management's treatment of certain expenses in the light of developing tax legislation in Mexico, the steps taken to ensure that deferred tax and VAT credits are recoverable and steps taken to mitigate the effects of currency movements on tax liabilities as shown in the Financial Statements (which are stated in US dollars). **The Audit Committee was satisfied that the stated charges for PTU and taxation are fair and reasonable under current Mexican tax law and financial reporting standards.**
Licences and land title	
Land titles underpin all our mining activities as, without good title, the Group would not be able to conduct its operations. The Committee considers that the Company has a robust process to ensure that all required legal documentation is completed correctly on acquisition of land titles and this methodology has been in place for many years. As a result of recent litigation and ejido activity, management continue to undertake a review of all title documentation and associated agreements. The specific risks are: > Litigation and claims can give rise to uncertainty around the Group's ability to freely realise the benefits of its assets and may give rise to asset impairment; > The assessment of the appropriate level of legal provisions and narrative disclosures in the accounts requires assumptions on the legal outcome of claims and estimates of costs; and > The possibility that the Group would not be able to resume operations at Soledad-Dipolos. The review is a substantial task as there is a large volume of titles and potential complexities surrounding land ownership in Mexico arising from the various layers of legislation from the State, agrarian and local government. *(See note 27 to the Financial Statements)*	The Committee has oversight over the progress of the review and throughout the year has received verbal and written reports from the Company's Head of Legal on the process. The review, which had been completed on the major operating mines in prior years, continued this year focusing on less significant interests and is now largely complete. To date, apart from the issues arising from ongoing ejido litigation, which are being addressed, nothing significant has emerged. The Committee also reviewed reports from advisers on the status of existing litigation. **The Committee is satisfied that it is not necessary to derecognise the Soledad & Dipolos assets and that the amount of the mining assets at 31 December 2015 is adequate when taking into consideration the currently available information and that relevant disclosures throughout the Annual Report are appropriate.**

Audit Committee Report continued

Ensuring that the Annual Report is Fair, Balanced and Understandable
In February 2016, the Audit Committee reviewed the Annual Report and the Financial Statements for the year ended 31 December 2015 prior to recommending them to the Board for approval. As part of that review process, the members of the Committee were provided with a draft of the full Annual Report prior to a formal review by the Audit Committee at the February meeting, enabling them to ensure that the numbers therein were consistent with those in the Financial Statements or were sourced from appropriate data. More importantly, members of the Committee also assess whether the words used are consistent with their understanding of the Company's business obtained through Board and Audit Committee meetings, and other interaction that they have with management, and use their experience to assess whether the Annual Report taken as a whole is fair, balanced and understandable. This additional review by Audit Committee members, supplemented by observations provided by external advisers during the drafting process, assists the Board in determining that the Annual Report is fair, balanced and understandable at the time that it is approved.

2. External auditor
The Audit Committee is required to oversee the relationship with the external auditor and assess the effectiveness of the external audit process. This is achieved through a combination of the following actions:
> Reviewing the terms of engagement of the external auditor;
> Approving audit plans and timescales prior to the year-end audit;
> Understanding the allocation of audit resources and the level of involvement of technical experts;
> Discussing the external auditor's materiality assessments in relation to our financial statements;
> Challenging the external auditor's risk and judgement area identification;
> Reviewing the reports received from the external auditor and challenging the work done to test management's assumptions in key areas of risk and judgement;
> Approving representation letters given to the external auditor by management;
> Seeking feedback from management on the effectiveness of the audit process;
> Periodically commissioning an external review of the external auditor;
> Considering the reappointment of the external auditors and their independence, including the rotation of the audit partner; and
> Conducting periodic audit tender processes.

During 2015, the members of the Audit Committee met twice with representatives from EY without management present and once with management without representatives of EY present, to ensure that there are no issues in the relationship between management and the external auditor which it should address. There were none.

During the year, the Audit Committee continued to monitor the liaison between EY and the Company's Internal Audit department, which it believes is improving the efficiency of both the external and internal audit processes. This will continue to develop during 2016.

Appointment of the External Auditor
In February 2016, the Audit Committee considered and recommended the re-appointment of the external auditor, Ernst & Young LLP, to the Board prior to the Company's Annual General Meeting. This review took into account the results of the auditor assessment process, the quality of the work and communication by the external auditor and the level of audit fees.

In line with the standard partner rotation policy the lead partner for EY in the UK was replaced during the year, having been the audit partner for five years and the Audit Committee oversaw the process for ensuring that the new audit partner was suitable for the role.

The Audit Committee has begun planning an external audit tender exercise which will commence in the first half of 2016 around the time of the Company's AGM. The process will involve initial invitations to tender; the provision of information through a data room and meetings with management; written submissions from which a shortlist of tenderers is expected to be compiled; and final oral presentations in September 2016 to enable an appointment to be approved by the Board in October 2016 (to take effect for the year commencing 1 January 2017). The appointment would not be formally confirmed until the 2017 AGM so that the chosen firm would then be in place for the interim review in 2017 as their first audit/review activity.

Independence and Objectivity of the External Auditor
The Audit Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity. It has therefore reviewed, and is satisfied with, the independence of EY as the external auditor based on disclosures provided by EY in accordance with UK Ethical Standards for the audit profession.

The Audit Committee has a policy in place in respect of the provision of non-audit services to the Fresnillo Group by the external auditor. The engagement of the external auditor to provide statutory audit, assurance, taxation and certain advisory services is pre-approved. Any engagement of the external auditor to provide permitted services above US$150,000 is subject to the specific approval of the Audit Committee. This policy was confirmed at the December 2015 meeting of the Committee.

In October 2015, the Audit Committee reviewed the non-audit work undertaken by EY during the year. The Committee was satisfied that the level of work was appropriate and that the nature of the work would not compromise EY's objectivity in respect of future audit work.

The Committee also reviewed the levels of engagement of other audit firms and advisers at its October and December meetings.

Details of the fees paid to EY during the year as shown in note 29 to the Financial Statements were US$1.98 million (of which US$0.04 million were non-audit related fees), and the fees paid to other accountants and advisory firms were US$0.18 million.

The Financial Reporting Council ('FRC') did not provide any comments on the Company's 2014 Annual Report. The Audit Committee did, however, review their report on EY, as a firm, and considered carefully those matters raised which were of relevance for Fresnillo plc. Together with management and EY, the Committee satisfied itself that any relevant audit matter raised by the FRC in respect of EY had been correctly performed in the course of the audits of Fresnillo.

3. Risk management and internal control
The Audit Committee has devoted a significant amount of time and attention to the Company's approach to risk management and internal control in 2015. This has been in response to two factors; first, the output from the 2014 Committee Evaluation process and subsequent workstreams described above; and second, the preparatory work undertaken by the Audit Committee, on behalf of the Board as a whole, in adopting the 2014 UK Corporate Governance Code requirements on risk, internal control, going concern and longer-term viability statements.

Risk Management
The role of the Audit Committee is to assist the Board, not to replace it, in matters of risk and risk management.

The Board's role is primarily to consider whether a level of risk or a specific risk is acceptable within the Company's strategy and risk appetite. Whilst the Board has overall responsibility for making sure that internal control and risk management are effective, the detailed work is delegated to the Executive Committee. Therefore, the primary role of the Audit Committee in relation to risk management and internal controls is to monitor the effectiveness of risk management systems and related internal controls to ensure that issues that have arisen are properly dealt with, and that going forward the systems are fit for purpose. The UK Corporate Governance Code now requires a robust assessment of the principal risks and the Board and the Audit Committee's approach to monitoring risk has for some time been focused on doing this, primarily through:

- Regular reassessment of the top risks identified by management, the procedures put in place to assess, quantify and mitigate these risks and management judgements as to movements in those risks over the course of the year;
- Regular reviews of the Key Risk Indicator reports prepared by management;
- Reviewing the reports from the Internal Audit department on any issues identified in the course of their work, ensuring that there is an appropriate response from management and assessing the conclusions that can be drawn from such reporting as part of the Audit Committee's monitoring of the Company's system of internal control;
- Reviewing annually the effectiveness of the Group's system of internal control, including the development of the Group's IT strategy and governance thereof;
- Reviewing the effectiveness of the Internal Audit function; and
- Reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report including observations on the Group's control environment on control weaknesses, and ensuring that there is an appropriate response from management.

The analysis undertaken in relation to the preparation of the viability statement has augmented these procedures with an assessment of those scenarios which, whilst not particularly likely, could severely impact the financial viability of the Group ("severe but plausible scenarios"). Thus the traditional aspects of likelihood and probability in risk assessment have now been supplemented by analysis of risk proximity and velocity.

Management will continue to build the existing risk management framework, seeking to enhance risk governance and management across the business in line with the changes to the UK Corporate Governance Code. In order to support the Board responsibilities of i) monitoring and reviewing the risk management and internal control systems; ii) satisfying itself that they are functioning effectively; and iii) that corrective action is being taken where necessary, in 2015, in addition to monitoring the normal risk management activities, the Audit Committee reviewed management's activities to:

- develop an ongoing continuous monitoring process consisting of validating the effectiveness of current controls;
- continue promoting ownership of risk mitigation and associated controls among the process owners at the business unit level (being the first line of defence) and through their periodic reporting on the effectiveness of controls; and
- consider how our risk management environment is strengthened through working to ensure that the Group's corporate values and control culture are embedded throughout the organisation.

These efforts have resulted in a transparent analysis of the operational, financial and executive management controls for each of the risks that have been identified by management in its risk universe. This represents a significant improvement in the visibility of the effectiveness of Fresnillo's risk control environment.

The Audit Committee and Board formally reviewed the Principal Risks and Uncertainties of the Group prior to the publication of both the interim and full-year reports. In 2015, this process resulted in the Board adding a new risk and re-ordering the enlarged list of risks to reflect their view of the relative significance of each risk in the current environment in which the Fresnillo Group operates. Further details of the Risk Management System are set out on pages 36–37.

Financial risk management
The Company's objectives and policies on financial risk management including information on the Company's exposures to Market risk, such as foreign currency, commodity price, interest rate, inflation rate and equity price risks; credit risk and liquidity risk can be found in note 32 to the Financial Statements.

Internal controls
The Board has overall responsibility for the Group's system of internal control, which includes all material controls, including financial, operational and compliance controls and related risk management, and reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. Because of the limitations inherent in any system of internal control, the Group's system is designed to meet its particular needs and the risks to which it is exposed. It is designed to manage risk rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated to the Audit Committee its responsibility for reviewing the effectiveness of Fresnillo's internal controls. The Audit Committee reviews the system of internal control on an annual basis. The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee. The Executive Committee is supported in this task by the Internal Audit department. The annual Internal Audit programme, approved by the Audit Committee, ensures that internal controls over all of the operations are all reviewed at least once over a three-year timeframe. The risk categories set out in the risk matrix were used as the basis for the process of reviewing the effectiveness of the system of internal controls. The Internal Audit department obtained letters of representation from the Executive Committee and the executive management on the Group's system of internal control.

The Group has in place internal controls and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS.

Audit Committee Report continued

The process agreed by the Audit Committee to monitor the Group's system of internal controls focused on improving the understanding of how the various sources of assurance (such as operational management, financial management, executive management and internal audit) interact in the review and execution of material controls and identify and address any gaps in the control framework. To this end, the Audit Committee, with the assistance of the Risk function and management, has assessed its approach to monitoring the ongoing effectiveness of the Group's system of internal controls. The components of these activities have been identified and assessed for their adequacy in the monitoring of material controls. These activities included oversight of controls by corporate level functions, executive management supervision, Internal Audit reviews and related reporting activities to the Audit Committee and Board. The outcome of that review, which was developed during the year, was discussed by the Audit Committee in December 2015 and confirmed by the Audit Committee in February 2016, prior to submission to the Board which then decided on the statement to be made about the review of the system of internal control in the 2015 Annual Report and Accounts.

An important element of monitoring the system of internal control is through the activity of Internal Audit across the Group's operations, as discussed further below. The Audit Committee has assessed Internal Audit's findings throughout the year. These findings have included certain operational control exceptions, including around compliance with regulations for handling hazardous materials and explosives, monitoring of electrical installations, installation of auxiliary services within the mine, monitoring and operation of tailings deposits and oversight over drilling contractors. These issues are not pervasive throughout the Group's operations but are being prioritised by the Executive Committee and operational management. Remediation plans to address them, including control improvements, are being developed and implemented. These plans are presented to the Audit Committee for review and the Committee closely monitors progress on an ongoing basis.

As a result of the above activities, certain opportunities to improve monitoring activities were also identified. The Audit Committee and the Executive Committee agreed action plans to implement these enhancements, including enhancing direct supervision from superintendent level and accountability from mine manager level with oversight from executive management. The Audit Committee and the Board will continue to closely monitor the implementation and progress of these initiatives during 2016.

The Board has, through the Executive Committee and the Audit Committee (at its February 2016 meeting), reviewed the effectiveness of the Group's system of internal controls. As a result of this review, the Board considers that the measures that have been or are planned to be implemented, complemented Fresnillo's risk management framework that is appropriate to the Group's circumstances.

The Board is committed to the continued development of its internal control regime with a view to achieving and maintaining best practice levels of risk management and internal control for international mining companies listed on the London Stock Exchange.

Going Concern and Longer-term viability statement

The Board's Going Concern Statement and longer-term Viability Statement are set out in the Strategic Report on pages 48 and 49 respectively.

During the year, the Audit Committee, on behalf of the Board, has overseen the methodology by which the management team, led by the Chief Financial Officer, with input from the Company's advisers, has assessed the amendments to the UK Corporate Governance Code in relation to going concern and viability. The key stages and timing for this work are set out in the following table.

Timing	Activity
January to July 2015	Briefing of the Board. Process planning and creation of inter-departmental working party
August–September 2015	Determination of time horizon and risk appetite. Gap analysis with current planning
October 2015	Strategy and business planning and determination of analysis required, including agreement of the universe of severe but plausible scenarios
November 2015	Sensitivity analysis and stress-testing
December 2015	Review of the benchmarking and other data collated to support the quantification of the financial impact of those scenarios
January 2016	Review of output from testing and drafting disclosures and Board paper
February 2016	Audit Committee and Board approval and forward planning

4. Internal Audit

The role of the Audit Committee is to review and monitor the Internal Audit function, amongst others through:

> Ensuring that the internal auditors have a direct reporting line to the Audit Committee.
> Closely monitoring the scope of services provided by Internal Audit by agreeing Internal Audit's work plan up front and agreeing any subsequent changes to the plan.
> Considering the level and quality of the resources within the department and its appropriateness to the needs of the Fresnillo Group.
> Setting annual objectives and influencing the priorities of the Internal Audit function.
> Ensuring adequate recognition and development of the members of the team.
> Periodically commissioning an external review of the Internal Audit department.

Internal Audit services are provided to the Company under a Shared Services Agreement between the Company and Industrias Peñoles S.A. de C.V. The Committee is satisfied that Internal Audit reports to the Committee are from a fully independent perspective.

In the current year the Audit Committee monitored discussions with Internal Audit and executive management to align the internal control environment with the current operations of the Group. This has been made easier by Internal Audit's realignment of their focus onto the controls surrounding the major operating risks across the operating divisions that concern management.

The Internal Audit team seek to complete audits of all the operating risks across all of the Fresnillo Group's mining assets on a regular basis. Particular focus continues to be placed on auditing the Company's new mines to ensure that proper procedures are implemented from the beginning in those new operations. The Audit Committee receives presentations and updates from the Group Internal Audit department at each of its meetings throughout the year. At each meeting during the year, the Audit Committee has focused on the progress made by management in dealing with 'red flag' items raised during internal audit visits to ensure that the management responses to remediation are appropriate and timely.

The Head of Internal Audit meets with the members of the Audit Committee without management present at least twice a year and also attends the Committee meetings in full. He is mandated to advise the Chairman of the Audit Committee if there are any issues which he considers members of the Audit Committee should be made aware of. There were none in 2015.

The Internal Audit work plan for 2016 was presented to and approved by the Audit Committee in the October 2015 meeting. This included a review of the resourcing of the Internal Audit function.

5. Whistleblowing arrangements
The Audit Committee is responsible for reviewing the adequacy of whistleblowing arrangements and ensuring that appropriate investigation of any whistleblowing incidents has been undertaken.

The 'Fresnillo Plays Fair' whistleblower hotline allows stakeholders to anonymously (via an independent third party) report violations to the Group's Code of Conduct. The results are assessed by an independent third party and classified into 25 different categories. Reports to the hotline are reviewed by an internal body called the Honour Commission, which is comprised of the Chief Executive, the Chief Operating Officer, the Compliance Officer (currently the Chief Financial Officer), the Director of Internal Audit, the Vice President of Exploration and the Legal Manager. The Audit Committee regularly receives reports concerning the discussions and decisions of the Honour Commission. During 2015, the Audit Committee reviewed summaries of the matters discussed by the Honour Commission, which all related to minor local operational and human resources issues, and was satisfied that they had been properly investigated with appropriate action taken. The Audit Committee considers that the increasing volume of issues raised is good evidence that the current programme is operating satisfactorily.

6. Related party matters
Fresnillo plc is 75% owned by Peñoles which, in turn, is controlled by the Baillères family. Whilst this means that Peñoles has and will continue to have a significant level of influence over the affairs and operations of Fresnillo, it also provides opportunities for synergistic benefits to be achieved if Fresnillo utilises Peñoles Group resources for some of its key operational requirements, particularly in day-to-day activities. The Audit Committee has a role to play to ensure that the benefits of such arrangements are realised within a framework in which those transactions with related parties are conducted under normal market terms and conditions and shareholders' interests are safeguarded. This is principally achieved by:

> Benchmarking data and information for related party transactions over a certain threshold.
> Assessing the type and purpose of related party transactions and ascertaining whether they are in the normal course of business.
> Reviewing the financial and commercial aspects of any transaction proposed between the Fresnillo Group and the Peñoles Group prior to such matters being considered by the Independent Non-executive Directors under the terms of the Relationship Agreement or in compliance with Chapter 11 of the Listing Rules.
> Critically assessing and challenging the appropriateness of any significant related party transactions and arrangements outside the normal course of business.

The Shared Services Agreement is an agreement between the Company and Peñoles under which 23 categories of services are provided to the Company by Peñoles. The Audit Committee reviews the Shared Services Agreement at each renewal, using external advisers to review any revision in the legal terms, to benchmark the proposed pricing against tenders requested from numerous alternative suppliers and use management's experience of both past performance against the KPIs agreed and any enhanced or additional services required.

The Shared Services Agreement was renewed for five years with effect from 31 December 2012. Extensive work with KPMG was undertaken at the time to ensure that the scope of services to be provided was appropriate to the needs of the Fresnillo Group; that the pricing for services provided under the Shared Services Agreement was appropriately benchmarked and that the arrangements were in the ordinary course of business, not on unusual terms and had been negotiated on an arm's length basis. The Audit Committee presented this to the independent Directors in March 2014 and it was approved.

In order to ensure that Fresnillo is charged appropriately for services rendered by Peñoles under the Shared Services Agreement, management have regular meetings with Peñoles to discuss its performance against the KPIs for each of the different categories of service where issues of non-compliance are addressed and remediation agreed. In addition, Internal Audit conduct reviews of approximately one-third of the services provided each year to ensure that these services are provided in accordance with the agreed KPIs. As a result, all services are reviewed by Internal Audit over a three-year cycle.

During the year, in line with its usual practice, the Audit Committee considered the proposed charges in respect of the Met-Mex Arrangements for 2015 comparing proposed prices to comparable prices charged by Met-Mex to independent customers and to those of other refineries taking account of ore composition and transport costs to ensure that they are reasonable. Based on the satisfactory outcome of that review, the Chairman of the Audit Committee recommended to the Board that the Independent Directors approve the proposed charges for 2015 under the Met-Mex Arrangements, which they did in October 2015.

There are other dealings with related parties in the ordinary course of business but, although not requiring approval by the Independent Directors, where they individually or in aggregate for a particular supply become of a certain size, the Audit Committee will seek evidence that they too are conducted on an arm's length basis. In 2015, the Audit Committee requisitioned and reviewed benchmarking data for such other related party activities which included the cost of insurance cover and the Committee was satisfied that the arrangements are on a reasonable arm's length basis.

In October 2015, the Audit Committee reviewed a schedule of all the Company's other related party transactions during the year and was satisfied that all transactions listed were in the ordinary course of business.

The Corporate Governance Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board by

Guy Wilson
Senior Independent Director
29 February 2016

Directors' Report

In accordance with section 415 of the Companies Act 2006, the Directors of Fresnillo plc present their report for the year ended 31 December 2015.

The Directors believe that the requisite components of this report are set out elsewhere in this Annual Report and/or on the Company's website, www.fresnilloplc.com. The table sets out where the necessary disclosures can be found.

Directors	Directors that have served during the year and summaries of the current Directors' key skills and experience are set out in the Corporate Governance Report on pages 102 and 103.
Results and dividends	Results for the year ended 31 December 2015 are set out in the Financial Review on pages 87 to 95 and the Consolidated Income Statement on page 147. Information regarding the proposed final dividend can be found in the Financial Review on page 95. Dividend payments made during the year ended 31 December 2015 can be found in the notes to the Financial Statements on page 180.
Articles of Association	The Company's full Articles of Association can be found on the Company's website at www.fresnilloplc.com/who-we-are/corporategovernance. Any amendments made to the Articles of Association may be made by a special resolution of shareholders. The following is a summary of the structure, rights and restrictions of the Company's share capital: The Company has two classes of share capital: 736,893,589 ordinary shares of US$0.50 (Ordinary Shares) and 50,000 deferred shares of £1.00 each (Sterling Deferred Shares). The Ordinary Shares are listed on the London Stock Exchange and the Mexican Stock Exchange. The rights and obligations attaching to these shares are governed by UK law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies. There are no restrictions on the transfer of the Ordinary Shares other than: > the standard restrictions for a UK-quoted company set out in article 32 of the Articles of Association; > where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws); and > pursuant to the Listing Rules of the Financial Services Authority whereby certain Directors, officers and employees of the Company require the approval of the Company to deal in the Ordinary Shares.
Articles of Association continued	No shareholder holds securities carrying special rights as to the control of the Company. There are no limitations on the holding of securities. There are no restrictions on voting rights or any arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights. The Sterling Deferred Shares only entitle the shareholder to payment of the amount paid up after repayment to Ordinary Shareholders on winding up or on a return of capital. The Sterling Deferred Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Shares or require the holder to transfer the Sterling Deferred Shares. Except at the option of the Company, the Sterling Deferred Shares are not transferable.
Share capital	Details of the Company's share capital are set out in note 19 to the Financial Statements on page 179.
Authority to purchase own shares	Details on the Company's current authority to purchase its own shares and that being sought at the forthcoming Annual General Meeting are set out in the Corporate Governance Report on page 113.
Directors' interests	Details of the Directors' beneficial interests are set out in the Remuneration Report on page 132.
Directors' indemnities	The Company has given indemnities to each of the Directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in the Companies Act 2006 and remain in place at the date of this report.
Directors' and Officers' Liability Insurance	Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually and the last was carried out in October 2015.
Major interests in shares	Notifiable major shares interests of which the Company has been made aware are set out on page 113 of the Corporate Governance Report.
Change of control	Details setting out the effect of a change of control of the Company on significant agreements are set out on the Company's website at www.fresnilloplc.com/who-we-are/corporate-governance.
Political and charitable donations	The Company did not make any donations to political organisations during the year; information regarding the Company's charitable donations can be found in the Strategic Report on page 33.
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the Sustainability Report on pages 66 to 86 of the Strategic Report.

Employees	Information regarding the Company's employees, including policies on human capital, can be found in the Sustainability Report on pages 84 to 86 of the Strategic Report. Note 8 to the Financial Statements on page 170 also provides further information on employee expenses and numbers.
Financial risk	Details of the Company's policies on financial risk management are outlined in note 32 to the Financial Statements.
Future developments	Details about the Company's future developments can be found in the Strategic Report on pages 12 to 65.
Auditors	The auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the Annual General Meeting.
Post balance sheet events	There have been no post balance sheet events.
Audit information	Each of the Directors at the date of the approval of this report confirms that: > so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and > he/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Guy Wilson
Senior Independent Director
29 February 2016

Fresnillo plc
Registered Office:
21 Upper Brook Street
London W1K 7PY
United Kingdom
Company No: 6344120

Additional Listing Rule Disclosures

Disclosure requirements under Listing Rule 9.8.4 C are identified below along with cross references indicating where the relevant information is set out in the Annual Report:

- Capitalised interest for the year ended 31 December 2015 and information regarding tax relief can be found on pages 171 to 173.
- Details of significant contracts with controlling shareholders can be found on pages 185 to 186.
- Details pertaining to services provided to the Company by Peñoles are set out on page 123.
- Statement confirming agreement has been entered into with controlling shareholder and that independence provisions are complied with can be found in the Corporate Governance Report on page 105.

Directors' Remuneration Report
Chairman's Annual Statement

"...our current policy continues to be appropriate"
Charles Jacobs
Chairman of the Remuneration Committee

Dear Shareholder,

I would like to introduce this year's Directors' Remuneration Report by focusing on the two revisions to the UK Corporate Governance Code which have taken effect this year. These revisions bring the considered and tailored approach that Fresnillo takes to its remuneration arrangements for senior executives into focus.

First, there is the expectation that remuneration should be designed to promote the long-term success of the Company. Given Fresnillo's long history as a resources business, it follows that sustainable long-term success is at the core of what the Company is trying to achieve.

Our strategy and KPIs are focused on ensuring that we only grow in a way that is sustainable. This creates a perennial challenge to management to ensure that we continuously grow our resources and reserves, deliver profits and cash to fund our development projects, maintain positive relationships with all our stakeholders and operate efficiently and sustainably. We incentivise this through a short-term annual bonus scheme, which we believe incorporates short-term targets which are aligned to the long-term strategic objectives so that these priorities are embedded within the day-to-day activities of our business rather than being seen as something extra. This simple and consistent approach, adopted within the business for many years, also explains our policy of not using long-term share-based incentives within our executive remuneration structures and why we do not see the need to have shareholding guidelines in place for our executives.

Second, there is the expectation that companies will introduce malus and/or claw-back provisions and other forms of deferred variable pay. The Remuneration Committee has given careful thought to this new requirement during 2015. We believe that the existing remuneration arrangements already mitigate this risk and therefore we do not consider that it is necessary to introduce such provisions at present.

We consider the competitiveness of our remuneration packages within the context in which we operate and the Remuneration Committee operates a policy which is culturally appropriate to Fresnillo's Mexican resources environment. Both the levels of annual bonus and the lack of share-based incentives need to be seen within that context. We therefore believe our current policy continues to be appropriate.

As in previous years, we have published remuneration information in respect of our Chief Executive Officer as if he were a member of the Board, even though that is not currently the case. We believe this is within the spirit of our reporting obligations, even if it is not strictly required, as it adds to the transparency of our reporting.

My Remuneration Committee colleagues and I will keep these matters under review. We continue to talk to our shareholders and have had no negative feedback to date in relation to our stance on remuneration. In 2016, we will undertake a review of our remuneration policy in anticipation of the need to renew it at our 2017 Annual General Meeting. In support of that, I would welcome any comment or discussion with any of our shareholders who have views on our approach to remuneration.

Yours faithfully

Mr Charles Jacobs
Chairman of the Remuneration Committee

Remuneration Policy

Introduction
This part of the Directors' Remuneration Report sets out the elements of the Remuneration Policy of the Company ('the Remuneration Policy') relevant to the interpretation of the Annual Report on Implementation for 2015. The Remuneration Policy, which was prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'), was put to a binding vote at the Annual General Meeting held on 16 May 2014 (which was also its Effective Date). The full Remuneration Policy approved by shareholders is included in the 2013 Annual Report (pages 133-138) on the Company's website http://www.fresnilloplc.com/media/12200/fresnilloar13.pdf.

Remuneration Policy
The Remuneration Policy seeks to ensure that the Company is able to attract, retain, and motivate its executives and senior management.

The retention of key management and the alignment of management incentives with the creation of shareholder value are key objectives of this policy.

Setting base salary levels for Executive Directors at an appropriate level is a key to managerial retention in Mexico. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally, total remuneration is benchmarked biennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and service.

The table below sets out the key elements of Executive Directors' pay set out in the Remuneration Policy:

Base Salary

Provides the core reward for the role	
Operation	Reviewed annually and fixed for 12 months starting on 1 April each year and the review is influenced by: › Role, experience and performance › Average workforce salary adjustments › Mexican economic factors › Comparison with the Company's peer group in Mexico and internationally Salaries are benchmarked biennially by reference to companies of similar size and complexity and will be positioned within a mid-range of the Company's comparator peer group in Mexico and internationally. The next review will take place in April 2016.
Maximum Value	The Chief Executive's salary will be reviewed taking account of the benchmarking information received by the Remuneration Committee and the maximum value of the Chief Executive's base salary will be positioned within the mid-range for companies in the peer group of Mexican and international resources companies.
Performance Metric	The Remuneration Committee considers individual salaries at the appropriate meeting each year by reference to the factors noted under the 'Operation' heading in this table. Details of the current remuneration of the Chief Executive Officer are provided in the Annual Report on Remuneration.
Discretion	The Remuneration Committee will establish the Company's comparator peer group in Mexico and internationally as part of the biennial review which it will consider in April 2014. The peer group will be reviewed again in April 2016 as part of the following biennial review. The Committee will report on the outcome of these reviews within the relevant Annual Report on Remuneration for 2016.

Benefits

Help recruit and retain employees	
Operation	An Executive Director would be entitled to life insurance, the use of a Company car, the payment of premiums for medical insurance covering limited expenses and check-ups. Benefits may be changed if Company policy on benefits changes.
Maximum Value	The current benefits are set out in the Annual Remuneration Report. The maximum value of benefits will be determined by Company policy that is applicable to all employees.
Performance Metric	None.
Discretion	The Remuneration Committee may consider changes to the benefits made available to Executive Directors in line with any changes in the policy for benefits provided to all employees.

Pension

Rewards continued employment and sustained contribution	
Operation	The Group operates a defined contribution scheme. Executive Directors are entitled to membership of the defined contribution scheme.
Maximum Value	The maximum contribution for any employee may not exceed 16% of salary.
Performance Metric	None.
Discretion	Not applicable.

Directors' Remuneration Report
Remuneration Policy continued

Annual Bonus

Rewards the achievement of short- and long-term financial and strategic business targets and delivery of personal objectives

Operation

Targets are renewed annually and relate to the strategic aims of the business as a whole. A scoring system is used for the plan. Each objective set for the executive at the beginning of the year is allocated a points-rating which represents a median performance target for that objective. Upper and lower point thresholds are set to allow for outstanding performance and to ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer, the Chief Financial Officer, the Vice President of Exploration and the Chief Operating Officer), a bonus is only payable if the aggregate performance equals or exceeds 100 points. Bonus payments are paid for aggregate performance against target at or above 100 points as follows:

Points	Variable Pay (Months' Salary)	Variable Pay (% of salary)
100–104	Two	16.67
105–109	Four	33.33
110–114	Five	41.67
115+	Six	50.00

Maximum Value

The maximum percentage of salary is 50% (six months' salary) and is paid where Executive Directors achieve 115 points or more under the Annual Bonus Plan. (Target is 100 points).

Performance Metric

The KPI targets focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority.

Discretion

The Remuneration Committee considers that the KPIs, upon which bonuses are based, may need to evolve from year to year in line with the strategy and therefore it retains the discretion to adjust individual KPI weightings from year to year.

The Remuneration Committee retains the discretion to adjust bonus payments to take account of the following:

> Factors outside the control of Executive Directors e.g. force majeure circumstances. In deciding whether adjustment is merited, the Remuneration Committee will consider the appropriateness of the Executive Director's response to those circumstances; in this situation an upward adjustment may be considered.

> Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered.

Any such discretion will be fully explained in future Directors' Remuneration Reports.

Annual Bonus Plan and policy on variable remuneration

It is the Company's policy not to use its equity to incentivise long-term performance. The Company's core strategy is one of long-term sustainable growth. Sustainable growth in mining requires the steady and safe expansion of the Group's operations through the discovery of new resources and construction, maintenance and/or expansion of new mines.

