



**CONSOLIDATING OUR GROWTH
ADVANCING OUR PIPELINE**

Fresnillo plc Annual Report and Accounts 2018



Fresnillo plc is the world's largest silver producer and Mexico's largest gold producer, listed on the London and Mexican stock exchanges.

The Company has been a steady and credible member of the FTSE 100 since 2008.

Find out more online at
www.fresnilloplc.com



PERFORMANCE HIGHLIGHTS

FRESNILLO TODAY

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This has been another year of production growth across the portfolio. With our pipeline continuing to advance, and extensive consolidation activities currently underway, we are well-positioned to seize future opportunities.

Silver production

61.8 moz
+5.3%

Gold production

922.5 koz
+1.3%

Total attributable silver resources

2,204.0 moz
-5.0%

Total attributable gold resources

39.1 moz
+1.5%

OPERATIONAL HIGHLIGHTS

- Record annual silver production of 61.8 moz driven by the first full year of operations at San Julián (Disseminated Ore Body), albeit this was lower than guidance (which was revised twice during the year) and the long-term target set at the time of the IPO.
- Gold production up 1.3% vs. 2017 and in line with our upwardly revised guidance, as a result of a higher ore grade and recovery rate at Saucito, the contribution of the new Pyrites plant and the higher ore grade at Fresnillo.
- Commissioned Pyrites plant (phase I) on budget with a minor delay.
- Completed second line of dynamic leaching plant on budget but a longer testing period resulted in commercial production not commencing until 2019.
- Gold resources increased 1.5% while silver resources decreased 5.0%. Silver and gold reserves declined 5.1% and 6.0% respectively.
- We regret to report that five fatalities occurred during 2018 and one more in early 2019.

Adjusted revenue¹

US\$2,243.4m
+0.5%

Gross profit

US\$780.7m
-15.6%

EBITDA

US\$915.1m
-13.7%

Profit from continuing operations

US\$506.7m
-28.6%

FINANCIAL HIGHLIGHTS

- Adjusted revenue¹ of US\$2,243.4 million, up 0.5% over 2017 due to an increase in volumes of silver, lead and zinc sold, offset by the lower prices of these metals.
- Gross profit and EBITDA down 15.6% and 13.7%, to US\$780.7 million and US\$915.1 million respectively.
- Profit from continuing operations of US\$506.7 million, down 28.6%.
- Capex of US\$668.7 million, up 10.3% and US\$298.1 million of dividends paid, up 26.0%.
- Strong balance sheet and low leverage ratio; cash and other liquid funds² of US\$560.8 million, down 37.4% mainly due to lower cash flow from operations and increased capex.

1 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 a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.

2 Cash and other liquid funds are disclosed in note 30(c) to the Financial Statements.



AT A GLANCE

Our goal is to maintain the Group's position as the world's largest primary silver company and Mexico's largest gold producer.

Following a decade of consistent and successful progress, we are now focused on consolidating our growth and advancing our pipeline in order to deliver further growth in the years ahead. Our continuing success is a tribute to the long-term nature of our strategy, the skills and dedication of our people and the ongoing support of our stakeholders.

WHAT WE DO

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 EXPLORE

Continuous, sustained exploration is the engine that drives our business. We invest across all price cycles, seeking out ore deposits in order to expand our resource base and replenish reserves.

OUR COMPETITIVE ADVANTAGE

Several concessions in Mexico; a team of talented, dedicated geologists; rigorous approach to prospects, with only those that demonstrate a minimum potential of 150 moz of silver or 2 moz of gold advancing; strict criteria on ore grades, metallurgical recoveries and environmental impact.

2 DEVELOP

Before we decide to develop a new mine, we check its potential against a set of strict criteria, including mineral content and associated costs. This means that only those projects with the potential to create value across precious metal price cycles are developed into operating mines.

OUR COMPETITIVE ADVANTAGE

Strictly applied viability criteria including rates of return and high environmental and social impact standards; a district consolidation strategy that creates synergies across our prospects and projects, reducing capex requirements; in addition to synergistic benefits from our membership of the Peñoles Group, with common requirements across a number of service areas creating opportunities for costs to be shared; in-house teams for engineering and construction.

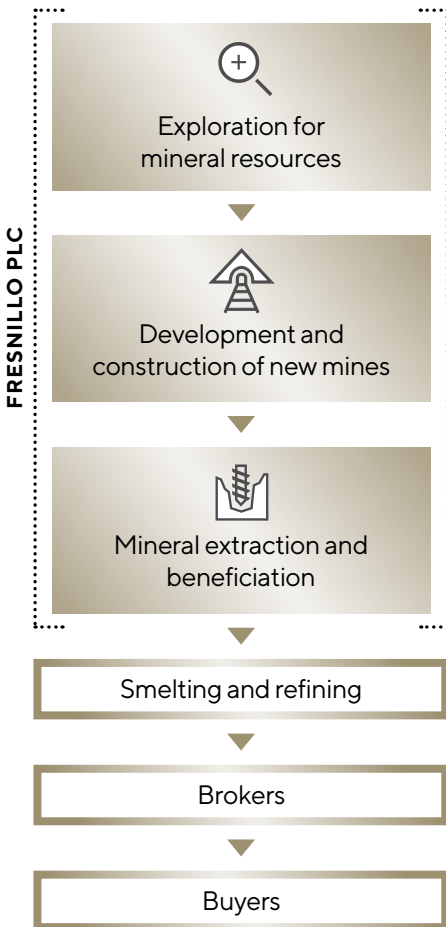
3 OPERATE

We have seven mines currently in operation and continue to invest in infrastructure improvements, new technologies and new working practices to maximise the efficiency of each one.

OUR COMPETITIVE ADVANTAGE

Competitive cost performance against our industry peers; all-in sustaining cost on a life-of-mine basis significantly lower than current and projected market prices for gold and silver.

PRECIOUS METAL VALUE CHAIN



4 SUSTAIN

Fresnillo is a business focused on the long term. We operate responsibly at all times and work hard to ensure the highest standards of health and safety, environmental stewardship and governance. At the same time, we support our local communities and maintain a strong culture of ethical behaviour.

OUR COMPETITIVE ADVANTAGE

Extensive understanding of the economy, culture and communities in Mexico; a track record of adopting best practices domestically, which meet our own high standards as well as those of international business.

OUR INVESTMENT CASE

Fresnillo has established a reputation for a strong balance sheet, high quality assets, low cost and flexible operations, a disciplined approach to development and sustainable business practices. These qualities are the foundation for our long-established track record of creating value through growth and returns.

STRONG BALANCE SHEET

OUTCOME:
 OPERATIONAL FLEXIBILITY,
 INVESTMENT ACROSS PRICE
 CYCLES, SHAREHOLDER RETURNS

Our healthy cash position and low leverage ratio enable us to invest in profitable growth, optimise operations and deliver solid returns to shareholders. Our capital expenditures in 2018 totalled US\$668.7 million, while we invested US\$172.8 million in exploration activities and paid dividends of US\$298.1 million.

See the Financial Review on pages 85-97.

HIGH QUALITY ASSETS

OUTCOME:
 LONG-TERM VISIBILITY DELIVERING
 LONG-TERM RETURNS

With approximately 1.8 million hectares of surface land, we pursue a district consolidation strategy that leverages local knowledge and shared infrastructure. At the end of 2018, our portfolio of low cost gold and silver mines, high potential development projects and advanced exploration prospects comprised over 2,204.0 moz of attributable silver resources and 39.1 moz of gold resources.

See our Review of Operations on pages 44-65.

LOW COST AND FLEXIBLE OPERATIONS

OUTCOME:
 HEALTHY MARGINS, AGILITY
 ACROSS PRICE CYCLES

Our quality assets enable us to deliver profits across precious metal price cycles. At each mine, we maximise potential by customising mine plans, leveraging technology and sharing personnel, expertise and plant capacity across our districts. Never complacent, we continue to seek and implement new ways to improve efficiency, optimise material and energy consumption, and maintain our position as a low-cost producer.

Read more about our strategy and performance on pages 24-27.

DISCIPLINED APPROACH TO DEVELOPMENT

OUTCOME:
 LONG-TERM PROFITABLE GROWTH

All decisions to proceed with a development project are based on stringent viability criteria covering areas such as rates of return and high environmental and social impact standards. We set delivery timelines and budgets to meet production targets in the context of market conditions, and maintain control by carrying out engineering and construction activities. Our Juanicipio project will be approved for development in due course and we look forward to construction activities beginning later in 2019, with operations commencing in 2H 2020.

SUSTAINABLE BUSINESS PRACTICES

OUTCOME:
 ENVIRONMENTAL STEWARDSHIP,
 SOCIAL LICENCE TO OPERATE,
 ETHICAL CULTURE

Our commitment to sustainability underpins our ability to create value for all our stakeholders and ensure operational continuity. We strive to understand and respect the needs of local communities, prioritise local goods, services and employees, improve our health and safety record in the light of our recent unacceptable performance, and minimise our impact on the environment.

See our Social and Sustainability Review on pages 66-84.

WHERE WE OPERATE

Our core operations are in Mexico, a country with significant geological resources, strong potential for continued growth, a skilled workforce and solid infrastructure, and a mining history extending more than 500 years. In total, Fresnillo plc has mining concessions covering approximately 1.8 million hectares in Mexico.



ADVANCED EXPLORATION PROJECTS

5

See pages 44-48.



DEVELOPMENT PROJECT

1

See page 49.



OPERATING MINES

7

See pages 50-65.

KEY ASSETS

Asset	Type	Main metal	Reserves (Silver)	Reserves (Gold)	Year ¹
OPERATING MINES					
1 Fresnillo	Underground	Silver primary	176.7 moz	566 koz	1554
2 Saucito	Underground	Silver primary	130.3 moz	679 koz	2011
3 Ciénega	Underground	Gold/Silver	56.9 moz	598 koz	1992
3 San Ramón (Ciénega satellite)	Underground	Gold/Silver	Reported as part of Ciénega		2012
4 Herradura	Open pit	Gold		7,375 koz	1997
5 Soledad-Dipolos ²	Open pit	Gold		927 koz	2010
6 Noche Buena	Open pit	Gold		577 koz	2012
7 San Julián	Underground	Silver primary	112.1 moz	286 koz	2016

¹ Represents start of commercial production.

² Operations at Soledad-Dipolos are currently suspended.

Read more in our Review of Operations on pages 50-65.

DEVELOPMENT PROJECT

- 8 Pyrites treatment plant** Facility to process historical and ongoing tailings from Fresnillo and Saucito mines to increase metal recovery rates. Annual production expected to average 3.5 moz silver and 13 koz gold once operating at full capacity.

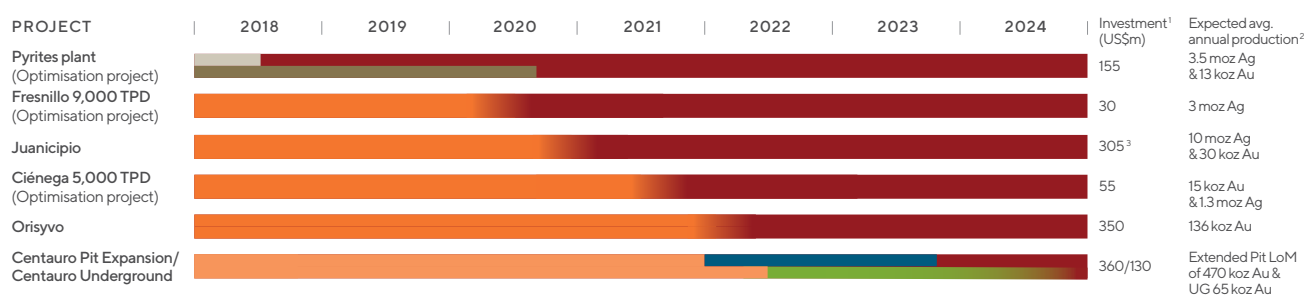
For more on our development project see page 49.

Asset	Main metal	Resources (Silver)	Resources (Gold)
EXPLORATION PROJECTS AND PROSPECTS			
9 Juanicipio	Silver	150.2 moz	862 koz
10 Las Casas, Cebollitas Cluster	Silver and Gold	Reported as part of Ciénega.	
11 Centauro Deep	Gold		1,802 koz Indicated & inferred gold resources.
12 Centauro Pit Expansion as part of Herradura	Gold		10,239 koz Measured, indicated & inferred gold resources.
13 Orisyvo	Gold	12.3 moz	9.6 moz

Plus many further early stage projects and prospects located in Mexico, Peru and Chile.

For more on our exploration projects and prospects see pages 44-48.

EXPECTED DELIVERY OF GROWTH



¹ Estimated.

² Total average annual production.

³ Represents 100% of the investment (56% Fresnillo plc + 44% MAG Silver) according to pre-feasibility study dated June 2012.

● Construction tailings flotation ● Leaching plant ● Production ● Development & Construction
● Exploration ● Pre-stripping & construction ● Centauro underground development

RISK MANAGEMENT FRAMEWORK

We identify, monitor and mitigate the principal risks that could affect the Company's ability to deliver on its business model and strategic priorities.

See our Risk Report on pages 28-43.



Our first decade has delivered a significant and sustained track record of achievements, with equivalent silver production growing at a compound annual rate of 8%¹. Now is the time to take stock of our successes to date, to strengthen our processes and operational base, and to focus on our pipeline in order to prepare Fresnillo for the opportunities ahead.

Even though we narrowly failed to hit our long-term and ambitious target for silver production, the years from our IPO in 2008 to 2018 have been little short of dramatic, as we have established ourselves as the largest silver producing company in the world.

Our number of mines has risen from three to seven, our workforce from 2,964 to 17,601 at the end of 2018 and our revenues from US\$720.5 million in 2008 to US\$2.1 billion in 2018. At the same time, we have achieved an 80% increase in silver production and a 230% increase in attributable gold production. As our business has grown, so too have the challenges, including those around production, training and maintenance at mines such as Fresnillo and Saucito.

A MATURING BUSINESS

Now, as Fresnillo matures and transitions into a well-established, proven business positioned for long-term success, we are consolidating our growth.

This means investing across our operations to increase the productivity of mines and processing plants, such as the introduction of new IT and operational technologies, as well as the new measures now being introduced at the Fresnillo mine (see case study on page 53). We continuously invest in processes to help ensure the safety of all our people and contractors.

¹ Compounded annual growth rate from 2007-2018, using a gold/silver ratio of 65.

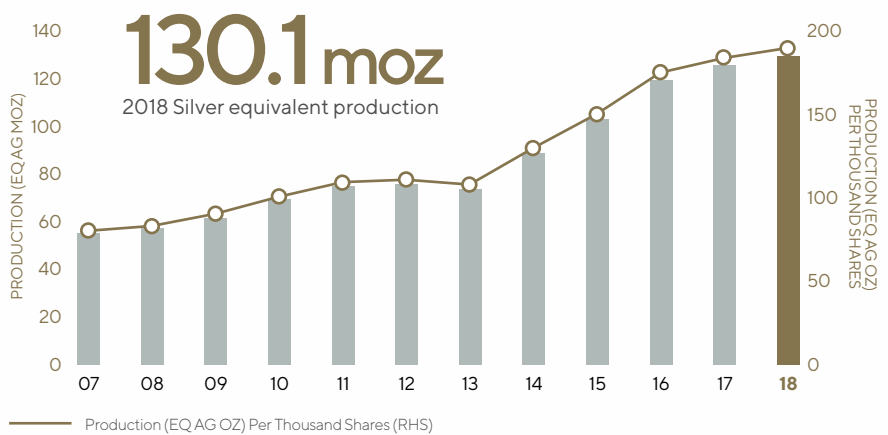


IDENTIFYING OUR GROWTH

Even a single major incident is unacceptable – and our deeply disappointing record over the last 12 months is an area that is the focus for significant attention at the highest levels in our Company.

At the same time, we are keeping our focus firmly on the years and decades ahead. A continuous commitment to exploration is the lifeblood of Fresnillo and the hallmark of our success to date.