The Annual Bonus Plan aligns incentives to the short-term and long-term KPIs, rewarding the achievement of short- and long-term financial and strategic business targets and delivery of personal objectives in the following manner:

Strategic objective	Key Performance Indicator	Timeframe	Measure	Weighting
Maximise the potential of existing operations	Production	Short and long term	Increase in equivalent ounces produced	26
	Safety	Short term	Fatalities	5
Deliver growth through development projects	Resources	Long term	Increase in total resources	10
Extend the growth pipeline			Increase in resources upgraded from inferred to indicated	20
Advance sustainable development	Stakeholders	Long term	Various	11
	Financial	Short term	Net profit adjusted	17
All objectives	Teamwork	–	–	11

Alignment of executive remuneration and the market

In setting the fixed remuneration of the members of the Executive Committee, information relating to the mining company comparators is provided by various consultants. Information relating to the Mexican economic metrics and internal benchmarking is collated by management for the Remuneration Committee to consider.

Comparison of executive and wider Company remuneration

When setting pay and benefits for Executive Directors and the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated with employee representatives as its starting point. The Remuneration Committee may agree pay increases above or below the agreed percentage in exceptional circumstances, where in its discretion it considers such variance to the norm to be justified. Other than the Towers Watson report specifically commissioned by the Remuneration Committee in 2014, when the Remuneration Policy was set, the same benchmark reports are used in the evaluation of executive and employee remuneration, thus providing a common approach to both. The Remuneration Committee does not consult with employees in setting Directors' remuneration.

Engagement with shareholders on remuneration

The Chairman of the Remuneration Committee engages with relevant organisations concerning the Company's approach to remuneration, and he reports back to the other members of the Remuneration Committee on such dialogue as necessary.

Policy on recruitment

The Remuneration Committee will consider the remuneration of new executive appointees to the Board by reference to the Remuneration Policy. The Committee does not expect to pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. Salary will be set so as to be market competitive both within the Mexican context and internationally for comparable companies and taking account of the experience and seniority of the appointee coming into the new role.

Policy on loss of office

Other than in circumstances of gross misconduct, Directors and senior executives, including the Chief Executive Officer, leaving employment from the Group, will be entitled to receive salary and pro-rated annual bonus based on performance to the date of leaving. Statutory entitlements are payable according to Mexican labour law, based on length of service. Mexican labour law does not make any provision for employers and employees to give or receive notice of termination of employment. Therefore the Committee will not make payments in lieu of notice to departing executives unless required to do so by law. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

External appointments

It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies provided that they have obtained the consent of the Chairman of the Company. Any such directorships must be formally notified to the Board.

Chairman and Non-executive Directors

The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. Neither the Chairman nor any of the Non-executive Directors has a service contract with the Company; however each has entered into a letter of appointment with the Company.

Non-executive Directors' letters of appointment

On their initial appointment, each of the Non-executive Directors signed a letter of appointment with the Company, for an initial period of three years. Since April 2011, the letters of appointment all serving Non-executive Directors have been drafted in accordance with provision B.7.1 of the UK Corporate Governance Code, thus obliging them to retire at each Annual General Meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment.

Each Non-executive Director is expected to commit a minimum of 14 days per year in fulfilling their duties as a Director of the Company. A base fee of £30,000 is paid to each Non-executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole. There are no set fees for membership of any Board committees or for the chairmanship of the Board. The UK-based Non-executive Directors receive a higher fee to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and to their responsibilities as appropriate as Senior Independent Director, Chairman of the Remuneration Committee and Chairman of the Audit Committee.

Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

The key terms of the Non-executive Directors' letters of appointment for the Directors serving during the year are as follows:

Director	Date of original letter of appointment	Notice period from Director to the Company	Duration of term[1]	Fees p.a.
Alberto Baillères	15 April 2008	3 months	1 year	£30,000
Juan Bordes	15 April 2008	3 months	1 year	£30,000
Rafael MacGregor	15 April 2008	3 months	1 year	£30,000
Arturo Fernández	15 April 2008	3 months	1 year	£30,000
Fernando Ruiz	15 April 2008	3 months	1 year	£30,000
Guy Wilson	1 July 2008	3 months	1 year	£90,000
Alejandro Baillères	16 April 2012	3 months	1 year	£30,000
Maria Asuncion Aramburuzabala	16 April 2012	3 months	1 year	£30,000
Jaime Lomelín	15 August 2012	3 months	1 year	£30,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year	£30,000
Charles Jacobs	11 April 2014	3 months	1 year	£90,000
Jaime Serra	11 April 2014	3 months	1 year	£30,000

1 Unexpired term: the Non-executive Directors all have rolling contracts which are subject to the annual re-election at the Annual General Meeting. The current term expires on 3 May 2016, being the date of the next Annual General Meeting but the appointment will continue after that date provided that each Director is re-elected at the AGM.

Directors' Remuneration Report
Annual Report on Remuneration 2015

Introduction
This report sets out information about the remuneration of the Directors and senior management of the Company for the year ended 31 December 2015. In accordance with the Regulations, the information provided in the section entitled 'Directors' Remuneration – 1 January 2015 to 31 December 2015' and the accompanying notes has been audited by Ernst & Young LLP.

Although the Chief Executive Officer is not currently a member of the Board, the Remuneration Committee have elected to report on his remuneration in this report as if he were a Director, in keeping with the spirit of the Regulations.

Audited information – Directors' Remuneration – 1 January 2015 to 31 December 2015

Single Total Figure of Remuneration
The detailed emoluments received by the Executive and Non-executive Directors for the year ended 31 December 2015 are detailed below:

US$'000	Salary/Fees 2015	Benefits 2015	Annual Bonus 2015	Pension 2015	Total 2015	Salary/Fees 2014	Benefits 2014	Annual Bonus 2014	Pension 2014	Total 2014
Chairman										
Alberto Baillères	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Non-executive Directors										
Juan Bordes	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Rafael MacGregor	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Lord Cairns	**0**	**0**	**0**	**0**	**0**	54	0	0	0	54
Arturo Fernández	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Javier Fernández	**0**	**0**	**0**	**0**	**0**	18	0	0	0	18
Jaime Lomelín	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Fernando Ruiz	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Guy Wilson	**137**	**0**	**0**	**0**	**137**	147	0	0	0	147
Fernando Solana	**0**	**0**	**0**	**0**	**0**	18	0	0	0	18
Alejandro Baillères	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Maria Asuncion Aramburuzabala	**46**	**0**	**0**	**0**	**46**	49	0	0	0	49
Bárbara Garza Laguera	**46**	**0**	**0**	**0**	**46**	31	0	0	0	31
Charles Jacobs	**137**	**0**	**0**	**0**	**137**	93	0	0	0	93
Jaime Serra	**46**	**0**	**0**	**0**	**46**	31	0	0	0	31
Total	**734**	**0**	**0**	**0**	**734**	784	0	0	0	784
Chief Executive Officer (not on Board during the year)										
Octavio Alvídrez[1]	**888**	**80**	**108**	**90**	**1,166**	924	79	120	94	1,217
Grand Total	**1,622**	**80**	**108**	**90**	**1,900**	1,708	79	120	94	2,001

1. Benefits provided to Mr Alvídrez include the cost of life insurance premiums 2015: US$26,465 (2014: US$19,742), club memberships 2015: US$1,679 (2014: US$1,888), subsistence and other meal benefits 2015: US$10,517 (2014: US$12,217), premiums for medical insurance covering limited expenses and check-ups 2015: US$3,639 (2014: US$5,952), chauffeur 2015: US$25,351 (2014: US$28,850), car 2015: US$11,216 (2014: US$8,802), and social security costs 2015: US$1,100 (2014: US$1,259).
2. The basis of calculation for Mr Alvídrez' annual bonus for 2015 is set out in the table below.
3. The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5% and 8% of salary to this plan. Members may elect to match contribution percentages between 5% and 8% of salary. Mr Alvídrez is a member of the Company's defined benefit scheme in respect of service before 30 June 2007 and of the defined contribution scheme in respect of service since 1 July 2007.
4. The Company does not operate a long-term incentive plan or any share-based incentives.

The objectives, as applied to Mr Alvídrez' incentive payment, the measures associated with each objective, and the relative weighting between objectives, are detailed below:

Objective	Measure	Weighting Points[1]	2015 Target	2015 Result	2015 Points Award	2014 Result	2014 Points Award
Production	Increase in equivalent ounces produced[3]	26	89.8 million equivalent ounces of silver (2014: 75.7 million equivalent ounces of silver)	92.5	26.80	76.1	26.10
Exploration/ growth	Increase in total resources[2]	10	Maintain prior year total resources	102%	10.20	98%	9.80
	Increase in resources upgraded from inferred to indicated[3]	20	Maintain prior year total indicated	103%	20.60	101%	20.20
Financial	Net profit adjusted[3]	17	US$141 million[4] (2014: US$299 million)	US$236 million	28.50	US$323 million	18.40
Stakeholder	Relationship with key stakeholders e.g. communities and unions[4]	5	Unmeasured	3.00	3.00	5.00	5.00
	Management of land rights[4]	3		4.25	4.25	4.25	4.25
	Controls over contractors[4]	3		3.75	3.75	4.25	4.25
Teamwork	Collective teamwork across the Group[4]	5	Unmeasured	5.00	5.00	7.00	7.00
	Progressing the Succession Plan for Executive Committee positions[4]	6		2.00	2.00	5.00	5.00
Safety	Fatal accidents[5,6]	5	Zero	1	0	1	0
Total		100			104.10		100.00
Adjustments		–			0		0
Total		100			104.10		100.00

1 The Points Weighting is considered by the Remuneration Committee each year to ensure that it reflects an appropriate balance of priorities for management. Where a change of emphasis is considered to be necessary, the Weighting will be amended in future years.
2 Any decrease in equivalent ounces produced and/or in reserves and resources will result in points being deducted from the total points scored.
3 Net profit is adjusted to exclude currency fluctuation, the effect of year-on-year changes in metals prices and any revaluation of the Silverstream contract. The 2015 Net Profit amount for the purposes of the 2015 annual bonus was re-based to take account of the year-on-year changes in currency, metals prices, the revaluation of the Silverstream contract.
4 The points awarded for the Stakeholder and Teamwork objectives are subject to some discretion. The following points are awarded depending on the Remuneration Committee's assessment of the Stakeholder and Teamwork effort: Satisfactory performance = 100% of weighting points; outstanding performance = 140% of weighting points; and underperformance = 0 points.
5 In the event of a single fatality, zero points will be awarded for Safety. For the purposes of calculating fatalities, all fatalities are included, irrespective of whether they are employees or contractors. Conversely, in the event of zero fatalities during the year, the number of points awarded would be increased to 10 points.
6 In addition to the penalty for a single fatality (see note 5), the number of points awarded will be further reduced by 1% if there are two fatalities, or by 2% if there are three fatalities, or by 3% if there are four fatalities etc.

Directors' Remuneration Report
Annual Report on Remuneration 2015 continued

Pension entitlement
The pension entitlement of the Chief Executive Officer is as follows:

US$'000	Defined Contribution Scheme (DCS)	Defined Benefit Scheme (DBS)
Rights as at 31 December 2015[1]	US$362	US$1,073
Additional benefit in the event that the Chief Executive Officer retires early	In the event of early retirement, Mr Alvídrez is entitled to receive his accumulated contributions (both member and Company) to the DCS	Mr Alvídrez is not currently entitled to any additional benefit on early retirement in the DBS

US$'000	Accumulated accrued benefits		Increase in accrued benefits during the year[1]		Increase, before inflation and the effect of foreign exchange, in accrued benefits during the year	
	At 31 Dec 2015	At 31 Dec 2014	**2015**	2014	**2015**	2014
Octavio Alvídrez	**1,435**	1,569[2]	**(134)**	91	**90**	94

Notes:
1 The decrease in accrued benefits during the year includes a revaluation effect of US$(253k) (2014: US$51k).
2 Both the 2014 and 2015 figures shown in the table above are reported in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

Mr Alvídrez is expected to retire at his normal retirement age of 60 years old.

Shares held by Directors
The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2015 and at 31 December 2015 was:

	1 January 2015	31 December 2015
Alberto Baillères[1]	552,595,191	552,595,191
Juan Bordes	15,000	15,000
Rafael MacGregor	–	–
Arturo Fernández	–	–
Jaime Lomelín	–	–
Fernando Ruiz	30,000	30,000
Guy Wilson	15,000	15,000
María Asunción Aramburuzabala	–	–
Alejandro Baillères	–	–
Bárbara Garza Laguera	–	–
Charles Jacobs	–	–
Jaime Serra	–	–

1 Alberto Baillères holds an indirect interest in the Company. Mr Baillères and companies controlled by Mr Baillères hold, in aggregate, 68.9% of the issued share capital (and voting rights) of Peñoles. Peñoles holds 552,595,191 Ordinary Shares (74.99% of the issued share capital) in the Company.

Unaudited Information

Implementation of Remuneration Policy in 2015

Chief Executive Officer Salary and Benefits
The total remuneration paid to Mr Alvídrez during the year was US$1,165,935.

During the year, Octavio Alvídrez served as Chief Executive Officer but was not appointed as a member of the Board of Directors. Mr Alvídrez is employed under a contract of employment with Servicios Administrativos Fresnillo S.A. de C.V., a subsidiary of Fresnillo plc. Mr Alvídrez' contract was entered into on 15 August 2012 and is governed by Mexican Federal Labour Law. Mr Alvídrez' service agreement does not have a fixed term and can be terminated in writing by either party with no entitlement to additional compensation for termination other than compensation payments required for termination without cause under Mexican labour laws. No benefits are payable on termination.

The salary payable under Mr Alvídrez' service agreement is MXN$860,000 per month, which excludes payments for holidays, Company-paid savings contributions and other cash benefits. In 2015, his total salary payments were MXN$14,078,946 (US$887,953). In 2014, his total salary payments were MXN$12,293,884 (US$924,470). Mr Alvídrez was awarded a salary increase of 7.5% to reflect his development as Chief Executive Officer over the past year. Towers Watson have confirmed that the salary review was in line with the Remuneration Policy.

Under his service agreement, Mr Alvídrez is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing (PTU). Mr Alvídrez is also entitled to life insurance, the use of a chauffeur and Company car, the payment of medical insurance premiums covering limited expenses and check-ups, meals and subsistence payments and club subscriptions.

Annual Bonus
Mr Alvídrez achieved 104.1 points under the bonus scheme for the year ended 31 December 2015 (2014: 100.0 points) and therefore was awarded a bonus of MXN$1,720,000 (US$108,480) for 2015.

Pensions
The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007).

Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme. On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5% and 8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary.

Mr Alvídrez is a member of the Company's defined benefit scheme in respect of service before 30 June 2007 and of the defined contribution scheme in respect of service since 1 July 2007.

Pensions and other benefits are also set at levels that are market competitive to ensure that the retentive benefits of market competitive salaries are not eroded by poor Group performance.

Malus and Claw-back
The Remuneration Committee has considered whether malus and/or claw-back provisions should be incorporated into the service agreement for the Chief Executive Officer. Given that the Company does not operate any remuneration plans with a timeframe of more than one year, the Remuneration Committee does not consider that there is much value in introducing such provisions into the contractual arrangements with the Chief Executive Officer at this stage. The Remuneration Committee will review this position regularly.

Year-on-year percentage change in remuneration of CEO and all employees

	Percentage Change (in US Dollar amounts) 2014–2015		
	Base Salary/ Fees	Benefits	Annual Bonus
Chief Executive Officer	(3.9%)	1.3%	(10.2%)
All employees	(5.3%)	(3.2%)	2.90%

Implementation of the Remuneration Policy in 2015 and 2016
In 2014, the Remuneration Committee asked Towers Watson to recommend a framework for setting the salaries of Executive Directors and members of the Executive Committee. Following this review, the Remuneration Committee established the peer group of companies for the purposes of validating the remuneration of Executive Directors (the "Peer Group"). The Peer Group consists of 11 resources companies from Europe, USA, Canada and Mexico. The Remuneration Committee has agreed that the Chief Executive's salary should be set within a range of 25% to 75% of the Peer Group for base salary. In 2014, Towers Watson advised the Remuneration Committee that the CEO's salary was currently slightly ahead of the median level compared to the Peer Group; however once variable pay is taken into account, the CEO's remuneration is below the median level.

During the year, the Remuneration Committee reviewed the Remuneration Policy and concluded that it should continue to be applied in 2016 on a consistent basis to 2015. The comparator group of companies for the purposes of validating the salaries of Executive Directors was reviewed during the year and Towers Watson have confirmed to the Remuneration Committee that the Chief Executive Officer's remuneration remains in line with the Remuneration Policy. It will be reviewed again in 2016. The Remuneration Committee is therefore satisfied that it is implementing the Remuneration Policy appropriately in respect of the Chief Executive Officer's remuneration (even though it is not legally required to do so).

The Remuneration Committee has considered the effectiveness of KPIs and targets set for 2015 and it continues to consider that the overall structure of the Incentive Plan and the targets set in 2015 remain appropriate for 2016 other than where adjusted to reflect the 2016 business plan targets. The 2016 weightings and measures are therefore set out in the table below. The 2016 targets and performance against those targets will be disclosed in the 2016 Annual Report.

Objective	Measure	Weighting Points[1]
Production	Increase in equivalent ounces produced compared to prior year production level[2]	26
Exploration/ growth	Net increase in total resources compared to previous year-end total[2]	10
	Net increase in resources upgraded from inferred to indicated compared to previous year-end total[2]	20
Financial	Year-on-year increase in net profit adjusted[3]	17
Stakeholder	Relationship with key stakeholder[4]	5
	Surface tenure[4]	3
	Controls over contractors[4]	3
Teamwork	Collective teamwork across the Group[4]	5
	Succession Plan for Executive Committee positions	6
Safety	Fatal accidents[5,6]	5
Total		**100**
Adjustments		–
Total		**100**

1 The Points Weighting is considered by the Remuneration Committee each year to ensure that it reflects an appropriate balance of priorities for management. Where a change of emphasis is considered to be necessary, the Weighting will be amended in future years.
2 Any decrease in equivalent ounces produced and/or in reserves and resources will result in points being deducted from the total points scored.
3 Net profit is adjusted to exclude currency fluctuation, the effect of year-on-year changes in metals prices and any revaluation of the Silverstream contract.
4 The points awarded for the Stakeholder and Teamwork objectives are subject to some discretion. The following points are awarded depending on the Remuneration Committee's assessment of the Teamwork effort: Outstanding = 7 points; Satisfactory = 5 points; Underperformance = 0 points.
5 In the event of a single fatality, zero points will be awarded for Safety. For the purposes of calculating fatalities, all fatalities are included, irrespective of whether they are employees or contractors. Conversely, in the event of zero fatalities during the year, the number of points awarded would be increased to 10 points.
6 In addition to the penalty for a single fatality (see note 5), the number of points awarded will be further reduced by 1% if there are two fatalities, or by 2% if there are three fatalities, or by 3% if there are four fatalities etc.

Directors' Remuneration Report
Annual Report on Remuneration 2015 continued

Remuneration Committee

Membership
The Remuneration Committee consisted of the following Directors in the year ended 31 December 2015:
> Mr Charles Jacobs (Chairman), Independent Non-executive Director
> Mr Alberto Baillères, Chairman of the Board
> Mr Fernando Ruiz, Independent Non-executive Director

Mr Baillères was non-independent at the time of his appointment to the Board and therefore his membership of the Remuneration Committee does not comply with Code Provision D.2.1 of the UK Corporate Governance Code. However, the Board believes that Mr Baillères' experience and knowledge of the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations justifies his membership of the Remuneration Committee.

Role
The Remuneration Committee has responsibility for making recommendations to the Board on the Group's Remuneration Policy for senior management (the Chief Executive Officer and other members of the Executive Committee), and for determining specific remuneration packages for senior management, including pension rights and any compensation packages, as well as remuneration of the Chairman within agreed terms of reference.

The Remuneration Committee is responsible for setting the Chairman's remuneration; however the Chairman does not receive any remuneration other than his fee as a Non-executive Director of the Company.

Terms of reference for the Remuneration Committee have been approved by the Board and are available on the Company's website at www.fresnilloplc.com.

Activity during 2015
During the year, the Committee met four times. Its key activities during the year were:
> Review of the Remuneration Policy, in line with UK regulatory requirements and, particularly, developments to the UK Corporate Governance Code;
> Receipt of reports from Towers Watson concerning the benchmarking of remuneration for members of the Executive Committee and Executive Directors, by reference to the Peer Group for the purpose of setting parameters for executive remuneration, particularly salaries for that group;
> Consideration of information about Mexican inflation trends and internal employee salary reviews prior to setting the annual salary increases for the Chief Executive Officer and members of the Executive Committee;
> Review of the performance of the Chief Executive Officer and members of the Executive Committee compared to the KPIs set for 2014 and approval of annual bonus awards for 2014 based on achievement of KPI targets;
> Review of KPI targets for members of the Executive Committee for 2015, including consideration of the effectiveness of changes to the targets to reward better performance in safety improvement and exploration efforts set the previous year; and
> Other activities, e.g. Committee evaluation, as required by the Committee's terms of reference.

Details of the attendance of members at meetings of the Committee during the year are set out in the Corporate Governance Report.

Advisers to the Remuneration Committee
Remuneration consultants are engaged by Group companies to provide benchmarking information on remuneration but not to provide guidance on the structure of remuneration. All of the consultants that the Group uses are independent of the Company. No remuneration consultants are directly engaged by the Remuneration Committee itself.

Benchmarking information on pay and employment conditions is supplied annually by Mercer, Hay Group and Data Compensation. The information provided is used across the Group in determining salaries for all employee grades including senior management. Whilst the Remuneration Committee takes such information into account when considering executive remuneration, none of these advisers are considered to materially assist the Remuneration Committee in the performance of its duties.

In addition, the Remuneration Committee receives specific reports comparing the remuneration of the members of the Executive Committee to international benchmarks. Towers Watson have advised the Remuneration Committee in relation to the establishment of the Peer Group and the provision of benchmarking information showing the position of the remuneration, and particularly the salaries, of members of the Executive Committee in relation to the Peer Group. Towers Watson provide general advice and benchmarking information to the Group concerning executive remuneration and during 2015, the Group paid Towers Watson US$7,326 (2014: US$51,713).

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

The Group Human Resources Department provides information on Mexican market trends and compensation structures for the broader employee population in the Fresnillo Group.

AGM Voting on the Remuneration Report

The Remuneration Committee's approach to executive remuneration has received strong support from shareholders at every Annual General Meeting since the Company's listing on the London Stock Exchange in 2008. More than 99% of independent share votes cast on the advisory vote at each AGM have been in favour of the Directors' Remuneration Report.

	All shares voted		Free float shares voted		Number of votes withheld
	For	Against	For	Against	
2011	99.98%	0.02%	99.88%	0.12%	5,125
2012	99.91%	0.09%	99.54%	0.46%	1,814,818
2013	99.97%	0.03%	99.82%	0.18%	115,987
2014: Remuneration Policy	99.72%	0.28%	98.69%	1.31%	532,589
2014: Remuneration Report	100.00%	0.00%	99.99%	0.01%	531,072
2015: Remuneration Report	99.91%	0.09%	99.55%	0.45%	814,989

Note: Prior to 2014, there was only one vote on the Directors' Remuneration Report at each Annual General Meeting.

Payments to departing Directors

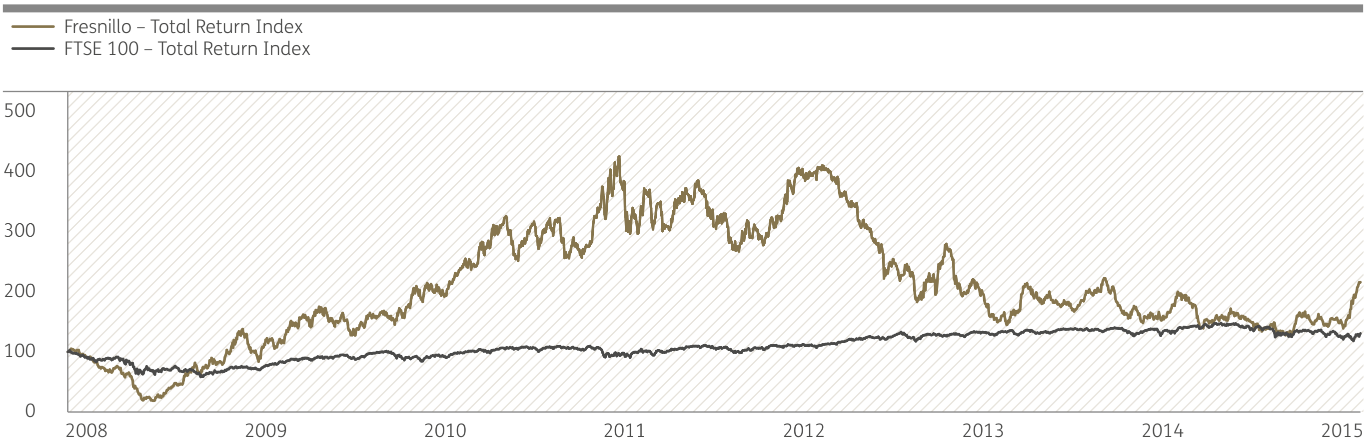
During the year, the Company has not made any payments to past Directors; neither has it made any payments to Directors for loss of office.

Share ownership guideline

The Remuneration Committee has considered whether a share ownership guideline should be set for Executive Directors and has determined that no such guideline should be set at the present time. As the Company does not operate a share-based incentive scheme and, as indicated earlier in this report, the culture for incentives in the Mexican market does not favour share-based incentives, there would be neither opportunity nor appetite for executives to build a shareholding in the Company. The Remuneration Committee will keep this policy under review.

Performance reviews

As required by the Regulations, the following graph sets out the performance of the Company's share price since its listing compared to the FTSE 100 Index. This is deemed to be the most appropriate indices for comparative purposes.



Directors' Remuneration Report
Annual Report on Remuneration 2015 continued

The total remuneration of the Chief Executive Officer for the past five years, in US dollars, has been as follows:

Year ending 31 December		2011	2012	2013	2014	2015
Chief Executive Officer			Jaime Lomelín			Octavio Alvídrez
						Total remuneration US$'000s
– Jaime Lomelín		1,698	1,329[1]	–	–	**–**
– Octavio Alvídrez		–	580	1,116	1,217	**1,166**
Total		1,698	1,909	1,116	1,217	**1,166**
Percentage change on previous year		(11.1%)	12.4%	(41.5%)	9.1%	**(4.2%)**
Proportion of maximum bonus paid to CEO in year	Jaime Lomelín	33.33%	66.66%	–	–	**–**
	Octavio Alvídrez	–	66.66%	33.33%	33.33%	**33.33%**

1 This figure only relates to remuneration paid to Jaime Lomelín in his capacity as Chief Executive Officer in 2012.

Relative importance of the spend on pay

	2015	2014	% Change
Staff Costs (US$'000s)[1]	**88,539**	91,311	(2.98%)
Distributions to shareholders (US$'000s)	**37,582**	86,954	(56.78%)

1 Staff costs are taken without PTU in order to make a like-for-like comparison with the Chief Executive Officer who does not receive PTU.

This Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Charles Jacobs
Chairman of the Remuneration Committee
29 February 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) adopted by the European Union.

The Directors are required to prepare financial statements for each financial year which present a true and fair view of the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements, the Directors are required to:

> select suitable accounting policies in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and of the Group's financial position and financial performance;
> state that the Company and the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
> prepare the accounts on a going concern basis unless, having assessed the ability of the Company and the Group to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Acts 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable UK law and regulations the Directors are responsible for the preparation of a Directors' report, Directors' remuneration report and corporate governance report that comply with that law and regulations. In addition the Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Neither the Company nor the Directors accept any liability to any person in relation to the annual financial report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000.

In accordance with provision C.1.1 of the UK Corporate Governance Code, the Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides information to enable shareholders to assess the Company's performance, business model and strategy.

Responsibility statement of the Directors in respect of the Annual Report and Accounts

I confirm on behalf of the Board that to the best of its knowledge:

a) the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) the management report (encompassed within the 'Overview', 'Strategic Report', 'Performance' and 'Governance' sections) includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Guy Wilson
Senior Independent Director
29 February 2016

Financial Statements

Independent Auditor's Report
to the members of Fresnillo plc

Opinion on financial statements

In our opinion:

- Fresnillo plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and the Parent company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

Fresnillo plc's financial statements comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2015	Company balance sheet as at 31 December 2015
Consolidated income statement for the year then ended	Company statement of comprehensive income for the year then ended
Consolidated statement of comprehensive income for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Company statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Company accounting policies
Related notes 1 to 32 to the financial statements	Related notes 1 to 19 to the financial statements

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Overview of our audit approach

Risks of material misstatement	> Recoverability of mining assets > Disclosures, provisions and asset recoverability arising from litigation and land disputes > Recognition of related party transactions, including revenue recognition > Valuation of the Silverstream contract > Estimation of mineral reserves and resources > Recoverability of investments in subsidiaries (Parent Company only)
Audit scope	> We performed an audit of the complete financial information of 5 components, being the 4 operating mining units and the Parent company, and audit procedures on specific balances at a further 5 components. > The components where we performed full or specific audit procedures accounted for: - 100% of Revenues; - 100% of the Silverstream revaluation effects; - 105% of Profit before tax excluding Silverstream revaluation effects (other components negatively contributing to profit by approximately (6)% rounded); and, - 99% of Total assets.
Materiality	> Overall Group materiality of US$9.2 million which represents 5% of Profit before tax before Silverstream revaluation effects.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Area of audit risk	Our audit response	What we concluded to the Audit Committee
Recoverability of mining assets		
> Management's assessment of the recoverable amount of mining assets requires estimation and judgment around assumptions used, including reserves and resources and related production profiles, future operating and capital expenditure, commodity prices, discount rates and exchange rates. > Changes to assumptions could lead to material changes in the estimated recoverable amount. *Management's assessment of the significant judgement and estimation required is set out in Note 2(c) and sensitivities to changes in price which may result in impairment are set out in Note 13 to the consolidated financial statements.*	> We have reviewed management's identification of indicators of impairment under accounting standards. > We have assessed the methodology used by management to estimate the recoverable value of each cash generating unit (CGU) to ensure that this is consistent with the accounting standards. > We have assessed the reasonableness of each key assumption used in management's cash flow forecasts used to calculate recoverable values, in particular: - We have verified reserves and resources quantities underpinning the mine plans by comparing these to estimates audited by SRK Consulting (SRK), a specialist engaged by management. - We assessed the professional competence, objectivity, and capabilities of SRK, as a specialist engaged by management, as required by auditing standards. - We agreed related production profiles to the current mine plans for each mine. - We assessed operating and capital costs included in the cash flow forecasts for consistency with current operating costs and forecast mine production. - Using our valuation specialists we have assessed management's assumptions relating to future metals prices and discount rates, comparing these to market data and also for consistency with other estimates used in the financial statements. - We have performed sensitivity analysis on management's calculated recoverable values for alternative assumptions around gold and silver prices, particularly in the initial 5 years of the forecasts and the discount rate applied.	> We agreed with management's identification of indicators of impairment in the current year which has resulted in all mining CGUs being tested for impairment. > We considered the approach to determining the recoverable value for each CGU to be appropriate. > Our procedures confirmed that the reserves and resources and related production profiles are consistent with the estimates audited by SRK and respective mine plans. > Our procedures confirmed that the estimates of operating and capital costs are consistent with the production profiles of respective mines and related mine plans. > Our sensitivity analysis supports there being no impairment arising with respect to any CGU in the current year.
Disclosures, provisions and asset recoverability arising from litigation and land disputes		
> The assessment of the appropriate level of legal provisions and disclosure in the financial statements requires judgement about the future legal outcome of claims and estimates of related financial impacts. > Litigation and claims can give rise to uncertainty around the Group's ability to freely realise the benefits of its assets and may give rise to asset impairment. *Contingencies in respect of litigation and land disputes are disclosed in Note 27 to the consolidated financial statements.*	> We evaluated management's assessment of the current status of litigation and claims against the Group and considered whether there is a requirement for any provision or related disclosures under accounting standards. > We assessed management's conclusion that there is sufficient likelihood that future economic benefits will flow from the use of the assets impacted by land disputes that continue to be carried in the Group's balance sheet, and whether there are related indicators of impairment in respect of those assets. > We assessed management's estimation of the recoverable value of inventory that is impacted by land disputes. > We obtained independent legal confirmation letters from the Group's external lawyers advising on these issues, and assessed these for consistency with management's conclusions. We assessed these lawyers as specialists engaged by management. > We assessed the Group's internal legal counsel as a management specialist.	> We have concluded that, based on the facts and circumstances of litigation and claims against the Group, that management's assessment that no provision is required at 31 December 2015 is appropriate. > The legal confirmations received corroborated management's judgements in this area. > We consider that the disclosure in Note 27 of related contingencies is also appropriate.