TOTAL PRODUCTION GROWTH





Continuous exploration, across price cycles and through all economic conditions, is a key competitive advantage for Fresnillo, and one of the features of our approach to mining which makes us distinctly different from our peers. It has been the foundation for our past performance – while also being the platform for our achievements in years to come.

The economic environment may change, but quality opportunities will always endure. Since our earliest days, we have maintained a strategic commitment to continuous exploration regardless of fluctuations in the prices of precious metals.

That commitment has meant that we have been able to stock our pipeline with a steady flow of projects. As is the nature of the mining industry, some of these have inevitably not proceeded for various reasons. However, a number of them have developed from geological possibilities into potential projects – and in some cases into operating mines delivering high quality production.

For example, by the time of the IPO our teams had identified significant potential on a site on the Chihuahua/Durango border. In July 2017, this site became fully operational as the San Julián silver-gold mine. Last year, it contributed 23.7% of our total silver production and accounted for 16.3% of the Group Adjusted revenue.

**JUANICIO:
OUR NEXT PROJECT IN THE PIPELINE**

The Juanicipio project is a joint venture¹ with MAG Silver of which we own 56%. This standalone project, which is located in the Fresnillo District, eight kilometres from our Fresnillo mine, was first identified as a potential silver/gold project over ten years ago.

¹ Not a joint venture for accounting purposes.

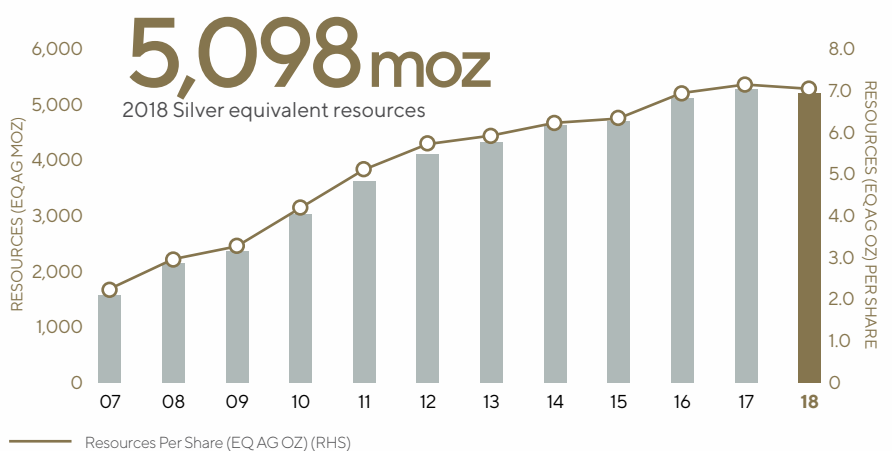


OUR PIPELINE

We are currently finalising plans for construction as well as operating agreements, and look forward to announcing the next steps in the near future.

Juanicipio will be the next project to emerge from our exploration pipeline, but it will certainly not be the last. Several potential projects are currently under evaluation, not only in Mexico but also in Peru and Chile.

GROWTH IN RESOURCES



CHAIRMAN'S STATEMENT

Celebrating the last ten years, while preparing ourselves for the future.

Alberto Baillères Non-executive Chairman

During its first ten years as a plc, Fresnillo has achieved remarkable success. The company has positioned itself as one of the most profitable on the London Stock Exchange (LSE), generating significant benefits for shareholders, local communities and Mexico in general.

Major achievements and milestones over this period include: an 80% increase in silver production and a 230% increase in attributable gold production; four new mining operations and a strong project pipeline based on successful exploration efforts; a 149% growth in employment; investments of over US\$135 million in health, safety and training; direct payments of close to US\$32 million to support local communities, including primary education of over 8,000 children in 66 schools; more than US\$2.3 billion paid in taxes; US\$5.0 billion invested in new and existing operations; and over US\$2.8 billion of dividends paid to shareholders.

Through the support of our workforce and local communities, as well as the introduction of new technologies to improve working conditions, safety and environmental impacts, we are recognised around the globe as a leading and respected public limited company.

It has been a privilege for me to lead the development of Fresnillo from its initial establishment as an LSE listed company to the present day. During those ten years, we have enjoyed high levels of growth and generated high returns consistently across price cycles and through a wide range of economic conditions.



+0.5%

Adjusted revenue

+5.3%

Silver production

27.4

US cents per share

Total dividend for the year

At the same time, we have learnt from the challenges encountered along the way, including the shortfall in production at our flagship Fresnillo mine and the delay of a couple of projects, which in turn have made us narrowly miss our long-term silver target of 65 moz despite considerable investments in successful new mines. On the positive side, we surpassed our long-term gold target in 2015 and have continued to build on that achievement over the last three years.

The Board and I continue to place the utmost importance on providing safe and healthy working conditions for our workforce. We are extremely saddened about the five fatalities during the year, as well as a further one in early 2019, and our thoughts are with the families and friends of those concerned. Our response has been to further strengthen our procedures and controls, with the ongoing support of an experienced engineer in charge of safety, health and community issues.

As you will read in the Chief Executive Officer's statement and throughout this report, we are carefully considering the demands and challenges of the coming years and we will invest in initiatives that will enable us to continue to grow and achieve good returns.

ACHIEVING YEAR-ON-YEAR GROWTH BY REMAINING TRUE TO OUR PRINCIPLES

Proven and practical, our strategy remained untouched during 2018. The focus on disciplined organic growth and on our four strategic pillars of exploration, development, operations and sustainability, enabled us once again to deliver year-on-year growth, despite silver production failing to meet our guidance and long-term target.

The Group generated over US\$2.1 billion in adjusted revenue for the year, flat year-on-year. Profit during the year decreased, while cash and other liquid funds were US\$560.8 million at the year end, a decrease of US\$335.2 million over 2017. Debt remained unchanged at US\$800 million.

OPERATIONAL HIGHLIGHTS

Full production details for the year are provided on pages 24 to 25 of this report. In summary, gold production had to be revised upwards twice during the year, driven by a better than expected performance in Noche Buena and Saucito. Although silver production was up year-on-year, it failed to reach our

targets, despite guidance being lowered twice during the period. This was due to continuing challenges at our main underground silver mines. Production at the Fresnillo and Saucito mines was affected by shortcomings in our geological models and poor contractor performance. The geological models at both mines are being revised and infill drilling has been increased, while new contractors have been appointed at Fresnillo. At San Julián, although both phases have been operating above nameplate capacity, production was temporarily impacted by water shortages caused by exceptionally dry weather. This limited access to certain production areas included in the mining plan, and led to the need to process lower grade development ore from the existing stockpiles.

Having been part of Mexico's 500 years of mining history, Fresnillo is clearly here for the long term. The key aspects of our longevity are careful planning, extensive development and preparation, not only for the months ahead but also for the many decades to come. As outlined by the Chief Executive Officer on pages 14 to 16, further investments in infrastructure and technology are set to improve the rate of development and construction of the mining infrastructure to underpin production in future years.

At the same time, the investments made in recent years are beginning to bear fruit, including two major projects commissioned during 2018. The new Pyrites plant – to improve gold and silver recoveries at Fresnillo and Saucito – and the second line of the Dynamic Leaching Plant at Herradura have not been without challenges, but are now contributing to production.

The feasibility study for the Juancipio project, a joint venture with Mag Silver, was completed in 2018 and the formal approval of the project is expected in due course. We are confident that Juancipio will become a key project, maintaining our track record of high growth and returns.

San Julián and Juancipio are proof that our consistent commitment to exploration through the cycles of our industry pays clear long-term dividends for our stakeholders. Although this year's results were mixed, the last ten years have seen a substantial increase in reserves and resources.

During 2018, silver and gold reserves decreased 5.1% and 6.0% respectively, due to the reasons outlined in the exploration section on pages 45 to 47. Following the 2018 drilling programmes, total silver resources reduced from 2.3 to 2.2 boz, while total gold resources increased from 38.5 to 39.1 moz. Our exploration mining concessions amount to 1.8 million hectares in Mexico, 655,000 hectares in Peru, and 10,000 hectares in two exploration options in Chile.

A COMMITTED AND TALENTED WORKFORCE...

A great company is built by great people, and I'm proud to say that our committed teams – from those working in mines and projects to their colleagues in offices across Mexico, South America and the UK – have again demonstrated their experience, dedication and talent. On behalf of the Board, I would like to thank them sincerely for these efforts.

In common with our industry peers as well as businesses operating in many other sectors, we face significant challenges in ensuring that we have the right calibre of people in the right jobs at the right time. To this end, during 2018 we increased the number and scope of partnerships with leading universities and the top earth science institutions in Mexico to develop new training programmes tailored to our requirements. As a result, we have provided 194 students with first hand practical experience during the year, and 173 are now in full time training.

...LED BY A SKILLED AND EXPERIENCED EXECUTIVE TEAM

Our Chief Executive Officer Octavio Alvidrez continues to lead the executive management team with distinction, supported by Chief Financial Officer Mario Arreguín and Vice President of Exploration David Giles.

Our Chief Operating Officer, Roberto Díaz, retired at the beginning of 2019, following eight years of service during which our operations made significant progress and major projects were successfully implemented. On behalf of the Board, I thank Roberto for his outstanding contribution and I am pleased to announce that he has agreed to continue to work with us as an advisor on special projects.

CHAIRMAN'S STATEMENT CONTINUED



The Saucito mine in the foreground and the Fresnillo mine in the background.

Our dividend policy is well-established, consistent and closely aligned with our commitment to create value through growth and returns.

We have recently made three senior appointments, two of which are completely new roles for Fresnillo. Together, these appointments will underpin our commitment to improving our safety record and preparing the Group for the future. Firstly, I would like to welcome Andre Sougarret, as our new Chief Operating Officer. He brings great mining experience and knowledge to Fresnillo following a notable career in the mining industry, previously holding important positions in Codelco and as Executive Vice President at Empresa Nacional de Minería in Chile. At the same time, we have appointed a new Chief Projects Officer who is responsible for development projects, freeing up Andre to focus more on the operations side of the business. Finally, and as mentioned earlier, our top team has also been supplemented by the appointment of a permanent specialist advisor who has responsibility for addressing our health and safety record, which was unacceptable during 2018.

BOARD ACTIVITIES

The Board supports the executive team by playing an active role in defining the strategy, reviewing progress versus plan and making sure that the business has sufficient flexibility to respond to ever-changing market conditions. As a Group, we work hard to ensure that capital allocation is balanced by growth, shareholder returns, financial strength and flexibility, while maintaining our commitment to sustainability and risk management.

The Board's duties include ensuring the highest standards of corporate governance, as befits a constituent of the FTSE 100 Index. As I report in my introduction to the Governance section on page 99, we are currently considering the implications of the new version of the UK Corporate Governance Code, which will take effect from 1 January 2019.

During the first half of 2018, our Senior Independent Director Charles Jacobs engaged with institutional investors and others regarding Board composition and membership. Again, you will find more detail about the outcome of these conversations on page 99, including our hope that shareholders will support our position on this matter at the 2019 AGM.

Board members also maintain oversight of our corporate culture, and at Board meetings we receive regular reports from the CEO on our Ethics programme and how our values of Responsibility, Integrity, Trust and Loyalty continue to guide our actions. In addition, our Head of Sustainability provides an annual presentation that gives us greater depth and detail about this matter.

Our culture is well-established and ingrained in all areas of operations. During the year we continued to conduct master classes and deliver online training modules in order to ensure that all our people, whether long-time employees or recent ones, understand the importance that we place on the Group's values.

However, we recognise that there remains work to do. Our recent safety record is unacceptable and we are therefore bringing additional focus and resources to drive improvement.

CHANGES TO THE BOARD

Guy Wilson retired from the Board at the 2018 AGM, following ten years of service. Guy was instrumental in establishing and then overseeing the work of the Audit Committee and I thank him unreservedly for his tireless work, constant support and good humour. He has been replaced as Chairman of the Audit Committee by Alberto Tiburcio, who joined the Board and Audit Committee in 2016, bringing with him extensive experience in audit and financial reporting.

During the year, the Board was strengthened by the appointment of Georgina Kessel as an Independent Non-executive Director. Ms Kessel worked in the Mexican government where she served as Secretary of State of the Ministry of Energy from 2006 to 2011. She also chaired the Governing Board of the Federal Electricity Commission and has been president and member of the Board of Directors of Petróleos Mexicanos (PEMEX). She is currently an independent director of Scotiabank and Iberdrola and is a partner at Spectron. The Board now has three female members, demonstrating our continued commitment to gender diversity which sits alongside our insistence that all Board members should also have relevant work experience.

(Right) The 1st and 2nd Dynamic Leaching Plants at Herradura.

(Far right) Children from the Valdecañas community.



In view of the demands of his recent appointment as Chairman of BBVA Bancomer, Mr Jaime Serra Puche resigned from the Board on 25 February 2019. The Nominations Committee has begun a search for a new independent Non-executive Director of the Company. My Board colleagues and I have greatly valued Jaime Serra Puche's contributions to the Fresnillo board meetings over the past five years. His political insight has been particularly valued and we have been grateful to have someone of his calibre and experience on our Board. We will miss his input greatly but wish him well for the future.

CONTINUING OUR DIVIDEND POLICY

Our dividend policy is well-established, consistent and closely aligned with our commitment to create value through growth and returns. In short, each year we aim to pay out 33-50% of profit after tax, while making certain adjustments to exclude non-cash effects in the income statement. We pay dividends in the approximate ratio of one-third as an interim dividend and two-thirds as a final dividend.

Before declaring a dividend, the Board carries out a detailed analysis of the profitability of the business, underlying earnings, capital requirements and cash flows. Our aim is to maintain enough flexibility to be able to react to movements in precious metals prices and seize attractive business opportunities.

We declared an interim dividend of 10.7 US cents per share, with a final dividend of 16.7 US cents per share, bringing the total for the year to 27.4 US cents per share.

OUTLOOK

In the short term, we are likely to experience a lower rate of growth, as we consolidate the progress made since our IPO and implement the necessary investments and initiatives that will advance our pipeline and underpin our future long-term growth.

Political and economic factors, both in Mexico and across the globe, could also impact our performance. For example, the buoyancy of the US domestic economy is attracting some investment that would otherwise have been directed towards our sector, while the China-US trade war as well as issues in South America and Europe are generating an unwelcome degree of uncertainty. In Mexico, we have a new administration and although we are yet to see any firm indication of direction, we are already working closely with the Government.

The Board and I believe that the developments currently underway, and those that will be introduced or extended during 2019, will position us well for the years ahead. In the coming months, and to comply with the 2018 UK Corporate Governance Code, we will continue to work towards defining our Company Purpose.

This will be a succinct expression of what Fresnillo is and what we stand for – and it will further focus the minds of all our people on our culture and the things we truly value, such as safety.

We have now established a long track record for delivering growth and returns, and our commitment to keeping that reputation remains undimmed. Fresnillo faces the future with confidence.

Alberto Baillères
Non-executive Chairman

CHIEF EXECUTIVE'S STATEMENT

Consolidating our growth, advancing our pipeline.

Octavio Alvidrez
Chief Executive Officer



Since the IPO in 2008, we have recorded an excellent set of achievements and over that period built a track record of creating value through growth and returns. Now is the time to consolidate our position while also making sure we continue to fuel our pipeline in order to deliver further growth in the years ahead.

Although it was disappointing not to reach our long-term silver target of 65 moz, we nevertheless look back with pride on the achievements of the last decade, including the fact that we reached our long-term goal for gold three years ahead of target.

We have delivered on the vast majority of the plans we laid out at the time of the IPO, in both financial and non-financial terms. We are now firmly established as the world's largest silver producer, Mexico's largest gold producer and a company that has earned the respect of its employees and local communities as well as of its shareholders.

Now, in the early months of our second decade, it is time to continue to prepare Fresnillo for the many challenges and opportunities that lie ahead.

CONSISTENCY, CONSISTENCY, CONSISTENCY

Our strategy has remained the same throughout the last ten years, and this will continue to be the case. While other miners may change their stance depending on which way the economic wind is blowing, at Fresnillo we understand that consistent performance can only be delivered by remaining true to a conservative, long-term strategy.