Independent Auditor's Report continued
to the members of Fresnillo plc

Area of audit risk	Our audit response	What we concluded to the Audit Committee
Recognition of related party transactions, including revenue recognition		
> All of the Group's current year revenue from the sale of production, and a significant amount of its expenses incurred relate to transactions with related parties. These include the sale of production to the Met-Mex refinery, which is part of Industrias Peñoles, the Company's direct parent. > There is a risk that, if not at arm's length or not reflecting the goods or services provided in the period, such transactions could be used to manipulate earnings or to distribute profits to the Company's parent. *Related party transactions are disclosed in Note 28 to the consolidated financial statements and Revenues in Note 5.*	> We evaluated the appropriateness of management's process for identifying and recording related party transactions. > We read contracts and agreements with related parties to understand the nature of the transactions. > Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. > We utilised data analysis tools to interrogate entire data sets for potential related party transactions. > We compared actual results against detailed expectations of income statement line items impacted by related party transactions to corroborate that there was no evidence of manipulation. > With respect to revenue recognition our procedures included: - On a sample basis we performed testing to support physical deliveries of product in the year. - We performed revenue cut-off testing. - We evaluated the appropriateness of the accounting for the provisional pricing terms in sales contracts. - We reviewed the basis for the treatment and refining charges negotiated between the Group and Industrias Peñoles for the current year, these being a deduction from reported revenues. - We compared actual revenues on a disaggregated basis to detailed expectations developed based on production in the year and market prices for relevant metals. > We verified that related party disclosures in the financial statements are consistent with the results of our audit procedures.	> Our procedures did not identify issues with the identification and reporting of related party transactions. > We concluded that revenue recognition in the year is appropriate, including the treatment of related provisional pricing terms.
Valuation of the Silverstream contract		
> The valuation of the Silverstream contract, a derivative financial instrument, uses a discounted cash flow model. Assumptions used require management judgement and estimation. > These include reserves and resources and the related production profile of the Sabinas mine (owned and operated by the Company's parent, Industrias Peñoles), future silver prices and the discount rate applied. > The resulting valuation is sensitive to changes in these assumptions which may result in material effects in the financial statements. *Details of the revaluation of the Silverstream contract are disclosed in Note 15 to the consolidated financial statements.*	> In conjunction with our valuation specialists, we evaluated the appropriateness of the valuation model used by the Company to determine the fair value of the Silverstream contract under accounting standards. > We interviewed the Sabinas mine geologist in order to understand the assumptions used in the estimation of reserves and resources. We assessed the geologist's professional competence, objectivity, and capabilities. > We gained an understanding of the process and controls around reserves and resources estimation at Industrias Peñoles. > We verified that the mine plan is consistent with the reserves and resources estimate. > With assistance from our valuation specialists we corroborated key economic assumptions in the valuation, including future silver prices, foreign exchange rates and the discount rate applied. This included comparison to market data and an analysis of the consistency of assumptions to other accounting estimates.	> The valuation model is consistent with that used in prior periods and we consider this appropriate for the nature of this long term derivative contract. > We concluded that the valuation of the Silverstream contract is reasonable as at 31 December 2015 and that the related gain recognised in income was appropriate.

Area of audit risk	Our audit response	What we concluded to the Audit Committee
Estimation of mineral reserves and resources		
> The estimation of mineral reserves and resources quantities requires significant judgment and estimation. The Group's reserves and resources are audited by SRK. > Reserves and resources, and related production profiles, are a key input to a number of areas impacting the financial statements, most significantly the recoverable value of mining assets and investments in subsidiaries (Parent Company only), the calculation of depletion, depreciation and amortisation, and the assessment of going concern and viability. Additionally, reported reserves and resources may impact investor valuations of the Group. *The reserves and resources tables are presented on Pages 225–229, after the Parent Company notes.*	> As discussed above, we assessed SRK as a specialist engaged by management as required by auditing standards. > Through direct discussions with SRK, we have gained an understanding of the scope of their work to verify that this was appropriate. > We read the report of the external expert and gained an understanding of the changes in reserves and resources estimates in the year. > We have tested that the audited reserves and resources estimates have been appropriately applied to relevant areas of the Group's financial statements including the recoverable value of mining assets and investments in subsidiaries (Parent Company only) and the calculation of depletion, depreciation and amortisation.	> We assessed SRK as an appropriate expert engaged by management for the purposes of auditing the reserves and resources of the group. > We confirmed that the audited reserves and resources estimates have been appropriately used in relevant financial statement calculations.
Recoverability of investments in subsidiaries (Parent Company only)		
> Management's assessment of the recoverable amount of investments in subsidiaries requires estimation and judgement around assumptions used, including the recoverable value of underlying mining assets, as discussed above. > Changes to assumptions could lead to material changes in the estimated recoverable amount, impacting both potential impairment charges and also potential reversals of impairment taken in prior years. *Management's assessment of the significant judgement and estimation required is set out in Note 2(c) to the Parent Company financial statements and sensitivities to changes in price which may result in impairment are set out in Note 6.*	> We have reviewed management's identification of indicators of impairment under accounting standards. > We have assessed the methodology used by management to estimate the recoverable value of each investment, in conjunction with any intra-group balances, to ensure that this is consistent with accounting standards. > We have assessed the reasonableness of the assumptions used in management's estimates of recoverable value, these principally being consistent in nature with those discussed in the 'Recoverability of mining assets' section above.	> We agree with management's identification of indicators or impairment in the current year. > We considered the approach to determining the recoverable value of investments tested for impairment to be appropriate. > We concluded that the carrying values of investments in subsidiaries, after impairments as reflected in the Parent Company financial statements, are reasonable.

Independent Auditor's Report continued

to the members of Fresnillo plc

Changes in our assessment of the risks of material misstatement as compared with those reported in the prior year are:

- In the prior year, our auditor's report included a risk of material misstatement in relation to the assessment of going concern. Whilst this is still an area of audit focus, we do not consider this to be a risk of material misstatement in the current year following our review of analysis performed by the company during the year and at year end.
- In the current year, we include the risk of recoverability of investments in subsidiaries (Parent company only) as a result of the inherent linkage between this and the recoverable value of mining assets.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls and other factors such as the results of the work of Internal Audit when assessing the level of work to be performed at each entity.

Of the 10 components selected (2014: 8), we performed an audit of the complete financial information of 5 components (2014: 5) ("full scope components") which were selected based on their size or risk characteristics.

For the remaining 5 components (2014: 3) ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on those accounts which we deem to be significant either because of the size of these accounts or their risk profile. Of the 5 specific scope components, we instructed 4 of these locations to perform specified procedures in respect of taxation, mine closure provisions and cash and cash equivalents.

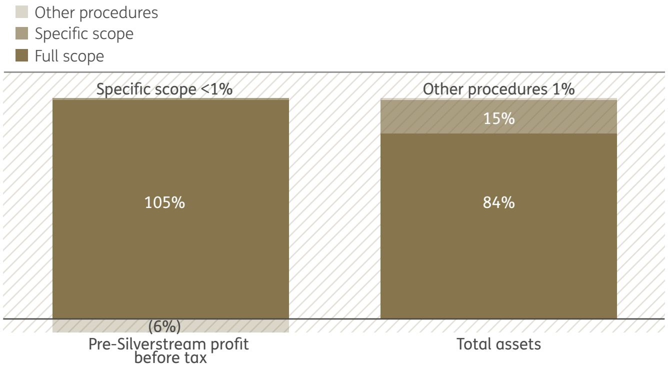
The reporting components where we performed audit procedures accounted for:

- 100% (2014: 100%) of the Group's revenues;
- 100% (2014: 100%) of Silverstream revaluation effects;
- 105% (2014: 105%) of the Group's profit before tax excluding Silverstream revaluation effects (there being other components that negatively contribute to profit by approximately (6)% rounded (2014: (5)%); and,
- 99% (2014: 98%) of the Group's Total assets.

The audit scope of the specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

The remaining components together represent a negative effect on the Group's Profit before tax excluding Silverstream revaluation effects of approximately (6)% (2014: (5)%) and 1% of total assets (2014: 2%). For these components, we performed other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement of the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.



Changes from the prior year

There were no significant changes in our scoping as compared to the prior year other than the addition of 2 specific scope components reflecting business activities in the year and the increased significance of certain balances in these.

Involvement with component teams

The Group's significant operations are all in Mexico. 4 of the 5 full scope components are audited by one local team under our direct supervision, with the audit of the Parent Company being performed by the primary engagement team. Of the 5 specific scope components, work was performed by the same local team on 4 and by the primary engagement team on 1.

The primary engagement team, including the Senior Statutory Auditor, has visited Mexico a number of times during the audit, during both the planning and execution phases. These visits involved discussing the audit approach and any issues arising from their work with the local team, meeting with management, attending closing meetings, and reviewing key audit working papers.

Senior members of the local team attended a Global Team Planning Event in the planning phase of the audit and the primary team interacted regularly with the local team between visits to Mexico as appropriate. The primary engagement team is predominantly composed of Spanish speakers in order to further enhance our interactions with both the component team and management.

The primary team was responsible for the scope and direction of the audit process. For certain procedures, in particular areas involving significant judgement and heightened audit risk, we performed work ourselves with support where required from the local team. In other cases, we reviewed key working papers including but not limited to the risk areas described above.

The audit work at the 10 components was executed at levels of performance materiality applicable to each individual component as allocated by the primary team and discussed below.

This involvement with the local component team in Mexico, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be US$9.2 million (2014: US$8.7 million), which is 5% (2014: 5%) of Profit before tax prior to Silverstream revaluation effects. We believe that this measure of profit represents one of the principal considerations for members of the Group, particularly as the Silverstream revaluation effects are principally non-cash in nature.

Starting point	> Profit before tax of US$212.35 million
Adjustments	> Adjusted for Silverstream revaluation effects of US$27.72 million
Materiality	> Totals US$184.63 million, being the basis of materiality > Materiality of US$9.2 million (5% of basis of materiality)

During the course of our audit, we reassessed initial planning materiality and updated its calculation for the actual financial results of the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment it is our judgement that performance materiality is 75% (2014: 75%) of our planning materiality, namely US$6.9 million (2014: US$6.5 million). We based this judgement on factors including the past history of misstatements, our ability to assess the likelihood of misstatements and the effectiveness of the internal control environment.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to full-scope components was as set out in the following table:

US$ million	2015	2014
Fresnillo mining unit	3.1	3.5
Saucito mining unit	4.5	2.9
Ciénega mining unit	1.0	2.0
Penmont mining unit	3.8	3.5
Fresnillo plc	6.9	5.2

The most significant change in allocated performance materiality was in respect of Saucito, which has increased in the year reflecting the full-year contribution of Saucito II, which commenced operations in the fourth quarter of 2014.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of 5% of planning materiality, being US$0.5m (2014: US$0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report 2015 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report continued
to the members of Fresnillo plc

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 137, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
> the information given in the Corporate Governance Statement set out on pages 98 to 137 in the 2015 Annual Report at www.fresnilloplc.com with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
ISAs (UK and Ireland) reporting
We are required to report to you if, in our opinion, financial and non-financial information in the annual report is:
> materially inconsistent with the information in the audited financial statements; or
> apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
> otherwise misleading.

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting
We are required to report to you if, in our opinion:
> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
> certain disclosures of directors' remuneration specified by law are not made; or
> we have not received all the information and explanations we require for our audit.

We have no exceptions to report.

Listing Rules review requirements
We are required to review:
> The directors' statement in relation to going concern, set out on page 49, and longer-term viability, set out on pages 48 to 49; and
> the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review

We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity
ISAs (UK and Ireland) reporting
We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:
> the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
> the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated;
> the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
> the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Daniel Trotman (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 March 2016

Notes:
1. The maintenance and integrity of the Fresnillo plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement
Year ended 31 December

		Year ended 31 December 2015			Year ended 31 December 2014		
	Notes	US$ thousands			US$ thousands		
		Pre-Silverstream revaluation effect	**Silverstream revaluation effect**	**Total**	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	5	1,444,386		1,444,386	1,413,701		1,413,701
Cost of sales	6	(1,011,316)		(1,011,316)	(892,647)		(892,647)
Gross profit		**433,070**		**433,070**	**521,054**		**521,054**
Administrative expenses		(62,820)		(62,820)	(67,540)		(67,540)
Exploration expenses	7	(140,246)		(140,246)	(168,784)		(168,784)
Selling expenses		(13,693)		(13,693)	(13,610)		(13,610)
Other operating income	9	778		778	580		580
Other operating expenses	9	(16,650)		(16,650)	(26,122)		(26,122)
Profit from continuing operations before net finance costs and income tax		**200,439**		**200,439**	**245,578**		**245,578**
Finance income	10	65,838		65,838	7,460		7,460
Finance costs	10	(45,463)		(45,463)	(54,616)		(54,616)
Revaluation effects of Silverstream contract	15	–	27,720	27,720	–	77,054	77,054
Foreign exchange loss		(36,180)		(36,180)	(24,411)		(24,411)
Profit from continuing operations before income tax		**184,634**	**27,720**	**212,354**	**174,011**	**77,054**	**251,065**
Corporate income tax	11	(120,690)	(8,316)	(129,006)	(95,155)	(23,116)	(118,271)
Special mining right	11	(13,958)		(13,958)	(15,700)		(15,700)
Income tax expense	11	(134,648)	(8,316)	(142,964)	(110,855)	(23,116)	(133,971)
Profit for the year from continuing operations		**49,986**	**19,404**	**69,390**	**63,156**	**53,938**	**117,094**
Attributable to:							
Equity shareholders of the Company		51,119	19,404	70,523	54,511	53,938	108,449
Non-controlling interest		(1,133)		(1,133)	8,645		8,645
		49,986	**19,404**	**69,390**	**63,156**	**53,938**	**117,094**
Earnings per share: (US$)							
Basic and diluted earnings per Ordinary Share from continuing operations	12	–		0.096	–		0.147
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	12	0.069		–	0.074		–

Consolidated Statement of Comprehensive Income
Year ended 31 December

	Notes	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Profit for the year		**69,390**	**117,094**
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Net losses/(gains) on cash flow hedges recycled during the year		26,422	(3,247)
Related income tax effect	11	(7,927)	974
Net unrealised gains/(losses) on cash flow hedges		39,521	(11,771)
Related income tax effect	11	(11,856)	3,531
Net effect of cash flow hedges		46,160	(10,513)
Fair value (losses)/gains on available-for-sale financial assets	14	(14,636)	22,833
Related income tax effect	11	4,391	(6,850)
Impairment losses on available-for-sale financial assets taken to income during the year		2,896	982
Related income tax effect	11	(869)	(295)
Net effect of available-for-sale financial assets		(8,218)	16,670
Foreign currency translation		(134)	(234)
Net other comprehensive income that may be reclassified subsequently to profit or loss		**37,808**	**5,923**
Items that will not be reclassified to profit or loss:			
Losses on cash flow hedges reclassified to the value of other assets		–	(220)
Related income tax effect	11	–	66
Remeasurement losses on defined benefit plans	23	(2,273)	(1,851)
Related income tax effect	11	361	296
Net other comprehensive expense that will not be reclassified to profit or loss		**(1,912)**	**(1,709)**
Other comprehensive income, net of tax		**35,896**	**4,214**
Total comprehensive income for the year, net of tax		**105,286**	**121,308**
Attributable to:			
Equity shareholders of the Company		106,419	112,663
Non-controlling interests		(1,133)	8,645
		105,286	**121,308**

Consolidated Balance Sheet
As at 31 December

	Notes	As at 31 December 2015 US$ thousands	2014 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,138,588	1,969,418
Available-for-sale financial assets	14	71,442	86,078
Silverstream contract	15	358,164	358,965
Deferred tax asset	11	30,814	57,705
Inventories	16	76,375	84,412
Other receivables	17	2,289	3,853
Other assets		3,372	3,872
		2,681,044	**2,564,303**
Current assets			
Inventories	16	224,200	221,200
Trade and other receivables	17	237,992	287,595
Income tax recoverable		67,690	168,498
Prepayments		2,966	3,356
Derivative financial instruments	31	117,075	14,551
Silverstream contract	15	26,607	33,311
Short-term investments	18	118,718	295,000
Cash and cash equivalents	18	381,420	154,340
		1,176,668	**1,177,851**
Total assets		**3,857,712**	**3,742,154**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	19	368,546	368,546
Share premium	19	1,153,817	1,153,817
Capital reserve	19	(526,910)	(526,910)
Net unrealised gains/(losses) on cash flow hedges	19	36,214	(9,946)
Net unrealised gains on available-for-sale financial assets	19	16,297	24,515
Foreign currency translation reserve	19	(731)	(597)
Retained earnings	19	1,296,906	1,265,877
		2,344,139	2,275,302
Non-controlling interests		30,202	26,539
Total equity		**2,374,341**	**2,301,841**
Non-current liabilities			
Interest-bearing loans	21	797,032	796,160
Provision for mine closure cost	22	195,476	153,802
Provision for pensions and other post-employment benefit plans	23	14,534	13,838
Deferred tax liability	11	373,009	336,751
		1,380,051	**1,300,551**
Current liabilities			
Trade and other payables	24	89,630	100,351
Derivative financial instruments	31	1,427	27,033
Income tax	11	–	814
Employee profit sharing		12,263	11,564
		103,320	**139,762**
Total liabilities		**1,483,371**	**1,440,313**
Total equity and liabilities		**3,857,712**	**3,742,154**

These financial statements were approved by the Board of Directors on 29 February 2016 and signed on its behalf by:

Mr Arturo Fernández
Non-executive Director
29 February 2016

Consolidated Statement of Cash Flows
Year ended 31 December

	Notes	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Net cash from operating activities	30	**542,894**	**121,634**
Cash flows from investing activities			
Purchase of property, plant and equipment		(474,692)	(425,574)
Proceeds from the sale of property, plant and equipment and other assets		6,077	14,206
Repayments of loans granted to contractors		1,567	3,479
Short-term investments	18	176,475	(295,133)
Silverstream contract	15	39,430	58,777
Interest received		4,614	5,993
Net cash used in investing activities		**(246,529)**	**(638,252)**
Cash flows from financing activities			
Dividends paid to shareholders of the Company	20	(37,529)	(86,952)
Acquisition of non-controlling interest	4(b)	–	(450,540)
Capital contribution		4,796	4,378
Interest paid[1]	21	(35,144)	(43,581)
Net cash used in financing activities		**(67,877)**	**(576,695)**
Net increase/(decrease) in cash and cash equivalents during the year		228,488	(1,093,313)
Effect of exchange rate on cash and cash equivalents		(1,408)	(4,041)
Cash and cash equivalents at 1 January		154,340	1,251,694
Cash and cash equivalents at 31 December	18	**381,420**	**154,340**

1 Total interest paid during the year ended 31 December 2015 less amounts capitalised as part of fixed assets projects totalling US$11.1 million (31 December 2014: US$2.7 million).

Consolidated Statement of Changes in Equity

Year ended 31 December

		Attributable to the equity holders of the Company									
											US$ thousands
	Notes	Share capital	Share premium	Capital reserve	Net unrealised gains/(losses) on revaluation of cash flow hedges	Net unrealised gains/(losses) on available-for-sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2014		**368,546**	**1,153,817**	**(526,910)**	**721**	**7,845**	**(363)**	**1,269,781**	**2,273,437**	**398,534**	**2,671,971**
Profit for the year		–	–	–	–	–	–	108,449	108,449	8,645	117,094
Other comprehensive income, net of tax		–	–	–	(10,667)	16,670	(234)	(1,555)	4,214	–	4,214
Total comprehensive income for the year		–	–	–	(10,667)	16,670	(234)	106,894	112,663	8,645	121,308
Capital contribution		–	–	–	–	–	–	–	–	46,011	46,011
Acquisition of non-controlling interest	4(b)	–	–	–	–	–	–	(23,844)	(23,844)	(426,651)	(450,495)
Dividends declared and paid	20	–	–	–	–	–	–	(86,954)	(86,954)	–	(86,954)
Balance at 31 December 2014		**368,546**	**1,153,817**	**(526,910)**	**(9,946)**	**24,515**	**(597)**	**1,265,877**	**2,275,302**	**26,539**	**2,301,841**
Profit/(loss) for the year		–	–	–	–	–	–	70,523	70,523	(1,133)	69,390
Other comprehensive income, net of tax		–	–	–	46,160	(8,218)	(134)	(1,912)	35,896	–	35,896
Total comprehensive income for the year		–	–	–	46,160	(8,218)	(134)	68,611	106,419	(1,133)	105,286
Capital contribution		–	–	–	–	–	–	–	–	4,796	4,796
Dividends declared and paid	20	–	–	–	–	–	–	(37,582)	(37,582)	–	(37,582)
Balance at 31 December 2015		**368,546**	**1,153,817**	**(526,910)**	**36,214**	**16,297**	**(731)**	**1,296,906**	**2,344,139**	**30,202**	**2,374,341**

Notes to the Consolidated Financial Statements

1. Corporate information

Fresnillo plc. ("the Company") is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 6 of the Parent Company accounts ('the Group').

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75% of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Peñoles' group companies is disclosed in note 28.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorised for issue by the Board of Directors of Fresnillo plc on 29 February 2016.

The Group's principal business is the mining and beneficiation of non-ferrous minerals, and the sale of related production. The primary contents of this production are silver, gold, lead and zinc. Further information about the Group's operating mines and its principal activities is disclosed in note 3.

2. Significant accounting policies

(a) Basis of preparation and consolidation, and statement of compliance

Basis of preparation and statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the years ended 31 December 2015 and 2014, and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial instruments and defined benefit pension scheme assets which have been measured at fair value.

The consolidated financial statements are presented in dollars of the United States of America (US dollars or US$) and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements set out the Group's financial position as of 31 December 2015 and 2014, and the results of operations and cash flows for the years then ended.

Entities that constitute the Group are those enterprises controlled by the Group regardless of the number of shares owned by the Group. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Entities are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The Group applies the acquisition method to account for business combinations in accordance with IFRS 3.

All intra-Group balances, transactions, income and expenses and profits and losses, including unrealised profits arising from intra-Group transactions, have been eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Any losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, a transaction with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) Changes in accounting policies and disclosures

The accounting policies applied are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2014. During 2015, there were no amendments to existing accounting policies.

New standards, interpretations and amendments (new standards) adopted by the Group

During 2015 there were no new standards adopted by the Group. New standards issued by the IASB effective as of 1 January 2015 had no impact in the financial information of the Group.

2. Significant accounting policies continued

Standards, interpretations and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards that it considers will be applicable to the Group's financial statements, when they become effective.

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. These amendments are effective for annual periods beginning on or after 1 January 2019; earlier application is permitted. However, as there are several interactions between IFRS 16 and IFRS 15 Revenue from contracts with customers, early application is restricted to entities that also early apply IFRS 15. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group has not early adopted this standard; however, management has reviewed the aggregation level in the financial statements including disclosures in notes, considering the new guidance on materiality. The amendments to this standard are not expected to have any impact on the financial information of the Group.

Amendments to IAS 7 Disclosure Initiative

The amendments to IAS 7 require disclosure of information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from (i) cash flows, such as drawdowns and repayments of borrowings; and (ii) non-cash changes, such as acquisitions, disposals and unrealised exchange differences. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The amendments to this standard are not expected to have any impact on the financial information of the Group.

Amendments to IAS 12 Income Taxes

The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The amendments to this standard are not expected to have any impact on the financial information of the Group.

The IASB have issued other amendments to standards that management considers do not have any impact on the accounting policies, financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

(c) Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements are:

- Determination of functional currencies, note 2(d):
  The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

- Evaluation of projects status, note 2(e):
  The evaluation of project status impacts the accounting for costs incurred and requires management judgement. This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalisation of costs; the timing of the end of the exploration phase and the start of the development phase and the commencement of the production phase. These judgements directly impact the treatment of costs incurred and proceeds from the sale of metals from ore produced.

- Stripping costs, note 2(e):
  The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and, within production stripping, to distinguish between the portion that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

  Once the Group has identified production stripping for a surface mining operation, it identifies the separate components of the ore bodies for that operation. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected tonnes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

  Once production stripping costs have been identified, judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected tonnes of waste to be stripped for an expected tonnes of ore to be mined for a specific component of the ore body is the most suitable production measure.

  Furthermore, judgements and estimates are also used to apply the unit-of-production method in determining the depreciable lives of the stripping activity asset(s).

- Qualifying assets, note 2(e):
  All interest-bearing loans are held by the Parent Company and were not obtained for any specific asset's acquisition, construction, or production. Funds from these loans are transferred to subsidiaries to meet the strategic objectives of the Group or are otherwise held centrally. Due to this financing structure, judgement is required in determining whether those borrowings are directly attributable to the acquisition, construction or production of a qualifying asset. Therefore, management determines whether borrowings are directly attributable to an asset or group of assets based on whether the investment in an operating or development stage project is classified as contributing to achieving the strategic growth of the Group.

- Contingencies, note 27
  By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

2. Significant accounting policies continued

Estimates and assumptions

Significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements include:

> Estimated recoverable ore reserves and mineral resources, note 2(e):
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties; mineral resources are an identified mineral occurrence with reasonable prospects for eventual economic extraction. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates, in conformity with the Joint Ore Reserves Committee (JORC) Code 2012. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable ore reserves and mineral resources is based upon factors such as estimates of commodity prices, foreign exchange rates, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change. Such changes may impact the Group's reported balance sheet and income statement including:
- The carrying value of property, plant and equipment and mining properties may be affected due to changes in estimated future cash flows, those cash flows consider both ore reserves and mineral resources;
- Depreciation and amortisation charges in the income statement may change where such charges are determined using the unit-of-production method based on ore reserves;
- Capitalised stripping costs recognised in the income statement as either part of mine properties or as part of inventory or charged to profit or loss may change due to changes in stripping ratios; determination of stripping ratios is based on ore reserves and resources;
- Provisions for mine closure costs may change where changes to the ore reserve and resources estimates affect expectations about when such activities will occur;
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

> Determination of useful lives of assets for depreciation and amortisation purposes, notes 2(e) and 13:
Estimates are required to be made by management as to the useful lives of assets. For depreciation calculated under the unit-of-production method, estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the estimated remaining life of mine production. Estimated useful lives of other assets is based on the expected usage of the asset. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is used.

> Silverstream, note 15:
The valuation of the Silverstream contract as a derivative financial instrument requires significant estimation by management. The derivative has a term of over 20 years and the value of this derivative is determined using a number of estimates, including the estimated recoverable ore reserves and mineral resources and future production profile of the Sabinas mine, the estimated recoveries of silver from ore mined, estimates of the future price of silver and the discount rate used to discount future cash flows. For further detail on the inputs that have a significant effect on the fair value of this derivative, see note 31. The impact of changes in silver price assumptions, foreign exchange, inflation and the discount rate is included in note 32.

> Assessment of recoverability of assets and impairment charges, note 2 (f):
The recoverability of an asset requires the use of estimates and assumptions such as long-term commodity prices, reserves and resources and the associate production profiles, discount rates, future capital requirements, exploration potential and operating performance. Changes in these assumptions will affect the recoverable amount of the property, plant and equipment.

> Estimation of the mine closure costs, notes 2(l) and 22:
Significant estimates and assumptions are made in determining the provision for mine closure cost as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, mine life and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the balance sheet date represents management's best estimate of the present value of the future closure costs required.

> Income tax, notes 2(r) and 11:
Judgement is required in determining whether deferred tax assets are recognised on the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

(d) Foreign currency translation
The Group's consolidated financial statements are presented in US dollars, which is the Parent Company's functional currency. The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For all operating entities, this is US dollars.

Transactions denominated in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair value is determined.

For entities with functional currencies other than US dollars, as at the reporting date, assets and liabilities are translated into the reporting currency of the Group by applying the exchange rate at the balance sheet date and the income statement is translated at the average exchange rate for the year. The resulting difference on exchange is included as a cumulative translation adjustment in other comprehensive income. On disposal of an entity, the deferred cumulative amount recognised in other comprehensive income relating to that operation is recognised in the income statement.

(e) Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. Cost comprises the purchase price and any costs directly attributable to bringing the asset into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost less the residual value of each item of property, plant and equipment is depreciated over its useful life. Each item's estimated useful life has been assessed with regard to both its own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the item is located. Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments for major items. Depreciation is charged to cost of sales on a unit-of-production (UOP) basis for mine buildings and installations, plant and equipment used in the mine production process or on a straight-line basis over the estimated useful life of the individual asset when not related to the mine production process. Changes in estimates, which mainly affect unit-of-production calculations, are accounted for prospectively. Depreciation commences when assets are available for use. Land is not depreciated.

The expected useful lives are as follows:

	Years
Buildings	6
Plant and equipment	4
Mining properties and development costs[1]	16
Other assets	3

1 Depreciation of mining properties and development costs are determined using the unit-of-production method.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising at de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is de-recognised.

Non-current assets or disposal groups are classified as held for sale when it is expected that the carrying amount of the asset will be recovered principally through sale rather than through continuing use. Assets are not depreciated when classified as held for sale.

Disposal of assets
Gains or losses from the disposal of assets are recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

Mining properties and development costs
Payments for mining concessions are expensed during the exploration phase of a prospect and capitalised during the development of the project when incurred.

Purchased rights to ore reserves and mineral resources are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Mining concessions, when capitalised, are amortised on a straight-line basis over the period of time in which benefits are expected to be obtained from that specific concession.

Mine development costs are capitalised as part of property, plant and equipment. Mine development activities commence once a feasibility study has been performed for the specific project. When an exploration prospect has entered into the advanced exploration phase and sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained, pre-operative expenses relating to mine preparation works are also capitalised as a mine development cost.

2. Significant accounting policies continued

The initial cost of a mining property comprises its construction cost, any costs directly attributable to bringing the mining property into operation, the initial estimate of the provision for mine closure cost, and, for qualifying assets, borrowing costs. The Group cease the capitalisation of borrowing cost when the physical construction of the asset is complete and is ready for its intended use.

Revenues from metals recovered from ore mined in the mine development phase, prior to commercial production, are credited to mining properties and development costs. Upon commencement of production, capitalised expenditure is depreciated using the unit-of-production method based on the estimated economically proven and probable reserves to which they relate.

Mining properties and mine development are stated at cost, less accumulated depreciation and impairment in value, if any.

Construction in progress

Assets in the course of construction are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment. The cost of construction in progress is not depreciated.

Subsequent expenditures

All subsequent expenditure on property, plant and equipment is capitalised if it meets the recognition criteria, and the carrying amount of those parts that are replaced, is de-recognised. All other expenditure including repairs and maintenance expenditure is recognised in the income statement as incurred.

Stripping costs

In a surface mine operation, it is necessary to remove overburden and other waste material in order to gain access to the ore bodies (stripping activity). During development and pre-production phases, the stripping activity costs are capitalised as part of the initial cost of development and construction of the mine (the stripping activity asset) and charged as depreciation or depletion to cost of sales, in the income statement, based on the mine's units of production once commercial operations begin.

Removal of waste material normally continues throughout the life of a surface mine. At the time that saleable material begins to be extracted from the surface mine the activity is referred to as production stripping.

Production stripping cost is capitalised only if the following criteria are met:

- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will flow to the Group;
- The Group can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

If not all of the criteria are met, the production stripping costs are charged to the income statement as operating costs as they are incurred.

Stripping activity costs associated with such development activities are capitalised into existing mining development assets, as mining properties and development cost, within property, plant and equipment, using a measure that considers the volume of waste extracted compared with expected volume, for a given volume of ore production. This measure is known as "component stripping ratio", which is revised annually in accordance with the mine plan. The amount capitalised is subsequently depreciated over the expected useful life of the identified component of the ore body related to the stripping activity asset, by using the unit-of-production method. The identification of components and the expected useful lives of those components are evaluated annually. Depreciation is recognised as cost of sales in the income statement.