KEY POINTS

- A decade of creating value through growth and returns.
- Silver production for the year increased by 5.3%, and gold production by 1.3%.
- Continuous investment to consolidate the business for the years ahead.
- Significant exploration activities.
- Completion of the Pyrites plant at Saucito.
- Completion of the second line of the Dynamic Leaching Plant, at Herradura.
- Silver resources down by 5.0%, gold resources up by 1.5%.
- Disappointing health and safety performance, with five fatalities in 2018 and one more in early 2019.



(Left) Employees at the Saucito mine.



(Right) View of both processing plants at San Julián.

This strategy has and will continue to achieve results across the various price cycles of precious metals. Although Fresnillo plc has only been in existence for a decade, our history stretches back over 125 years. The knowledge and experience gathered over that period is part of Fresnillo's DNA – and it ensures that we always take a long-term view, executing our strategy with consistency in order to manage fluctuations in prices.

PRODUCTION HIGHLIGHTS AND PRICE REVIEW

In 2008, we set ourselves the target to double annual silver production to 65 moz and to achieve gold production of 750,000 ounces in the decade to the end of 2018. We successfully reached the gold target in 2015 and although we have fallen just short of that ambitious goal for silver, this period of consolidation will improve our efficiency, strengthen our operational base and ensure that we continue to deliver growth in the years and decades to come.

Silver production did not quite reach the levels we forecast at the start of the year, following lower than expected ore grades at the Fresnillo and Saucito mines, as well as lower throughput at Fresnillo.

Notwithstanding, silver production from our mines increased 7.1% to 58.1 million ounces in 2018 driven mainly by the first full year of production at the San Julián Disseminated Ore Body and the contribution from the first phase of the new Pyrites plant at Saucito, which more than offset the lower production at the Fresnillo and Saucito mines.

We achieved better than anticipated results for gold in 2018, with production increasing slightly by 1.3% to 922,527 ounces. This reflected a good performance at Saucito, the start-up of the Pyrites plant and higher gold production at Fresnillo.

During the year, average realised silver prices decreased by 8.3%, with those for gold remaining broadly flat (up 0.1%). At the same time, average prices for zinc and lead, which are by-products of our silver and gold operations, decreased by 5.7% and 7.4% respectively and this had an impact on our financial performance.

CONSOLIDATING GROWTH, MAXIMISING POTENTIAL

The first pillar of our strategy is to maximise the potential of our existing operations, and during the year we were pleased to launch a series of operational excellence initiatives that will provide the platform for further growth in the years to come.

At the Fresnillo mine, for example, we have invested in innovative technology to improve productivity. Costing US\$22.7 million and capable of boring at least 300 metres per month, a new state-of-the-art tunnelling machine is due to be commissioned in 2H19. Together with the vertical conveyor, which was commissioned towards the end of 2017, and the installation of new vibrating screens which have already proved their value at Saucito, the tunnelling machine will support our drive to extract greater value from the long-established Fresnillo mine.

 For more information see pages 50-53.

Meanwhile, at San Julián we have addressed the low water availability that limited production during the early months of 2018. In the short term this involved digging wells, but in line with our commitment to always taking a long-term view, we have since successfully concluded consultations with the indigenous population regarding the construction of a new water reservoir which will ensure sufficient water to support greater production at San Julián.

 For more information see pages 56-59.

IT is another example of how we are using innovation and new ways of working to improve production while lowering costs. For example, during 2018, we rolled-out a wide range of projects that are already beginning to transform productivity.

 For more information see pages 50-56.

DELIVERING GROWTH THROUGH DEVELOPMENT PROJECTS

I fully expect to be able to make a positive announcement on our Juanicipio development project in due course, following a highly detailed technical evaluation that demonstrated its long-term viability. Eight kilometres from the Fresnillo mine, Juanicipio is expected to contribute to both silver and gold production, delivering high returns for our business while generating additional employment in the area. With first production anticipated in 2H20, Juanicipio reaffirms the world-class status of the Fresnillo district and underlines the wealth of resources that have already been discovered there, as well as those that await discovery in the future.

In addition, the first stage of the new Pyrites plant has now been completed and commissioned on budget, with only minor delays. While the ramp up did not accelerate as expected due to issues with the vertical mills, which have now been resolved, the plant will make an important contribution to production by extracting additional quantities of gold and silver from the historical and ongoing tailings at the Fresnillo and Saucito mines. Stage two is now underway and is expected to be concluded in 2H20.

We were also pleased to commission the second line at the Dynamic Leaching Plant (DLP) at Herradura during the year.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

The testing period took longer than expected and despite production coming from the plant during the year, commercial production did not commence until 2019. Now complete, the DLP is processing an extra 8,000 tonnes per day of high grade ore from the pit, taking the daily throughput for the two DLP plants to 16,000 tonnes. Also at Herradura, tests of the leaching pads led to an increase of 98.9 thousand ounces of gold in inventory.

EXTENDING THE GROWTH PIPELINE

Our approach towards exploration is one of the qualities that sets us apart from our peers. Where they may choose to cut back on exploration in order to meet short-term price challenges, our commitment remains unequivocal and unchanging, regardless of the prevailing economic climate. Rather than opting to boost our pipeline through acquisition, we remain determined to fuel ours organically – drawing on the skills of more than 100 talented geologists to explore opportunities and build our resource base.

Among the year's most significant exploration developments, we continued to make good progress at Orisyvo and Guanajuato, while the project at Rodeo is showing good potential. At the end of 2018, our silver resources stood at 2.2 boz, down by 5.0% over the previous year, with our exploration mining concessions amounting to 1.8 million hectares in Mexico. Our gold resources increased by 1.5% during the year to 39.1 moz.

Furthermore, 2018 saw us take decisive steps in the internationalisation of our Company, with drilling now expected to take place at two projects in Chile that show good potential. We are also working hard to gain the necessary permits in Peru and continuing to scout projects in Argentina.

ADVANCING AND ENHANCING THE SUSTAINABILITY OF OUR OPERATIONS

The safety of our employees and contractors is our highest priority, and we continually monitor our performance and introduce new initiatives to address any gaps or failings in our processes. So it was both deeply saddening and totally unacceptable that we experienced five fatalities during the year and one more in early 2019. While we acknowledge that contractor safety is a particular challenge for our industry, this performance is

clearly unacceptable. The safety of all of our employees and contractors is at the top of our HSECR agenda for 2019, and we will renew our efforts to align employees and contractors alike with our commitment to safety.

As I highlighted in last year's report, we began to roll out a new safety programme during 2018, following encouraging results from the pilot phase at our Fresnillo and Saucito mines. Known as 'I Care, We Care', this programme builds on and strengthens our existing processes.

The key aspect of 'I Care, We Care' is that it encourages people to fully report every incident, no matter how minor, so that our safety team can identify its root cause, develop risk awareness and put measures in place to prevent reoccurrence. The roll out is expected to be completed in 2019.

 For more information see page 73.

In terms of environmental sustainability, we passed an important milestone in 2018. Over 60% of the electricity we consume is now provided by wind power – and we aim to increase this to 75% by the second half of 2019. The resultant decrease in our carbon emissions will also be supported by an initiative to convert a number of trucks in our fleet from diesel to Liquid Natural Gas, which will benefit the environment while also reducing our costs.

Our strong environmental, social and governance practices have again been recognised by external organisations. Not only did we retain our place in the FTSE4Good Index, but we also joined the STOXX Global ESG Leaders index for the first time. In addition, we received or retained a large number of national and international awards and certifications including:

- An Ethics and Values award from the Confederation of Industrial Chambers (Concamin) in Mexico.
- The Social Responsibility Award from the Federal Attorney for Environmental Protection (Profepa) in Mexico.
- A Profepa Award for Environmental Excellence at Saucito and Herradura.
- Clean Industry national certification from Profepa.
- International certifications including: the Cyanide Code at Herradura and Noche Buena; ISO 14001 (Environment); and OHSAS 18001 (Safety and Environment).



The BMX track at the Fresnillo recreational park.

THE YEAR AHEAD

We anticipate that 2019 will be a more challenging year than 2018, with a number of industry variables potentially working against us. While the volatility of precious metals prices is likely to reduce, the prices themselves may reduce, for example, and we could see headwinds from higher inflation and possibly a worsening of the US\$-Peso exchange rate. The significant investments we have made in recent years will inevitably lead to greater depreciation costs and these will in turn impact our financial performance. In addition, silver and gold production may temporarily reduce, as we invest time and resources in consolidating our past achievements and preparing the ground for greater growth in future years, while also focusing on improved safety.

None of these possible developments are unusual or present us with issues we have not faced before. Change is part of the business cycle. We will continue to stand firm behind our strategy in the clear knowledge that it has guided us through a wide range of market and political conditions in the past, and will do so again in the future.

While we face short-term pressures, the long-term fundamentals remain sound. Our model is proven, our people are skilled, experienced and dedicated, and a track record of creating value through growth and returns will continue to be our defining characteristic.

Octavio Alvidrez
Chief Executive Officer

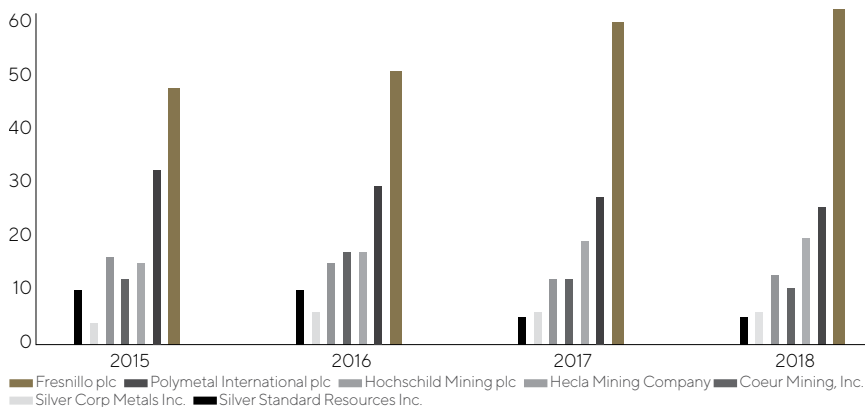
OUR MARKETS

As a major player in the global precious metals industry, we are impacted by the dynamics of the silver and gold markets.

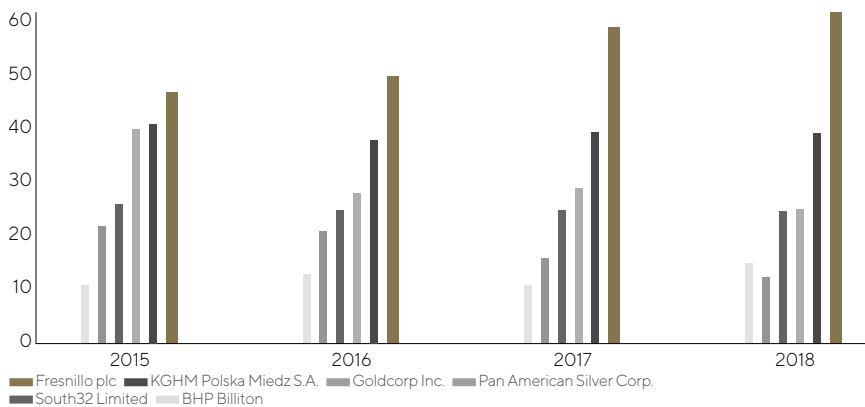
Mexico has a long-established history of mining going back more than 500 years, underpinned by its vast geological potential, skilled workforce, robust mining laws and mechanisms for creating shared value.

We are now exploring opportunities to apply the expertise and knowledge we have gained over the years to new locations in Mexico as well as elsewhere in Latin America.

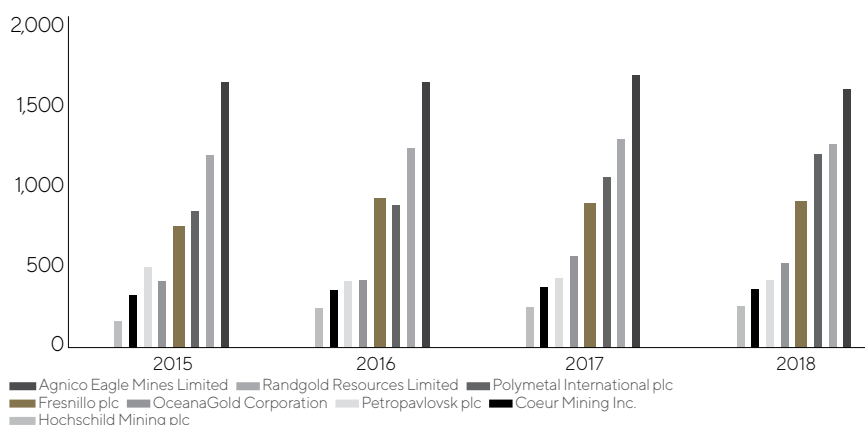
PEER GROUP: PRIMARY SILVER PRODUCERS PRODUCTION IN MOZ



PEER GROUP: GLOBAL SILVER PRODUCERS (BY-PRODUCT & PRIMARY) PRODUCTION IN MOZ



PEER GROUP: MEDIUM-SIZE GOLD PRODUCERS PRODUCTION IN KOZ



FRESNILLO IN CONTEXT

Amongst major precious metal mining companies, Fresnillo is unique in that silver and gold each make significant contributions to the Group's revenue, and also because all our operations are located in Mexico. As such, we are exposed to the market dynamics of both the global precious metals industry, as well as those specific to companies operating in Mexico.

In silver, we consider our peer group to be other primary silver mining companies, notwithstanding the fact that close to two thirds of global output is derived as a by-product of gold, lead, zinc and copper mines. Irrespective, Fresnillo has long been the top global producer of silver, both by-product and primary, and we aim to maintain that leadership position going forward.

We are also Mexico's largest gold producer, with our peers being other global gold mining companies producing similar levels of annual production.

THE PRECIOUS METALS MARKET

Silver prices traded at a low of US\$14.0/oz in November to a high of US\$17.6/oz at the beginning of 2018, ending the year 8.5% down. The average realised price also decreased, down 8.3% from US\$16.9/oz in 2017 to US\$15.5/oz in 2018. Gold, on the other hand, ended the year marginally down (-1.6%), with the average realised price remaining broadly flat at US\$1,269.1/oz (+0.1% year-on-year). This difference between prices for the two metals is a continuation of the tendency that has been evident since 2011, as seen in the gold silver ratio, with silver generally only outperforming gold in strong precious metal environments.

2018 was a year where both gold and silver prices remained under pressure with the US dollar strengthening, the US Federal Reserve raising interest rates three times during the year, and a buoyant US economy driven by the tax cuts in the first half, all fuelling positive investor sentiment.

OUR MARKETS CONTINUED



Centauro Pit at Herradura.

Our strategy has always been to invest across all price cycles, while maintaining a strong balance sheet.

That said, the fourth quarter saw a positive movement in the prices of both metals, bolstered by the possibility of the US Federal Reserve slowing its monetary tightening path going into 2019, driven by the possibility of a weakening US economy.

Fresnillo plc does not take a position on where prices, demand or sentiment are headed; however, we do monitor price movements and market dynamics using primarily third party analysis and forecasts in order to support our financial projections and cash management strategies, and prices will continue to influence budget considerations in areas such as exploration and the timing of certain capital expenditures.

SUPPLY AND DEMAND

SILVER

Mine output provides the majority of silver supply, with the remainder coming from recycling and scrap. This year, total silver supply is forecast to reach 998.4 moz¹. According to the Silver Institute, the market is expected to see a physical surplus in 2018 of 35.3 moz, driven by mine supply returning to growth after two years of decline and physical demand expected to contract, driven by lower bar and coin demand.

The supply side growth in production was marginal, and well below the high of 895.1 moz in 2015. This is partially due to no new large deposits being found following a trend of lower capital expenditure by miners in prior years.