The capitalised stripping activity asset is carried at cost less accumulated depletion/depreciation, less impairment, if any. Cost includes the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. The costs associated with incidental operations are excluded from the cost of the stripping activity asset.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body and a mine may have several components that are identified based on the mine plan. The mine plans and therefore the identification of components can vary between mines for a number of reasons including, but not limited to the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

(f) Impairment of non-financial assets

The carrying amounts of assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If there are indicators of impairment, an exercise is undertaken to determine whether carrying values are in excess of their recoverable amount. Such reviews are undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of those from other assets or groups of assets, and then the review is undertaken at the cash generating unit level.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued
If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the recoverable amount in the balance sheet. Impairment losses are recognised in the income statement.

The recoverable amount of an asset
The recoverable amount of an asset is the greater of its value in use and fair value less costs to disposal. Fair value is based on an estimate of the amount that the Group may obtain in an orderly sale transaction between market participants. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independently of those from other assets, or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment
An assessment is made each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in previous years. Such impairment loss reversal is recognised in the income statement.

(g) Financial assets and liabilities
Financial assets are recognised when the Group becomes party to contracts that give rise to them and are classified as financial assets at fair value through profit or loss; held to maturity investments; available-for-sale financial assets; or loans and receivables or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group recognises financial liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial liabilities are classified at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are initially recognised at the fair value of the consideration received, including any transaction costs incurred.

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities classified as held-for-trading and other assets or liabilities designated as fair value through profit or loss at inception are included in this category. Financial assets or liabilities are classified as held-for-trading if they are acquired or incurred for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets or liabilities at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses arising from changes in fair value, presented as finance costs or finance income in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale.

After initial measurement, such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains or losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. Loans and receivables from contractors are carried at amortised cost.

Loans and borrowings
After initial recognition at fair value, net of directly attributable transaction costs, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the income statement. Gains and losses are recognised in profit or loss, in the income statement, when the liabilities are derecognised as well as through the EIR amortisation process.

The Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. Any adjustment is recognised in profit or loss as income or expense.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 21.

2. Significant accounting policies continued

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the preceding categories and are not held to maturity investments.

Available-for-sale financial assets represent equity investments that have a quoted market price in an active market; therefore, a fair value can be reliably measured. After initial measurement, available-for-sale financial assets are measured at fair value with mark-to-market unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the financial asset is de-recognised.

Financial assets classified as available-for-sale are de-recognised when they are sold, and all the risks and rewards of ownership have been transferred. When financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement within other operating income or expense.

De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(h) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are de-recognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. In assessing whether there is an impairment, the Group considers whether a decline in fair value is either significant or prolonged, by considering the size of the decline in this value, the historic volatility in changes in fair value and the duration of the sustained decline. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

(i) Inventories

Finished goods and work in progress inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on cost of production which excludes borrowing costs.

For this purpose, the costs of production include:

> personnel expenses, which include employee profit sharing, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
> the depreciation of property, plant and equipment used in the extraction and processing of ore; and
> related production overheads (based on normal operating capacity).

Operating materials and spare parts are valued at the lower of cost or net realisable value. An allowance for obsolete and slow-moving inventories is determined by reference to specific items of stock. A regular review is undertaken by management to determine the extent of such an allowance.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(j) Short-term investments

Where the Group invests in short-term instruments which are either not readily convertible into known amounts of cash or are subject to risk of changes in value that are not insignificant, these instruments are classified as short-term investments. Short-term investments are classified as loans and receivables.

(k) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and four months. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(l) Provisions

Mine closure cost

A provision for mine closure cost is made in respect of the estimated future costs of closure, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) based on a mine closure plan, in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included within finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future economic benefit and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis by the Group for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognised in the balance sheet by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the revised mine assets net of mine closure cost provisions exceed the recoverable value, the portion of the increase is charged directly as an expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(m) Employee benefits

The Group operates the following plans:

Defined benefit pension plan

This funded plan is based on each employee's earnings and years of service. This plan was open to all employees in Mexico until it was closed to new entrants on 1 July 2007. The plan is denominated in Mexican pesos. For members as at 30 June 2007, benefits were frozen at that date subject to indexation with reference to the Mexican National Consumer Price Index (NCPI).

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method and prepared by an independent actuarial firm as at each year-end balance sheet date. The discount rate is the yield on mxAAA (Standard & Poor's) and AAA-mex (Fitch Ibca) credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial gains or losses are recognised in OCI and permanently excluded from profit or loss.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested following the introduction of, or changes to, a pension plan, the past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Net interest cost is recognised in finance cost and return on plan assets (other than amounts reflected in net interest cost) is recognised in OCI and permanently excluded from profit or loss.

2. Significant accounting policies continued

Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. The contributions are based on the employee's salary.

This plan started on 1 July 2007 and it is voluntary for all employees to join this scheme.

Seniority premium for voluntary separation

This unfunded plan corresponds to an additional payment over the legal seniority premium equivalent to approximately 12 days of salary per year for those unionised workers who have more than 15 years of service. Non-unionised employees with more than 15 years of service have the right to a payment equivalent to 12 days for each year of service. For both cases, the payment is based on the legal current minimum salary.

The cost of providing benefits for the seniority premium for voluntary separation is determined using the projected unit credit actuarial valuation method and prepared by an independent actuarial firm as at each year-end balance sheet date. Actuarial gains or losses are recognised as income or expense in the period in which they occur.

Other

Benefits for death and disability are covered through insurance policies.

Termination payments for involuntary retirement (dismissals) are charged to the income statement, when incurred.

(n) Employee profit sharing

In accordance with the Mexican legislation, companies in Mexico are subject to pay for employee profit sharing ('PTU') equivalent to 10% of the taxable income of each fiscal year.

PTU is accounted for as employee benefits and is calculated based on the services rendered by employees during the year, considering their most recent salaries. The liability is recognised as it accrues and is charged to the income statement. PTU, paid in each fiscal year, is considered deductible for income tax purposes.

(o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c) There is a change in the determination of whether fulfilment is dependent on a specified asset; or
d) There is a substantial change to the asset.

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Where a reassessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b) above.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2007, in accordance with the transitional requirements of IFRIC 4.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts, rebates, and other sales taxes.

Sale of goods

Revenue is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed. Revenue excludes any applicable sales taxes.

The Group recognises revenue on a provisional basis at the time concentrates, precipitates and doré bars are delivered to the customer's smelter or refinery, using the Group's best estimate of contained metal. Revenue is subject to adjustment once the analysis of the product samples is completed, contract conditions have been fulfilled and final settlement terms are agreed. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, sales of concentrates and precipitates throughout each calendar month, as well as doré bars that are delivered after the 20th day of each month, are 'provisionally priced' subject to a final adjustment based on the average price for the month following the delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. Doré bars that are delivered in the first 20 days of each month are finally priced in the month of delivery.

For sales of goods that are subject to provisional pricing, revenue is initially recognised when the conditions set out above have been met using the provisional price. The price exposure is considered to be an embedded derivative and hence separated from the sales contract. At each reporting date, the provisionally priced metal is revalued based on the forward selling price for the quotation period stipulated in the contract until the quotation period ends. The selling price of the metals can be reliably measured as these are actively traded on international exchanges. The revaluing of provisionally priced contracts is recorded as an adjustment to revenue.

The customer deducts treatment and refining charges before settlement. Therefore, the fair value of consideration received for the sale of goods is net of those charges.

The Group recognises in selling expenses a levy in respect of the Extraordinary Mining Right as sales of gold and silver are recognised. The Extraordinary Mining Right consists of a 0.5% rate, applicable to the owners of mining titles. The payment must be calculated over the total sales of all mining concessions. The payment of this mining right must be remitted no later than the last business day of March of the following year and can be credited against corporate income tax.

Other income

Other income is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

(q) Exploration expenses

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration expenses are charged to the income statement as incurred and are recorded in the following captions:

- Cost of sales: costs relating to in-mine exploration, that ensure continuous extraction quality and extend mine life; and
- Exploration expenses:
  - Costs incurred in geographical proximity to existing mines in order to replenish or increase reserves; and
  - Costs incurred in regional exploration with the objective of locating new ore deposits in Mexico and Latin America and which are identified by project. Costs incurred are charged to the income statement until there is sufficient probability of the existence of economically recoverable minerals and a feasibility study has been performed for the specific project.

(r) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, at the reporting date in the country the Group operates.

2. Significant accounting policies continued

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

> where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and
> in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

> where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
> in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in other comprehensive income is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Mining rights

The Special Mining Right is considered an income tax under IFRS and states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities. The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (note 11).

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

> When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable;
> When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(s) Derivative financial instruments and hedging

The Group uses derivatives to reduce certain market risks derived from changes in foreign exchange and commodities price which impact its financial and business transactions. Hedges are designed to protect the value of expected production against the dynamic market conditions.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The full fair value of a derivative is classified as non-current asset or liability if the remaining maturity of the item is more than 12 months.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Notes to the Consolidated Financial Statements continued

2. Significant accounting policies continued

Derivatives are valued using valuation approaches and methodologies (such as Black-Scholes and Net Present Value) applicable to the specific type of derivative instrument. The fair value of forward currency and commodity contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles, European foreign exchange options are valued using the Black-Scholes model. The Silverstream contract is valued using a Net Present Value valuation approach.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for the undertaken hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of derivative instruments are recorded as in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. For gains or losses related to the hedging of foreign exchange risk, these are included in the line item in which the hedged costs are reflected. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. The ineffective portion of changes in the fair value of cash flow hedges is recognised directly as finance costs, in the income statement of the related period.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss recognised directly in other comprehensive income from the period that the hedge was effective remains separately in other comprehensive income until the forecast transaction occurs, when it is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

When hedging with options, the Group designates only the intrinsic value movement of the hedging option within the hedge relationship. The time value of the option contracts is therefore excluded from the hedge designation. Changes in fair value of time value is recognised in the income statement in finance costs.

Embedded derivatives

Contracts are assessed for the existence of embedded derivatives at the date that the Group first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as stand-alone derivatives.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes 12 or more months to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(u) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 31 and 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

> In the principal market for the asset or liability; or
> In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

2. Significant accounting policies continued

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 31.

(v) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability when these are approved by the Company's shareholders or Board as appropriate. Dividends payable to minority shareholders are recognised as a liability when these are approved by the Company's subsidiaries.

3. Segment reporting

For management purposes, the Group is organised into operating segments based on producing mines.

At 31 December 2015, the Group has six reportable operating segments represented by six producing mines as follows:
- The Fresnillo mine, located in the State of Zacatecas, the world's largest primary silver mine;
- The Saucito mine, located in the State of Zacatecas, an underground silver mine;
- The Cienega mine, located in the State of Durango, an underground gold mine; including the San Ramon satellite mine;
- The Herradura mine, located in the State of Sonora, a surface gold mine;
- The Soledad-Dipolos mine, located in the State of Sonora, a surface gold mine; and
- The Noche Buena mine, located in State of Sonora, a surface gold mine.

The operating performance and financial results for each of these mines are reviewed by management. As the Group's chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

Management monitors the results of its operating segments separately for the purpose of performance assessment and making decisions about resource allocation. Segment performance is evaluated without taking into account certain adjustments included in Revenue as reported in the consolidated income statement, and certain costs included within Cost of Sales and Gross Profit which are considered to be outside of the control of the operating management of the mines. The table below provides a reconciliation from segment profit to Gross Profit as per the consolidated income statement. Other income and expenses included in the consolidated income statement are not allocated to operating segments. Transactions between reportable segments are accounted for on an arm's length basis similar to transactions with third parties.

In 2015 and 2014, substantially all revenue was derived from customers based in Mexico.

Notes to the Consolidated Financial Statements continued

3. Segment reporting continued

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2015 and 2014, respectively:

Year ended 31 December 2015

US$ thousands	Fresnillo	Herradura	Cienega	Soledad-Dipolos	Saucito	Noche Buena	Other[11]	Adjustments and eliminations	Total
Revenues:									
Third party[1]	265,347	459,904	154,334	–	395,417	165,518	–	3,866	1,444,386
Inter-segment	–	–	–	–	–	–	78,622	(78,622)	–
Segment revenues	**265,347**	**459,904**	**154,334**	**–**	**395,417**	**165,518**	**78,622**	**(74,756)**	**1,444,386**
Segment profit[2]	**149,986**	**219,045**	**71,094**	**(7,995)**	**295,219**	**26,706**	**65,925**	**(14,322)**	**805,659**
Hedging									(28,589)
Depreciation and amortisation									(331,209)
Employee profit sharing									(12,791)
Gross profit as per the income statement									**433,070**
Capital expenditure[3]	205,573[4]	119,743[5]	24,632[6]	–[7]	108,276[8]	2,649[9]	13,819[10]	–	474,692

1 Total third party revenues include treatment and refining charges amounting US$142.8 million.
2 Segment profit excluding foreign exchange hedging losses, depreciation and amortisation and employee profit sharing.
3 Capital expenditure consists of additions to property, plant and equipment, including mine development and stripping activity asset but excluding additions relating to changes in the mine closure provision.
4 Capital expenditure consists of mine development work, the construction of San Julian project, and purchase of mine equipment.
5 Capital expenditure consists of surface mine stripping activity, construction of second beneficiation plant (Merrill Crowe), construction of leaching pads and purchase of mine equipment.
6 Capital expenditure consists of mine development work and purchase of mine equipment.
7 During 2015, this segment did not operate due the Bajio conflict (note 27).
8 Capital expenditure consists of mine development work expansion of flotation plant and mine equipment.
9 Capital expenditure consists of construction of leaching pads and purchase of land.
10 Capital expenditure consists of the acquisition of property, plant and equipment and exploration expenditures capitalised, including Juanicipio project, and expansion of administrative office.
11 Other includes inter-segment leasing services provided by Minera Bermejal, S.A. de C.V.

Year ended 31 December 2014

US$ thousands	Fresnillo	Herradura	Cienega	Soledad-Dipolos	Saucito	Noche Buena	Other[11]	Adjustments and eliminations	Total
Revenues:									
Third party[1]	394,644	341,409	191,553	–	323,398	162,596	–	101	1,413,701
Inter-segment	–	–	–	–	–	–	71,443	(71,443)	–
Segment revenues	**394,644**	**341,409**	**191,553**	**–**	**323,398**	**162,596**	**71,443**	**(71,342)**	**1,413,701**
Segment profit[2]	**271,878**	**170,299**	**96,961**	**(8,203)**	**235,015**	**25,832**	**58,524**	**(20,063)**	**830,243**
Hedging									(1,118)
Depreciation and amortisation									(295,452)
Employee profit sharing									(12,619)
Gross profit as per the income statement									**521,054**
Capital expenditure[3]	175,875[4]	63,119[5]	37,890[6]	–[7]	114,438[8]	20,887[9]	13,365[10]	–	425,574

1 Total third party revenues include treatment and refining charges amounting US$131.4 million.
2 Segment profit excluding foreign exchange hedging losses, depreciation and amortisation and employee profit sharing.
3 Capital expenditure consists of additions to property, plant and equipment, including mine development and stripping activity asset but excluding additions relating to changes in the mine closure provision.
4 Capital expenditure consists of mine development work, the construction of San Julian project, and purchase of mine equipment.
5 Capital expenditure consists of surface mine stripping activity, final phase of the construction of the dynamic leaching plant and purchase of land.
6 Capital expenditure consists of mine development work, purchase of mine equipment and construction of employees' facilities.
7 During 2014, this segment did not operate due the Bajio conflict (note 27). As a result of the Bajio dispute, the site was remediated and certain fixed assets were dismantled for a net amount of US$ 16.9 million (notes 9 and 13).
8 Capital expenditure consists of mine development work, the construction of Saucito II plant and mine equipment.
9 Capital expenditure consists of construction of leaching pads and expansion of beneficiation plant.
10 Capital expenditure consists of the acquisition of property, plant and equipment and exploration expenditures capitalised, including Juanicipio project, mine equipment purchased by Minera El Bermejal and expansion of administrative office.
11 Other includes inter-segment leasing services provided by Minera Bermejal, S.A. de C.V. The presentation of other and adjustments and eliminations have been changed to be consistent with the presentation in the 2015 table above.

4. Group information

The list of the Company's subsidiaries included in the consolidated financial statements and its principal activities are showed in the Company's separate financial statements.

(a) Material partly-owned subsidiaries

As at 31 December 2015 and 2014, there are no material partly-owned subsidiaries. Non-controlling interests showed in the income statement for the year ended 31 December 2014 include US$24,969 thousand corresponding to partly-owned subsidiaries where the non-controlling interest has subsequently been purchased, as explained in note 4(b) below. Condensed financial information relating to partly-owned subsidiaries for the period were as follows:

Summarised income statement for the year ended 31 December 2014

The following amounts relate to the results before the Group acquired the non-controlling interest in the subsidiaries (see note 4(b)).

	Minera Penmont, S de R.L. de C.V.	Desarrollo Mineros Fresne S de R.L. de C.V.	Proveedora de Equipos Fresne S de R.L. de C.V.	Minera el Bermejal S de R.L. de C.V.
Revenue	632,079	427,963	32,257	53,374
(Loss)/profit before income tax	(16,503)	87,454	(3,849)	27,073
Income tax credit/(charge)	3,175	(35,054)	2,486	(8,035)
(Loss)/profit for the year for continuing operations	(13,328)	52,400	(1,363)	19,038
Other comprehensive income	–	–	–	–
Total comprehensive income	(13,328)	52,400	(1,363)	19,038
Attributable to non-controlling interests	(5,864)	23,056	(600)	8,377
Dividends paid to non-controlling interests	–	–	–	–

Summarised cash flow information for the year ended 31 December 2014

The following amounts relate to the results before the Group acquired the non-controlling interest in the subsidiaries (see note 4(b)).

	Minera Penmont, S de R.L. de C.V.	Desarrollo Mineros Fresne S de R.L. de C.V.	Proveedora de Equipos Fresne S de R.L. de C.V.	Minera el Bermejal S de R.L. de C.V.
Operating	(25,272)	26,655	26,067	(11,034)
Investing	(13,247)	(64,990)	(27,404)	(1,370)
Financing	47,844	39,985	(804)	10,900
Net increase/(decrease) in cash and cash equivalents	9,325	1,650	(2,141)	(1,504)

(b) Transactions with non-controlling interests

On 6 October 2014, the Group acquired the remaining 44% of the issued shares of Minera Penmont, S. de R.L. de C.V., Desarrollos Mineros Fresne, S. de R.L. de C.V, Proveedora de Equipos Fresne, S. de R.L. de C.V. and Minera Bermejal, S. de R.L. de C.V. (together referred to as Penmont), for a purchase consideration of US$450,540 thousand including acquisition expenses. After the transaction, the Group holds 100% of the equity share capital of the previously mentioned companies. The carrying amount of the non-controlling interest in Penmont on the date of acquisition was US$426,652 thousand. The Group derecognised the non-controlling interest of US$426,652 thousand and recorded a decrease in equity attributable to owners of the parent of US$23,844 thousand. To determine the amount of non-controlling interest corresponding to the above mentioned subsidiaries, the Group used the figures as of 30 September 2014, due to the fact that there were no material transactions from that date to the date of purchase. The effect of the changes in the ownership interest in Penmont on the equity attributable to owners of the Group during 2014 is summarised as follows:

	Minera Penmont, S de R.L. de C.V.	Desarrollo Mineros Fresne S de R.L. de C.V.	Proveedora de Equipos Fresne S de R.L. de C.V.	Minera el Bermejal S de R.L. de C.V.	Total
Carrying amount of non-controlling interest acquired	222,557	64,216	93,488	46,390	426,651
Consideration paid to non-controlling interest	171,791	54,065	120,294	104,390	450,540
(Deficit)/excess of consideration paid recognised in parent's equity	(50,766)	(10,151)	26,806	58,000	23,889

During 2015, the Group did not carry out any transactions with any non-controlling interest that resulted in changes to the ownership of a subsidiary.

Notes to the Consolidated Financial Statements continued

5. Revenues

Revenues reflect the sale of goods, being concentrates, doré, slag, and precipitates of which the primary contents are silver, gold, lead and zinc.

(a) Revenues by product sold

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	691,096	777,560
Doré and slag (containing gold, silver and by-products)	626,446	504,000
Zinc concentrates (containing zinc, silver and by-products)	81,184	70,695
Precipitates (containing gold and silver)	45,660	61,446
	1,444,386	**1,413,701**

Substantially all lead concentrates, precipitates, doré and slag were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining.

(b) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges, is as follows:

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Silver	617,434	714,928
Gold	828,476	720,536
Zinc	73,018	58,076
Lead	68,277	51,581
Value of metal content in products sold	1,587,205	1,545,121
Adjustment for treatment and refining charges	(142,819)	(131,420)
Total revenues[1]	**1,444,386**	**1,413,701**

1 Includes provisional price adjustments which represent changes in the fair value of embedded derivatives resulting in a gain of US$2.3 million (2014: gain of US$2 million) and hedging gain of US$3.9 million (2014: gain of US$0.1 million). For further detail, refer to note 2(p).

The average realised prices for the gold and silver content of products sold, prior to the deduction of treatment and refining charges, were:

	Year ended 31 December 2015 US$ per ounce	2014 US$ per ounce
Gold[2]	1,126.5	1,257.7
Silver[2]	15.6	18.6

2 Revenue of products sold does not include hedging gains.

6. Cost of sales

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Depreciation and amortisation (notes 2(e) and 13)	331,209	295,452
Personnel expenses (note 8)	80,567	81,256
Maintenance and repairs	94,837	88,180
Operating materials	135,059	136,694
Energy	117,908	132,540
Contractors	175,898	219,622
Freight	9,821	11,764
Insurance	5,042	6,567
Mining concession rights and contributions	10,853	9,860
Other	15,211	14,318
Cost of production	976,405	996,253
Losses on foreign currency hedges	28,589	1,118
Change in work in progress and finished goods (ore inventories)	1,309	(122,289)
Inventory write down (note 16)	5,013	17,565
	1,011,316	**892,647**

7. Exploration expenses

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Contractors	105,161	129,443
Administrative services	6,907	8,598
Mining concession rights and contributions	15,684	14,595
Personnel expenses (note 8)	5,748	5,614
Assays	2,788	3,509
Maintenance and repairs	384	686
Operating materials	416	809
Rentals	1,874	3,912
Energy	454	608
Other	830	1,010
	140,246	**168,784**

These exploration expenses were mainly incurred in areas of the Fresnillo, Herradura, La Ciénega and Saucito mines, the San Ramon satellite mine and the San Julian, Orisyvo, Rodeo, Guanajuato and Centauro Deep projects. In addition, exploration expenses of US$8.4 million (2014: US$6.8 million) were incurred in the year in projects located in Peru.

The following table sets forth liabilities (generally trade payables) incurred in the exploration activities of the Group companies engaged only in exploration, principally Exploraciones Mineras Parreña, S.A. de C.V. Liabilities related to exploration activities incurred by the Group's operating companies are not included since it is not possible to separate the liabilities related to exploration activities of these companies from their operating liabilities.

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Liabilities related to exploration activities	917	3,545

Cash flows relating to exploration activities are as follows:

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Operating cash outflows related to exploration activities	142,874	165,461

Notes to the Consolidated Financial Statements continued

8. Personnel expenses

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Employees' profit sharing	12,791	12,619
Salaries and wages	36,544	38,572
Bonuses	10,713	10,410
Legal contributions	12,644	13,757
Other benefits	8,084	7,967
Vacations and vacations bonus	2,464	2,070
Social security	5,310	5,233
Post-employment benefits[1]	4,572	4,349
Other	8,262	8,953
	101,384	**103,930**

1 Post-employment benefits include US$1.6 million associated to benefits corresponding to the defined contribution plan (2014: US$1.5 million).

(a) Personnel expenses are reflected in the following line items:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Cost of sales (note 6)	80,567	81,256
Administrative expenses	15,069	17,060
Exploration expenses (note 7)	5,748	5,614
	101,384	**103,930**

(b) The monthly average number of employees during the year was as follows:

	Year ended 31 December	
	2015 No.	2014 No.
Mining	1,560	1,406
Plant concentration	552	475
Exploration	519	655
Maintenance	755	694
Administration and other	976	600
	4,362	**3,830**

9. Other operating income and expenses

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Other income:		
Rentals	166	313
Other	612	267
	778	**580**

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Other expenses:		
Maintenance[1]	1,098	1,966
Donations	714	435
Environmental activities	4,022	371
Loss on sale of property, plant and equipment	3,757	1,791
Write-off of property, plant and equipment[2]	–	16,912
Impairment on available-for-sale financial assets	2,896	982
Engineering and design studies	974	–
Other	3,189	3,665
	16,650	**26,122**

1 Costs relating to Compañia Minera las Torres, S.A. de C.V.
2 Corresponds to Soledad and Dipolos fixed assets, note 13

10. Finance income and finance costs

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Finance income:		
Interest on short-term deposits and investments	1,779	4,364
Fair value movement on derivatives[1]	61,224	1,464
Other	2,835	1,632
	65,838	**7,460**

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Finance costs:		
Interest on interest-bearing loans	35,969	44,421
Unwinding of discount on provisions	8,586	8,725
Other	908	1,470
	45,463	**54,616**

1 Principally relates to the time value associated with Gold commodity options, see note 31 for further detail.

11. Income tax expense

a) Major components of income tax expense:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	118,410	130,029
Amounts (over)/underprovided in previous years	(29,093)	4,872
	89,317	134,901
Deferred:		
Origination and reversal of temporary differences	31,373	(39,746)
Revaluation effects of Silverstream contract	8,316	23,116
	39,689	(16,630)
Corporate income tax	**129,006**	**118,271**
Special mining right		
Current:		
Special mining right charge[1]	6,384	910
	6,384	910
Deferred:		
Origination and reversal of temporary differences	7,574	14,790
Special mining right	13,958	15,700
Income tax expense reported in the income statement	**142,964**	**133,971**

1 Without regard to credits permitted under the special mining right (SMR) regime, the current special mining right charge would have been US$14.6 million (2014: US$10 million). However, the SMR allows as a credit the payment of mining concessions rights up to the amount of SMR payables. During the fiscal year ended 31 December 2015, the Group credited US$8.2 million (2014: US$9.1 million) of mining concession rights against the SMR. Total mining concessions rights paid during the year were US$17 million (2014: US$16 million) and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the SMR cannot be credited to SMR in future fiscal periods, and therefore no deferred tax asset has been recognised in relation to the excess.

Notes to the Consolidated Financial Statements continued

11. Income tax expense continued

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Consolidated statement of comprehensive income:		
Deferred income tax effect related to items charged or credited directly to other comprehensive income:		
Net (charge)/credit arising on (losses)/gains on cash flow hedges recycled to income statement	(7,927)	974
Net (charge)/credit arising on unrealised (gains)/losses arising on valuation of cash flow hedges	(11,856)	3,531
Net credit/(charge) arising on unrealised losses/(gains) on available-for-sale financial assets	3,522	(7,145)
Net credit arising on cash flow gains reclassified to value of other assets	–	66
Net credit arising on remeasurement losses on defined benefit plans	361	296
Income tax effect reported in other comprehensive income	**(15,900)**	**(2,278)**

(b) Reconciliation of the income tax expense at the Group's statutory income rate to income tax expense at the Group's effective income tax rate:

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Accounting profit before income tax	**212,354**	**251,065**
Tax at the Group's statutory corporate income tax rate 30.0%	63,706	75,319
Expenses not deductible for tax purposes	2,983	2,749
Inflationary uplift of the tax base of assets and liabilities	(2,626)	(13,051)
Current income tax (over)/underprovided in previous years	(1,142)	735
Exchange rate effect on tax value of assets and liabilities[1]	77,473	53,388
Non-taxable/non-deductible foreign exchange losses	(5,437)	(84)
Inflationary uplift of tax losses	(3,250)	(2,348)
Deferred tax asset not recognised	3,025	1,808
Special mining right deductible for corporate income tax	(4,187)	(4,710)
Other	(1,539)	4,465
Corporate income tax at the effective tax rate of 60.7% (2014: 47.1%)	**129,006**	**118,271**
Special mining right	13,958	15,700
Tax at the effective income tax rate of 67.3% (2014: 53.4%)	**142,964**	**133,971**

1 Mainly derived from the tax value of property, plant and equipment.

(c) Movements in deferred income tax liabilities and assets:

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Opening net liability	(279,046)	(277,972)
Income statement (charge)/credit arising on corporate income tax	(39,689)	16,630
Income statement charge arising on special mining right	(7,574)	(14,790)
Exchange difference	14	(636)
Net charge related to items directly charged to other comprehensive income	(15,900)	(2,278)
Closing net liability	**(342,195)**	**(279,046)**

11. Income tax expense continued

The amounts of deferred income tax assets and liabilities as at 31 December 2015 and 2014, considering the nature of the temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2015 US$ thousands	2014 US$ thousands	**2015 US$ thousands**	2014 US$ thousands
Related party receivables	(124,719)	(148,112)	(23,393)	90,960
Other receivables	(469)	(2,714)	(2,245)	1,517
Inventories	121,668	144,146	21,602	(124,344)
Prepayments	(830)	(883)	(17,551)	1,933
Derivative financial instruments including Silverstream contract	(137,396)	(95,080)	44,468	23,102
Property, plant and equipment arising from corporate income tax	(330,939)	(285,281)	38,313	49,981
Operating liabilities	19,871	42,171	35,674	(37,241)
Other payables and provisions	58,643	46,141	(12,502)	(8,039)
Losses carried forward	88,593	50,736	(37,857)	(2,967)
Post-employment benefits	2,049	1,951	(98)	169
Deductible profit sharing	3,740	4,682	(312)	1,386
Special mining right deductible for corporate income tax	21,065	23,862	(1,965)	(13,014)
Available-for-sale financial assets	(756)	(5,147)	(4,391)	(295)
Other	(4,192)	(4,569)	(365)	223
Net deferred tax liability related to corporate income tax	(283,672)	(228,097)	–	–
Deferred tax credit related to corporate income tax	–	–	39,378	(16,629)
Related party receivables arising from special mining right	(15,207)	(16,778)	(1,571)	16,778
Inventories arising from special mining right	9,616	11,896	2,280	(11,896)
Property, plant and equipment arising from special mining right	(52,932)	(46,067)	6,865	9,907
Net deferred tax liability	**(342,195)**	**(279,046)**	**–**	**–**
Deferred tax charge/(credit)	**–**	**–**	**46,952**	**(1,840)**
Reflected in the statement of financial position as follows:				
Deferred tax assets	30,814	57,705		
Deferred tax liabilities – continuing operations	(373,009)	(336,751)		
Net deferred tax liability	**(342,195)**	**(279,046)**		

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same fiscal authority.

On the basis of management's internal forecast, a deferred tax asset has been recognised in respect of tax losses amounting to US$295.3 million (2014: US$169.1 million). To the extent unutilised, US$12.0 million will expire within five years and US$283.3 million will expire between six and ten years.

The Group has further tax losses and other similar attributes carried forward of US$23 million (2014: US$15 million) on which no deferred tax is recognised due to insufficient certainty regarding the availability of appropriate future taxable profits.

(d) Unrecognised deferred tax on investments in subsidiaries

The Group has not recognised all of the deferred tax liability in respect of distributable reserves of its subsidiaries because it controls them and only part of the temporary differences are expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US$1,449 million (2014: US$1,528 million).

(e) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR') and Special Mining Right ("SMR")

The Group's principal operating subsidiaries are Mexican residents for taxation purposes. The rate of current corporate income tax is 30%.

As part of the income tax reform in Mexico enacted at the end of 2013 and effective 1 January 2014, the tax law changed in respect of the treatment of certain mining-related expenditure for tax purposes. As at 31 December 2014, there was uncertainty in relation to the tax treatment of certain expenditure incurred in the year. As a result, in calculating the tax provision as at 31 December 2014, the Group deducted only a portion of the total related expenditure incurred in the year. A deferred tax asset in respect of the remaining future tax benefit was also recognised. Subsequent to the approval of the Annual Report 2014, management performed further analysis of this expenditure ahead of submitting tax computations and concluded that this expenditure incurred in 2014 is deductible in full for tax purposes. The Group has submitted tax computations for 2014 on this basis. As a result, the Group has reflected a reduction of US$29.1 million in current tax in respect of previous periods. There is a corresponding increase in the deferred tax expense and, therefore, no impact on the total effective tax rate.