Silver demand, where industrial demand represents approximately 60%, is expected to continue contracting, driven by year-on-year declines in investment demand. This is in part driven by factors in the US, as investors have looked to the secondary markets for bar and coin purchases, as well as factors elsewhere, such as a weakening economic climate that has dampened demand in China. Industrial demand however remained robust, reflecting the metal's unique characteristics. These include exceptionally high electrical and thermal conductivity which make silver an important component across a wide range of products, from electronics to antibacterial applications.

Looking ahead, with the continued decline of silver in photographic usage not being offset by an increase in photovoltaic usage, as has been the case in previous years, silver supply is anticipated to remain in surplus resulting in the silver price continuing to come under pressure.


GOLD

As with silver, mine output accounts for the majority of the global gold supply, with recycled material making up the difference. In 2018, global gold production marginally increased, with 4,490 tonnes being produced².

Demand for gold has traditionally been driven by its status as a safe haven investment. Consumers and investors acquire the metal to protect their savings and purchasing power in an environment

of high inflation and low interest rates, and as a means to diversify away from the US dollar. In some markets, gold has a strong cultural allure, again with China and India leading the demand for gold jewellery. This year has seen Central Banks returning to buying gold, with levels of activity not seen since 2015. Banks are adding to their foreign reserves to counterbalance fiat currency risk, especially as emerging market banks tend to hold high allocations of US treasuries.

As mentioned earlier, the short-term performance of gold is strongly impacted by the perception of risk in the global economy, the strength of the US dollar and the impact of economic reform. In the longer term, gold is supported by a growing middle class in emerging markets and the continued perception of gold's role as a store of wealth.

 See the Silver Institute and World Gold Council websites for current industry and market information.

KEY INDUSTRY TRENDS

The global mining industry is subject to a number of underlying trends that impact its competitiveness and viability. As many of these trends are aligned with our key risks, we include detailed analysis of their implications, as well as our response and mitigating actions, on pages 28 to 41.

¹ Refinitiv Interim Silver Market Review, 15 November 2018 – New York City.

² World Gold Council, Gold Demand Trends Full year and Q4 2018, 31 January 2019.

CAPITAL INVESTMENT AND RESOURCE REPLACEMENT

With precious metal prices remaining under pressure, the focus for many mining companies has continued to be on strengthening their balance sheets, sustaining their current production levels and growing their reserves and resources. For many, the latter two aims are proving challenging, following many years of under investment in exploration. As we saw towards the end of 2018 and early in 2019, there has been a consolidation of mining companies through acquisition.

THE OPPORTUNITY FOR FRESNILLO


Our consistent strategy has always been to invest across all price cycles, while maintaining a strong balance sheet. This dual focus has been, and continues to be, a key differentiator for Fresnillo – it has enabled us to build a solid foundation from which we continue to look to grow through exploration, adding only low cost, quality ounces, thereby not diluting our resource base.

MAINTAINING OUR LICENCE TO OPERATE

Miners must navigate complex issues and regulations in order to maintain their licences to operate and grow sustainable businesses. Environmental and social factors are increasingly important issues, with resource nationalism in many jurisdictions affecting regulation and taxation. In addition, pressure from non-governmental organisations (NGOs) and communities, both organised and ad hoc, can lead to work stoppages, project closures and increased pressure for more tangible community benefits and shared value creation mechanisms.

THE OPPORTUNITY FOR FRESNILLO

We strive to ensure that the communities close to our operations benefit from the success of our business. Initiatives such as the Picando Letras reading programme, a wide range of health programmes and shared activities have proved very successful in improving the lives and prospects of those who depend on us or are impacted by our operations.

 To learn more about what it is we do for our local communities and how we maintain our licence to operate see pages 81-84.

A MOVE TO RENEWABLE SOURCES OF ENERGY

As with many extractive industries, precious metal mining activities contribute to greenhouse gas emissions, and miners therefore have a clear duty to be environmentally responsible. The shift towards greater responsibility is moving the industry towards a cleaner future, as it actively makes operational changes to reduce GHG emissions and improve energy efficiency.

THE OPPORTUNITY FOR FRESNILLO

As described on page 78, Fresnillo is committed to ensuring that renewable sources provide 75% of all our electricity needs by the end of 2019. Additionally, in conjunction with Caterpillar, we have trialled and are now looking to roll out the use of Liquid Natural Gas, reducing the need for diesel usage in our haulage truck fleet at our open pit operations.


Our business model and strategy have remained consistent over time, maintaining our conservative approach to growth and leverage, combined with a commitment to operational excellence, responsible business practices and disciplined capital allocation. Together, these combine to provide valuable downside protection, enabling us to deliver year-on-year stakeholder returns, even in the current market environment. At the same time, upside potential remains high given our consistent investment in exploration.

THE BUSINESS ENVIRONMENT IN MEXICO


Mexico has the second largest economy in Latin America and is characterised by a mature and relatively stable tax and legal framework. Despite the country's 500 year tradition of mining, its geological potential remains as strong as ever, with just under 350 companies undertaking mining projects in the country³. The industry directly employs over 370,000 people and represents 2.5% of Mexico's national GDP⁴. Mexico continues to be the largest producer of silver in the world and a top global producer of gold, copper and zinc, amongst other minerals. All of Fresnillo's current operations are located in Mexico and we remain committed to the long-term opportunities in the country.

Presidential and congressional elections were held in 2018 and a new administration took office on 1 December 2018.


COUNTRY CHALLENGES SPECIFIC TO FRESNILLO PLC CORRUPTION, PART OF POTENTIAL ACTIONS BY THE GOVERNMENT – PRINCIPAL RISK NUMBER 2

 See page 31.

SECURING LAND ACCESS – PRINCIPAL RISK NUMBER 3

 See page 32.

SECURITY – PRINCIPAL RISK NUMBER 4

 See page 33.

³ https://www.sgm.gob.mx/Web/SINEM/mining/mining_companies.html

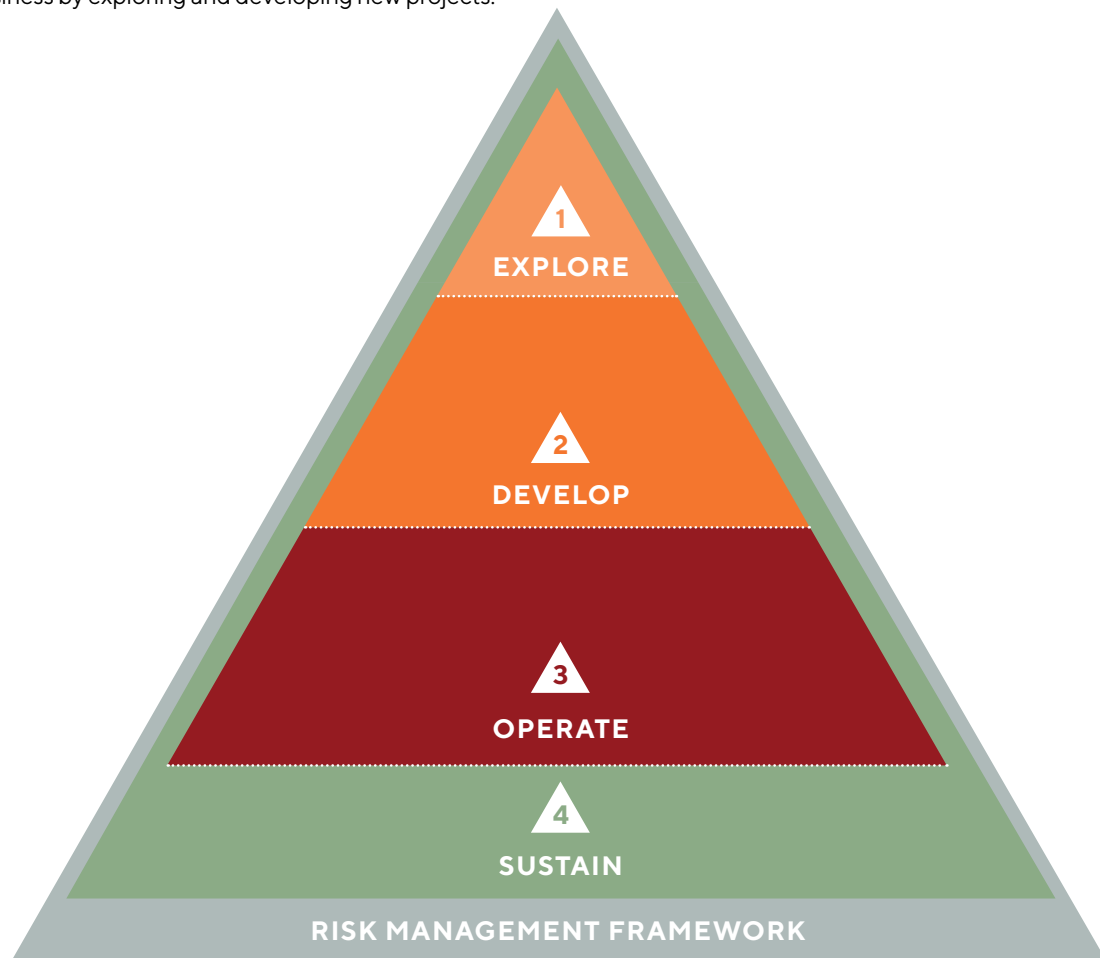
⁴ <https://www.export.gov/article?id=Mexico-Mining-and-Minerals>

BUSINESS MODEL

Our business model spans the full mining value chain from exploration, development and construction, to mining operations, supported by strategic resources and relationships essential to the effective execution of the business.

WHAT WE DO

Gold and silver mining is the heart of our business model. We generate revenue by selling the metals contained in the ore we extract and process. We ensure the longevity of our business by exploring and developing new projects.



Underpinned by our values:

Integrity, trust, responsibility and loyalty, which demonstrate our ethical culture and are embedded in our behaviours.

OUR STRATEGY

Our strategy is intrinsically linked to our business model:

- | | |
|--|---|
| <p>1. Ensure business continuity and growth by replenishing depleted reserves and maintaining a robust growth pipeline</p> | <p> See pages 44-48.</p> |
| <p>2. Deliver profitable growth by advancing new projects towards commissioning, while optimising cash flow and returns</p> | <p> See page 49.</p> |
| <p>3. Maximise the potential of existing operations while maintaining our position as a leading low-cost producer</p> | <p> See pages 50-65.</p> |
| <p>4. Responsible business practices are embedded in our business model</p> | <p> See pages 66-84.</p> |

RESOURCES AND RELATIONSHIPS

The key resources and relationships that underpin our business model:

H PEOPLE

We rely on the skills, experience and commitment of our people to meet our business goals. Attracting, engaging and developing the best talent are key to the execution of our strategic plan.

We have a skilled workforce of 5,139 unionised workers and employees and 12,462 contractors, supported by an experienced and value-driven leadership team.

See our people on pages 69-70.

N NATURAL RESOURCES

Our operations rely on a range of natural resources, including surface land, water, energy and fuel. Optimising our use of these resources, minimising the impact of our activities and being transparent and accountable regarding our environmental footprint are essential to maintaining our licence to operate.

- 1.8 million hectares of surface land in mining concessions in Mexico.
- 1,321 megalitres of recycled water in our processes (efficiency of 80.16%).
- 26,000 tonnes of CO₂e avoided through the use of renewable energies.

See environment on pages 76-80.

S RELATIONSHIPS WITH KEY STAKEHOLDERS

Our social licence to operate is our most valuable intangible asset. Sustained trust from our stakeholders mitigates the risk of conflicts that would otherwise compromise our ability to execute our business strategy.

We work with more than 230 local suppliers.

See our stakeholders on pages 22-23.

F FINANCIAL STRENGTH AND CONTROL

We maintain strict controls on cash, costs and expenses and adhere rigidly to capex budgets. Our healthy position regarding cash and other liquid funds¹, balanced by our low leverage ratio, ensure sufficient resources to invest in advancing our pipeline and delivering returns to shareholders.

- Healthy balance sheet and low leverage ratio.
- Total equity of US\$3,128.3 million.

See our strategy on pages 24-27.

M PROPERTY AND EQUIPMENT

Our assets, which include properties, infrastructure, processing plants and mining equipment, give us the capacity to meet our production targets. We operate these assets with a focus on continuous improvement in productivity and greater efficiency in the consumption of materials and energy.

Net book value of property, plant and equipment of US\$2,693.1 million.

See the Finance Review on pages 85-97.

I TECHNOLOGY

We leverage the knowledge of our employees to identify and implement innovative and effective technological solutions to support decision making and meet the challenges associated with new projects, maturing mines with declining ore grades, and rising social and environmental expectations. We ensure that our networks, systems and data are secure, in accordance with best practice.

Ongoing investments in the latest intelligent solutions to improve safety, productivity and decision-making, as well as identify and address gaps in cyber security.

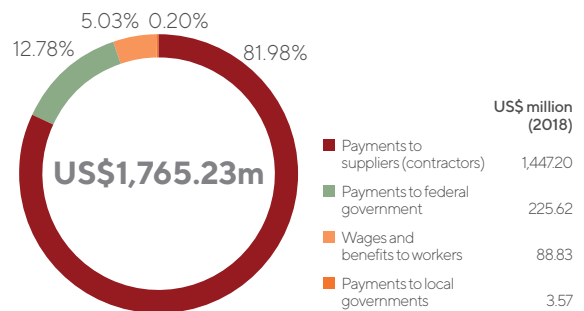
We have linked our resources and relationships to the Capitals outlined in the International Integrated Reporting Council's (IIRC's) framework.

- H Human N Natural S Social
F Financial M Manufactured I Intellectual

VALUE CREATION

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

ECONOMIC VALUE DISTRIBUTED



FOR EMPLOYEES

We aim to provide a safe working environment with training and development opportunities.

- US\$88.8 million in benefits and payments to employees.
- 293 'I Care, We Care' workshops provided to 9,991 employees and contractors.

FOR COMMUNITIES

We invest in the local communities where we operate and aim to minimise our environmental impacts.

- Social investment through direct contributions to local communities: US\$3.1 million.
- Reading programmes benefitting 8,500 children in 72 schools.
- 1,321 megalitres of water recycled in our processes (efficiency of 80.2%).

FOR GOVERNMENT

We comply with all applicable laws and generate economic value through our operations.

- Obtain exploration, mining rights and environmental permits.
- Mining concession paid: US\$13.3 million.

FOR SHAREHOLDERS

We generate sustainable long-term financial returns.

- EBITDA US\$915.1 million.
- Profit for the year US\$350 million.
- Earnings per share 0.48 (US\$/share).
- US\$298.1 million paid in dividends.

FOR SUPPLIERS

We offer fair prices and provide technical support to our suppliers.

FOR CUSTOMERS

Treatment and refining charges: US\$141.2 million in 2018.

MEMBERSHIP ORGANISATIONS

We are active members of several mining organisations and associations, where we use our influence to promote greater recognition of the advantages that mining brings to society.


¹ Cash and other liquid funds are disclosed in note 30c to the Financial Statements.

BUILDING



RELATIONSHIPS WITH KEY STAKEHOLDERS

We rely on strong relationships with our key stakeholders in order to gain trust and social acceptance for our operations, to maintain our licence to operate and to create shared value. To this end, we engage with the communities where we operate, as well as with unions, contractors, partners and suppliers. We also work closely with government and regulators and ensure open communications with investors.

 Find out more about the outcomes of our engagement initiatives in our Social and Sustainability Review on pages 66-84.

EMPLOYEES AND UNIONS

ENGAGEMENT STRATEGY

- Engage union representatives constructively on collective bargaining and health & safety issues.
- Conduct social, ethical and workplace surveys to identify issues that matter to employees.
- Operate Health & Safety programmes in each business unit to foster direct dialogue between employees and management.
- Operate the 'Fresnillo plays fair' whistleblowing line.

LOCAL COMMUNITIES AND CIVIL SOCIETY

- Meet regularly with key stakeholders to understand and discuss their concerns.
- Conduct Social Impact Assessments to identify potential negative impacts and perception studies to capture the expectations of communities.
- Operate grievance mechanisms to address the concerns of communities.
- Consult indigenous communities on new projects.

ISSUES THAT MATTER TO OUR STAKEHOLDERS

- | | |
|--|--|
| <ul style="list-style-type: none"> • Remuneration. • Working conditions. • Labour rights. • Human rights. • Health & Safety. • Security. | <ul style="list-style-type: none"> • Their values and traditions. • Employment and procurement opportunities. • Public infrastructure and services. • Land acquisitions and resettlements. • Transparency regarding lobbying government payments. • Managing cyanide, mineral waste and hazardous materials. • Water stewardship. • Soil pollution. • Climate change. |
|--|--|

HOW WE ADDRESS THESE ISSUES

- | | |
|---|--|
| <ul style="list-style-type: none"> • Competitive remuneration, training and development opportunities to retain our talent. • Uphold our labour standards and respect human rights to ensure a positive work environment. • Operate a Health and Safety management system based on best practices to ensure a safe and healthy workplace. • Train employees to embed ethics and safety in our culture. • Monitor security situations, maintaining clear internal communications and close relations with authorities at federal, state and local levels. | <ul style="list-style-type: none"> • Ensuring that priority is given to local employment and procurement. • Strengthening regional supply chains through participation in mining clusters in Zacatecas, Sonora and Chihuahua. • Working with community leaders to engage municipalities on projects with the Mining Fund. • Managing community investment portfolio in alliance with NGOs. • Following best practices for land acquisition, resettlements and indigenous consultations. • Disclosing our government relations & lobbying activities and our government payments. |
|---|--|

GOVERNMENT AND REGULATORS	CONTRACTORS AND SUPPLIERS	SHAREHOLDERS
<ul style="list-style-type: none"> Engagement with federal authorities and regulators on regulatory issues through trade unions such as CAMIMEX and sustainability associations such as CESPEDS. Direct engagement with federal, state and local authorities regarding mining rights, environmental permitting, etc. in the regions where we operate. 	<ul style="list-style-type: none"> Engage contractors with the 'I Care, We Care' programme to embed safety in our culture. Engage contractors to certify their safety and environmental management systems and participate in government certifications. 	<ul style="list-style-type: none"> Organise conference calls and roadshows. Attend investment forums and conferences. Annual General Meeting.
<ul style="list-style-type: none"> Water stewardship. Mineral waste and hazardous materials management. Cyanide Management. Climate Change. Labour rights. Human rights. Health & Safety. 	<ul style="list-style-type: none"> Working conditions. Labour rights. Human rights. Health & Safety. Security. 	<ul style="list-style-type: none"> Operating and Financial performance. Growth strategy. CAPEX projects.
<ul style="list-style-type: none"> Conduct Environmental Impact Assessments to identify potential impacts and mitigation strategies. Foster energy efficiency and supply from renewable sources. Observe Responsible Water stewardship to secure access, the efficient use of resources, pollution protection, and cooperation with communities. Manage our mineral and hazardous waste facilities responsibly. Manage cyanide in compliance with the International Cyanide Management Institute (ICMI). Participate in the Health, Safety and Environmental certifications of the Mexican authorities. 	<ul style="list-style-type: none"> Uphold our labour, Health & Safety and Environmental procedures. Carry out due diligence procedures to verify the ethical profile of new contractors. Provide technical support to help contractors comply with the Self-Management Safety programme. Monitor security, maintaining clear communications with contractors. 	<ul style="list-style-type: none"> Stringent viability criteria for development projects, including rates of return, to ensure adaptability across price cycles. Targeted investment and disciplined cash management.

OUR STRATEGY AND KPIs

Our strategy is designed to ensure that we meet our strategic goals across each element of the business model.

2018 Goals and Progress

2019 Targets

1

EXPLORE

Extend and maintain a robust growth pipeline

Allocate funding across metal price cycles; advance prospects and projects along the exploration pipeline, from early stage to advanced exploration, as strict criteria are met; convert resources to reserves.

GOALS

- Effectively deploy US\$200 million in exploration investment.

PROGRESS

- Invested US\$181.2 million in exploration with 579,000 metres and 346,455 metres drilled at our operating mines and exploration projects, respectively.
- Gold and silver reserves decreased by 6.0% and 5.1% respectively during the year.
- Silver resources decreased 5.0% mainly due to lower grade and tonnage at Saucito.
- Gold resources increased 1.5% as a result of an increase in resources at Centauro Deep.
- Continued exploration activities at all existing mines, with special emphasis on infill drilling in the Fresnillo District.
- Continued deep drilling at Juanicipio.
- Concluded the feasibility study at Juanicipio and carried out a pre-feasibility study at Centauro Deep.

- Effectively deploy US\$140 million in exploration investment.
- Accelerate infill drilling programme at Saucito and San Julián to convert resources into reserves.
- Carry out preliminary economic assessments at Tajitos and San Juan.
- Continue the preliminary economic studies at Guanajuato and Orisyvo.
- Implement parametric drilling at two projects in Chile and one project in Peru.
- Test-drill new targets that have been identified at San Julián, Fresnillo and Guanajuato.

2

DEVELOP

Deliver growth through development projects

Adhere to strict delivery timelines and capex budgets.

GOALS

- Pyrites plant: Commission leaching plant to process tailings from the Saucito mine in 1H 2018. Continue construction of tailings flotation plant at Fresnillo to process historical and ongoing tailings, due to be commissioned by the end of 2019.
- Commission the Second line of the Dynamic Leaching Plant at Herradura in 2Q 2018.
- Conclude feasibility study of Juanicipio and initiate construction subject to Board approval.

PROGRESS

- Construction of the Pyrites plant (phase I) was completed on budget with a minor delay.
- Commissioned the second line of the Dynamic Leaching Plant, despite a delay as tests took longer than anticipated.
- Feasibility study was concluded and construction and operational agreements were reviewed. Construction is expected to begin in 2019, subject to Board approval.

- Pyrites plant (phase II): Continue construction of tailings flotation plant at Fresnillo to process historical and ongoing tailings due to be commissioned in 2H 2020.
- Initiate construction of Juanicipio subject to Board approval.

3

OPERATE

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

Optimise capacity and recovery rates by adjusting mining methods and beneficiation processes; generate continuous improvements in productivity and cost controls; leverage expansion opportunities.

GOALS

- Produce between 67-70 moz silver (including Silverstream), 870-900 koz of gold.
- Continue stabilising ore grades and ore throughput at the Fresnillo mine.
- Maintain development rates at our underground mines, with the aim of gradually increasing them in the long term.

PROGRESS

- Produced 61.8 moz silver (including Silverstream), below revised guidance, and produced 922.5 koz of gold, in line with revised gold guidance. The graph opposite illustrates silver production from our own mines, with the shaded portion representing additional ounces accrued under the Silverstream contract.
- Silver ore grade decreased due to differences versus the geological model and increased dilution; ore throughput remained steady year-on-year.
- Development rates decreased in the Fresnillo district (see pages 51 and 55) and increased at Ciénega.

- Produce between 58-61 moz silver, 910-930 koz of gold.
- Enhance management control in the Fresnillo district to improve development rates and increase productivity.
- Ramp-up of second line of Dynamic Leaching Plant.
- Contain costs.

Our goal was to have 650 million ounces of silver and 7.5 million ounces of gold in reserves by the end of 2018. Despite missing our long-term goals for 2018, we are confident of the quality and potential of our operations going forward.

2018 Group KPIs/Performance

Resources: 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

2,204.0



Lower mainly due to the results of the infill drilling and higher cut-off grade at Saucito, as well as depletion at Ciénega and San Julián.

ATTRIBUTABLE GOLD RESOURCES
MILLIONS OF OUNCES

39.1



Higher due to an increase at Centauro Deep, which offset decreases at Ciénega and Noche Buena.

Risks

- Impact of metal prices & global macroeconomic developments.
- Potential actions by government.
- Access to land.
- Security.
- Public perception against mining.
- Exploration.
- Human resources.

Project delivery: Ability to adhere to forecasted schedules and budgets measures management's forecast accuracy and execution capabilities.

CENTAURO EXTENSION
CAPEX BUDGET AND TOTAL CAPEX TO DATE
US\$

110m
104.6m

PYRITES PLANT
CAPEX BUDGET AND TOTAL CAPEX TO DATE
US\$

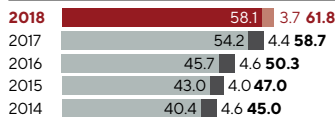
155m
79.5m

- Impact of metal prices & global macroeconomic developments.
- Potential actions by government.
- Access to land.
- Security.
- Public perception against mining.
- Union relations.
- Projects (performance risk).
- Cyber security.
- Human resources.

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.

SILVER PRODUCTION MILLIONS OF OUNCES

61.8

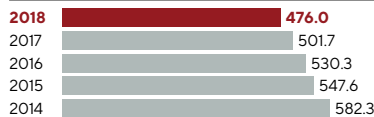


Increased silver production due to first complete year of San Julián (Disseminated Ore Body).

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.

SILVER RESERVES MILLIONS OF OUNCES

476.0

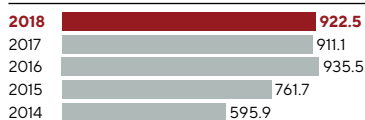


Lower mainly due to depletion at San Julián and lower tonnage at Saucito.

- Impact of metal prices & global macroeconomic developments.
- Potential actions by government.
- Access to land.
- Security.
- Public perception against mining.
- Union relations.
- Cyber security.
- Human resources.

GOLD PRODUCTION THOUSANDS OF OUNCES

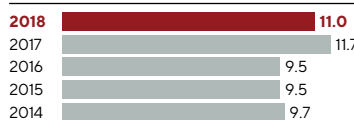
922.5



Increased gold production due to the higher ore grade and recovery rate at Saucito, the contribution of the new Pyrites plant and the higher ore grade at Fresnillo.

GOLD RESERVES MILLIONS OF OUNCES

11.0



Lower due mainly to depletion at Herradura, Noche Buena and the San Julián veins.

OUR STRATEGY AND KPIs CONTINUED

4

SUSTAIN

Advance and enhance the sustainability of our business and uphold our licence to operate

We believe that responsible mining is compatible with high stakeholder expectations in terms of ethical, social and environmental performance, and recognise that our social licence to operate is dependent upon being trusted by our stakeholders. This underlines the importance of responsible business practices being deeply integrated into our business model, and of factors that affect stakeholders being considered at every critical decision-making level.

2018 Goals and Progress

GOALS

- Launch a programme to engage our organisation in defining KPIs in respect of outcomes that are significant to our stakeholders and material to the business.

PROGRESS

- Despite five fatal injuries, we remain committed to embedding a safety culture in our operations.
- LTIFR increased as a consequence of an increase in the workforce and high turnover of contractors.
- Water intensity per tonne of mineral increased slightly due to operating conditions although efficiency remained at a high level.
- Despite the increase in energy demand, our carbon intensity remained at similar levels due to the increase in electricity supply from renewable sources.

2019 Targets

- Continue to define our Company Purpose, to express what Fresnillo is and what we stand for.

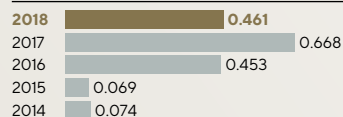
FINANCIAL KPIs

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 EXCLUDING POST-TAX SILVERSTREAM REVALUATION EFFECTS US\$/SHARE

0.461



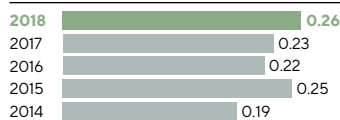
Lower profits divided across an unchanged weighted average number of shares in issue.

2018 Group KPIs/Performance

Risks

WATER INTENSITY M³ PER TONNE OF MINERAL PROCESSED

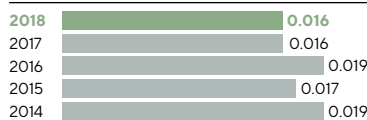
0.26



Though the water intensity remained at similar levels, the increase was due to a higher quantity of mineral processed.

GREENHOUSE GAS INTENSITY TONNES OF CO₂E PER TONNE OF MINERAL PROCESSED

0.016

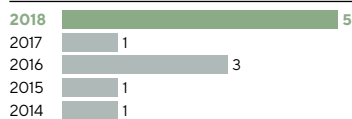


A reduction in our carbon footprint was driven by offsetting our increased energy demands through the use of renewable energy sources.

- Potential actions by government.
- Security.
- Public perception against mining.
- Safety.
- Environmental incidents.
- Human resources.

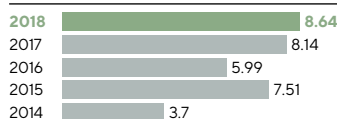
**FATALITIES AND INJURIES
NUMBER OF FATAL INJURIES TO TO EMPLOYEES OR CONTRACTORS**

5



LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR EVERY 1,000,000 HOURS WORKED

8.64



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.

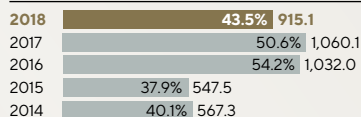
Increased as a consequence of an increase of the workforce and high turnover of contractors.

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\$**

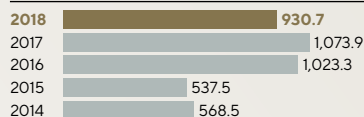
915.1m



Decrease as a result of lower gross profit and higher administrative and exploration expenses.

**CASH FLOW GENERATED FROM OPERATIONS BEFORE WORKING CAPITAL ADJUSTMENTS
US\$**

930.7m



Decrease due to lower profits.

MANAGING OUR RISKS

Our risk management framework is based on our belief in the importance of risk awareness across the Group. This framework enables us to identify, assess, prioritise and manage risks in order to deliver the value creation objectives defined in our business model.

RISK MANAGEMENT SYSTEM

Our risk management system is based on risk identification, assessment, prioritisation, mitigation and monitoring processes, which are continually evaluated, improved and enhanced in line with best practice.

In addition to our established risk management activities, our executives, including operations managers, the controllership group, HSECR managers and exploration managers regularly engage in strengthening the effectiveness of our current controls. This supports the executives and the Board in each of their responsibilities.

Within the identification phase of our risk management system, the Company also captures emerging risks that could arise as a result of new developments that have a chance of impacting Fresnillo, either at a macro or operational level.

Examples of these are new requirements imposed by changes to regulation, including stricter environmental rules, the commissioning of a new project and the use of state of the art underground technology, amongst others.

2018 RISK ASSESSMENT

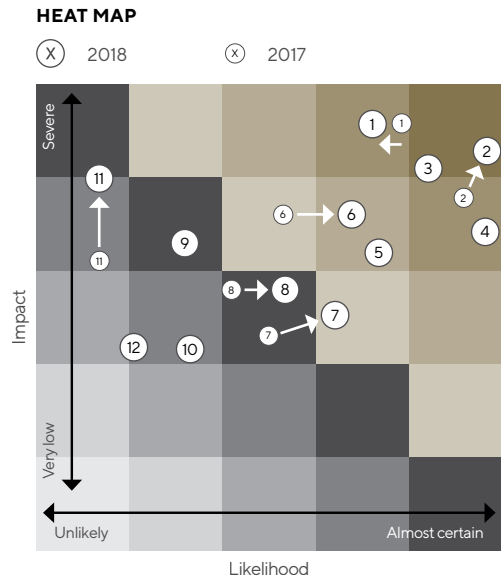
During our 2018 risk assessment exercise, a team of 135 people evaluated 109 risks across all our operations, advanced projects, exploration offices, and support and corporate areas.

We narrowed down our 109 risks into major risks which are monitored by executive management and the Audit Committee. We then further consolidated these into 12 principal risks which are closely monitored by the Board of Directors.

RISK GOVERNANCE BASIS



As part of our bottom-up process, each business unit head determined the perceived level of risk for their individual unit. Executive management then reviewed and challenged each perceived risk level, and compared it to Fresnillo plc’s risk universe as a whole. The results of this exercise were used as an additional input to identify the Group’s principal risks. We conducted the same risk analysis on advanced projects, detailing the specific risks faced by each project according to their unique characteristics and conditions.