Notes to the Consolidated Financial Statements continued

11. Income tax expense continued

The SMR is considered as income tax under IFRS, and states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities. The SMR allows as a credit the payment of mining concessions rights up to the amount of SMR payable The 7.5% tax applies to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and amortisation, as defined by the new ISR. This SMR can be credited against the corporate income tax of the same fiscal year and its payment must be remitted no later than the last business day of March of the following year.

12. Earnings per share

Earnings per share (EPS) is calculated by dividing profit for the year attributable to equity shareholders of the Company by the weighted average number of Ordinary Shares in issue during the period.

The Company has no dilutive potential Ordinary Shares.

As of 31 December 2015 and 2014, earnings per share have been calculated as follows:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	70,523	108,449
Adjusted profit from continuing operations attributable to equity holders of the Company	51,119	54,511

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US$27.7 million gain (US$19.4 million net of tax) (2014: US$77.1 million loss (US$53.9 million net of tax)).

Adjusted earnings per share have been provided in order to provide a measure of the underlying performance of the Group, prior to the revaluation effects of the Silverstream contract, a derivative financial instrument.

	2015 thousands	2014 thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	736,894	736,894

	2015 US$	2014 US$
Earnings per share:		
Basic and diluted earnings per share	0.096	0.147
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	0.069	0.074

13. Property, plant and equipment

Year ended 31 December 2014 US$ thousands	Land and buildings	Plant and Equipment	Mining properties and development costs	Other assets	Construction in Progress	Total
Cost						
At 1 January 2014	139,628	1,213,781	940,051	163,269	335,109	**2,791,838**
Additions	3,344	40,796	66,080	22,176	333,394	**465,790**
Disposals	(6,633)	(11,484)	–	(6,555)	(559)	**(25,231)**
Write-off of property, plant and equipment[2]	–	(28,505)	–	(2,010)	–	**(30,515)**
Transfers and other movements	17,007	128,474	87,993	2,151	(235,625)	**–**
At 31 December 2014	153,346	1,343,062	1,094,124	179,031	432,319	**3,201,882**
Accumulated depreciation						
At 1 January 2014	(51,952)	(395,869)	(449,452)	(56,441)	–	**(953,714)**
Depreciation for the year[1]	(11,785)	(179,280)	(109,431)	(13,012)	–	**(313,508)**
Disposals	2,749	11,380	–	7,026	–	**21,155**
Write-off of property, plant and equipment[2]	–	12,062	–	1,541	–	**13,603**
At 31 December 2014	(60,988)	(551,707)	(558,883)	(60,886)	–	**(1,232,464)**
Net Book amount at 31 December 2014	**92,358**	**791,355**	**535,241**	**118,145**	**432,319**	**1,969,418**

Year ended 31 December 2015 US$ thousands	Land and buildings	Plant and Equipment	Mining properties and development costs	Other assets	Construction in Progress	Total
Cost						
At 1 January 2015	153,346	1,343,062	1,094,124	179,031	432,319	**3,201,882**
Additions	2,432	10,518	33,236	36,290	442,384	**524,860**
Disposals	(518)	(23,028)	(11,493)	(1,555)	–	**(36,594)**
Transfers and other movements	17,941	117,387	173,539	4,213	(313,080)	**–**
At 31 December 2015	173,201	1,447,939	1,289,406	217,979	561,623	**3,690,148**
Accumulated depreciation						
At 1 January 2015	(60,988)	(551,707)	(558,883)	(60,886)	–	**(1,232,464)**
Depreciation for the year[1]	(13,347)	(188,647)	(129,586)	(13,693)	–	**(345,273)**
Disposals	165	14,592	10,052	1,368	–	**26,177**
At 31 December 2015	(74,170)	(725,762)	(678,417)	(73,211)	–	**(1,551,560)**
Net Book amount at 31 December 2015	**99,031**	**722,177**	**610,989**	**144,768**	**561,623**	**2,138,588**

1 Depreciation for the year includes US$331.2 million (2014: US$295.5 million) recognised as an expense in the cost of sales in the income statement and US$14 million (2014: US$18 million), capitalised as part of construction in progress.

2 The Company re-assessed its plans for the Soledad and Dipolos operations and decided to write-off the carrying value of certain property, plant and equipment that could not be utilised or reassigned, or remains at the site and is no longer considered to have a future economic benefit to the Group. The net charge for the year ended 31 December 2015 was US$ nil (2014: US$16.9 million) and is reflected in other operating expenses.

The table below details construction in progress by segment:

Year ended 31 December	2015 US$ thousands	2014 US$ thousands
Saucito	2,312	22,382
Herradura	36,868	24,339
Soledad-Dipolos	–	101
Noche Buena	3,354	4,183
Cienega	13,280	19,839
Fresnillo	438,973	299,590
Other	66,836	61,885
	561,623	**432,319**

During the year ended 31 December 2015, the Group capitalised US$11.1 million borrowing costs within construction in progress (2014: US$2.7 million). Borrowing costs were capitalised at the rate of 5.78% (2014: 5.78%).

Notes to the Consolidated Financial Statements continued

13. Property, plant and equipment continued

Sensitivity analysis

As at 31 December 2015 and 2014, the carrying amount of mining assets was fully supported by the higher of value in use and fair value less cost of disposal (FVLCD) computation of their recoverable amount. Value in use and FVLCD was determined based on the net present value of the future estimated cash flows expected to be generated from the continued use of the CGUs. For both models management used price assumptions of US$1,200/ounce and US$18/ounce (2014: US$1,250/ounce and US$18/ounce) for gold and silver, respectively. Management consider that the models supporting the carrying amounts are most sensitive to commodity price assumptions and have therefore performed a sensitivity analysis for those CGUs, where a reasonable possible change in prices could lead to impairment. As at 31 December 2015 the carrying amount of Herradura mine is US$654.2 million and Noche Buena mine is US$118.8 million (2014: Cienega mine US$240.5 million and Noche Buena mine US$141 million).

The following table sets out the approximate expected impairment which would be recognised in 2015 and 2014 at hypothetical decreases in commodity prices:

		Decrease in commodity prices				
Year ended 31 December		Gold	Silver	Herradura US$ thousands	Cienega US$ thousands	Noche Buena US$ thousands
2015	Low sensitivity	5%	10%	–	–	–
	High sensitivity	10%	20%	131,625	–	4,738
2014	Low sensitivity	5%	10%	–	18,033	–
	High sensitivity	10%	20%	–	127,124	37,986

14. Available-for-sale financial assets

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Beginning balance	86,078	63,245
Fair value change	(14,636)	22,833
Ending balance	**71,442**	**86,078**

At 31 December 2015, several investments in quoted shares decreased below the cost paid by the Group. This decrease has been consistent during the past 12-month period, which is considered to be prolonged, therefore an impairment of US$2.9 million was recognised as other expenses in the income statement (2014: US$1.0 million).

The fair value of the available-for-sale financial assets is determined by reference to published price quotations in an active market.

15. Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ('Sabinas'), a base metals mine owned and operated by the Peñoles Group, for an upfront payment of US$350 million. In addition, a per ounce cash payment of $2.00 in years one to five and $5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. The cash payment per ounce for the year ended 31 December 2015 was $5.10 per ounce (2014: $5.05 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1 per ounce of shortfall.

The Silverstream contract represents a derivative financial instrument which has been recorded at fair value and classified within non-current and current assets as appropriate. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the year ended 31 December 2015 total proceeds received in cash were US$39.4 million (2014: US$58.7 million) of which, US$6.9 million was in respect of proceeds receivable as at 31 December 2014 (2014: US$8.1 million). Cash received in respect of the year of US$32.5 million (2014: US$50.6 million) corresponds to 3.6 million ounces of payable silver (2014: 4.1 million ounces). As at 31 December 2015, a further US$2.8 million (2014: US$6.9 million) of cash corresponding to 317,521 ounces of silver is due (2014: 638,681 ounces).

The US$27.7 million unrealised gain recorded in the income statement (2014: US$77.1 million gain) resulted from the updating of assumptions used to value the Silverstream contract. The most significant of these were an increase of the Sabinas mine silver reserves, the decrease of the reference discount rate (LIBOR) and the difference between the payments already received in 2015 and payments estimated in the valuation model as of 31 December 2014. These were partially offset by an increase of the spread used to calculate the discount rate and a decrease in the forward price of silver which was lower than the previous year.

15. Silverstream contract continued

A reconciliation of the beginning balance to the ending balance is shown below:

	2015 US$ thousands	2014 US$ thousands
Balance at 1 January:	392,276	372,846
Cash received in respect of the year	(32,456)	(50,650)
Cash receivable	(2,769)	(6,974)
Remeasurement gains recognised in profit and loss	27,720	77,054
Balance at 31 December	**384,771**	**392,276**
Less – Current portion	26,607	33,311
Non-current portion	**358,164**	**358,965**

See note 31 for further information on the inputs that have a significant effect on the fair value of this derivative, see note 32 for further information relating to market and credit risks associated with the Silverstream asset, and note 2(c) for the estimates and assumptions.

16. Inventories

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Finished goods[1]	1,711	2,094
Work in progress[2]	251,900	252,826
Operating materials and spare parts	73,104	70,904
	326,715	325,824
Accumulated write-down of work in progress inventory[3]	(22,578)	(17,565)
Allowance for obsolete and slow-moving inventories	(3,562)	(2,647)
Balance at 31 December at lower of cost and net realisable value	**300,575**	**305,612**
Less - Current portion	224,200	221,200
Non-current portion[4]	**76,375**	**84,412**

1 Finished goods include metals contained in concentrates and doré bars, and concentrates on hand or in transit to a smelter or refinery.
2 Work in progress includes metals contained in ores on leaching pads.
3 Corresponds to ore inventory of Noche Buena and Soledad-Dipolos mines resulting from net realisable value calculations.
4 The non-current inventories are expected to be processed more than 12 months from the reporting date.

Concentrates are a product containing sulphides with variable content of precious and base metals and are sold to smelters and/or refineries. Doré is an alloy containing a variable mixture of gold and silver that is delivered in bar form to refineries. This content once processed by the smelter and refinery is sold to customers in the form of refined products.

The amount of inventories recognised as an expense in the year was US$1,001.0 million (2014: US$846.4 million). The amount of write down of inventories and allowance for obsolete and slow-moving inventory recognised as an expense was US$5.9 million (2014: US$18.2 million).

Notes to the Consolidated Financial Statements continued

17. Trade and other receivables

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Trade receivables from related parties (note 28)[1]	115,805	139,620
Value Added Tax receivable	99,948	106,903
Advances and other receivables from contractors	13,641	22,589
Other receivables from related parties (note 28)	2,769	7,015
Loans granted to contractors	2,595	2,866
Other receivables arising on the sale of fixed assets	759	6,009
Other receivables	2,775	2,911
	238,292	287,913
Provision for impairment of 'other receivables'	(300)	(318)
Trade and other receivables classified as current assets	**237,992**	**287,595**
Other receivables classified as non-current assets:		
Loans granted to contractors	2,289	3,853
	2,289	**3,853**
	240,281	**291,448**

1 Trade receivables from related parties includes the fair value of embedded derivatives arising due to provisional pricing in sales contracts of US$(0.5) million as at 31 December 2015 (2014: US$(2.9) million).

Trade receivables are shown net of any corresponding advances, are non-interest bearing and generally have payment terms of 46 to 60 days.

Loans granted to contractors bear interest of between LIBOR plus 1.5% and LIBOR plus 3% and mature over two years.

The total receivables denominated in US dollars were US$127 million (2014: US$167 million), and in pesos US$113.3 million (2014: US$124.4 million).

As of 31 December for each year presented, with the exception of 'other receivables' in the table above, all trade and other receivables were neither past due nor impaired. The amount past due and considered as impaired as of 31 December 2015 is US$0.3 million (2014: US$0.3 million).

In determining the recoverability of receivables, the Group performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparty, see note 32(b).

18. Cash and cash equivalents and short-term investments

The Group considers cash and cash equivalents and short-term investments when planning its operations and in order to achieve its treasury objectives.

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Cash at bank and on hand	4,104	3,979
Short-term deposits	377,316	150,361
Cash and cash equivalents	**381,420**	**154,340**

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and four months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Short-term investments	**118,718**	**295,000**

Short-term investments are made for fixed periods no longer than four months and earn interest at fixed rates without an option for early withdrawal. As at 31 December 2015 short-term investments are held in fixed-term bank deposits of US$118,718 (31 December 2014: US$295,000).

19. Equity

Share capital and share premium

Authorised share capital of the Company is as follows:

	As at 31 December			
		2015		2014
Class of share	Number	Amount	Number	Amount
Ordinary Shares each of US$0.50	1,000,000,000	$500,000,000	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	50,000	£50,000	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US$	Number	£
At 1 January 2014	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2014	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2015	736,893,589	$368,545,586	50,000	£50,000

As at 31 December 2015 and 2014, all issued shares with a par value of US$0.50 each are fully paid. The rights and obligations attached to these shares are governed by law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the ordinary shares.

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to ordinary shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company, the Sterling Deferred Ordinary Shares are not transferable.

Reserves

Share premium

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Capital reserve

The capital reserve arose as a consequence of the pre-IPO reorganisation as a result of using the pooling of interest method.

Net unrealised gains/(losses) on revaluation of cash flow hedges

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, net of tax. When the hedged transaction occurs, the gain or the loss is transferred out of equity to the income statement or the value of other assets.

Unrealised gains/(losses) on available-for-sale financial assets

This reserve records fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value are recycled to the income statement.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of entities with a functional currency different to that of the presentational currency of the Group.

Retained earnings/accumulated losses

This reserve records the accumulated results of the Group, less any distributions and dividends paid.

Notes to the Consolidated Financial Statements continued

20. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2015 and 2014 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2015		
Final dividend for 2014 declared and paid during the year[1]	3.0	22,107
Interim dividend for 2015 declared and paid during the year[2]	2.1	15,475
	5.1	**37,582**
Year ended 31 December 2014		
Final dividend for 2013 declared and paid during the year[3]	6.8	50,109
Interim dividend for 2014 declared and paid during the year[4]	5.0	36,845
	11.8	**86,954**

1 This dividend was approved by the Board of Directors on 18 May 2015 and paid on 22 May 2015.
2 This dividend was approved by the Board of Directors on 3 August 2015 and paid on 10 September 2015.
3 This dividend was approved by the Board of Directors on 16 May 2014 and paid on 22 May 2014.
4 This dividend was approved by the Board of Directors on 4 August 2014 and paid on 11 September 2014.

21. Interest-bearing loans

Senior Notes

On 13 November 2013, the Group completed its offering of US$800 million aggregate principal amount of 5.500% Senior Notes due 2023 (the "notes").

Movements in the year in the debt recognised in the balance sheet are as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Opening balance	796,160	795,306
Accrued interest	46,267	46,267
Interest paid[1]	(46,267)	(46,267)
Amortisation of discount and transaction costs	872	854
Closing balance	797,032	796,160

1 Accrued interest is payable semi-annually on 13 May and 13 November.

22. Provision for mine closure cost

The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the estimated date of depletion of mine deposits. The discount rate used in the calculation of the provision as at 31 December 2015 is in a range of 4.65% to 7.13% (2014: range of 3.22% to 7.51%). Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning, dismantling, reclamation alternatives, timing and the discount foreign exchange and inflation rates applied.

Mexican regulations regarding the decommissioning and rehabilitation of mines are limited and less developed in comparison to regulations in many other jurisdictions. It is the Group's intention to rehabilitate the mines beyond the requirements of Mexican law, and estimated costs reflect this level of expense. The Group intends to fully rehabilitate the affected areas at the end of the life of the mines.

The provision is expected to become payable at the end of the production life of each mine, based on the reserves and resources, which ranges from 4 to 21 years from 31 December 2015 (3 to 19 years from 31 December 2014).

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Opening balance	**153,802**	**127,008**
Increase to existing provision	48,680	30,922
Effect of changes in discount rate	7,341	3,051
Unwinding of discount	8,586	8,725
Payments	–	(452)
Foreign exchange	(22,933)	(15,452)
Closing balance	**195,476**	**153,802**

23. Pensions and other post-employment benefit plans

The Group has a defined contribution plan and a defined benefit plan.

The defined contribution plan was established as from 1 July 2007 and consists of periodic contributions made by each non-unionised worker and contributions made by the Group to the fund matching workers' contributions, capped at 8% of the employee's annual salary.

The defined benefit plan provides pension benefits based on each worker's earnings and years of services provided by personnel hired through 30 June 2007 as well as statutory seniority premiums for both unionised and non-unionised workers.

The overall investment policy and strategy for the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits and statutory seniority premiums for non-unionised workers as they fall due while also mitigating the various risks of the plan. However, the portion of the plan related to statutory seniority premiums for unionised workers is not funded. The investment strategies for the plan are generally managed under local laws and regulations. The actual asset allocation is determined by current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. Within this framework, the Group ensures that the trustees consider how the asset investment strategy correlates with the maturity profile of the plan liabilities and the respective potential impact on the funded status of the plan, including potential short-term liquidity requirements.

Death and disability benefits are covered through insurance policies.

The following tables provide information relating to changes in the defined benefit obligation and the fair value of plan assets:

															US$ thousands
	Pension cost charge to income statement							Remeasurement gains/(losses) in OCI							
	Balance at 1 January 2015	Past Service cost	Service cost	Net Interest	Foreign Exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Foreign exchange	Sub-total included in OCI	Contributions by employer	Defined benefit increase due to personnel transfer	Balance at 31 December 2015
Defined benefit obligation	(33,664)	–	(1,024)	(1,981)	5,085	2,080	1,031	–	(577)	(1,160)	170	–	(1,567)	–	(45)	(32,165)
Fair value on plan assets	19,826	–	–	1,121	(2,954)	(1,833)	(758)	(706)	–	–	–	–	(706)	1,065	37	17,631
Net benefit liability	(13,838)	–	(1,024)	(860)	2,131	247	273	(706)	(577)	(1,160)	170	–	(2,273)	1,065	(8)	(14,534)

															US$ thousands
	Pension cost charge to income statement							Remeasurement gains/(losses) in OCI							
	Balance at 1 January 2014	Past Service cost	Service cost	Net Interest	Foreign Exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Foreign exchange	Sub-total included in OCI	Contributions by employer	Defined benefit increase due to personnel transfer	Balance at 31 December 2014
Defined benefit obligation	(34,001)	(1,028)	(886)	(2,121)	3,935	(100)	1,643	–	(324)	–	(898)	–	(1,222)	–	16	(33,664)
Fair value on plan assets	22,526	–	–	1,381	(2,493)	(1,112)	(1,643)	(629)	–	–	–	–	(629)	645	(16)	19,826
Net benefit liability	(11,475)	(1,028)	(886)	(740)	1,442	(1,212)	–	(629)	(324)	–	(898)	–	(1,851)	645	–	(13,838)

Of the total defined benefit obligation, US$8.6 million (2014: US$8.9 million) relates to statutory seniority premiums for unionised workers which are not funded. The expected contributions to the plan for the next annual reporting period are nil.

The principal assumptions used in determining pension and other post-employment benefit obligations for the Group's plans are shown below:

	As at 31 December	
	2015 **%**	2014 %
Discount rate	6.79	7.0
Future salary increases (NCPI)	5.0	5.0

Notes to the Consolidated Financial Statements continued

23. Pensions and other post-employment benefit plans continued

The mortality assumptions are that for current and future pensioners, men and women aged 65 will live on average for a further 20.2 and 23.4 years respectively (2014: 18.9 years for men and 22.4 for women). The weighted average duration of the defined benefit obligation is 11.71 years (2014: 12.35 years).

The fair values of the plan assets were as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Government debt	1,084	1,657
State-owned companies	3,017	2,191
Mutual funds (fixed rates)	13,530	15,978
	17,631	**19,826**

The pension plan has not invested in any of the Group's own financial instruments nor in properties or assets used by the Group.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 is as shown below:

Assumptions	Discount rate		Future salary increases (NCPI)		Life expectancy of pensioners
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	+ 1 increase
(Decrease)/increase to the net defined benefit obligation (US$ thousands)	(1,699)	2,197	464	(111)	468

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The pension plan is not sensitive to future changes in salaries other than in respect of inflation.

24. Trade and other payables

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Trade payables	53,303	68,638
Other payables to related parties (note 28)	4,137	1,702
Accrued expenses	15,988	20,193
Other taxes and contributions	16,202	9,818
	89,630	**100,351**

Trade payables are mainly for the acquisition of materials, supplies and contractor services. These payables do not accrue interest and no guarantees have been granted. The fair value of trade and other payables approximate their book values.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 32.

25. Commitments

A summary of capital expenditure commitments by operating segment is as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Saucito	29,131	44,312
Herradura	13,897	9,236
Noche Buena	285	691
Cienega	7,685	2,290
Fresnillo	92,482	172,774
Other	2,029	4,927
	145,509	**234,230**

26. Operating leases

(a) Operating leases as lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Within one year	1,984	4,434
After one year but not more than five years	487	3,710
	2,471	**8,144**

(b) Operating leases as lessee

The Group has financial commitments in respect of non-cancellable operating leases for land, offices and equipment. These leases have renewal terms at the option of the lessee with future lease payments based on market prices at the time of renewal. There are no restrictions placed upon the Group by entering into these leases.

The Group has put in place several arrangements to finance mine equipment through loans and the sale of mine equipment to contractors. In both cases, contractors are obligated to use these assets in rendering services to the Group as part of the mining work contract, during the term of financing or credit, which ranges from two to six years. The Group considers that the related mining work contracts contain embedded operating leases.

The future minimum rental commitments under these leases are as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Within one year	2,720	7,143
After one year but not more than five years	3,115	2,724
	5,835	**9,867**

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Minimum lease payments expensed in the year	8,008	12,217

27. Contingencies

As of 31 December 2015, the Group has the following contingencies:

> The Group is subject to various laws and regulations which, if not observed, could give rise to penalties.

> Tax periods remain open to review by the Mexican tax authorities in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances, the reviews may cover longer periods.
>
> In addition, because a number of tax periods remain open to review by the tax authorities, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future, and this may result in the raising of additional tax assessments plus penalties and interest. It is not practical to determine the amount of any such potential claims or the likelihood of any unfavourable outcome. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.

> On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.

Notes to the Consolidated Financial Statements continued

27. Contingencies continued

- Peñoles has agreed to indemnify the Fresnillo Group in relation to (i) any tax charge, subject to certain exceptions, the Company may incur as a result of the pre-IPO reorganisation (including as a result of a transaction following Admission of a member of the Fresnillo Group, provided that Peñoles has confirmed that the proposed transaction will not give rise to a tax charge, or as a result of a transaction of a member of the Peñoles Group on or after Admission), the Global Offer or Admission and (ii) certain tax aspects of certain other pre-Admission transactions. Peñoles' liability under these indemnities and in respect of general tax liabilities arising pre-Admission which are not properly attributable to the precious metals business of the Fresnillo Group shall not exceed US$500 million. If a member of the Fresnillo Group forming part of Peñoles' tax consolidation pays an intra-group dividend in excess of its net income tax account ('Cuenta de Utilidad Fiscal Neta' or 'CUFIN') after Admission and is relieved of tax as a result of the consolidation, it is required to pay Peñoles an amount in respect of that tax.
- On 30 November 2012, the Mexican government enacted a new federal labour law. During 2014 management implemented certain actions as a part of an ongoing process in order to manage the exposure resulting from the issuance of the new labour law including any potential impacts on the operations and financial position of the Group, however management does not expect any potential contingency or significant effect on the Group's financial statements as at 31 December 2015 and going forward.
- In regard to the Ejido El Bajío matter previously reported by the Company:

  In 2009, five members of the El Bajío agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont ("Penmont"), submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of Soledad-Dipolos is located. The litigation resulted in a definitive court order, pursuant to which Penmont was ordered to vacate 1,824 hectares of land. The disputed land was returned in July 2013, resulting in the suspension of operations at Soledad-Dipolos.

  The Agrarian Magistrate noted that certain remediation activities were necessary to comply with the relevant regulatory requirements and requested the guidance of the Federal Environmental Agency (SEMARNAT) in this respect. The Agrarian Magistrate further issued a procedural order in execution of his ruling determining, amongst other aspects, that Penmont must remediate the lands to the state they were in before Penmont's occupation.

  In the opinion of the Company, this procedural order is excessive since this level of remediation was not part of the original agrarian ruling and also because the procedural order appears not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. Penmont has challenged the procedural order before Federal courts, who have indicated that the correct procedural time for filing such complaint should be when legal execution over lands comprising the Soledad-Dipolos pit is initiated (currently the lands are in a judicial deposit pending final execution for delivery to claimants). Penmont conducted mining activities on approximately 300 hectares of such lands and remediation activities in this respect are still pending.

  In connection with the foregoing matters, members of the El Bajío agrarian community presented additional claims, including a separate claim before the Unitarian Agrarian Court, claiming US$65 million in damages, alleging that the Group improperly used the land affected by the court ruling, as well as requesting the cancellation of Penmont's mining concessions and environmental permits within the El Bajío lands. Such concessions and permits are held by way of separate title to that relating to the surface land. The claimants have not yet presented substantial evidence to support their claim and the Group believes that these claims are without merit. Any initial ruling in this case would be subject to the appeals process in Mexico before judicial authorities other than the Unitarian Agrarian Court of Hermosillo, Sonora. Given the lack of evidence in support of the damages claim, the Company believes that an adverse and definitive ruling is not probable.

  In addition, claimants have presented other claims against occupation agreements they entered into with Penmont, covering land parcels separate from the land described above. Penmont has no significant mining operations or specific geological interest in the affected parcels and these lands are therefore not considered strategic for Penmont. The Unitarian Agrarian Court has issued rulings declaring (i) such occupation agreements over those land parcels to be null and void; (ii) and that Penmont must remediate such lands to the state that they were in before Penmont's occupation as well as returning any minerals extracted from this area; and (iii) that Penmont must pay rent for occupying the land parcels whilst the claimants must reimburse Penmont the monies it originally paid for occupying such lands. The rulings also make reference in this same context (including remediation and return of minerals) to the separate court case involving Soledad-Dipolos mentioned above. Penmont has appealed these rulings since it is the owner of the mining concessions and all mining activities were conducted in accordance with Mexican law. The ultimate result of the appeals process remains pending. In regards the reference to Soledad-Dipolos within the scope of these land parcels cases, certain of these appeals have been decided for the Company, some against, whilst others remain pending. However, any adverse court order involving minerals over lands where the Soledad-Dipolos pit is located would be subject to a further appeals process, as that was a separate legal file as described above.

  Various claims and counterclaims have been made between the relevant parties in the El Bajío matter including appeals that are pending as well as criminal complaints between the parties. There remains significant uncertainty as to the finalisation and ultimate outcome of these legal proceedings.

28. Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2015 and 2014 and balances as at 31 December 2015 and 2014.

Related parties are those entities owned or controlled by the ultimate controlling party, as well as those who have a minority participation in Group companies and key management personnel of the Group.

(a) Related party balances

	Accounts receivable		Accounts payable	
	As at 31 December		As at 31 December	
	2015 US$ thousands	2014 US$ thousands	**2015 US$ thousands**	2014 US$ thousands
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	115,786	139,620	130	619
Other:				
Industrias Peñoles, S.A.B. de C.V.	2,769	6,974	–	–
Servicios Administrativos Peñoles, S.A. de C.V.	–	–	366	866
Servicios Especializados Peñoles, S.A. de C.V.	–	–	1,804	–
Fuerza Eólica del Istmo S.A. de C.V.	–	–	916	–
Other	19	41	921	217
Sub–total	118,574	146,635	4,137	1,702
Less – Current portion	118,574	146,635	4,137	1,702
Non-current portion	–	–	–	–

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	384,771	392,276

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 15.

(b) Principal transactions with affiliates, including Industrias Peñoles S.A.B de C.V., the Company's parent, are as follows:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Income:		
Sales:[1]		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	1,458,413	1,413,600
Other income	982	1,047
Total income	**1,459,395**	**1,414,647**

[1] Figures do not include hedging gains as the derivative transactions are not undertaken with related parties. Figures are net of the adjustment for treatment and refining charges of US$142.8 million (2014: US$131.4 million) and include sales credited to development project of US$17.9 million (2014: nil).

Notes to the Consolidated Financial Statements continued

28. Related party balances and transactions continued

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Expenses:		
Administrative services: [2]		
Servicios Administrativos Peñoles, S.A. de C.V.[3]	23,655	22,080
Servicios Especializados Peñoles, S.A. de C.V.	17,701	18,545
	41,356	40,625
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	20,332	30,917
Fuerza Eólica del Istmo S.A. de C.V.	6,713	–
	27,045	30,917
Operating materials and spare parts:		
Wideco Inc	6,368	4,667
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	3,320	4,345
	9,688	9,012
Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	3,860	3,437
Property, plant and equipment		
Equipos Industriales Naica, S.A. de C.V.	1,065	–
Insurance premiums:		
Grupo Nacional Provincial, S.A. B. de C.V.	8,382	7,262
Other expenses:	2,693	7,821
Total expenses	**94,089**	**99,074**

2 Includes US$4.1 million (2014: US$4.7 million) corresponding to expenses reimbursed.
3 Includes US$8.2 million (2014: US$7.7 million) relating to engineering costs that were capitalised.

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee who receive remuneration.

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Salaries and bonuses	3,311	3,262
Post-employment benefits	257	148
Other benefits	379	600
Total compensation paid in respect of key management personnel	**3,947**	**4,010**

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Accumulated accrued defined pension entitlement	4,859	4,902

This compensation includes amounts paid to Directors disclosed in the Directors' Remuneration Report.

The accumulated accrued defined pension entitlement represents benefits accrued at the time the benefits were frozen. There are no further benefits accruing under the defined benefit scheme in respect of current services.

29. Auditor's remuneration

Fees due by the Group to its auditor during the years ended 31 December 2015 and 2014 are as follows:

Class of services	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	1,274	1,278
Fees payable to the Group's auditor and its associates for other services as follows:		
The audit of the Company's subsidiaries pursuant to legislation	338	405
Audit-related assurance services	328	344
Tax compliance services	24	24
Tax advisory services	16	12
Other assurance services	–	25
Total	**1,980**	**2,088**

30. Notes to the consolidated statement of cash flows

	Notes	2015 US$ thousands	2014 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**69,390**	**117,094**
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	6	331,209	295,452
Employee profit sharing	8	13,170	12,885
Deferred income tax	11	47,263	(1,840)
Current income tax expense	11	95,701	135,811
Loss on the sale of property, plant and equipment and other assets	9	3,757	1,791
Write-off of property, plant and equipment	9	–	16,912
Other losses/(gains)		3,353	(973)
Impairment of available-for-sale financial assets	9	2,896	982
Net finance costs		41,913	48,721
Foreign exchange loss		18,991	19,103
Difference between pension contributions paid and amounts recognised in the income statement		(314)	1,211
Non-cash movement on derivatives		(62,288)	(1,565)
Changes in fair value of Silverstream	15	(27,720)	(77,054)
Working capital adjustments			
Decrease/(increase) in trade and other receivables		58,219	(105,242)
Decrease in prepayments and other assets		891	2,068
Decrease/(increase) in inventories		5,037	(97,472)
(Decrease)/increase in trade and other payables		(12,820)	17,214
Cash generated from operations		**588,648**	**385,098**
Income tax paid		(34,517)	(243,085)
Employee profit sharing paid		(11,237)	(20,379)
Net cash from operating activities		**542,894**	**121,634**

Notes to the Consolidated Financial Statements continued

31. Financial instruments
(a) Fair value category

As at 31 December 2015 — US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	–	–	127,224	–
Available-for-sale financial assets	–	71,442	–	–
Silverstream contract (note 15)	384,771	–	–	–
Derivative financial instruments	1	–	–	117,074

Financial liabilities:	At fair value through profit or loss	At amortised cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans	–	797,032	–
Trade and other payables	–	–	97,440
Embedded derivatives within sales contracts[1]	532	–	–
Derivative financial instruments	–	–	1,427

[1] Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

As at 31 December 2014 — US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedges)
Trade and other receivables[1]	–	–	173,722	–
Available-for-sale financial assets	–	86,078	–	–
Silverstream contract (note 15)	392,276	–	–	–
Derivative financial instruments	480	–	–	14,551

Financial liabilities:	At fair value through profit or loss	At amortised cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans	–	796,160	–
Trade and other payables	–	70,340	–
Embedded derivatives within sales contracts[1]	2,911	–	–
Derivative financial instruments	–	–	27,033

[1] Trade and other receivables and embedded derivatives within sales contracts are presented net in Trade and other receivables in the balance sheet.

(b) Fair value measurement
The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values, are as follows:

As at 31 December

	Carrying amount		Fair value	
	2015 US$ thousands	2014 US$ thousands	**2015 US$ thousands**	2014 US$ thousands
Financial assets:				
Available-for-sale financial assets	71,442	86,078	71,441	86,078
Silverstream contract (note 15)	384,771	392,276	384,771	392,276
Derivative financial instruments	117,075	14,551	117,075	14,551
Financial liabilities:				
Interest-bearing loans[1] (note 21)	797,032	796,160	805,352	795,128
Embedded derivatives within sales contracts	532	2,911	532	2,911
Derivative financial instruments	1,427	27,033	1,427	27,033

[1] Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

31. Financial instruments continued

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at 31 December as follows:

	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
			As of 31 December 2015	
			Fair value measure using	
Financial assets:				
Derivative financial instruments:				
Options commodity contracts	–	116,995	–	116,995
Options and forward foreign exchange contracts	–	80	–	80
Silverstream contract	–	–	384,771	384,771
	–	**117,075**	**384,771**	**501,846**
Financial investments available-for-sale:				
Quoted investments	71,442	–	–	71,442
	71,442	**117,075**	**384,771**	**573,288**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	–	–	532	532
Options commodity contracts	–	–	–	–
Options and forward foreign exchange contracts	–	1,427	–	1,427
	–	**1,427**	**532**	**1,959**

	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
			As of 31 December 2014	
			Fair value measure using	
Financial assets:				
Derivative financial instruments:				
Options commodity contracts	–	14,229	–	14,229
Option and forward foreign exchange contracts	–	322	–	322
Silverstream contract	–	–	392,276	392,276
	–	**14,551**	**392,276**	**406,827**
Financial investments available-for-sale:				
Quoted investments	86,078	–	–	86,078
	86,078	**14,551**	**392,276**	**492,905**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	–	–	2,911	2,911
Options commodity contracts	–	8,704	–	8,704
Options and forward foreign exchange contracts	–	18,329	–	18,329
	–	**27,033**	**2,911**	**29,944**

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

Notes to the Consolidated Financial Statements continued

31. Financial instruments continued

A reconciliation of the opening balance to the closing balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 15) is shown below:

	2015 US$ thousands	2014 US$ thousands
Balance at 1 January:	(2,911)	(1,154)
Changes in fair value	(11,511)	(15,489)
Realised embedded derivatives during the year	13,890	13,732
Balance at 31 December	**(532)**	**(2,911)**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Silverstream contract

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to the Silverstream contract see note 15). This derivative has a term of over 20 years and the valuation model utilises a number of inputs that are not based on observable market data due to the nature of these inputs and/or the duration of the contract. Inputs that have a significant effect on the recorded fair value are the volume of silver that will be produced and sold from the Sabinas mine over the contract life, the future price of silver, future foreign exchange rates between the Mexican peso and US dollar, future inflation and the discount rate used to discount future cash flows.

The estimate of the volume of silver that will be produced and sold from the Sabinas mine requires estimates of the recoverable silver reserves and resources, the related production profile based on the Sabinas mine plan and the expected recovery of silver from ore mined. The estimation of these inputs is subject to a range of operating assumptions and may change over time. Estimates of reserves and resources are updated annually by Peñoles, the operator and sole interest holder in the Sabinas mine and provided to the Company. The production profile and estimated payable silver that will be recovered from ore mined is based on the latest plan and estimates, also provided to the Company by Peñoles. The inputs assume no interruption in production over the life of the Silverstream contract and production levels which are consistent with those achieved in recent years.

Management regularly assesses a range of reasonably possible alternatives for those significant unobservable inputs described above, and determines their impact on the total fair value. The significant unobservable inputs are not interrelated. The fair value of the Silverstream contract is not significantly sensitive to a reasonable change in future exchange rates, however, it is to a reasonable change in future silver price, future inflation and the discount rate used to discount future cash flows.

The sensitivity of the valuation to the inputs relating to market risks, being the price of silver, foreign exchange rates, inflation and the discount rate is disclosed in note 32.

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Interest-bearing loans

Fair value of the Group's interest-bearing loan is derived from quoted market prices in active markets.

31. Financial instruments continued

Embedded derivatives within sales contracts

Sales of concentrates, precipitates and doré bars are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery (see note 2(p)). This price exposure is considered to be an embedded derivative and is separated from the sales contract.

At each reporting date, the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

At 31 December 2015 the fair value of embedded derivatives within sales contracts was US$(0.5) million (2014: US$(2.9) million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenues.

(c) Derivative financial instruments

The Group enters into certain forward and option contracts in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos and other currencies. The Group also enters into option contracts to manage its exposure to commodity price risk as described in note 2(s).

Foreign exchange hedging

The Group has entered into a number of forward derivative contracts to hedge its exposure to fluctuations in foreign exchange rates. The outstanding forward derivative contracts as at 31 December 2015 are as follows:

				As at 31 December 2015	
	Term	**Currency**	**Contract value (thousands)**	**Contract exchange rate**	**2015 Fair value (US$ thousands)**
Euro-denominated forward contracts	2016	EUR	69	EUR1:US$1.09 to EUR1:US$1.10	0.3
Swedish krona-denominated forward contracts	2016	SEK	14,463	SEK$8.41:US$1	0.6

The Group's euro-denominated forward derivative instruments mature on 11 March 2016. The Group also entered into a number of SEK-US dollar forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature on 11 March 2016.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 11 January 2016 to 8 August 2016. The collar instruments hedge costs denominated in Mexican peso amounting to US$198 million with a range of floor prices from MX$14.00 to MX$16.82:US$1 and weighted average rate of US$14.92 and a range of capped prices from MX$17.25 to MX$19.50:US$1 and weighted average rate of US$18.26. The fair value of the put options at 31 December 2015 was an asset of US$0.5 million, and the fair value of the call options at 31 December 2015 was a liability of US$1.8 million.

Forward derivative contracts that were outstanding as at 31 December 2014 were as follows:

				As at 31 December 2014	
	Term	Currency	Contract value (thousands)	Contract exchange rate	2014 Fair value (US$ thousands)
Euro-denominated forward contracts	2015	EUR	869	EUR1:US$1.25 to EUR1:US$1.35	(121)
Swedish krona-denominated forward contracts	2015	SEK	41,597	SEK$7.19:US$1 to SEK$7.62:US$1	(359)

The Group's euro-denominated forward derivative instruments matured on 13 March 2015 at a weighted average rate of US$1.35: €1. The Group also entered into a number of SEK-US dollar forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments matured over a period from 13 March 2015 to 12 June 2015 with a weighted average rate of SKD$7.27:US$1.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments matured over the period from 12 January 2015 to 14 December 2015. The collar instruments hedge costs denominated in Mexican peso amounting to US$259.5 million with a range of floor prices from MX$13.09 to MX$14.00:US$1 and weighted average rate of US$13.45 and a range of capped prices from MX$13.50 to MX$18.13:US$1 and weighted average rate of US$14.19. The fair value of the put options at 31 December 2014 was an asset of US$1.2 million, and the fair value of the call options at 31 December 2014 was a liability of US$18.7 million.

Notes to the Consolidated Financial Statements continued

31. Financial instruments continued

Commodity price hedging

During 2014, the Group entered into gold ounce-US dollar collars to hedge its exposure to fluctuations in commodity price as described in note 2(s) for a total amount of 1,559,689 ounces. As at 31 December 2015 the outstanding collar derivative instruments mature over the period from 29 January 2016 to 30 December 2019 and hedge cash proceeds for the sales of gold production amounting 1,257,516 ounces (2014: 1,524,276 ounces) with a floor price of US$1,100:1 ounce and a range of capped prices from US$1,375 to US$1,495:1 ounce (these being the same for 2014) and weighted average price of US$1,426:1 ounce. (2014: 1,427:1 ounce). The fair value of the put options as at 31 December 2015 was an asset of US$147.3 million (2014: US$111.8 million), and the fair value of the call options at 31 December 2015 was a liability of US$35.1 million (2014: US$107.4 million). In 2015 the changes in the fair value of the option contracts corresponding to the time value amounted to US$59.7 million (2014: US$4.4 million) and were recorded in the income statement.

The Group also entered into lead tonnes-US dollar and zinc tonnes-US dollar collars to hedge its exposure to fluctuations in commodity price. Lead collar derivative instruments mature over the period from 29 January 2016 to 30 December 2016 and hedge lead production amounting 4,272 tonnes (2014: 2,261 tonnes) with a floor price of US$1,985:1 tonne (2014: US$2,100:1 tonne) and a range of capped prices from US$2,220 to US$2,310:1 tonne (2014: US$2,450 to US$2,550:1 tonne) and weighted average price of US$2,259:1 tonne (2014: US$2,496:1 tonne). The fair value of the put options at 31 December 2015 was an asset of US$1.0 million (2014: US$0.6 million), and the fair value of the call options at 31 December 2015 was a liability of US$0.085 million (2014: US$0.001 million). Zinc collar derivate instruments mature over the period 29 January 2016 to 30 December 2016 and hedge zinc production amounting 4,536 tonnes (2014: 8,911 tonnes) with a floor price of US$2,205:1 tonne (2014: range of floor prices of US$1,900 to US$2,200:1 tonne and weighted average price of US$2,100:1 tonne) and a range of capped prices from US$2,535 to US$2,550:1 tonne (2014: US$2,400 to US$2,650:1 tonne) and weighted average price of US$2,542:1 tonne (2014: US$2,534:1 tonne). The fair value of the put options at 31 December 2015 was an asset of US$2.7 million (2014: US$0.5 million), and the fair value of the call options at 31 December 2015 was a liability of US$0.02 million (2014: US$0.1 million).

The following table summarises the movements in deferred gains or losses on foreign exchange and price commodity derivative instruments qualifying for hedge accounting, net of tax effects, recorded in other comprehensive income for the year:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Beginning balance	(9,946)	721
(Gains) recycled to revenue during the year	(2,167)	(3,027)
Losses/(gains) recycled to cost of sales during the year	28,589	(220)
Gains recycled to the value of other assets	–	(220)
Unrealised gains/(losses) before tax arising during the year	39,521	(11,771)
Deferred tax effect recorded in other comprehensive income during the year	(19,783)	4,571
Ending balance	**36,214**	**(9,946)**

32. Financial risk management

Overview

The Group's principal financial assets and liabilities, other than derivatives, comprise trade receivables, cash, available-for-sale assets, interest-bearing loans and trade payables.

The Group has exposure to the following risks from its use of financial instruments:
> Market risk, including foreign currency, commodity price, interest rate, inflation rate and equity price risks
> Credit risk
> Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

32. Financial risk management continued

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices or interest rates will affect the Group's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group has financial instruments that are denominated in Mexican peso, euro and Swedish krona which are exposed to foreign currency risk. Transactions in currencies other than the US dollar include the purchase of services, fixed assets, spare parts and the payment of dividends. As a result, the Group has financial assets and liabilities denominated in currencies other than functional currency, and holds cash and cash equivalents in Mexican peso.

In order to manage the Group's exposure to foreign currency risk on expenditure denominated in currencies other than the US dollar, the Group has entered into certain forward and option derivative contracts with maturity dates from 2015 (see note 31 for additional detail).

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream) to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods for the purposes of calculating the sensitivity with relation to derivative financial instruments.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2015	**10%**	**(4,235)**	**7,809**
	(10%)	**5,192**	**(2,213)**
2014	15%	(3,350)	(28,970)
	(5%)	616	11,513

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Swedish krona on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**5%**	**213**
	(10%)	**(78)**
2014	15%	(515)
	(10%)	572

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream) to a reasonably possible change in the US dollar exchange rate compared to the euro on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2015	**10%**	**–**	**–**
	(10%)	**–**	**–**
2014	5%	52	–
	(10%)	105	–

Notes to the Consolidated Financial Statements continued

32. Financial risk management continued

Foreign currency risk – Silverstream

Future foreign exchange rates are one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in the Mexican peso as compared to the US dollar, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**10%** **(10%)**	**(1,622)** **1,982**
2014	5% (10%)	(2,427) 2,966

Commodity risk

The Group has exposure to changes in metals prices (specifically silver, gold, lead and zinc) which have a significant effect on the Group's results. These prices are subject to global economic conditions and industry-related cycles.

The Group uses derivative instruments to hedge against an element of gold price, see mentioned in note 2(s) .

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream) to a reasonably possible change in gold and silver prices, reflecting the impact on the Group's profit before tax with all other variables held constant.

The sensitivity shown in the table below relates to changes in fair value of commodity derivatives financial instruments contracts and embedded derivatives in sales.

	Increase/(decrease) in commodity prices					
Year ended 31 December	Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2015	**15%** **(10%)**	**20%** **(15%)**	**25%** **(25%)**	**20%** **(15%)**	**(51,326)** **52,915**	**50,764** **136,469**
2014	10% (10%)	20% (20%)	15% (10%)	10% (15%)	(93,922) 49,405	(791) 49,612

Commodity price risk – Silverstream

Future silver price is one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in future silver prices, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same percentage change in silver price is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Increase/ (decrease) in silver price	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**20%** **(15%)**	**104,659** **(78,494)**
2014	20% (20%)	103,125 (103,125)

32. Financial risk management continued

Interest rate risk

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally relating to the cash balances and the Silverstream contract held at the balance sheet date. Interest-bearing loans and loans from related parties are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value but not its carrying amount. Therefore, interest-bearing loans and loans from related parties are excluded from the table below.

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream) to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Group's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**50**	**2,525**
	(10)	**(505)**
2014	25	1,140
	(10)	(456)

The sensitivity shown in the table above primarily relates to the full year of interest on cash balances held as at the year end.

Interest rate risk – Silverstream

Future interest rates are one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in interest rates, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same change in interest rate is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**50**	**(17,853)**
	(10)	**3,729**
2014	25	(15,067)
	(10)	3,123

Inflation rate risk

Inflation rate risk – Silverstream

Future inflation rates are one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract to a reasonably possible change in the inflation rate, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same change in inflation is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Basis point (increase/ (decrease) in inflation rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**100**	**389**
	(100)	**(382)**
2014	100	697
	(100)	(680)

Notes to the Consolidated Financial Statements continued

32. Financial risk management continued

Equity price risk

The Group has exposure to changes in the price of equity instruments that it holds as available-for-sale assets.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Group's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2015	**50%**	**–**	**35,721**
	(30%)	**(5,135)**	**(16,297)**
2014	60%	–	51,157
	(40%)	(16,983)	(17,632)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets and derivative financial instruments. The financial assets are trade and other receivables, cash and cash equivalents, short-term investments, the Silverstream contract and available-for-sale financial assets.

The Group's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Group's exposure to bad debts is not significant. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Group's financial assets are with counterparties with what the Group considers to have an appropriate credit rating. As disclosed in note 28, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Group's financial assets were neither impaired nor past due, other than 'Other receivables' as disclosed in note 17. The Group's policies are aimed at minimising losses from foreign currency hedging contracts. The Company's foreign currency hedging contracts are entered into with large financial institutions with strong credit ratings.

The Group has a high concentration of trade receivables with one counterparty, Met-Mex Peñoles, the Group's primary customer throughout 2015 and 2014. A further concentration of credit risk arises from the Silverstream contract. Both Met-Mex and the counterparty to the Silverstream contract are subsidiaries in the Peñoles group which currently owns 75% of the shares of the Company and is considered by management to be of appropriate credit rating.

The Group's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents, including short-term investments investing in a number of financial institutions. Accordingly, on an ongoing basis the Group deposits surplus funds with a range of financial institutions, depending on market conditions. In order to minimise exposure to credit risk, the Group only deposits surplus funds with financial institutions with a credit rating of MX-1 (Moody's) and mxA-1+ (Standard and Poor's) and above. As at 31 December 2015, the Group had concentrations of credit risk as 61% of surplus funds were deposited with one financial institution of which 96% was held in short-term Mexican government paper.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 14 for the maximum credit exposure to available-for-sale financial assets, note 18 for short-term investments and cash and cash equivalents and note 28 for related party balances with Met-Mex. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2015, being US$384.8 million (2014: US$392.2 million).

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32. Financial risk management continued

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its risk of a shortage of funds using projected cash flows from operations and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Within 1 year	2-3 years	3-5 years	> 5 years	Total US$ thousands
As at 31 December 2015					
Interest-bearing loans (note 21)	46,267	92,534	92,534	938,801	1,170,137
Trade and other payables	57,440	–	–	–	57,440
Derivative financial instruments – liabilities	342,108	730,303	317,359	–	1,389,770
Embedded derivatives within sales contracts – liability	532	–	–	–	532

	Within 1 year	2-3 years	3-5 years	> 5 years	Total US$ thousands
As at 31 December 2014					
Interest-bearing loans (note 21)	46,267	92,534	92,534	985,068	1,216,403
Trade and other payables	70,340	–	–	–	70,340
Derivative financial instruments – liabilities	261,051	–	–	–	261,051
Embedded derivatives within sales contracts – liability	2,911	–	–	–	2,911

The payments disclosed for financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

	Within 1 year	2-3 years	3-5 years	> 5 years	Total US$ thousands
As at 31 December 2015					
Inflows	347,301	746,924	319,165	–	1,413,390
Outflows	342,108	730,303	317,359	–	1,389,770
Net	**5,193**	**16,621**	**1,806**	**–**	**23,620**

	Within 1 year	2-3 years	3-5 years	> 5 years	Total US$ thousands
As at 31 December 2014					
Inflows	239,238	–	–	–	239,238
Outflows	261,051	–	–	–	261,051
Net	**(21,813)**	**–**	**–**	**–**	**(21,813)**

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2016 as at 31 December 2015 and in 2015 as at 31 December 2014, either by the Group or counterparty.

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and certain interest-bearing loans, including loans from related parties, as disclosed in the balance sheet, excluding net unrealised gains or losses on revaluation of cash flow hedges and available-for-sale financial assets. In order to ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream contract.

Parent Company Statement of Comprehensive Income
Year ended 31 December

		Year ended 31 December	
	Notes	**2015 US$ thousands**	2014 US$ thousands
(Loss)/profit for the year	3	**(894,822)**	**139,536**
Other comprehensive income/(expense)			
Items to be reclassified to profit or loss in subsequent periods:			
Fair value (losses)/gains on available-for-sale financial assets	7	(14,636)	22,833
Income tax effect	5	4,391	(6,850)
Impairment of available-for-sale financial assets		2,896	982
Income tax effect	5	(869)	(295)
Net effect of available-for-sale financial assets		(8,218)	16,670
Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods		**(8,218)**	**16,670**
Total comprehensive (loss)/income for the year, net of tax		**(903,040)**	**156,206**

Parent Company Balance Sheet
As at 31 December

	Notes	As at 31 December 2015 US$ thousands	 2014 US$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	6	5,800,967	6,730,093
Available-for-sale financial assets	7	71,442	86,078
Deferred tax asset	5	–	3,138
		5,872,409	**6,819,309**
Current assets			
Loans to related parties	15	706,989	772,102
Income tax recoverable		7,909	16,037
Trade and other receivables	8	3,766	12,507
Derivative financial instruments	18	117,075	14,551
Cash and cash equivalents	9	110,217	116,023
		945,956	**931,220**
Total assets		**6,818,365**	**7,750,529**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	10	368,546	368,546
Share premium	10	1,153,817	1,153,817
Merger reserve	10	4,109,520	5,054,804
Net unrealised gains on available-for-sale financial assets	10	9,414	17,632
Retained earnings	10	336,551	323,671
Total equity		**5,977,848**	**6,918,470**
Non-current liabilities			
Interest-bearing loans	12	797,032	796,160
Deferred tax liability	5	20,490	–
		817,522	**796,160**
Current liabilities			
Trade and other payables	13	21,568	8,866
Derivative financial instruments	18	1,427	27,033
		22,995	**35,899**
Total liabilities		**840,517**	**832,059**
Total equity and liabilities		**6,818,365**	**7,750,529**

These financial statements were approved by the Board of Directors on 29 February 2016 and signed on its behalf by:

Mr Arturo Fernández
Non-executive Director
29 February 2016

Parent Company Statement of Cash Flows
Year ended 31 December

	Notes	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Net cash from operating activities	17	**7,916**	**24,041**
Cash flows from investing activities			
Capital contribution to subsidiaries		(16,158)	(15,264)
Loans granted to related parties		(1,841,293)	(1,998,264)
Proceeds from repayment of loans granted to related parties		1,904,794	1,565,252
Interest received		22,138	14,730
Dividends received		–	291,099
Settlement of derivative contracts		3,133	101
Other payments		(1,584)	(434)
Net cash generated/(used) from investing activities		**71,030**	**(142,780)**
Cash flows from financing activities			
Loans granted by related parties		67,000	3,008,555
Repayment of loans granted by related parties		(67,000)	(3,358,964)
Dividends paid		(37,529)	(86,952)
Interest paid		(47,607)	(60,539)
Net cash used in financing activities		**(85,136)**	**(497,900)**
Net decrease in cash and cash equivalents during the year		(6,190)	(616,639)
Effect of exchange rate on cash and equivalents		384	(3,055)
Cash and cash equivalents at 1 January		116,023	735,717
Cash and cash equivalents at 31 December	9	**110,217**	**116,023**

Parent Company Statement of Changes in Equity
Year ended 31 December

US$ thousands

	Notes	Share capital	Share premium	Merger reserve	Net unrealised gains/(losses) on available-for-sale financial assets	Retained earnings	Total equity
Balance at 1 January 2014		**368,546**	**1,153,817**	**5,184,973**	**962**	**140,920**	**6,849,218**
Profit for the year		–	–	–	–	139,536	139,536
Other comprehensive expense net of tax		–	–	–	16,670	–	16,670
Total comprehensive expense for the year		–	–	–	16,670	139,536	156,206
Transfer of reserves		–	–	(130,169)	–	130,169	–
Dividends declared and paid	11	–	–	–	–	(86,954)	(86,954)
Balance at 31 December 2014		**368,546**	**1,153,817**	**5,054,804**	**17,632**	**323,671**	**6,918,470**
Loss for the year		–	–	–	–	(894,822)	(894,822)
Other comprehensive expense net of tax		–	–	–	(8,218)	–	(8,218)
Total comprehensive expense for the year		–	–	–	(8,218)	(894,822)	(903,040)
Transfer of reserves		–	–	(945,284)	–	945,284	–
Dividends declared and paid	11	–	–	–	–	(37,582)	(37,582)
Balance at 31 December 2015		**368,546**	**1,153,817**	**4,109,520**	**9,414**	**336,551**	**5,977,848**

Notes to the Parent Company Financial Statements

1. Corporate information

Fresnillo plc ('the Company') is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 6. The Company is a Mexican resident for taxation purposes with tax residency in Mexico City. For further information see note 5.

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75% of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The country of incorporation of Peñoles is Mexico. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx.

The primary activity of the Company is as holding company for the Fresnillo Group of companies. See note 6.

The financial statements of the Company for the year ended 31 December 2015 were authorised for issue by the Board of Directors of Fresnillo plc on 29 February 2016.

2. Significant accounting policies

(a) Basis of preparation and statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the Company for the years ended 31 December 2015 and 2014, and in accordance with the provisions of the Companies Act 2006.

The financial statements of the Company have been prepared on a historical cost basis, except for certain derivative financial instruments and available-for-sale financial instruments which have been measured at fair value.

The financial statements are presented in dollars of the United States of America (US dollars or US$) and all monetary amounts are rounded to the nearest thousand (US$000) except when otherwise indicated.

The basis of preparation and accounting policies used in preparing the financial statements are set out below. These accounting policies have been consistently applied to all the periods presented unless otherwise stated.

(b) Changes in accounting policies

The accounting policies applied are consistent with those applied in the preparation of the separate financial statements for the year ended 31 December 2014.

New standards, interpretations and amendments (new standards) adopted by the Company

During 2015 there were no new standards adopted by the Company. New standards issued by the IASB effective as of 1 January 2015 had no impact in the financial information of the Company.

Standards, interpretations and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Company intends to adopt these standards it considers applicable to the Company's financial statements, when they become effective.

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

2. Significant accounting policies continued

IFRS 16 Leases

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. These amendments are effective for annual periods beginning on or after 1 January 2019; earlier application is permitted. However, as there are several interactions between IFRS 16 and IFRS 15 Revenue from contracts with customers, early application is restricted to entities that also early apply IFRS 15. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Company has not early adopted this standard, however management has reviewed the aggregation level in the financial statements including disclosures in notes, considering the new guidance on materiality. The amendments to this standard are not expected to have any impact on the financial information of the Company.

Amendments to IAS 7 Disclosure Initiative

The amendments to IAS 7 required disclosure of information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from (i) cash flows, such as drawdowns and repayments of borrowings; and (ii) non-cash changes, such as acquisitions, disposals and unrealised exchange differences. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The amendments to this standard are not expected to have any impact on the financial information of the Company.

Amendments to IAS 12 Income Taxes

The amendments to IAS 12 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets. These amendments are effective for annual periods beginning on or after 1 January 2017, with early adoption permitted. The amendments to this standard are not expected to have any impact on the financial information of the Company.

The IASB has issued other amendments to standards, including those resulting from improvements to IFRSs that management considers do not have any impact on the accounting policies, financial position or performance of the Company.

The Company has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is in the accounting policies and the notes to the financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements are:

> Determination of functional currency, note 2(d):
The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

> Contingencies (note 14):
By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Estimates and assumptions

Significant areas of estimation uncertainty made by management in preparing the financial information statements include:

> Impairment of available-for-sale financial assets, notes 2(g) and 7:
The Company classifies certain financial assets as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, management makes an assessment of the decline in value to determine whether it is an impairment that should be recognised in profit or loss. For the year ended 31 December 2015 an impairment loss of US$2.9 million has been recognised relating to available-for-sale assets.

Notes to the Parent Company Financial Statements continued

2. Significant accounting policies continued

> Impairment and subsequent reversal of impairment of investments in subsidiaries (notes 2(e) and 6):
The Company assesses the investments in subsidiaries annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and the value in use. A value in use assessment requires the use of estimates and assumptions such as long-term commodity prices, reserves and resources and the associate production profiles, discount rates, future capital requirements, exploration potential and operating performance. Fair value less costs of disposal is based on an estimate of the amount that the Company may obtain in a sale transaction in an orderly sale transaction between market participants.

Where an impairment charge has previously been recognised, the Company assesses at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that investment, requiring similar estimates and assumptions as those for determining an impairment charge. At 31 December 2015, impairment losses of US$1,680.1 million have been recognised relating to subsidiaries (2014: US$734.8 million).

(d) Foreign currency translation
The Company's financial statements are presented in US dollars, which is the functional currency of the Company. The functional currency for the Company is determined by the currency of the primary economic environment in which it operates.

Transactions denominated in currencies other than the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair valued is determined.

(e) Investments in subsidiaries
Subsidiaries are entities over which the Company controls operating and financial policies and is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment.

When the Company increases its capital investment in, or where there is a return of share capital from, its subsidiaries, such movements are recognised as an addition or return of the original cost recognised in investment in subsidiaries.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the investment in the subsidiary is made, which is considered to be the higher of the fair value less costs of disposal and the value in use. Fair value less costs of disposal is based on an estimate of the amount that the Group may obtain in a sale transaction in an orderly sale transaction between market participants. When this information is not available the fair value is determined based on the net present value of the future cash flows related to its subsidiaries, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to profit or loss to the extent that the increased carrying value of the investment in subsidiary does not exceed that that would have been determined had no impairment loss been recognised for the asset in prior years.

(f) Financial assets and liabilities
Financial assets are recognised when the Company becomes party to contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company recognises financial liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial liabilities are classified at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are initially recognised at the fair value of the consideration received, including any transaction costs incurred.

Financial assets are offset with liabilities and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Significant accounting policies continued

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified as held-for-trading and other assets or liabilities designated as fair value transactions through profit and loss at inception are included in this category. Financial assets or liabilities are classified as held-for-trading if they are acquired or incurred for the purpose of selling in the short term. Derivatives are also classified as held-for-trading unless they are designated as hedging instruments, as defined by IAS 39. Financial assets and liabilities at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale.

After initial measurement such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost.

Loans and borrowings

After initial recognition, net of directly attributable transaction costs, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the income statement. Gains and losses are recognised in profit or loss, in the income statement, when the liabilities are derecognised as well as through the EIR amortisation process.

The Company shall adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. Any adjustment is recognised in profit or loss as income or expense.

This category generally applies to interest-bearing loans. For more information refer to note 12.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the preceding categories and are not held-to-maturity investments.

Available-for-sale financial assets represent equity investments that have a quoted market price in an active market; therefore a fair value can be reliably measured. After initial measurement, available-for-sale financial assets are measured at fair value with mark-to-market unrealised gains or losses being recognised as other comprehensive income in the available-for-sale reserve until the financial asset is derecognised.

Financial assets classified as available-for-sale are de-recognised when they are sold, and all the risks and rewards of ownership have been transferred. When financial assets are sold, the accumulated fair value adjustments recognised in equity are included in the income statement within other operating income or expense.

De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

Notes to the Parent Company Financial Statements continued

2. Significant accounting policies continued

(g) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. In assessing whether there is an impairment, the Company considers whether a decline in fair value is either significant or prolonged by considering the size of the decline in this value , the historic volatility in changes in fair value and the duration of the sustained decline. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

(h) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and four months.

For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(i) Share capital

Ordinary shares issued by the Company are recorded at the net proceeds received, which is the fair value of the consideration received less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts, rebates, and other sales taxes.

Trademark royalties

Trademark royalty income is recognised only at the time when it is probable that the amounts related to certain rights will be received.

Interest income

Interest income is recognised as interest accrues (using the effective interest method, i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Dividend income is recognised when the Company's right to receive the payment is established.

2. Significant accounting policies continued

(k) Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

> where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and
> in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

> where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
> in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Derivative financial instruments and hedging

The Company enters into derivative contracts in order to manage certain market risks derived from changes in foreign exchange and commodity prices which impact the financial and business transactions of its subsidiaries. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In the Group's consolidated financial statements these derivative instruments are designated as cash flow hedges but for the purposes of the Company's stand-alone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Derivatives are valued using valuation approaches and methodologies (such as Black-Scholes and Net Present Value) applicable to the specific type of derivative instrument. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Embedded derivatives

Contracts are assessed for the existence of embedded derivatives at the date that the Company first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as stand-alone derivatives.

Notes to the Parent Company Financial Statements continued

2. Significant accounting policies continued

(m) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 18 and 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

> In the principal market for the asset or liability; or
> In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 18.

(n) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Profit or loss attributable to the Parent Company

The loss for the Company is US$894.8 million for the year ended 31 December 2015 (2014: profit of US$139.6 million). In accordance with the exemption granted under section 408 of the Companies Act 2006 a separate income statement for the Company has not been presented.

4. Segment reporting

Segmental information is not presented in the Company's stand-alone financial statements as this is presented in the Group's consolidated financial statements.

5. Income tax

(a) Income tax reported in other comprehensive income

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Deferred income tax effect related to items charged or credited directly to other comprehensive income:		
Net credit/(charge) arising on unrealised losses/(gains) on available-for-sale assets (note 7)	3,522	(7,145)
Income tax effect reported in other comprehensive income	**3,522**	**(7,145)**

5. Income tax continued

(b) The movements in the deferred income tax liability are as follows:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Opening net asset/(liability)	3,138	(2,245)
Income statement (charge)/credit	(27,150)	12,528
Net credit/(charge) arising on unrealised losses/(gains) on available-for-sale assets (note 7)	3,522	(7,145)
Closing net (liability)/asset	**(20,490)**	**3,138**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

The amounts of deferred income tax assets and liabilities before offset as at 31 December considering the nature of the temporary differences are as follows:

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Prepayments and other	(363)	(697)
Derivative financial instruments	(41,255)	(5,258)
Losses carried forward	21,884	14,240
Available-for-sale financial assets	(756)	(5,147)
Net deferred tax (liability)/asset	**(20,490)**	**3,138**

(c) Unrecognised deferred tax on investments in subsidiaries

The Company has not recognised all of the deferred tax liability in respect of distributable reserves of its subsidiaries because it controls them and only part of the temporary differences are expected to reverse in the foreseeable future. The temporary differences for which a deferred tax liability has not been recognised aggregate to US$1,450 million (2014: US$1,528 million).