Relative position		
2018	2017	Risk*
1	1	Impact of metal prices and global macroeconomic developments (v)
2	3	Potential actions by the government (e.g. taxes/more stringent regulations) (v)
3	2	Access to land (v)
4	4	Security
5	5	Public perception against mining
6	6	Safety
7	8	Union relations
8	9	Exploration
9	7	Projects (performance risk)
10	10	Cyber security
11	12	Environmental incidents (v)
12	11	Human resources

* Bold text indicates risks that changed during 2018.
(v) Risk that was considered for the viability assessment as detailed on pages 42-43.

Note for risk table: Change in risk level: vertical movement indicates impact ↑ and horizontal → movement indicates likelihood.

MANAGING OUR RISKS CONTINUED RESPONSE/MITIGATION TO OUR RISKS

1. IMPACT OF METAL PRICES AND GLOBAL MACROECONOMIC DEVELOPMENTS

RISK DESCRIPTION

Macroeconomic events could create an adverse impact on our sales and profits, and potentially the economic viability of projects. These events include:

- A decrease in precious metal prices, which is the primary driver for this risk. The average realised price for gold remained flat year-on-year (+0.1% vs. 2017) while silver experienced an 8.3% decrease.
- Revaluation of the Mexican peso. In 2018, the peso was devalued by 1.6% versus the average spot exchange rate of the US dollar.
- General inflation in Mexico. This was 4.9% in Mexican peso terms during 2018. The specific inflation affecting the Company was 2.6% in US dollar terms.
- A decrease in the price of our by-products. In 2018, the average realised prices for lead and zinc decreased 7.4% and 5.7% respectively, over the previous year.

RESPONSE/MITIGATION

Our 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 44% of production associated with the acquired Penmont assets and will not be extended to other assets in the Group. The initial total volume hedged was 1,559,689 oz of which 1,213,537 oz have expired as at the end of 2018 (366,432 oz expired in 2018) with no corresponding cash impact in 2018.

We are not precluded from entering into derivatives to minimise our exposure to changes in the prices of lead and zinc by-products. In 2017, the Group hedged a portion of our by-product lead and zinc production with maturities starting in 2018. The combined profit during 2018 was US\$ 1.6 million.

 See note 29 in the Financial Statements page 211 for more details.

Furthermore, we have hedging policies in place for foreign exchange risk, including those associated with capex related to projects. In 2018, we entered into a number of foreign exchange forward contracts denominated in euros, Swedish kronor and Canadian dollars.

 See note 29 in the Financial Statements page 210 for more details.

In terms of inflation, we experienced an increase in one of our main energy inputs over the previous year, with the average cost of diesel (USC\$/lt.) rising by 7.7%. On the other hand, the weighted average KWH (USC\$) decreased by 6.4%. We will continue to identify and maintain efficiency initiatives to reduce our energy consumption.

DESCRIPTION OF RISK LEVEL

According to the majority of silver and gold financial analysts, the volatility of metal prices is expected to continue to reduce. Medium term projections are likely to favour stronger and more stable prices due to the unpredictable global conditions which include: the view that US economic growth will slow, and that the Chinese economy is likely to suffer from the negative effects of any trade war. In summary, the macroeconomic backdrop is likely to favour a rotation back to safe haven assets.

KEY RISK INDICATORS

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

RISK APPETITE

HIGH FOR METAL PRICES, MEDIUM FOR ALL OTHER MACROECONOMIC DEVELOPMENTS

Risk rating (relative position)

2018: Very high (1)

2017: Very high (1)

LINK TO STRATEGY



CHANGE IN HEAT MAP



2. POTENTIAL ACTIONS BY THE GOVERNMENT, E.G. IMPLEMENTATION OF MORE STRINGENT REGULATIONS FOR OBTAINING PERMITS, ETC.

RISK DESCRIPTION

Following the change in administration in 2018, actions by the new Government may have an adverse impact on us. This could include more stringent regulations relating to the environment or explosives, more challenging processes for obtaining permits, more onerous tax compliance obligations for ourselves and our contractors, as well as more frequent reviews by tax authorities (See note 25 for more details, pages 202 to 204).

On 1 January 2017, a new state law (the 'State Law') came into effect in the state of Zacatecas in northern Mexico. It includes a new set of 'environmental taxes' relating to the following activities undertaken within the state:

- i. Extraction of materials other than minerals referenced in Article 4 of the Mexican Mining Law (gold, silver, lead, zinc, etc.) from the soil and sub-soil through open-pit processes;
- ii. Emissions of certain substances into the atmosphere;
- iii. Deposit of contaminants into the soil and water;
- iv. Storage of waste in public or private landfills.

The right of indigenous communities to be consulted and to grant their prior and informed consent regarding mining concessions may affect the granting of new concessions in Mexico.



RESPONSE/MITIGATION

Following an initial legal injunction and a ruling in our favour, the Supreme Court has allowed the Zacatecas state the right to impose an 'environmental tax'. Notwithstanding this development, the methodology presented for the calculation of such an 'environmental tax' is yet to be discussed and approved. Considering the initial methodology, we estimate that the potential net impact of these new taxes on our income statement would be in the range of US\$ 5-8 million annually. We look forward to the court resolving the calculation methodology.

We continue to collaborate with other members of the mining community via the Mexican Mining Chamber to lobby against this and any other 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 remain compliant with all applicable environmental regulations and are fully committed to operating in a sustainable way. We are committed to holding community dialogue over the lifetime of a mine project, from the earliest exploration to eventual closure, aiming to create long-term relationships and value, while ensuring operational continuity.

We seek to maintain full compliance with tax authority requirements. In doing so we continue to cooperate with any ongoing tax inspections.

Although Mexico's Mining Law does not yet incorporate indigenous consultation, it remains an ongoing issue. Some local state governments have begun to legislate on this matter as a prior requirement for mining projects to proceed in specific areas where indigenous populations may be present. We will continue working together with the authorities.

We have extensive engagement programmes with communities that may be impacted by our mining activities. At the San Julián mine, for example, we have recently worked in conjunction with the Federal Government to successfully conclude an indigenous consultation for the construction of a water reservoir.

See our Social and Sustainability Review, pages 66-84 for more details.



DESCRIPTION OF RISK LEVEL

We continue to perceive this risk level as very high due to the pressure that the Government or Government officials (in either case, both at the federal and local levels) could exert over the mining industry. Evidence of this influence on our industry can be seen in the increase in the frequency of the reviews by the tax authorities, the legislation issued in 2017 requiring management to ensure that contractors are compliant with their own tax obligations, the imposition of the environmental taxes contained in the new State Law in Zacatecas and the indigenous consultation to obtain mining concessions. In addition it is evident in the continued perceived level of corruption across Mexico, which remains high¹ and worsened versus the previous year. As a result, delays in obtaining permits for certain operations and/or projects remain a risk.

Mexico has a new administration and although we are yet to see any firm indication of direction, we remain confident in the long-term view both of our Company and the mining sector more generally in Mexico. We will work with the new Government alongside trade bodies and the Mexican Mining Chamber. Our aim will be to defend the industry and its interests, while also continuing to highlight the significant positive impact the mining industry makes to infrastructure, education and health in remote communities as well across Mexico more generally.

KEY RISK INDICATORS

- Number of media mentions related to mining regulations. These could include the mention of tax, royalties, the banning of mining activities in protected areas and legal precedents. The indicator also provides detail on the media itself, such as speaker profile and political alignment.

RISK APPETITE

LOW

Risk rating (relative position)

2018: Very high (2)

2017: Very high (3)

Note: In the map, the perceived level of risk remains very high, with the change in rating during 2018 being due to the change of administration. The change in rating though was only marginal as the possible impact and likelihood of a change in government was anticipated and had already been captured within the risk rating last year.

LINK TO STRATEGY



CHANGE IN HEAT MAP



1 Corruption Perception Index 2018, issued by Transparency International ranks Mexico as 138th of 180 countries by perceived levels of public sector corruption.

MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

3. ACCESS TO LAND

RISK DESCRIPTION

Failure or significant delays in accessing the surface land above our mineral concessions and other land of interest is a permanent risk to our strategy, and has a potentially high impact on our objectives. Possible barriers to land access include:

- Rising expectations of land owners.
- Refusal to acknowledge prior land acquisition terms and conditions by members of a 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 agrarian communities and/or judicial authorities.
- Presence of indigenous communities in the proximity of land that is of interest, where prior and informed consultation and consent of such communities may be required.

Furthermore, insecurity in our exploration and operational areas as well as potential actions by the government increase the complexity of land access risk.

As the issue with the Ejido El Bajío is not yet resolved, operations at Soledad & Dipolos remain suspended.

RESPONSE/MITIGATION

Successful land access plays a key role in the management of our mining rights, focusing on areas of interest or strategic value. At the end of 2018, after adding required areas and divesting areas of less interest, we held 1.8 million hectares of mining concessions, which represents no change year-on-year. Other initiatives include:

- Careful advanced planning for land requirements and acquisitions by anticipating any issues with a potential land purchase before intensive exploration. In certain areas of interest, we negotiate leasing or occupation agreements with purchase options, in compliance with legal and regulatory requirements.
- The fostering of strong community relations through investment in community programmes and infrastructure. Such investments totalled US\$3.1 million in 2018.



See Social and Sustainability Review pages 66–84.

- Always seeking tri-party cooperation between the Government, community and ourselves in securing access to land.
- Early involvement of our community relations and negotiation teams during the negotiation and acquisition processes, including the exploration stage.
- Working with our land negotiation teams, which comprise specialists hired directly by Fresnillo and also provided by Peñoles as part of the service agreement.

As part of an ongoing review of the legal status of our land rights, we identified certain areas of opportunity and continue to implement measures to manage this risk on a case-by-case basis. Such measures include, whenever possible, negotiating with agrarian communities for the outright purchase of land. We use mechanisms provided under agrarian law and also utilise other legal mechanisms under mining law which afford added protection for land occupation. These activities form part of our ongoing drive to reduce exposure to risk regarding surface land.

DESCRIPTION OF RISK LEVEL

The mining industry continues to face legal challenges in regard to access to land by individuals and local communities who may seek to disregard previous land agreements. This has been a consistent challenge in recent years.

In addition, in areas close to land of interest, prior and informed consultation and consent of indigenous communities may be required on a case-by-case basis.

The outcome is that despite our many strategic actions, the perceived level of this risk remains very high.

KEY RISK INDICATORS

- Percentage of land required for advanced exploration projects which is under occupation or other agreements other than full property ownership (overall and by project).
- Total US\$ and percentage of project budget spent on HSECR activities, including community relations (at projects and exploration sites).

RISK APPETITE

MEDIUM

Risk rating (relative position)

2018: Very high (3)

2017: Very high (2)

LINK TO STRATEGY



CHANGE IN HEAT MAP



4. SECURITY

RISK DESCRIPTION

Our people, contractors and suppliers face the risk of kidnapping, extortion or harm due to insecurity conditions in some of 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 some of the regions where we operate, combined with our exploration and project activities in certain areas of transfer or cultivation of drugs, makes working in these areas a particular risk for us.

For example, activities at the San Nicolás del Oro prospect remained suspended because of the level of insecurity in the state of Guerrero.



RESPONSE/MITIGATION

We closely monitor the security situation, maintaining clear internal communications and coordinating work in areas of higher insecurity. We have adopted the following practices to manage our security risks and prevent and deal with possible incidents:

- We maintain close relations with authorities at federal, state and local levels, including army encampments located near the majority of our operations.
- We have completed the implementation of increased technological and physical security of our Merrill Crowe plants at Herradura and Noche Buena, including the use of a remote monitoring process, also in use at the San Julián mine. At the Saucito and Fresnillo mines, this programme is 90% and 40% complete, respectively; implementation at these two mines has taken longer than expected due to the extent of the new arrangements and the increased scope (remote monitoring). However, we expect to complete full implementation of our higher internal standard requirements across all business units during 2019.

- During 2018, we replaced the majority of our security contractors, all of which now meet our operational standards and reinforce our security strategies.
- We have maintained our logistics controls in order to reduce the probability of theft of mineral concentrate. These controls include: the use of real-time tracking technology; surveillance cameras; tests to identify alterations in transported material; guard services; control checkpoints in a 'safe corridor'; and reduced number of authorised stops in order to optimise delivery times and minimise the exposure of convoys.
- We continue to invest in community programmes, infrastructure improvements, and government initiatives to support the development of lawful local communities and discourage criminal acts.
- We suspend access to areas with an unacceptably high level of insecurity.
- Both internally and among our contractors, we continue to promote the reporting of criminal acts to the authorities.



DESCRIPTION OF RISK LEVEL

We have continued to experience a high level of security incidents, both in frequency and severity, however our operations were not materially impacted. The perceived level of risk has therefore remained very high. In the regions and projects where we operate, we did not observe an improvement in the crime rate during 2018.

Following the change of administration, we have yet to see evidence of the new national security strategy. We expect this to include the creation of a National Guard.

We refer to The Global Peace Index¹ ranking, which indicates a higher likelihood of violent demonstrations and political instability. This index uses three broad themes: level of safety and security in society; the extent of ongoing domestic or international conflict; and the degree of militarisation. Mexico ranks 140 of 163 countries worldwide (from best to worst), as a country with a low state of peace, and has fallen two places in the ranking. In addition, we also use the Mexico Peace Index² ranking as a reference. This is a comprehensive index of the following indicators: homicides; violent crimes; weapons crimes; organised crime; and detention without a sentence. The index ranks states from 1 to 5, where 1 represents the most peaceful. Zacatecas (3.3 on the index) tends to rank among the less peaceful states in Mexico, while Chihuahua (2.9), Sonora (2.2) and Durango (2.0) are located in the medium range.

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 where we operate.

RISK APPETITE

LOW

Risk rating (relative position)

2018: Very high (4)

2017: Very high (4)

LINK TO STRATEGY



CHANGE IN HEAT MAP



¹ Global Peace Index 2018 prepared by the Institute for Economics & Peace, <http://economicsandpeace.org/>

² Mexico Peace Index 2018 prepared by the Institute for Economics & Peace, <http://economicsandpeace.org/>

MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

5. PUBLIC PERCEPTION AGAINST MINING


RISK DESCRIPTION

Across the world, public opinion is wary of the potential adverse social and environmental consequences of mining operations. This sentiment is manifested through increased regulatory obligations for mining companies and increased social activism by communities and other grassroots organisations.

RESPONSE/MITIGATION

Communities are our strategic partners. To win and maintain their trust, we must show understanding and effective engagement, and be accountable for our impact. Our well-established programme for community engagement includes:

- Increased understanding and accountability:
 - Monitoring public opinion within local and international media.
 - Holding continuous dialogue with our key local stakeholders through formal and informal meetings.
 - Carrying out social baseline, human rights and perception studies to better understand our positive and negative impacts. From the 2017 perception studies carried out at each mine unit by a specialised third party, social programmes were developed to address their main concerns.
 - Operating a grievance mechanism to address stakeholder concerns.
- Purposeful and aspirational engagement with local communities:
 - Maintaining a Social Investment Portfolio to create long term value, aligned with the UN Global Goals for sustainable development. We have identified four pillars where we can make a real difference: Education, Water, Health and Capacity building.
 - Partnering with NGOs in these four pillars of social investment: Education (IBBY, INNOVEC & First Robotics), Water (Captar AC), Health (National University Foundation) and Capacity Building (ProEmpleo).
 - Engaging with municipal authorities to invest the resources of the Mining Tax Fund in infrastructure projects that benefit our neighbouring communities.
- Collaborating with peers in the international and Mexican mining community to promote the benefits of the mining industry and responsible mining practices.

 See Community Relations in the Social and Sustainability Review, pages 81-84 for more information.

DESCRIPTION OF RISK LEVEL

We have maintained our social licence to operate in our communities. Continuing to maintain and protect this licence demands strong collaboration with the local community and stakeholders.

There are multiple examples of how years of protests and demands have led to the cancellation of projects not only in the mining industry, but also in Mexico in general. Objections are not only from local communities, but also from local and international NGOs as well as regulators working to meet high expectations and pressure from governments. We continue to perceive this complex issue as a high risk.

KEY RISK INDICATORS

- Number of local actions by non-governmental organisations (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 demonstrations against the mining industry.