(d) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR')

The Company is a Mexican resident for taxation purposes. The rate of current corporate income tax is 30%.

6. Investments in subsidiaries

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Opening balance	6,730,093	6,792,011
Impairment	(945,284)	(130,169)
Additions	16,158	68,251[1]
Closing balance[2]	**5,800,967**	**6,730,093**

1 Of the US$68.3 million of additions, US$52.1 million relates to the carrying amount of loan to Proveedora de Equipos Fresne S.A. de C.V. which was capitalised as part of the Company's investment on 6 October 2014.
2 The Bajio land dispute could have an impact to the Company's investment in Minera Penmont (Soldedad-Dipolos mine unit) (note 14).

During 2015 and 2014, due to the gold and silver prices decreasing the Company made an impairment assessment to determine whether the carrying value of each of its subsidiaries was recoverable as at 31 December 2015 and 2014. As a result a cumulative impairment loss of US$1,680.1 million is recognised with respect to certain of the Company's investment in subsidiaries (2014: US$734.8 million). The recoverable amount was estimated on the Fair Value Less Cost of Disposal (FVLCD) (2014: FVLCD).

Notes to the Parent Company Financial Statements continued

6. Investments in subsidiaries continued

The following tables provide relevant information in respect of each impaired subsidiary:

				Year ended 31 December 2015	
	Current year Impairment US$ thousand	Cumulative Impairment US$ thousands	Recoverable amount US$ thousands		Discount rate
Minera Fresnillo, S.A. de C.V.	703,483	703,483	3,561,388	Post–tax	6.21%
Minera Mexicana La Ciénega, S.A. de C.V.	–	470,770	481,878	Post–tax	6.09%
Minera Saucito, S.A. de C.V.	104,339	141,738	1,133,900	Post–tax	6.02%
Minera Penmont, S. de R.L. de C.V.	137,462	137,462	671,488	Post–tax	6.02%
Exploraciones Mineras Parreña, S.A. de C.V.	–	226,627	139,400	Post–tax	6.43%
	945,284	**1,680,080**			

As at 31 December 2015 management calculated the recoverable amount using FVLCD methodology. In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including reserves and resources volumes and related production profile, price assumptions, cost estimates and discount rate. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. Management considers that the model supporting the determination of FVLCD is most sensitive to commodity price assumptions. The price assumptions used to determine FVLCD are based on analysts' consensus of long-term prices. As at 31 December 2015, the Company used price assumptions US$1,200/ounce and US$18/ounce for gold and silver, respectively.

				Year ended 31 December 2014	
	Current year Impairment US$ thousand	Cumulative Impairment US$ thousands	Recoverable amount US$ thousands		Discount rate
Minera Mexicana La Ciénega, S.A. de C.V.	9,277	470,770	414,252	Post–tax	4.04%
Minera Saucito, S.A. de C.V.	37,399	37,399	1,182,239	Post–tax	4.16%
Exploraciones Mineras Parreña, S.A. de C.V.	83,493	226,627	138,936	Post–tax	4.63%
	130,169	**734,796**			

As at 31 December 2014 management calculated the recoverable amount using FVLCD methodology. In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including reserves and resources volumes and related production profile, price assumptions, cost estimates and discount rate. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. Management considers that the model supporting the determination of FVLCD is most sensitive to commodity price assumptions. The price assumptions used to determine FVLCD are based on analysts' consensus of long-term prices. As at 31 December 2014, the Company used price assumptions US$1,250/ounce and US$18/ounce for gold and silver, respectively.

Exploraciones Minera Parreña, S.A. de C.V. (Parreña) provides exploration services to the mining entities and management determined FVLCD based on the future cash flow derived from such services, which are derived from estimated costs. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. Management considers that the model supporting the determination of FVLCD is most sensitive to the estimate of exploration expenses.

Sensitivity analysis

Management has performed a sensitivity analysis for those subsidiaries where an impairment was determined.

The following table sets out the additional impairment to that recognised in 2015 considering a change in commodity prices assumptions with all other assumptions held constant:

	Decrease in commodity prices				
	Gold	Silver	Penmont US$ thousands	Saucito US$ thousands	Fresnillo US$ thousands
Low sensitivity	5%	10%	178,408	173,259	833,734
High sensitivity	10%	20%	256,300	290,608	1,335,862

The following table sets out the additional impairment to that recognised in 2015 considering a change in interest rate assumptions with all other assumptions held constant:

	Basis points increase in interest rate	Penmont US$ thousands	Saucito US$ thousands	Fresnillo US$ thousands
Low sensitivity	50	111,091	75,649	428,331
High sensitivity	100	121,277	94,562	520,813

6. Investments in subsidiaries continued

The following table sets out the additional impairment to that recognised in 2014 considering a change in commodity prices assumptions:

	Decrease in commodity prices			
	Gold	Silver	Saucito US$ thousands	Ciénega US$ thousands
Low sensitivity	5%	10%	161,672	100,283
High sensitivity	10%	20%	285,931	191,859

The following table sets out the additional impairment to that recognised in 2014 considering a change in exploration expenses:

	Decrease in exploration expenses	Parreña US$ thousands
Low sensitivity	5%	2,424
High sensitivity	10%	4,849

The subsidiaries in which investments are directly held as at 31 December 2015 and 2014 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December	
			2015	2014
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico	**100**	100
Minera Penmont, S. de R.L. de C.V.[1]	Production of doré bars (gold/silver)	Mexico	**56**	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	Mexico	**100**	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	Mexico	**100**	100
Desarrollos Mineros Canelas, S.A. de C.V.	Extraction and sale of mineral ore	Mexico	**100**	100
Desarrollos Mineros Fresne, S. de R.L. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**56**	56
Desarrollos Mineros el Aguila, S.A. de C.V.	Extraction and sale of mineral ore	Mexico	**100**	100
Metalúrgica Reyna, S.A. de C.V.	Extraction and sale of mineral ore	Mexico	**100**	100
Equipos Mineros Nazas, S.A. de C.V.	Leasing of mining equipment	Mexico	**100**	100
Proveedora de Equipos Fresne, S de R.L. de C.V.[1]	Leasing of mining equipment	Mexico	**56**	56
Equipos Mineros la Hacienda, S.A. de C.V.	Leasing of mining equipment	Mexico	**100**	100
Proveedora de Equipos Jerez, S.A. de C.V.	Leasing of mining equipment	Mexico	**100**	100
Minera Juanicipio, S.A. de C.V.	Mining project	Mexico	**56**	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Holds rights over silver production from Peñoles' polymetallic Sabinas mine through the Silverstream contract	Mexico	**100**	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	Mexico	**100**	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	Mexico	**55**	55
Exploraciones Coneto, S.A. de C.V.	Exploration services	Mexico	**100**	100
Minera El Bermejal, S. de R.L. de C.V.	Mining equipment leasing	Mexico	**100**	100
Compañía Minera Las Torres, S.A. de C.V.	Mine project	Mexico	**100**	100
Servicios Administrativos Fresnillo, S. A. de C.V.	Administrative services	Mexico	**100**	100
Operaciones Fresnillo, S.A. de C.V.	Administrative services	Mexico	**100**	100
Servicios de Exploración Fresnillo, S.A. de C.V.	Administrative services	Mexico	**100**	100
Fresnillo Management Services, Ltd	Administrative services	UK	**100**	100
Fresbal Investments, Ltd	Holding company for mining investments	Canada	**100**	100
Fresnillo Perú, S.A.C.	Exploration services	Peru	**100**	100
Fresnillo Chile, SpA	Exploration services	Chile	**100**	–
Caja de Ahorros Fresnillo, S. C.[2]	Administrative services	Mexico	**–**	–

The list of subsidiary undertakings presented in this note represents the full list of subsidiary undertakings, required to be submitted by Section 409 of the Companies Act 2006.

1 The remaining 44% interest in these companies are held by Comercializadora de Metales Fresnillo, S.A. de C.V. a wholly owned subsidiary of the Company.
2 Whilst Fresnillo plc holds no direct ownership in Caja de Ahorros Fresnillo, S.C. the company is held through the subsidiaries Minera Fresnillo, S.A. de C.V., Minera Penmont, S. de R.L. de C.V., Minera Mexicana La Ciénega, S.A. de C.V., Minera Saucito, S.A. de C.V., Servicios Administrativos Fresnillo, S.A. de C.V. and Operaciones Fresnillo, S.A. de C.V. in equal ownership.

Notes to the Parent Company Financial Statements continued

7. Available-for-sale financial assets

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Beginning balance	86,078	63,245
Fair value change	(14,636)	22,833
Ending balance	**71,442**	**86,078**

At 31 December 2015 several investments in quoted shares decreased below the cost paid by the Group. This decrease has been sustained during the past 12-month period, which is considered to be prolonged, therefore an impairment of US$2.9 million was recognised as other expenses in the income statement (2014: US$1.0 million).

The fair value of the available-for-sale financial assets is determined by reference to published price quotations in an active market.

8. Trade and other receivables

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Other receivables from related parties (note 15)	3,764	12,362
Prepayments	–	145
Other	2	–
	3,766	**12,507**

As of 31 December for each year presented, other receivables from related parties were neither past due nor impaired. In determining the recoverability of a receivable, the Company performs a risk analysis considering the type and age of the outstanding receivable and the creditworthiness of the counterparty.

9. Cash and cash equivalents

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Cash at bank and on hand	16	28
Short-term deposits	110,201	115,995
Cash and cash equivalents	**110,217**	**116,023**

Cash at bank earns interest at floating rates based on daily bank deposits. Short-term deposits are made for varying periods of between one day and four months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

10. Equity
Share capital and share premium

	As at 31 December			
	2015		2014	
Class of share	**Number**	**Amount**	Number	Amount
Ordinary shares each of US$0.50	1,000,000,000	$500,000,000	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	50,000	£50,000	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US$	Number	£
At 1 January 2014	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2014	736,893,589	$368,545,586	50,000	£50,000
At 31 December 2015	736,893,589	$368,545,586	50,000	£50,000

As at 31 December 2015 and 2014, all issued shares with a par value of $0.50 each are fully paid. The rights and obligations attaching to these shares are governed by law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary shares.

10. Equity continued

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to Ordinary shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company the Sterling Deferred Ordinary Shares are not transferable.

Reserves

Share premium

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Merger reserve

The merger reserve represents the difference between the value of the net assets acquired as part of the pre-IPO reorganisation and the nominal value of the shares issued pursuant to the Merger Agreement. Movements in this reserve during 2015 and 2014 represent the impairment of the carrying value of Fresnillo's investments in subsidiaries transferred from retained earnings.

Unrealised gains/(losses) on available-for-sale financial assets

This reserve records fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value are recycled to the income statement.

Retained earnings

This reserve records the accumulated results of the Company, less any distributions and dividends paid.

11. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2015 and 2014 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2015		
Final dividend for 2014 declared and paid during the year[1]	3.0	22,107
Interim dividend for 2015 declared and paid during the year[2]	2.1	15,475
	5.1	**37,582**
Year ended 31 December 2014		
Final dividend for 2013 declared and paid during the year[3]	6.8	50,109
Interim dividend for 2014 declared and paid during the year[4]	5.0	36,845
	11.8	**86,954**

1 This dividend was approved by the Board of Directors on 18 May 2015 and paid on 22 May 2015.
2 This dividend was approved by the Board of Directors on 3 August 2015 and paid on 10 September 2015.
3 This dividend was approved by the Board of Directors on 16 May 2014 and paid on 22 May 2014.
4 This dividend was approved by the Board of Directors on 4 August 2014 and paid on 11 September 2014.

12. Interest-bearing loans

Senior Notes

On 13 November 2013, the Group completed its offering of US$800 million aggregate principal amount of 5.500% Senior Notes due 2023 (the "notes").

An analysis of the debt recognised in the balance sheet is calculated as follows:

	As at 31 December	
	2015 US$ thousands	2014 US$ thousands
Opening balance	796,160	795,306
Accrued interest	46,267	46,267
Interest paid[1]	(46,267)	(46,267)
Amortisation of discount and transaction costs	872	854
Closing balance	797,032	796,160

1 Accrued interest is payable semi-annually on 13 May and 13 November.

Notes to the Parent Company Financial Statements continued

13. Trade and other payables

	Year ended 31 December	
	2015 US$ thousands	2014 US$ thousands
Other payables to related parties (note 15)	16,819	4,107
Other taxes and contributions	3,768	3,901
Accrued expenses	981	858
	21,568	**8,866**

The fair value of trade and other payables approximates their book values. The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

14. Contingencies

As of 31 December 2015 the Company has the following contingencies:

- The Company is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities in respect of income taxes for five years following the date of the filing of the corporate income tax return, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances the reviews may cover longer periods.

  In addition, because a number of tax periods remain open to review by the tax authorities, there is a risk that transactions, and in particular related party transactions that have not been challenged in the past by the authorities, may be challenged by them in the future, and this may result in the raising of additional tax assessments plus penalties and interest. It is not practical to determine the amount of any such potential claims or the likelihood of any unfavourable outcome. However, management believes that its interpretation of the relevant legislation is appropriate and that the Company has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Fresnillo Group ('the Group') and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.
- Peñoles has agreed to indemnify the Fresnillo Group in relation to (i) any tax charge, subject to certain exceptions, the Company may incur as a result of the pre-IPO reorganisation (including as a result of a transaction following Admission of a member of the Fresnillo Group, provided that Peñoles has confirmed that the proposed transaction will not give rise to a tax charge, or as a result of a transaction of a member of the Peñoles Group on or after Admission), the Global Offer or Admission and (ii) certain tax aspects of certain other pre-Admission transactions. Peñoles' liability under these indemnities and in respect of general tax liabilities arising pre-Admission which are not properly attributable to the precious metals business of the Fresnillo Group shall not exceed US$500 million. If a member of the Fresnillo Group forming part of Peñoles' tax consolidation pays an intra-group dividend in excess of its net income tax account ('Cuenta de Utilidad Fiscal Neta' or 'CUFIN') after Admission and is relieved of tax as a result of the consolidation, it is required to pay Peñoles an amount in respect of that tax.
- In regard to the Ejido El Bajío matter previously reported by the Company:

  In 2009 five members of the El Bajío agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont ("Penmont"), submitted a legal claim before the Unitarian Agrarian Court (Tribunal Unitario Agrario) of Hermosillo Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of Soledad-Dipolos are located. The litigation resulted in a definitive court order, pursuant to which Penmont was ordered to vacate 1,824 hectares of land. The disputed land was returned in July 2013, resulting in the suspension of operations at Soledad-Dipolos.

  The Agrarian Magistrate noted that certain remediation activities were necessary to comply with the relevant regulatory requirements and requested the guidance of the Federal Environmental Agency (SEMARNAT) in this respect. The Agrarian Magistrate further issued a procedural order in execution of his ruling determining, amongst other aspects, that Penmont must remediate the lands to the state they were in before Penmont's occupation.

  In the opinion of the Company, this procedural order is excessive since this level of remediation was not part of the original agrarian ruling and also because the procedural order appears not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. Penmont has challenged the procedural order before Federal courts, who have indicated that the correct procedural time for filing such complaint should be when legal execution over lands comprising the Soledad-Dipolos pit is initiated (currently the lands are in a judicial deposit pending final execution for delivery to claimants). Penmont conducted mining activities on approximately 300 hectares of such lands and remediation activities in this respect are still pending.

14. Contingencies continued

In connection with the foregoing matters, members of the El Bajío agrarian community presented additional claims, including a separate claim before the Unitarian Agrarian Court, claiming US$65 million in damages, alleging that the Group improperly used the land affected by the court ruling, as well as requesting the cancellation of Penmont's mining concessions and environmental permits within the El Bajío lands. Such concessions and permits are held by way of separate title to that relating to the surface land. The claimants have not yet presented substantial evidence to support their claim and the Group believes that these claims are without merit. Any initial ruling in this case would be subject to the appeals process in Mexico before judicial authorities other than the Unitarian Agrarian Court of Hermosillo, Sonora. Given the lack of evidence in support of the damages claim, the Company believes that an adverse and definitive ruling is not probable.

In addition, claimants have presented other claims against occupation agreements they entered into with Penmont, covering land parcels separate from the land described above. Penmont has no significant mining operations or specific geological interest in the affected parcels and these lands are therefore not considered strategic for Penmont. The Unitarian Agrarian Court has issued rulings declaring (i) such occupation agreements over those land parcels to be null and void; (ii) and that Penmont must remediate such lands to the state that they were in before Penmont's occupation as well as returning any minerals extracted from this area; and (iii) that Penmont must pay rent for occupying the land parcels whilst the claimants must reimburse Penmont the monies it originally paid for occupying such lands. The rulings also make reference in this same context (including remediation and return of minerals) to the separate court case involving Soledad-Dipolos mentioned above. Penmont has appealed these rulings since it is the owner of the mining concessions and all mining activities were conducted in accordance with Mexican law. The ultimate result of the appeals process remains pending. In regards the reference to Soledad-Dipolos within the scope of these land parcels cases, certain of these appeals have been decided for the Company, some against, whilst others remain pending. However, any adverse court order involving minerals over lands where the Soledad-Dipolos pit is located would be subject to a further appeals process, as that was a separate legal file as described above.

Various claims and counterclaims have been made between the relevant parties in the El Bajío matter including appeals that are pending as well as criminal complaints between the parties. There remains significant uncertainty as to the finalisation and ultimate outcome of these legal proceedings.

15. Related party balances and transactions

Related parties are those entities owned or controlled by the ultimate controlling party and include the Company's subsidiaries disclosed in note 6, as well as those entities who have a minority participation in Fresnillo Group companies. Related party balances will be settled in cash. All the balances as at 31 December 2015 and 2014 and the transactions carried out with related parties for the years then ended correspond to subsidiaries.

(a) Related party accounts receivable and payable

	Accounts receivable US$ thousands		Accounts payable US$ thousands	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
Loans with related parties	**706,989**	772,102	**–**	–
Administrative services	**–**	7,812	**7,963**	334
Trademark royalty	**3,717**	4,070	**8,855**	3,773
Other	**47**	480	**1**	–
Sub-total	**710,753**	784,464	**16,819**	4,107
Less–Current portion	**710,753**	784,464	**16,819**	4,107
Non-current portion	**–**	–	**–**	–

Effective interest rates on loans granted to related parties in US dollar range between 2.3% to 2.41% (2014: 2.18% to 2.23%); in Mexican peso range 5.31% to 5.34% (2014: 5.46% to 5.80%).

Notes to the Parent Company Financial Statements continued

15. Related party balances and transactions continued

(b) Principal transactions with related parties (apart from dividends, additional investments and returns of capital) are as follows:

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Income:		
Trademark royalties	34,679	40,493
Interest on loans to related parties	21,824	12,496
Other	–	340
Total income	**56,503**	**53,329**

	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Expenses:		
Administrative services	9,399	2,681
Interest on loans from related parties	1,339	14,271
Other	455	1,083
Total expenses	**11,193**	**18,035**

(c) Compensation of key management personnel of the Company

Key management personnel comprise Non-executive Directors. In 2015, their compensation was US$0.7 million (2014: US$0.8 million). This compensation paid is disclosed in the Directors' Remuneration Report.

16. Auditor's remuneration

The auditor's remuneration for the Company was US$1.1 million (2014: US$1.0 million) in respect of the audit of its financial statements together with a proportion of the fees in relation to Fresnillo Group audit.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the stand-alone financial statements because the Group financial statements are prepared which include these fees on a consolidated basis.

17. Notes to the statement of cash flows

	Notes	Year ended 31 December 2015 US$ thousands	2014 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
(Loss)/Profit for the year		(894,822)	139,536
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Impairment charge	6	945,284	130,169
Dividends income		–	(291,099)
Income tax expense		27,150	(6,163)
Other expenses/(income)		1,584	765
Impairment of available-for-sale financial assets		2,896	982
Net finance (income)/loss		(104,722)	59,314
Foreign exchange loss		2,689	163
Working capital adjustments			
Decrease/(increase) in trade and other receivables		8,656	(5,973)
Decrease in prepayments and other assets		143	69
Increase/(decrease) in trade and other payables		15,656	(19,399)
Cash generated from operations		**4,514**	**8,364**
Income tax paid		3,402	15,677
Net cash from operating activities		**7,916**	**24,041**

18. Financial instruments

(a) Fair value category

As at 31 December 2015
US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedge)
Trade and other receivables	–	–	3,764	–
Loans to related parties	–	–	706,989	–
Available-for-sale financial assets	–	71,442	–	–
Derivative financial instruments	117,075	–	–	–

Financial liabilities:	At fair value through profit or loss	At amortised cost	At fair value through OCI (cash flow hedge)
Interest-bearing loans	–	797,032	–
Trade and other payables	–	16,819	–
Derivative financial instruments	1,427	–	–

As at 31 December 2014
US$ thousands

Financial assets:	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables	At fair value through OCI (cash flow hedge)
Trade and other receivables	–	–	12,362	–
Loans to related parties	–	–	772,102	–
Available-for-sale financial assets	–	86,078	–	–
Derivative financial instruments	14,551	–	–	–

Financial liabilities:	At fair value through profit or loss	At amortised cost	At fair value through OCI (cash flow hedge)
Interest-bearing loans	–	796,160	–
Trade and other payables	–	4,107	–
Derivative financial instruments	27,033	–	–

(b) Fair values

The fair value of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, other than those with carrying amounts that are a reasonable approximation of their fair values are as follows:

As at 31 December

	Carrying amount		Fair value	
	2015 US$ thousands	2014 US$ thousands	2015 US$ thousands	2014 US$ thousands
Financial assets:				
Derivative financial instruments	117,075	14,551	117,075	14,551
Loans to related parties[2]	706,989	772,102	706,989	772,102
Available-for-sale financial assets	71,442	86,078	71,442	86,078
Financial liabilities:				
Interest-bearing loans	797,032	796,160	805,352	795,128[1]
Derivative financial instruments	1,427	27,033	1,427	27,033

1 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.
2 Loans to related parties are categorised in Level 3 of the fair value hierarchy.

Notes to the Parent Company Financial Statements continued

18. Financial instruments continued

The financial assets and liabilities measured at fair value are categorised into the fair value hierarchy as at 31 December as follows:

	As of 31 December 2015			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	–	116,995	–	116,995
Option and forward foreign exchange contracts	–	80	–	80
Financial investments available-for-sale:	–	–	–	–
Quoted investments	71,442	–	–	71,442
	71,442	**117,075**	**–**	**188,517**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–	–	–	–
Option and forward foreign exchange contracts	–	1,427	–	1,427
	–	**1,427**	**–**	**1,427**

	As of 31 December 2014			
	Fair value measure using			
	Quoted prices in active markets Level 1 US$ thousands	Significant observable Level 2 US$ thousands	Significant unobservable Level 3 US$ thousands	Total US$ thousands
Financial assets:				
Derivative financial instruments:				
Option commodity contracts	–	14,229	–	14,229
Option and forward foreign exchange contracts	–	322	–	322
Financial investments available-for-sale:	–	–	–	–
Quoted investments	86,078	–	–	86,078
	86,078	**14,551**	**–**	**100,629**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–	8,704	–	8,704
Option and forward foreign exchange contracts	–	18,329	–	18,329
	–	**27,033**	**–**	**27,033**

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Options and forwards to hedge foreign exchange contracts

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

18. Financial instruments continued

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Interest-bearing loans

Fair value of the Company's interest-bearing loan is derived from quoted market prices in active markets.

Loans with related parties

Fair value of the Company's loan to related parties is determined using a discounted cash flow method based on market interest rates at each reporting date.

(c) Derivative financial instruments

The Company enters into certain forward and option contracts in order to manage its subsidiaries' exposure to foreign exchange risk arising from the activities of these subsidiaries. Also the Company enters into option contracts to manage its subsidiaries' exposure to commodity price risk associated with the sales of gold. In the Group's consolidated financial statements these derivatives are designated as cash flow hedges but for the purposes of the Company's stand-alone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

The outstanding forward derivative contracts as at 31 December 2015 are as follows:

Foreign exchange contracts

				As at 31 December 2015	
	Term	**Currency**	**Contract value (thousands)**	**Contract exchange rate**	**2015 Fair value US$ thousands**
Euro-denominated forward contracts	2016	EUR	69	EUR1:US$1.09 to EUR1:US$1.10	0.3
Swedish krona-denominated contracts	2016	SEK	14,463	SEK$8.41:US$1	0.6

The Company's euro-denominated forward derivative instruments mature on 11 March 2016. The Company also entered into a number of SEK-US dollar forward contracts to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. These derivative instruments mature on 11 March 2016.

The Company also entered into Mexican peso-US dollar collars to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 11 January 2016 to 8 August 2016. The collar instruments hedge costs denominated in Mexican peso amounting to US$198 million with a range of floor prices from MX$14.00 to MX$16.82:US$1 and weighted average rate of US$14.92 and a range of capped prices from MX$17.25 to MX$19.50:US$1 and weighted average rate of US$18.26. The fair value of the put options at 31 December 2015 was an asset of US$0.5 million, and the fair value of the call options at 31 December 2015 was a liability of US$1.8 million.

Forward derivative contracts that were outstanding as at 31 December 2014 were as follows:

				As at 31 December 2014	
	Term	Currency	Contract value (thousands)	Contract exchange rate	2014 Fair value US$ thousands
Euro-denominated forward contracts	2015	EUR	869	EUR1:US$1.25 to EUR1:US$1.35	(121)
Swedish krona-denominated contracts	2015	SEK	41,597	SEK$7.19:US$1 to SEK$7.62:US$1	(359)

The Company's euro-denominated forward derivative instruments matured on 13 March 2015 at a weighted average rate of US$1.35: €1. The Company also entered into a number of SEK-US dollar forward contracts to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. These derivative instruments matured over a period from 13 March 2015 to 12 June 2015 with a weighted average rate of SEK$7.27:US$1.

The Company also entered into Mexican peso-US dollar collars to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. Collar derivative instruments matured over the period from 12 January 2015 to 14 December 2015. The collar instruments hedge costs denominated in Mexican peso amounting to US$259.5 million with a range of floor prices from MX$13.09 to MX$14.00:US$1 and weighted average rate of US$13.45 and a range of capped prices from MX$13.50 to MX$18.13:US$1 and weighted average rate of US$14.19. The fair value of the put options at 31 December 2014 was an asset of US$1.2 million, and the fair value of the call options at 31 December 2014 was a liability of US$18.7 million.

Notes to the Parent Company Financial Statements continued

18. Financial instruments continued

Commodity price contracts

During 2014 the Company entered into gold ounce-US dollar collars to hedge its subsidiaries' exposure to fluctuations in commodity price for a total amount of 1,559,689 ounces. As at 31 December 2015 the outstanding collar derivative instruments mature over the period from 29 January 2016 to 30 December 2019 and hedge cash proceeds for the sales of gold production amounting 1,257,516 ounces (2014: 1,524,276 ounces) with a floor price of US$1,100:1 ounce and a range of capped prices from US$1,375 to US$1,495:1 ounce for both years and weighted average price of US$1,426:1 ounce. (2014: 1,427:1 ounce) The fair value of the put options as at 31 December 2015 was an asset of US$147.3 million (2014: US$111.8 million), and the fair value of the call options at 31 December 2015 was a liability of US$35.1 million (2014: US$107.4 million).

The Group also entered into lead tonnes-US dollar and zinc tonnes-US dollar collars to hedge its subsidiaries' exposure to fluctuations in commodity price. Lead collar derivative instruments mature over the period from 29 January 2016 to 30 December 2016 and hedge lead production amounting 4,272 tonnes (2014: 2,261 tonnes) with a floor price of US$1,985:1 tonne (2014: US$2,100:1 tonne) and a range of capped prices from US$2,220 to US$2,310:1 tonne (US$2,450 to US$2,550:1 tonne) and weighted average price of US$2,259:1 tonne (2014: US$2,496:1 tonne). The fair value of the put options at 31 December 2015 was an asset of US$1.0 million (2014: US$0.6 million), and the fair value of the call options at 31 December 2015 was a liability of US$0.085 million (2014: US$0.001 million). Zinc collar derivate instruments mature over the period 29 January 2016 to 30 December 2016 and hedge zinc production amounting 4,536 tonnes (2014: 8,911 tonnes) with a floor price of US$2,205 tonne (2014: range of floor prices of US$1,900 to US$2,200:1 tonne and weighted average price of US$2,100:1 tonne) and a range of capped prices from US$2,535 to US$2,550:1 tonne (2014: US$2,400 to US$2,650: 1 tonne) and weighted average price of US$2,542:1 tonne (2014: US$2,534:1 tonne). The fair value of the put options at 31 December 2015 was an asset of US$2.7 million (2014: US$0.5 million), and the fair value of the call options at 31 December 2015 was a liability of US$0.02 million (2014: US$0.1 million).

19 Financial Risk Management

Overview

The Company's principal financial assets and liabilities, other than derivatives, are comprised of trade receivables, cash, available-for-sale assets, loans to and from related parties, interest-bearing loans and trade payables.

The Company enters into certain derivative transactions with the purpose of managing foreign exchange risk arising on the activity and transactions of its subsidiaries.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk, including foreign currency, interest rate and equity price risks
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies have been established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Company risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, or interest rates will affect the Company's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the US dollar. Transactions in foreign currencies include the purchase of services, payment or receipt of dividends and other items. As a result, the Company has financial liabilities denominated in currencies other than functional currency, and holds cash and cash equivalents in Mexican peso.

19 Financial Risk Management continued

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Company's profit before tax with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**10%**	**(11,349)**
	(10%)	**6,556**
2014	15%	(29,787)
	(5%)	11,107

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Swedish krona, reflecting the impact on the Company's profit before tax, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**5%**	**213**
	(10%)	**(78)**
2014	15%	(515)
	(10%)	572

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar compared to the euro, reflecting the impact on the Company's profit before tax, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**10%**	**–**
	(10%)	**–**
2014	5%	52
	(10%)	105

Commodity risk

The Company's subsidiaries have exposure to changes in metals prices (specifically gold, lead and zinc) which have a significant effect on the Company's results. These prices are subject to global economic conditions and industry-related cycles.

The Company uses derivative instruments to hedge against precious metals commodity price exposure in its subsidiaries, see mentioned in note 18(c).

Notes to the Parent Company Financial Statements continued

19 Financial Risk Management continued

The table below reflects the aggregate sensitivity relating to changes in the fair value of commodity derivative contracts of financial assets and liabilities, reflecting the impact on the Company's profit before tax with all other variables held constant. There is no impact on the Company's equity other than the effect on profit before tax.

Year ended 31 December	Increase/(decrease) Gold	Silver	Zinc	Lead	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**15%** **(10%)**	**20%** **(15%)**	**25%** **(25%)**	**20%** **(15%)**	**(98,118)** **121,716**
2014	10% (10%)	20% (20%)	15% (10%)	10% (15%)	(109,994) 66,523

Interest rate risk

The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company's earnings are sensitive to changes in interest rates on any floating element of the loans with related parties and interest earned on cash balances. Interest-bearing loans are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value, therefore, are excluded from the table below.

The following table demonstrates the sensitivity of all financial assets and financial liabilities to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/ (decrease) in interest rate	Effect on profit before tax: increase/ (decrease) US$ thousands
2015	**50** **(10)**	**551** **(110)**
2014	25 (10)	290 (116)

Equity price risk

The Company has exposure to changes in the price of equity instruments that it holds as available-for-sale assets.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Company's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease)	Effect on equity: increase/ (decrease) US$ thousands
2015	**50%** **(30%)**	**–** **(5,135)**	**35,721** **(16,297)**
2014	60% (40%)	– (16,983)	51,157 (17,632)

19 Financial Risk Management continued

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets and derivative financial instruments. The financial assets are trade and other receivables, intercompany loans, cash and cash equivalents and available-for-sale financial assets.

The Company's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not significant. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Company's financial assets are with counterparties with what the Company considers to have an appropriate credit rating. As disclosed in note 15, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Company's financial assets were neither impaired nor past due. The Company's policies are aimed at minimising losses from the foreign currency and commodity hedging contracts. The Company's foreign currency and commodity derivative contracts are entered into with large financial institutions with strong credit ratings.

The Company's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents investing in a number of financial institutions. In order to minimise exposure to credit risk, the Company only deposits cash and cash equivalents with financial institutions with a credit rating of M-1 (Moody's) and mxA-1+ (Standard and Poor's) and above, and only for periods of less than four months.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 7 for the maximum credit exposure for available-for-sale investments, note 9 for cash and cash equivalents and note 15 for related party balances.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Company financial liabilities based on contractual undiscounted payments.