RISK APPETITE

LOW

Risk rating (relative position)

2018: High (5)

2017: High (5)

LINK TO STRATEGY



CHANGE IN HEAT MAP



6. SAFETY

RISK DESCRIPTION

It is an inherent risk in our industry that incidents due to unsafe acts or conditions could lead to injuries or fatalities.

Our people face risks such as fire, explosion, electrocution and carbon monoxide poisoning, as well as risks specific to each mine site and development project. These include rock falls caused by geological conditions, cyanide contamination, and heavy or light equipment collisions involving machinery or personnel.



RESPONSE/MITIGATION

Regrettably, we suffered five fatal accidents during 2018, three of them in the last quarter of the year, meaning that we were very far from achieving our goal of zero fatalities. Management has continued to take serious actions to address and prevent the root causes of fatal accidents and strengthened our safety initiatives. These include:

- The continuing roll out of the 'I Care, We Care' programme at our different mines to improve safety performance and develop competences in our supervisors. The programme aims to develop risk competency by educating leaders, supervisors and the workforce. It fosters coaching and positive incentives and a comprehensive review and enhancement of our Critical Control Risk Protocols and Emergency Response Teams; and the appointment

of a permanent specialist advisor in our top team who is in charge of safety, health and community issues and has the responsibility for addressing our unacceptable safety record.

The Total Recordable Injury Frequency Rate decreased to 20.47 in 2018 (vs. 23.22 in 2017) while the Lost Time Injury Frequency Rate increased to 8.64 (vs. 8.14 in 2017).

We continue to deliver training for both employees and contractors. Personnel received an average of 94 hours of training in 2018. 45 of these 94 hours involved HSECR training.

See Safety pages 73-74 for more on our safety strategy and programmes.



DESCRIPTION OF RISK LEVEL

Safety is continually monitored by the Board, which has always given it the highest priority. The Board oversees all accident investigations, ensuring that the appropriate actions are taken to improve safety systems and practices.

As a result of the unacceptable safety record in 2018, the Board and the management team have decided to increase the likelihood of this risk.

KEY RISK INDICATORS

- Accident rate.
- Days lost rate.
- Accident frequency:
 - Without lost time.
 - With lost time.
 - Fatalities.

RISK APPETITE

LOW

Risk rating (relative position)

2018: High (6)

2017: High (6)

LINK TO STRATEGY



CHANGE IN HEAT MAP



MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

7. UNION RELATIONS

RISK DESCRIPTION

The risk of union action or a deterioration in union relations at some sites may be possible. Internal union politics could impact us negatively, as could pressure from other mining unions that want to take over the Fresnillo labour contracts.



RESPONSE/MITIGATION

Our strategy is to integrate unionised personnel into each BU team. We achieve this by clearly assigned responsibilities and programmes for maintaining close relationships with unions at mine sites and at national level. We maintain close communication with union leaders at various levels of the organisation in order to: raise awareness about the economic situation the industry is facing; share our production results; and to encourage union participation in our initiatives regarding safety and other operational improvements. These initiatives include the safety guardians programme, alliances for obtaining certifications, integration of high productivity teams and family integration activities. During the year, we held six leadership workshops which were attended by 162 key union leaders at our business units, in order to improve their leadership abilities at the local union committees.

We are proactive and timely in our responses to the needs of the unions, and experienced no labour-related work stoppages in 2018. If required, we engage experienced legal counsel, both internal and external, to support us on labour issues. We will continue to closely monitor union and labour developments.



DESCRIPTION OF RISK LEVEL

During 2018, we continued to build on our good relations with unions at national and local levels, however recent developments have led us to increase our perceived level of risk driven by the potential changes to labour laws which might impact the way labour unions operate. At the time of this report's publication, the contractual revisions of our mines were carried out in a smooth manner without setbacks. Our executive management and the Board recognise the importance of union relations and follow any developments with interest.

KEY RISK INDICATORS

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

RISK APPETITE

LOW

Risk rating (relative position)

2018: Medium high (7)

2017: Medium low (8)

LINK TO STRATEGY



CHANGE IN HEAT MAP



8. EXPLORATION

RISK DESCRIPTION

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

In addition to the growing level of insecurity and access to land detailed in previous risks, other risks that may impact prospecting and converting inferred resources include: the lack of 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.

We also risk the loss of purchase opportunities due to insufficient speed in decision making.

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


RESPONSE/MITIGATION

During 2018, we invested a total of US\$181.2 million in exploration activities. Our objectives for 2019 include a budgeted risk capital investment in exploration of approximately US\$140 million. The approximate spending split is 43% for operating mines, 19% for exploration projects, 25% for prospects and regional prospecting and 13% for mining rights.

Our exploration strategy also includes:

- A focus on increasing regional exploration drilling programmes to intensify efforts in the districts with high potential.
- For local exploration, aggressive in-field activities to upgrade the resources category and 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, drone technology, remote sensing imagery and software for identifying favourable metallogenic belts and districts to be field-checked by the team.
- Drill-ready high priority projects.

 See pages 44-48 for more on our exploration programmes and investment.

DESCRIPTION OF RISK LEVEL

Maintaining a reasonable investment in exploration, even when metal prices are low, has been our policy through the years. While continuous investment has always been a hallmark of our exploration strategy, replenishing exploited reserves and increasing our total amount of resources could be a challenge in the future. During 2018 we saw a decrease in our total silver resources, especially at our mining operations.

Additionally, we are addressing certain issues with the geological model at the Fresnillo and Saucito mines.

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.

RISK APPETITE

MEDIUM

Risk rating (relative position)

2018: Medium (8)

2017: Medium (9)

LINK TO STRATEGY



CHANGE IN HEAT MAP



MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

9. PROJECTS (PERFORMANCE RISK)


RISK DESCRIPTION

The pursuit of advanced exploration and project development opportunities are core to meeting our strategic goals. However, they carry certain risks:

- **Economic viability:** the 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; they may not be constructed in accordance with the required specifications or there may be a delay during construction; and 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, the metallurgy of the mineral bodies, the investment required in general infrastructure (e.g. roads, power, general services, housing) and the 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, and undertake stochastic and probabilistic analysis.
 - **Qualitative:** the alignment of the investment with our strategic plan and business model; synergies with other investments and operating assets; and the implications for safety, security, people, resourcing and community relations.
- We closely monitor project controls to ensure that we deliver approved projects on time, on budget and in line with the 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.
- The project development pipeline in 2018 included:
- Completion of the first stage of the Pyrites plant project (leaching plant at Saucito).
 - The Centauro Extension, including a second line of the Dynamic Leaching Plant, at Herradura.
 - The conclusion of a feasibility study at Juanicipio and the start of discussions regarding construction and operations agreements. Approval of the project is anticipated in due course.
-  See development projects on page 49 for more information.

DESCRIPTION OF RISK LEVEL

Our investment governance process and system of capital project controls remain in place, safeguarding our ability to deliver growth through development projects. During 2018, we commissioned the 2nd Dynamic Leaching Plant, with some delays due to the testing period taking longer than expected. We anticipate construction of Juanicipio commencing in 2019. Several factors have led us to perceive a lower level of risk for Juanicipio compared to San Julián, these include a lower level of investment, easier access to infrastructure and the site's proximity to current operations.

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.

RISK APPETITE

MEDIUM

Risk rating (relative position)

2018: Medium (9)

2017: Medium (7)

LINK TO STRATEGY



CHANGE IN HEAT MAP



10. CYBER SECURITY

RISK DESCRIPTION

We recognise the importance of the confidentiality, continuity, integrity and security of our data and production systems.

As a mining company, we may be under threat of cyber attacks from a broad set of attacker groups, from ‘hacktivists’ and hostile regimes to organised criminals.

Their goals include a desire to take advantage of the role that mining plays in regional and global supply chains as well as in national economies. Certain groups may also attempt to exploit vulnerabilities created by the industry’s heavy reliance on automated operational systems. In our case, this could include initiatives such as Operations Technology and Information Technology (OTIT) Integration and Digital Mine (see pages 50 to 65).



RESPONSE/MITIGATION

During 2018 we developed a set of initiatives under our ‘Cyber Security Programme & Threat Assessment’ project, supported by external advisors. The objective of the programme is to identify the cyber security risks to which our Company is exposed to and align them to our mission and business strategy.

In line with best practice, our approach is based on two key frameworks:

- The US National Institute of Standards and Technology Cyber Security Framework (NIST CSF) which outlines how companies can assess and improve their ability to prevent, detect and respond to cyber attacks.
- Control Objectives for Information and Related Technologies (COBIT), which was created by ISACA, the international professional association for IT management and governance, to provide an implementable set of IT-related controls, processes and enablers.

Our approach will also be based on the MITRE ATT&CK™ which is used as a foundation for the development of specific threat models and methodologies in the private sector, in government, and in the cyber security product and service community. A governance model, continuous risk assessment and Information Security policies will form the basis for our OTIT operational assurance which will support the digital transformation of Fresnillo in the coming years.



DESCRIPTION OF RISK LEVEL

As cyber security is an increasing threat to the industry, the Audit Committee continues to monitor and oversee this risk.

Our plan for 2019 is to focus our efforts on risk mitigation projects designed to protect information and key assets, according to the risk appetite set by management.

KEY RISK INDICATORS

- Total number of cyber security incidents affecting our Company.
- Number of media mentions related to cyber security issues affecting the mining industry.

RISK APPETITE

LOW

Risk rating (relative position)

2018: Medium (10)

2017: Medium (10)

LINK TO STRATEGY



CHANGE IN HEAT MAP



MANAGING OUR RISKS CONTINUED

RESPONSE/MITIGATION TO OUR RISKS

11. ENVIRONMENTAL INCIDENTS

RISK DESCRIPTION

Environmental incidents are an inherent risk in our industry. These incidents include the possible overflow or collapse of tailing deposits, cyanide spills and dust emissions, any of which could have a high impact on our people, communities and business.

RESPONSE/MITIGATION

Our environmental management system ensures compliance with Mexican regulations, provides transparency, and supports initiatives that reduce our environmental footprint.

Four of our five mining units are certified under ISO 14001 and have Clean Industry certification; our San Julián mine is currently in the process of obtaining both.

Our leaching operations in Herradura and Noche Buena operate in compliance with the Cyanide Code issued by the International Cyanide Management Institute.

The recent disaster in Brazil has led to increased focus on the issue of tailings dam safety across the global mining industry, and motivated us to review our controls to mitigate this risk.

Our controls include carrying out a number of studies to confirm that an area is suitable prior to the construction of a dam. These studies include geotechnical, geological, geophysical, hydrological and seismic analysis. Prior to construction, the CNA (National Commission for Water) undertakes various studies and continues to periodically review dams in relation to environmental impacts, on an ongoing basis.

Evidence that the Company continues to comply with all the CNA's parameters is the fact that all permits are still held by Fresnillo plc. In addition, management carries out thorough internal and third party reviews for all tailings dams within the Group. Furthermore, management continues to take actions to mitigate this risk, for example by engaging a third party to conduct a design stability assessment before a tailings dam is approved for an increase in capacity, and to carry out regular tests throughout the lifetime of the dam.

We rigorously adhere to the requirements established by each project's environmental permit (Environmental Impact Statement issued by the Ministry of Environment, SEMARNAT). We also continue to support contractors in their efforts to integrate environmental management systems.

 See our performance in our Environment section on pages 76–80 of this report.

DESCRIPTION OF RISK LEVEL

Our environmental management system, together with our investment in preventative measures and training, are key factors which reduce the risk of major environmental incidents. Based on the perceived level of risk due to the recent severe and catastrophic industry developments, the Board has decided to increase the severity of this risk.

KEY RISK INDICATORS

- Number of 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).

RISK APPETITE

LOW

Risk rating (relative position)

2018: Medium low (11)

2017: Low (12)

LINK TO STRATEGY



CHANGE IN HEAT MAP



12. 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 sufficient infrastructure, machinery, performance track record and skilled people is also a risk that could impact our ability to develop and construct mining works.



RESPONSE/MITIGATION

Recruitment: we have assessed our hiring requirements for key positions for 2019, and aim to meet them by 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. We welcomed 137 professional practitioners, 57 trainees and scholarships and 173 engineers to our coaching programme.
- CETEF (Centre for Technical Studies Fresnillo) which teaches specific mining operational skills. All 10 graduates hired in 2018 joined as full-time employees.
- CETLAR (the Peñoles Centre for Technical Studies) which trains mechanics and electrical technicians. All eight graduates were hired as full-time employees in 2018 across Fresnillo's business units.

During 2018 we contracted 83 experienced personnel to fulfil our requirements.

Retention: Our aim is to be the employer of choice, and we recognise that in order to be a profitable and sustainable company, we have to generate value for our employees and their families. We do this by providing a healthy, safe, productive and team-oriented working environment that not only encourages our people to fulfil their potential but also supports process improvements.

Our focus is on continuous improvement, driven by training, development and personal growth opportunities; in summary our focus is on fair hiring, fair remuneration and benefits and gender equality as described in the Our People section on pages 69 to 70. We again received the Great Place to Work award, among companies with more than 5,000 employees. During 2018, 143 employees were promoted (13% of our structure at a professional level) and 58 transfers took place between business units. As we explain in the Corporate Governance section, we are currently considering how best to enable employee engagement at Board level, which we believe will support improved retention rates.

Performance: We have continued our performance evaluation process, reinforcing formal feedback. We promote the certification of key technical skills for operational personnel, and the administrative and leadership skills development programme for required positions. We develop our high potential middle managers through the Leaders with Vision programme.

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 80 of our contractor companies into the self-management Programme on Health and Safety at Work (PASST), promoted by the Mexican Secretariat of Labour and Social Welfare (STPS). Of these companies, 55% have been certified, and 45% are in the process of being certified.



DESCRIPTION OF RISK LEVEL

We aim to carefully align our human resources with our operational and growth requirements. We believe that we have currently achieved this alignment, due to the success of activities including our ongoing university recruitment and employee retention strategies.

Contractor resourcing continues to be a major challenge. We maintain a broad base of contractors in order to provide us with operational flexibility, and aim to professionalise them to the same level as our own employees.

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 BU.

RISK APPETITE

MEDIUM

Risk rating (relative position)

2018: Low (12)

2017: Low (11)

LINK TO STRATEGY



CHANGE IN HEAT MAP



VIABILITY STATEMENT AND GOING CONCERN STATEMENT

In accordance with provision C.2.2 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 12 months required by the going concern statement, management prepared a viability analysis which was assessed by the Board for approval.

The Directors reviewed the viability period and confirmed that a five-year period to December 2023 remained suitable, in line with the nature of planning in the mining industry and the Company's five-year forecast period normally used to evaluate liquidity and contingency plans. It allows us to model capital expenditure and development programmes planned during the timeframe, and reflects cash flows generated by the projects currently under development. Due to the long business cycles in our industry, the Directors considered that a shorter time period would be insufficient.

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 our 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 29, the following are the most important:

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

It was determined that none of the individual risks 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 the risk could occur) and velocity (the speed with which the impact of a risk could be felt):

Scenario 1: Impact of metal prices and 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\$1,179 – 1,292 per gold oz. and US\$14.7 – 18.2 per silver oz. To create this impartial projection for the future low metal price environment, the Directors used an average of the three lowest forecasts from each year of the assessment, based on consensus estimates published by institutional financial analysts. This low metal price environment was deemed to be the most significant risk and pervasive across the Company. (Principal risk)

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 ramped back up and re-established to full capacity. (Singular event)

Scenario 3: Tailings deposit breach at a mine. A tailings deposit 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)

Scenario 4: Flooding at a mine. An unforeseen fault containing water is cut into, with water then entering the mine in excess of pumping capacity, thereby halting production of one of the main areas in the mine. The ramp-up to pre-event production 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 the authorities to suspend the mine's explosives permit. Production is halted while an investigation into the matter is completed. Once permits have been restored, production ramps back up to pre-event levels. (Principal risk)

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)

Scenario 7: The removal of concessions by the Government at a mine. Congress approves a new law enabling the Ministry of Economics to withdraw a concession. It is determined that a negative social impact took place following the rupturing of a cyanide tank, leading to the poisoning of the surrounding community. The Government withdraws all permits and mining concessions, with no intention of reinstating them in the future. This leads to the permanent closure of the mine for the duration of the viability period, while mitigating actions are undertaken. (Principal risk)

The hypothetical scenarios above are extremely severe in order to create 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. Should any of these scenarios take place, various options are available to the Company in order to maintain sufficient liquidity to continue in operation.