					US$ thousands
	Within 1 year	**2-3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2015					
Interest-bearing loans	46,267	92,534	92,534	938,801	1,170,136
Derivative financial instruments – liabilities	342,108	730,303	317,359	–	1,389,770
Trade and other payables	16,819	–	–	–	16,819

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2014					
Interest-bearing loans	46,267	92,534	92,534	985,068	1,216,403
Derivative financial instruments – liabilities	261,051	–	–	–	261,051
Trade and other payables	4,107	–	–	–	4,107

Notes to the Parent Company Financial Statements continued

19 Financial Risk Management continued

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net. The following table shows the corresponding estimated inflows based on the contractual terms:

					US$ thousands
	Within 1 year	**2–3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2015					
Inflows	347,301	746,924	319,165	–	1,413,390
Outflows	342,108	730,303	317,359	–	1,389,770
Net	**5,194**	**16,621**	**1,806**	**–**	**23,620**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2014					
Inflows	239,238	–	–	–	239,238
Outflows	261,051	–	–	–	261,051
Net	**(21,813)**	**–**	**–**	**–**	**(21,813)**

The above liquidity tables include expected inflows and outflows from derivative financial instruments which the Company expects are going to be exercised from 2016 to 2019 as at 31 December 2015 and in 2015 to 2019 as at 31 December 2014, either by the Company or the counterparty.

Management considers that the Company has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and certain interest-bearing loans, as disclosed in the balance sheet, excluding net unrealised gains and losses on revaluation of cash flow hedges and available-for-sale financial assets. In order to ensure an appropriate return for shareholders' capital invested in the Company, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Company's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows.

Fresnillo plc Consolidated Audited Mineral Resource Statement[1]
As at 31 December 2015

Resource Category	Cut-off Grade[2]	Quantity Tonnes (Mt)	Grade Gold (g/t)	Grade Silver (g/t)	Grade Lead (%)	Grade Zinc (%)	Contained Metal Gold (Moz)	Contained Metal Silver (Moz)	Contained Metal Lead (kt)	Contained Metal Zinc (kt)
Fresnillo Underground										
Measured	122 g/t AgEq	10.30	0.84	627	0.98	1.63	0.28	207.64	101.29	167.61
Indicated		23.00	0.86	294	1.98	4.11	0.64	217.46	454.53	945.04
Measured & Indicated		33.30	0.85	397	1.67	3.34	0.91	425.09	555.81	1,112.65
Inferred		31.38	0.70	319	1.24	2.45	0.70	321.93	389.51	768.17
Saucito Underground										
Measured	134 g/t AgEq	2.55	2.60	498	1.34	2.22	0.21	40.86	34.04	56.69
Indicated		12.06	1.79	299	1.62	3.25	0.69	115.95	195.03	391.71
Measured & Indicated		14.61	1.93	334	1.57	3.07	0.91	156.80	229.07	448.40
Inferred		26.49	1.05	255	0.95	1.68	0.89	216.92	250.83	444.93
Ciénega Underground										
Measured	Multiple[3]	6.28	2.36	135	0.72	1.23	0.48	27.16	45.06	76.98
Indicated		14.89	1.62	181	0.59	1.07	0.77	86.65	88.03	158.97
Measured & Indicated		21.17	1.84	167	0.63	1.11	1.25	113.81	133.09	235.96
Inferred		7.96	1.04	150	0.49	0.85	0.27	38.47	39.02	68.05
San Julián Veins										
Measured	147 g/t AgEq	1.50	1.86	148	–	–	0.09	7.11	–	–
Indicated		6.63	2.07	181	–	–	0.44	38.59	–	–
Measured & Indicated		8.13	2.03	175	–	–	0.53	45.70	–	–
Inferred		3.13	1.44	137	–	–	0.14	13.80	–	–
San Julián Disseminated										
Measured	124 g/t AgEq	7.50	0.10	295	0.73	1.73	0.02	71.08	54.66	129.50
Indicated		8.25	0.07	174	0.55	1.41	0.02	46.01	45.55	116.26
Measured & Indicated		15.75	0.08	231	0.64	1.56	0.04	117.10	100.21	245.76
Inferred		–	–	–	–	–	–	–	–	–
Herradura Veins										
Measured	1.7 g/t Au	–	–	–	–	–	–	–	–	–
Indicated		13.00	3.57	–	–	–	1.49	–	–	–
Measured & Indicated[6]		13.00	3.57	–	–	–	1.49	–	–	–
Inferred[7]		27.00	3.25	–	–	–	2.82	–	–	–
Herradura Disseminated Open Pit[4]										
Measured	Multiple[5]	153.05	0.84	–	–	–	4.11	–	–	–
Indicated		93.77	0.80	–	–	–	2.42	–	–	–
Measured & Indicated[8]		246.82	0.82	–	–	–	6.54	–	–	–
Inferred[9]		5.00	0.75	–	–	–	0.12	–	–	–

Continued overleaf

Fresnillo plc Consolidated Audited Mineral Resource Statement[1]
As at 31 December 2015

Resource Category	Cut-off Grade[2]	Quantity Tonnes (Mt)	Grade Gold (g/t)	Grade Silver (g/t)	Grade Lead (%)	Grade Zinc (%)	Contained Metal Gold (Moz)	Contained Metal Silver (Moz)	Contained Metal Lead (kt)	Contained Metal Zinc (kt)
Soledad-Dipolos Open Pit[4, 10]										
Measured	0.3 g/t Au	31.98	0.64	–	–	–	0.66	–	–	–
Indicated		15.92	0.58	–	–	–	0.30	–	–	–
Measured & Indicated[11]		47.91	0.62	–	–	–	0.95	–	–	–
Inferred[12]		0.02	0.37	–	–	–	0.00	–	–	–
Noche Buena Open Pit[4]										
Measured	0.3 g/t Au	35.31	0.57	–	–	–	0.64	–	–	–
Indicated		21.21	0.54	–	–	–	0.37	–	–	–
Measured & Indicated[13]		56.51	0.56	–	–	–	1.01	–	–	–
Inferred[14]		2.78	0.48	–	–	–	0.04	–	–	–
Totals – Underground										
Measured & Indicated	Multiple	105.96	1.51	252	0.96	1.93	5.14	858.50	1,018.19	2,042.77
Inferred		95.96	1.57	192	0.71	1.34	4.83	591.12	679.36	1,281.16
Totals – Open Pit										
Measured & Indicated	Multiple	351.24	0.75	–	–	–	8.50	–	–	–
Inferred		7.80	0.65	–	–	–	0.16	–	–	–

1 Mineral resources are reported inclusive of ore reserves. Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Gold, silver, lead and zinc assays were capped where appropriate.
2 Mineral resources are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, and variable NSR factors (NSR factors include smelting and transportation costs). The AgEq is calculated by dividing the cost by the Ag net value factor which includes prices, recoveries, and payabilities.
3 The cut-off grade for Cienega's mineral resources varies between 158 to 214 gpt AgEq.
4 The Mega Centauro, Soledad-Dipolos, and Noche Buena resources are reported within pit shells run at a US$1,300/oz Au price.
5 Mega Centauro mineral resources are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.30 gpt Au reports to the heap leach, transitional and sulfide material above 0.35 gpt Au reports to the heap leach, oxide material above 1.23 gpt Au reports to the mill, transitional and sulfide material above 0.61 gpt Au reports to the mill.
6 Mega Centauro open pit silver concentrations are projected into the Centauro Profundo Underground Veins. The Mega Centauro open pit mine has produced silver at an average concentration of 1.1 gpt. Silver is not assayed for and is not estimated in the resource model. The projected in situ M & I silver in the Centauro Profundo Underground resource is 0.57 Moz.
7 Mega Centauro open pit silver concentrations are projected into the Centauro Profundo Underground Veins. The Mega Centauro open pit mine has produced silver at an average concentration of 1.1 gpt. Silver is not assayed for and is not estimated in the resource model. The projected in situ inferred silver in the Centauro Profundo Underground resource is 1.08 Moz.
8 The Mega Centauro open pit mine has produced silver at an average concentration of 1.1 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the open pit resource is 7.9 Moz.
9 The Mega Centauro open pit mine has produced silver at an average concentration of 1.1 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ inferred silver in the open pit resource is 0.16 Moz.
10 The Soledad-Dipolos mine has been subject to legal action regarding surface access. SRK has been provided with reassurances that Fresnillo has a reasonable chance to reacquire surface rights to these areas.
11 The Soledad-Dipolos mine has produced silver at an average concentration of 0.5 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the resource is 0.77 Moz.
12 The Soledad-Dipolos mine has produced silver at an average concentration of 0.5 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ inferred silver in the resource is 4K ounces.
13 The Noche Buena mine has produced silver at an average concentration of 0.3 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the veins resource is 0.55 Moz.
14 The Noche Buena mine has produced silver at an average concentration of 0.3 gpt. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ inferred silver in the resource is 0.03 Moz.
* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US$/oz 1,150.00), Silver (US$/oz 15.00), Lead (US$/lb 0.75) and Zinc (US$/lb 0.78).
The resources were estimated by Fresnillo. Dr. Bart Stryhas, CPG #11034, a Qualified Person, reviewed and audited the resource calculations for Minera Penmont. Matthew Hastings, M.Sc, P.Geo, MAusIMM #314693 of SRK, a Qualified Person, reviewed and audited the resource calculations for Ciénega. Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Qualified Person, reviewed and audited the resource calculations for Fresnillo, Saucito, and San Julián.

Consolidated Audited Mineral Resource Statement of Exploration Projects and Prospects[1]
As at 31 December 2015

Deposit/Fresnillo Subsidiary	Cut-off Grade[2]	Quantity	Grade				Contained Metal			
		Tonnes (000 t)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (000 oz)	Silver (000 oz)	Lead (000 t)	Zinc (000 t)
Measured Mineral Resource										
Orisyvo – disseminated Au[4]	0.34 g/t Au	34,543	1.23	1	–	–	1,365	1,431	–	–
Candameña – disseminated Au[4]		–	–	–	–	–	–	–	–	–
San Julián Sur – veins		–	–	–	–	–	–	–	–	–
Leones – breccia[4]		–	–	–	–	–	–	–	–	–
Tajitos – disseminated Au		–	–	–	–	–	–	–	–	–
Lucerito – breccia/mantos[4]		–	–	–	–	–	–	–	–	–
Rodeo – disseminated Au					–	–	–	–	–	–
Manzanillas – veins	US$58.30/t	75	6.76	130	–	–	16	316	–	–
San Juan – veins		–	–	–	–	–	–	–	–	–
Juanicipio – veins[3]		–	–	–	–	–	–	–	–	–
Huizache – veins		–	–	–	–	–	–	–	–	–
Guachichil – disseminated Au[4]		–	–	–	–	–	–	–	–	–
Opulencia – veins		–	–	–	–	–	–	–	–	–
La Gloria – veins		–	–	–	–	–	–	–	–	–
La Joya – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Total Measured		**34,618**	**1.24**	**2**	**0.00**	**0.00**	**1,381**	**1,746**	**0**	**0**
Indicated Mineral Resource										
Orisyvo – disseminated Au[4]	0.36 g/t Au	186,485	1.06	2	–	–	6,338	9,462	–	–
Candameña – disseminated Au[4]	0.61 g/t Au–Eq	32,693	0.85	16	–	–	889	16,590	–	–
San Julian Sur – veins		–	–	–	–	–	–	–	–	–
Leones – breccia[4]		–	–	–	–	–	–	–	–	–
Tajitos – disseminated Au	0.3 g/t Au	6,500	0.50	–	–	–	104	–	–	–
Lucerito – breccia/mantos[4]	1.00 g/t Au	108,667	0.40	26	0.29	0.47	1,397	90,837	315	511
Rodeo – disseminated Au	0.30 g/t Au	4,911	0.59	3	–	–	94	535	–	–
Manzanillas – veins	US$58.30/t	897	3.59	70	–	–	103	2,014	–	–
San Juan – veins	US$58.30/t	2,658	1.31	139	–	–	112	11,840	–	–
Juanicipio – veins[3]	US$70.29/t	4,769	1.86	522	2.15	4.04	285	80,038	103	193
Huizache – veins		–	–	–	–	–	–	–	–	–
Guachichil – disseminated Au[4]		–	–	–	–	–	–	–	–	–
Opulencia – veins	2.10 g/t Au–Eq	758	2.57	160	–	–	63	3,906	–	–
La Gloria – veins		–	–	–	–	–	–	–	–	–
La Joya – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolas – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–

Continued overleaf

Consolidated Audited Mineral Resource Statement of Exploration Projects and Prospects[1] continued
As at 31 December 2015

Deposit/Fresnillo Subsidiary	Cut-off Grade[2]	Quantity Tonnes (000 t)	Grade Gold (g/t)	Grade Silver (g/t)	Grade Lead (%)	Grade Zinc (%)	Contained Metal Gold (000 oz)	Contained Metal Silver (000 oz)	Contained Metal Lead (000 t)	Contained Metal Zinc (000 t)
Total Indicated		**348,339**	**0.84**	**19**	**0.12**	**0.20**	**9,385**	**215,221**	**418**	**703**
Inferred Mineral Resource										
Orisyvo – disseminated Au[4]	0.35 g/t Au	55,969	0.64	1	–	–	1,148	1,753	–	–
Candameña – disseminated Au[4]	0.51 g/t Au–Eq	19,119	0.52	26	–	–	322	15,955	–	–
San Julian Sur – veins	US$75/t	3,348	1.41	91	–	–	152	9,751	–	–
Leones – breccia[4]	60 g/t Ag	7,049	0.01	113	1.46	1.27	1	25,509	103	90
Tajitos – disseminated Au	0.3 g/t Au	13,385	0.52	–	–	–	224	–	–	–
Lucerito – breccia/mantos[4]	1.00 g/t Au	41,355	0.44	38	0.25	0.42	585	50,525	103	174
Rodeo – disseminated Au	0.30 g/t Au	69,164	0.49	5	–	–	1,097	10,086	–	–
Manzanillas – veins	US$58.30/t	297	2.08	48	–	–	20	455	–	–
San Juan – veins	US$58.30/t	4,747	1.66	112	–	–	254	17,119	–	–
Juanicipio – veins[3]	US$70.29/t	5,040	1.81	285	2.45	5.05	293	46,153	123	254
Huizache – veins	US$75/t	751	2.88	494	0.06	0.13	70	11,934	–	1
Guachichil – disseminated Au[4]	0.48 g/t Au–Eq	46,129	0.71	10	0.11	0.18	1,051	15,455	50	81
Opulencia – veins	2.10 g/t Au–Eq	2,260	2.20	140	–	–	160	10,154	–	–
La Gloria – veins	2.10 g/t Au–Eq	2,978	3.55	97	–	–	340	9,244	–	–
La Joya – veins	US$75/t	1,327	2.40	434	–	–	102	18,510	–	–
Cebadillas – veins	2.10 g/t Au–Eq	1,956	2.61	65	–	–	164	4,065	–	–
La Yesca – veins	159 g/t Ag–Eq	1,156	0.76	140	–	–	28	5,213	–	–
San Nicolas – veins	2.10 g/t Au–Eq	2,167	1.61	225	–	–	112	15,684	–	–
Pilarica – mantos	35 g/t Ag–Eq	10,688	–	106	0.37	0.48	–	36,501	40	52
Total Inferred		**288,887**	**0.66**	**33**	**0.15**	**0.23**	**6,123**	**304,064**	**420**	**652**

1 Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Metal assays were capped where appropriate. Mineral resources are reported at variable metal, metal equivalent or NSR cut-off grades and assuming reasonable metal recoveries. Orisyvo, Lucerito, Candameña and Guachichil mineral resources are reported inside a conceptual pit shell based on appropriate mining and processing costs and metal recoveries for oxide and sulfide material. Equivalent metal grades (and conceptual pit optimisation) are based on US$1,150 / US$1,300 per ounce of gold for underground or open pit projects, respectively, US$15 per ounce of silver, US$0.78 per pound of zinc and US$0.75 per pound of lead.

2 Cut-off grade calculations assume variable metallurgical recoveries.

3 Portions of the Valdecañas deposit within the Minera Juanicipio property where Fresnillo plc holds a 56% interest. Mineral resources quoted reflect Fresnillo plc's attributable 56% ownership.

4 Mineral resources statement prepared independently by SRK CA.

Consolidated Audited Ore Reserve Statement[1]
As at 31 December 2015

		Quantity			Grade				Contained Metal	
Deposit	Cut-off Grade[1]	Tonnes (Mt)	Gold (g/t)	Slver (g/t)	Lead (%)	Zinc (%)	Gold (Moz)	Slver (Moz)	Lead (kt)	Zinc (kt)
Fresnillo Underground[6]										
Proven	231 g/t AgEq	3.95	0.58	386	0.71	1.18	0.07	49.10	28.21	46.60
Probable		17.22	0.82	276	1.99	4.07	0.45	152.55	342.82	700.35
Proven and Probable		21.17	0.77	296	1.75	3.53	0.53	201.64	371.02	746.95
Saucito Underground[6]										
Proven	224 g/t AgEq	2.47	1.93	398	1.05	1.77	0.15	31.57	26.06	43.83
Probable		10.51	1.71	293	1.59	3.20	0.58	99.13	167.58	336.68
Proven and Probable		12.98	1.75	313	1.49	2.93	0.73	130.70	193.64	380.51
Ciénega Underground[6]										
Proven	Multiple[2]	4.22	2.18	121	0.60	1.02	0.30	16.41	25.21	42.89
Probable		9.05	1.76	182	0.56	0.95	0.51	52.79	50.31	86.08
Proven and Probable		13.27	1.89	162	0.57	0.97	0.81	69.20	75.52	128.97
San Julián Veins[6]										
Proven	191 g/t AgEq	–	–	–	–	–	–	–	–	–
Probable		5.58	2.11	180	–	–	0.38	32.32	–	–
Proven and Probable		5.58	2.11	180	–	–	0.38	32.32	–	–
San Julián Disseminated[6]										
Proven	161 g/t AgEq	–	–	–	–	–	–	–	–	–
Probable		16.72	0.08	211	0.57	1.36	0.04	113.70	95.57	227.72
Proven and Probable		16.72	0.08	211	0.57	1.36	0.04	113.70	95.57	227.72
Herradura Disseminated Open Pit[5]										
Proven	Multiple[3]	135.70	0.80	–	–	–	3.50	–	–	–
Probable		75.68	0.76	–	–	–	1.85	–	–	–
Proven and Probable		211.37	0.79	–	–	–	5.34	–	–	–
Soledad-Dipolos Open Pit[4,5]										
Proven	0.30 g/t Au	22.25	0.68	–	–	–	0.49	–	–	–
Probable		11.56	0.60	–	–	–	0.22	–	–	–
Proven and Probable		33.81	0.65	–	–	–	0.71	–	–	–
Noche Buena Open Pit[5]										
Proven	0.30 g/t Au	35.31	0.57	–	–	–	0.64	–	–	–
Probable		21.21	0.54	–	–	–	0.37	–	–	–
Proven and Probable		56.51	0.56	–	–	–	1.01	–	–	–
Totals – Underground										
Proven	Multiple	10.65	1.53	284	0.75	1.25	0.52	97.08	79.48	133.33
Probable		59.08	1.03	237	1.11	2.29	1.96	450.49	656.27	1,350.83
Proven and Probable		69.73	1.11	244	1.06	2.13	2.48	547.57	735.75	1,484.15
Totals – Open Pit										
Proven	Multiple	193.25	0.74	–	–	–	4.63	–	–	–
Probable		108.44	0.70	–	–	–	2.43	–	–	–
Proven and Probable		301.69	0.73	–	–	–	7.06	–	–	–

1 All figures rounded to reflect the relative accuracy of the estimates. Mineral reserves are reported at metal equivalent cut-off grades based on metal price assumptions*, variable metallurgical recovery assumptions (variable metallurgical recoveries as a function of grade and relative metal distribution), mining costs, processing costs, general and administrative (G&A) costs, and variable NSR factors (NSR factors include smelting and transportation costs). The AgEq is calculated by dividing the cost by the Ag net value factor which includes prices, recoveries, and payabilities.

2 The cut-off grades for the Ciénega reserve vary between 197 to 260 gpt Ag equivalent.

3 Mega Centauro mineral reserves are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.30 gpt Au reports to the heap leach, transitional and sulfide material above 0.35 gpt Au reports to the heap leach, oxide material above 1.23 gpt Au reports to the mill, transitional and sulfide material above 0.61 gpt Au reports to the mill.

4 The Soledad-Dipolos mine has been subject to legal action regarding surface access. SRK has been provided with documents indicating a reasonable chance that these actions will be settled in favour of the mine.

5 Reserves have no additional dilution added to that inherent in the Selective Mining Unit (SMU) of 15m x 15m x 8m. Reserves are converted from resources through the process of pit optimisation, pit design, production schedule and supported by a Minera Penmont cash flow model.

6 Reserves include planned dilution to a minimum mining width and to minable outlines.

* Metal price assumptions considered for the calculation of cut-off grades and metal equivalent grades are: Gold (US$/oz 1,150.00), Silver (US$/oz 15.00), Lead (US$/lb 0.75) and Zinc (US$/lb 0.78).

Full mining recovery assumed with a factor applied for pillars.

The reserves are valid as of 31 December 2015. All topography is valid as of 31 October 2015.

The ore reserves were estimated by Fresnillo. Bret C Swanson, BE (Min) MMSAQP #04418QP, a Qualified Person, reviewed and audited the open pit reserve calculations. Fernando Rodrigues, BS Mining, MBA, MMSAQP #01405, MAusIMM #304726 of SRK, a Qualified Person, reviewed and audited the underground reserve calculations.

Operating Statistics

	Ore processed (tonnes)						Silver (grams/tonne)					
	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
Fresnillo	2,553,991	2,584,163	2,738,307	2,703,395	2,625,511	**2,410,033**	474.4	395.9	327.6	285.3	258.5	**220.0**
Ciénega	860,513	966,812	1,112,850	1,242,168	1,341,569	**1,329,364**	49.4	53.3	105.2	121.6	108.5	**129.0**
Herradura	16,616,247	21,020,356	24,641,053	14,363,315	22,305,133	**22,875,421**	1.3	1.1	1.2	1.1	1.2	**1.2**
Saucito	145,148	823,339	905,027	1,181,737	1,534,579	**2,339,096**	306.0	249.9	264.9	329.6	338.9	**327.5**
Soledad-Dipolos	9,647,939	12,264,860	15,317,860	6,701,841	–	**–**	0.6	0.7	0.5	0.4	–	**–**
Noche Buena	–	–	8,447,301	12,283,709	15,607,230	**17,399,931**	–	–	0.4	0.2	0.4	**0.2**

	Zinc concentrate (tonnes)						Silver (grams/tonne)					
	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
Fresnillo	23,719	24,544	29,212	29,325	29,196	**36,595**	2,444	2,363	1,641	1,356	1,221	**1,036**
Ciénega	18,950	17,657	16,103	11,625	11,850	**11,694**	186	266	540	1,266	1,172	**1,770**
Herradura	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Saucito	302	3,064	3,706	8,758	20,794	**42,643**	2,473	1,917	1,760	1,087	789	**788**
Soledad-Dipolos	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	**–**	–	–	–	–	–	**–**

	Lead concentrate (tonnes)						Silver (grams/tonne)					
	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
Fresnillo	60,526	61,050	65,045	63,256	57,263	**50,787**	17,276	14,337	11,780	10,469	10,180	**8,737**
Ciénega	17,436	17,877	15,487	13,380	12,627	**13,721**	1,734	2,084	5,622	7,974	8,004	**8,418**
Herradura	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Saucito	2,869	14,419	15,539	26,055	40,415	**69,128**	12,994	12,329	13,699	13,460	11,443	**9,405**
Soledad-Dipolos	–	–	–	–	–	**–**	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	**–**	–	–	–	–	–	**–**

Doré and other products

	Product (tonnes)						Silver (grams/tonne)					
	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
Ciénega precipitates	25.1	36.5	52.2	55.7	67.4	**68.2**	122,745	101,662	148,731	187,928	175,026	**204,790**
Ciénega Gravimetric Concentrator	197.1	88.5	–	–	–	**–**	2,150	2,069	–	–	–	**–**
Herradura doré	21.2	24.2	18.1	18.2	31.1	**33.6**	502,980	474,514	374,787	474,052	650,999	**480,633**
Herradura slag	588.1	542.7	929.9	711.3	716.9	**779.1**	2,234	2,036	817	930	1,198	**578**
Soledad-Dipolos doré	5.0	7.5	4.8	2.3	–	**–**	174,199	208,897	226,272	292,473	–	**–**
Soledad-Dipolos slag	496.1	590.1	583.2	301.5	–	**–**	1,490	2,024	857	972	–	**–**
Fresnillo Concentrates from Tailings Dam	3,247.1	2,658.7	2,311.7	1,990.0	2,277.5	**1,544.2**	4,048.0	3,387.5	2,787.1	3,031.9	2,872.0	**2,565.5**
Noche Buena doré	–	–	3.3	4.8	7.6	**8.0**	–	–	121,837.5	261,005.1	333,260.8	**213,687.2**
Noche Buena slag	–	–	206.3	548.6	564.2	**452.1**	–	–	288.6	495.0	1,125.6	**707.2**

Metal Produced[1,2]

	Silver (ounces)						Gold (ounces)					
	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
Fresnillo	35,905,701	30,295,121	26,382,793	22,764,018	20,098,245	**15,612,175**	24,979	26,237	29,573	33,079	35,676	**34,120**
Ciénega	1,197,792	1,473,927	3,328,574	4,240,245	4,075,181	**4,827,864**	113,351	116,841	125,275	112,053	108,211	**85,662**
Herradura	385,153	404,689	242,503	298,984	679,073	**525,757**	291,043	327,729	314,547	264,562	265,564	**398,866**
Saucito	1,222,473	5,904,176	7,053,780	11,581,014	15,396,754	**21,983,852**	6,323	33,493	45,246	45,177	57,227	**84,884**
Soledad-Dipolos	51,939	88,888	50,915	31,124	–	**–**	109,567	158,513	107,329	47,285	–	**–**
Noche Buena	–	–	14,754	49,217	102,357	**72,868**	–	–	65,518	108,729	129,242	**158,179**
Fresnillo Total	38,763,059	38,166,800	37,073,319	38,964,601	40,351,611	**43,022,515**	545,263	662,813	687,488	610,884	595,920	**761,712**

1 Including production from Fresnillo's Tailings Dam.
2 All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena).

Gold (grams/tonne)						Zinc (%)						Lead (%)					
2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
0.41	0.42	0.46	0.50	0.53	**0.57**	0.85	0.87	0.96	0.94	0.97	**1.18**	0.54	0.58	0.66	0.63	0.59	**0.75**
4.27	3.89	3.62	2.90	2.59	**2.07**	1.77	1.45	1.12	0.75	0.73	**0.80**	0.95	0.82	0.68	0.56	0.53	**0.61**
0.70	0.65	0.57	0.61	0.72	**0.73**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
1.67	1.43	1.75	1.41	1.40	**1.42**	0.37	0.42	0.54	0.87	1.32	**1.70**	0.22	0.23	0.35	0.55	0.75	**1.01**
0.61	0.57	0.51	0.54	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
–	–	0.51	0.54	0.51	**0.50**	–	–	–	–	–	**–**	–	–	–	–	–	**–**

Gold (grams/tonne)						Zinc (%)						Lead (%)					
2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
2.5	2.7	2.6	2.7	3.0	**2.6**	51.5	51.4	51.2	50.9	52.1	**52.0**	–	–	–	–	–	**–**
4.7	6.2	6.5	13.6	11.8	**11.2**	53.4	52.8	50.7	47.0	50.6	**51.1**	–	–	–	–	–	**–**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
12.4	14.0	12.8	5.4	3.5	**3.0**	48.8	38.2	48.3	51.5	50.5	**49.3**	–	–	–	–	–	**–**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**

Gold (grams/tonne)						Zinc (%)						Lead (%)					
2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
11.5	12.0	12.8	14.7	17.4	**18.7**	–	–	–	–	–	**–**	20.2	21.9	24.9	24.6	24.3	**32.0**
117.4	111.5	130.7	138.4	146.9	**105.0**	–	–	–	–	–	**–**	37.1	35.3	36.7	36.0	37.5	**39.5**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
67.3	69.3	87.5	52.1	42.3	**36.3**	–	–	–	–	–	**–**	9.5	12.1	17.8	21.5	24.7	**30.0**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**
–	–	–	–	–	**–**	–	–	–	–	–	**–**	–	–	–	–	–	**–**

Gold (grams/tonne)					
2010	2011	2012	2013	2014	**2015**
24,936	32,663	33,846	26,459	20,327	**16,008**
3,874	3,822	–	–	–	**–**
379,778	379,755	473,042	411,210	247,967	**369,321**
1,699	1,851	1,314	1,035	756	**541**
512,231	502,909	539,249	507,822	–	**–**
1,676	1,949	1,295	991	–	**–**
6.5	6.0	6.8	9.1	10.8	**10.4**
0	0	542,429	516,359	465,538	**533,408**
0	0	1,260	1,623	815	**506**

Zinc (tonnes)						Lead (tonnes)					
2010	2011	2012	2013	2014	**2015**	2010	2011	2012	2013	2014	**2015**
12,212	12,623	14,966	14,914	15,199	**19,029**	12,236	13,385	16,190	15,552	13,888	**16,248**
10,112	9,318	8,171	5,459	6,000	**5,970**	6,468	6,315	5,676	4,811	4,736	**5,425**
–	–	–	–	–	**–**	–	–	–	–	–	**–**
147	1,172	1,791	4,509	10,501	**21,023**	273	1,742	2,773	5,605	9,967	**20,740**
–	–	–	–	–	**–**	–	–	–	–	–	**–**
–	–	–	–	–	**–**	–	–	–	–	–	**–**
22,472	23,113	24,928	24,881	31,700	**46,022**	18,977	21,442	24,639	25,968	28,591	**42,413**

Shareholder Information

Financial calendar

Preliminary Statement	1 March 2016
First Quarter Production Report	13 April 2016
Annual General Meeting	3 May 2016
Interim Statement	2 August 2016
Third Quarter Production Report	12 October 2016

Dividend payment schedule

2015 Final Dividend Record Date	22 April 2016
2015 Final Dividend Payment Date	9 May 2016
2016 Interim Dividend Record Date	12 August 2016
2016 Interim Dividend Payment Date	9 September 2016

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Share fraud warning
Share fraud includes scams where investors are called out of the blue and offered shares that turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms', mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. Most victims are experienced investors, losing on average £20,000.

Protect yourself

If you are offered unsolicited investment advice, discounted shares, inflated prices for shares you own, or free company or research reports, take these steps before handing over any money:

1. Get the name of the person and organisation.
2. Check the Financial Services Register at **www.fca.org.uk/register** to ensure they are authorised.
3. Use the details on the Financial Services Register to contact the firm.
4. Call the FCA Consumer Helpline on **0800 111 6768** if there are no contact details on the Register or you are told they are out of date.
5. Search the list of unauthorised firms and individuals to avoid doing business with.
6. **REMEMBER: if it sounds too good to be true, it probably is!**

If you use an unauthorised firm to buy or sell shares, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

Report a scam

If you are approached about a share scam you should tell the FCA using the form at **www.fca.org.uk/scams** (where you can also review the latest scams) or call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters then contact Action Fraud on 0300 123 2040.

For further information, please visit our website:
www.fresnilloplc.com or contact:
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Forward-looking statements

This document includes statements that are, or may be deemed to be, 'forward-looking statements'. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'believes', 'estimates', 'plans', 'projects', 'anticipates', 'expects', 'intends', 'may', 'will', or 'should' or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial position, liquidity, prospects, growth, strategies and the silver and gold industries. By their nature, 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 Group's operations, financial position and liquidity, and the development of the markets and the industry in which the 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 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 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, political and economic uncertainty.

Forward-looking statements may, and often do, differ materially from actual results. Any forward-looking statements in this document speak only as of the date of this document, reflect the Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group's operations, results of operations, growth strategy and liquidity. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules and the Listing Rules or applicable law, the Group explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Group's expectations or to reflect events or circumstances after the date of this document.

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