When quantifying the expected financial impact and remediation time required for each of these risks, management performed benchmarking against the Group's own experience and against publicly available information on relevant, similar incidents in the mining industry.

It is currently anticipated that all or part of the US\$800 million Senior Notes issued in 2013 will be refinanced. However, to take into account the possibility that market conditions at the time will not permit refinancing on acceptable terms, all the scenarios outlined above, including such that used depressed metal prices, assume that Senior Notes are paid in full in 2023, in accordance with their maturity.

All scenarios were first evaluated using average metal prices¹, there were no mitigations necessary, it was decided that there was no threat to the viability of the Company. 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.

When these scenarios were re-modelled, liquidity problems arose reflecting a

negative cash balance in some periods. Nevertheless, by applying certain mitigating actions that the company has identified, these problems were successfully alleviated, allowing for the continuity of the Company's operations.

The lowest cash balance level was identified in scenario number three, in combination with the low metal prices scenario. This scenario presents a negative cash balance from 2020, with the lowest cash balance in 2023 (US\$-283m). If this scenario materialises, the Company can undertake the following mitigating actions: deferral of investments in the Orisyvo project during the viability period and a considerable reduction in exploration expenses in 2020, which would result in this scenario maintaining a positive cash balance throughout the viability period, with a minimum cash balance of US\$7 million during the second year (2020).

Risk management and internal control systems are in place (page 28) throughout the Group. Through the internal control systems, the Directors monitor key variables that have the ability to impact the liquidity and solvency of the Group, and we are

confident that management is able to sufficiently mitigate any situations as they might occur.

Risk mitigation and control measures in place include a Crisis Committee, while the Board would also be briefed and convened as necessary, in order to respond to events as they develop. Dedicated personnel for managing media, engaging with authorities and other stakeholders are appointed at each level of the organisation, depending on the magnitude of the crisis.

Based on the results of this analysis, 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.

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 14 to 97. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review in pages 85 to 97. In addition, note 30 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 forecasts for the period to 31 December 2020. In addition, they reviewed a more

conservative cash flow scenario with reduced silver and gold prices of US\$14.8 and US\$1,187 respectively throughout this period, while maintaining current budgeted expenditure while only considering projects approved by the Executive Committee. This resulted in our current cash balances reducing over time but maintaining ample liquidity throughout the period.

The Directors have further calculated prices (US\$14.2 and US\$1,110 for silver and gold respectively), which should they prevail to the end of 2020, would result in cash balances decreasing to minimal levels by the end of 2020, without applying mitigations.

Should metal prices remain below the stressed prices above for an extended period, management has identified specific elements of capital and

exploration expenditures which could be deferred without adversely affecting production profiles throughout the period. 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.

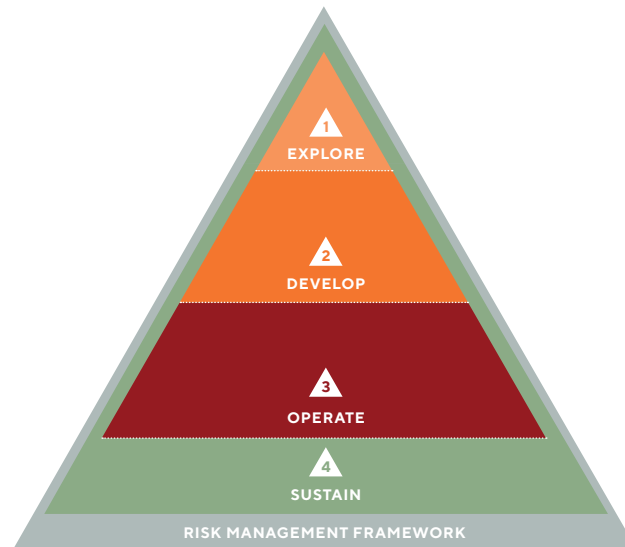
After reviewing all of the above considerations, the Directors have a reasonable expectation that management has sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt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

1 The average metals price derived from a range of Financial Institutions analysis as of December 2018.

REVIEW OF OPERATIONS

A STRONG GROWTH PIPELINE

Our growth pipeline is key to our ongoing strategy of organic growth. The graphic below shows all our operations, projects and prospects across all stages.



Prospects & exploration

We ensure business continuity and growth by replenishing depleted reserves and maintaining a robust growth pipeline.

Prospects in drilling

Fresnillo District, Tajitos, Candameña, Guachichil, Pilarica (Peru), San Juan, Guazapares, Olivos, Lucerito, Minitas, Cebadillas, La Yesca, Dátil, Norias, Argentum.

Early stage exploration

Sonora and Sinaloa: Nudo, Lejano,

Carina, Cerritos, Rosario, Elena, San Manuel, Santo Niño.

Chihuahua: Rosetillas, SJ Pinal, Lucero, Tempisque, Uruachi.

Durango: Canelas-VTopia, El Carmen.

Zacatecas: Urite, Atotonilco, Corredor Concha-Nieves, Villa García.

Peru: Sto. Domingo, La Pampa, Supaypacha, Alto Dorado.

Chile: Condoriaco, Capricornio.



Development, feasibility & advanced exploration projects

We deliver growth through our development projects:

Development projects

Pyrites plant
Cebollitas Cluster
Centaurus Extension
Juanicipio

PEA – Feasibility

Centaurus Deep
Orisyvo

Advanced exploration

Guanajuato
Rodeo



Mines in operation

We continually focus on greater efficiency across our assets in order to deliver high levels of production and maximise the potential of existing operations.

Fresnillo
Saucito
Herradura,
Noche Buena
Ciénega-San Ramón
Soledad & Dipolos¹
San Julián

See pages 45-47.

See pages 46-49.

See pages 50-65.

¹ Operations at Soledad & Dipolos are currently suspended.



Exploration sits right at the heart of our commitment to advancing our pipeline in order to provide a solid platform for future success.

HIGHLIGHTS OF 2018

- Continued exploration activities at all existing mines, with special emphasis on infill drilling in the Fresnillo District.
- Continued negotiations for access to land at advanced projects.
- Rolled out our communication programmes to explain the benefits of mining, across all of our operations.
- Continued deep drilling at Juancipio.
- Concluded the feasibility study at Juancipio and carried out a pre-feasibility study at Centauro Deep.
- Initiated a preliminary economic assessment at Orisyvo and Guanajuato.

PRIORITIES FOR 2019

- Carry out preliminary economic assessments at Tajitos and San Juan.
- Continue the preliminary economic studies at Guanajuato and Orisyvo.
- Implement parametric drilling at two projects in Chile and one project in Peru.
- Test-drill new targets that have been identified at San Julián, Fresnillo and Guanajuato.

Unlike the majority of mining companies in Mexico or elsewhere, Fresnillo has been built on a long-term commitment to exploration. Where others seek to grow mainly through acquisition, we focus on creating our own pipeline of reserves and resources. Where they bend when the economic winds change direction, we remain firm in our belief that steady, consistent and significant investment in exploration across all precious metals price cycles is the best way to deliver our growth ambitions.

Our focus remains on Latin America, maximising the geological potential in and around our current operations, while looking to locate and consolidate new districts in Mexico, Chile and Peru that indicate favourable gold-silver potential.

A HIGHLY EXPERIENCED TEAM...

In terms of exploration, 2018 was no different to any year since the IPO, as we again drew extensively on all the skills and experience of our specialists. This team of over 100 geologists in Mexico, Peru and Chile – supported by 40 specialists in claims management, negotiation, community relations and environmental control, as well as 250 assistants drawn from local communities – has access to realistic budgets and is hugely respected across our industry. The team comprises a well-balanced mix of senior and junior professionals, many of whom have been with us since our first days.

...BACKED BY TECHNOLOGY AND GUIDED BY STRICT CRITERIA

We ensure that our team is provided with the tools to do their job at all times by investing in training and technology across price cycles. Through a systematic approach to selecting targets, the latest geospatial, geological, geochemical and geophysical technologies, including satellite imagery and hyperspectral surveys, among others, constitute the foundations that increase the probability that our geologists will make the next discovery.

Our approach is to evaluate opportunities within existing mines and at new locations against a set of strict criteria – including a minimum potential of 150 moz of silver or 2 moz of gold for standalone projects – to ensure they meet our operational and revenue objectives. We also evaluate further factors before commencing activities, such as ore grades, metallurgical recoveries, extraction costs, environmental impact and community costs. Only those projects that score well against these requirements receive a green light. Our experienced exploration team has been responsible for our most significant breakthroughs, such as those at San Julián and Saucito, and is ideally qualified to identify and develop future mines.

2018 PERFORMANCE

MEXICO

During 2018, our exploration activities were focused around our existing mines, notably Herradura, Fresnillo, Ciénega and San Julián with these mines continuing to indicate further potential.

In terms of projects, drilling campaigns were carried out at the San Julián South, San Juan, Guanajuato, Pilarica and Juancipio projects. These projects have further potential, and will continue to be targeted by our exploration programmes during 2019. In addition, our mapping processes have located new targets in the Fresnillo, Herradura, Ciénega and Guanajuato Districts, while an airborne geophysical survey also located areas for follow-up work at San Julián.

REVIEW OF OPERATIONS CONTINUED

PERU AND CHILE

Though still at early stages, our exploration strategy to diversify away from Mexico into other Latin American countries continues, with some exciting progress made during 2018. In Chile, 30 properties were evaluated and of these, two gold-silver properties were optioned late in the year and will be drill tested in 2019. We are also actively exploring Chile's Coastal Palaeocene Gold-Silver Belt and several districts have been evaluated to date between Antofagasta and La Serena.

The main challenge for our exploration team during the year was again access to land – and we continue to work closely with communities across our portfolio. For example, permitting for drilling at two Peruvian properties has been temporarily delayed by the local consulting process.

RESERVES AND RESOURCES

To estimate resources and calculate reserves, we use the 2012 edition of the JORC code. We continued to use a gold price of US\$1,250/oz across our operations, including at our open pit operations, while the price used for silver resources and reserves remained at US\$17.0/oz.

Silver reserves decreased 5.1% (501.7 moz in 2017 vs. 476.0 moz in 2018) due to depletion of higher grade material at San Julián and to a lesser extent, a lower estimated tonnage at Saucito. An infill drilling programme to convert resources to reserves will be accelerated at these areas. Gold reserves also decreased, falling 6.0% from 11.7 moz to 11.0 moz in 2018 mainly due to depletion at Noche Buena, Herradura and San Julián.

Silver resources decreased 5.0% from 2.3 boz to 2.2 boz, mainly driven by a lower grade and tonnage at Saucito. Gold resources increased 1.5% (38.5 moz vs. 39.1 moz) during the year due to an increase in resources at Centauro Deep, which more than offset decreases at Ciénega, Noche Buena and Saucito.

The consolidation of mining districts is one of our key strategies, and allows us to leverage local knowledge and shared infrastructure. The following section examines the exploration potential of each of our four principal districts, as well as key development projects in our pipeline.

FRESNILLO DISTRICT

As a pre-eminent silver mining district located in the heart of Mexico, this region is largely responsible for our standing as the largest producer of silver in the world. The district's strengths include a long history of mining activities, a skilled workforce and good infrastructure. Our team of geologists has harnessed these advantages, while leveraging their own local and regional knowledge, in order to maximise the district's long-term potential. During 2018, 196,651 metres of drilling was carried out in the area.

Juanicipio is a standalone joint venture project, located just eight kilometres from the Fresnillo mine. Our Company owns 56%, with MAG Silver owning the remaining 44%. The project will be presented for Board approval in 2019 and it is expected to be commissioned in 2H 2020.

Please see overleaf for more details about Juanicipio.

HERRADURA DISTRICT

Located in the north west of Mexico, the Herradura district is home to the Herradura, Noche Buena and Soledad-Dipolos mines as well as Centauro Deep, a strategically important project located below the existing Centauro pit at Herradura. The district accounted for just under 70% of our total gold production in 2018.

Exploration continues to focus on brownfield targets, particularly on Centauro Deep, where gold resources increased by 1.1 moz.

CIÉNEGA DISTRICT

Situated in the Sierra Madre mountain range, this district contains our most polymetallic mine, Ciénega, in addition to the San Ramón and Taspana satellite mines. We have carried out several comprehensive brownfield exploration programmes in the district, and these have identified a number of targets. The projects that have shown the greatest potential are now undergoing further analysis.

Last year, the exploration campaign was intensified at the Taspana and Tajos veins, where mining and preparation works are advancing at a good pace. In 2019, our plans are to continue exploring the Taspana and Tajos veins as well as the east extension of the principal Ciénega vein.

SAN JULIÁN DISTRICT

Located on the Chihuahua and Durango border, San Julián began life as a greenfield project just over ten years ago. The mine was fully commissioned in July 2017 following a US\$515 million capital investment programme.

Our exploration team continues to explore and identify new targets in the area through our district consolidation strategy. In 2018 alone, by deploying an integrated approach that combines geophysics, geochemistry, geology and drilling, we were able to increase our silver resources by just under 20 moz, endorsing our view that San Julián has the potential to become established as an entirely new mining district, underpinning our long-term goals.

The 2019 programme includes following up on geochemical and geophysical targets in the northern part of the district, where surface exploration work is ongoing.

Exploration is a key competitive advantage and the foundation for the future.

Project	Location	2018 Drilling (metres)	Mineral Resources (attributable)	Status
Guanajuato	Guanajuato	58,294	2018: 1,209 koz Au and 80 moz Ag Change versus 2017: ⬆️ 219 koz Au; ⬆️ 11 moz Ag	In drilling, PEA ¹
San Julián Sur	Chihuahua/ Durango	48,181	2018: 577 koz Au and 53 moz Ag Change versus 2017: ⬆️ 147 koz Au; ⬆️ 20 moz Ag	In drilling, integrated exploration: geophysics, geochemistry and geology
San Juan	Durango	19,438	2018: 550 koz Au and 51 moz Ag Change versus 2017: ⬆️ 71 koz Au; ⬆️ 13 moz Ag	In drilling
Candameña	Chihuahua	-	2018: 1,298 koz Au and 32 moz Ag Change versus 2017: ⬇️ 4 koz Au; ⬆️ 0.13 moz Ag	In drilling, metallurgical studies and PEA; metal prices update ²
Tajitos	Sonora	28,898	2018: 479 koz Au Change versus 2017: ⬆️ 63 koz Au	In drilling, PEA
Fresnillo District	Zacatecas	61,756	Huizache vein (Additional resources in drilling not estimated yet)	In drilling, Saucito resource expansion
Centauro Profundo	Sonora	8,305	2018: 1,802 koz Au Change versus 2017: ⬆️ 1,138 koz Au	In drilling, model update
Orisyvo	Chihuahua	12,502	2018: 9,609 koz Au and 12 moz Ag Change versus 2017: nil	In drilling, exploring areas near the main resource
Lucerito	Durango	-	2018: 2,239 koz Au and 159 moz Ag Change versus 2017: ⬇️ 60 koz Au; ⬇️ 4 moz Ag	Standby ³ , metal prices update
Rodeo	Durango	-	2018: 1,215 koz Au and 11 moz Ag Change versus 2017: nil	Land acquisition
Juanicipio	Zacatecas	22,668	2018: 862 koz Au and 150 moz Ag Change versus 2017: ⬆️ 86 koz Au; ⬆️ 11 moz Ag	In drilling, feasibility study
Guachichil	Zacatecas	-	2018: 1,180 koz Au and 18 moz Ag Change versus 2017: ⬇️ 8 koz Au; ⬇️ 170 koz Ag	Access permit in process, metal prices update
Pilarica	Peru	16,227	2018: 110 koz Au and 53 moz Ag Change versus 2017: ⬆️ 19 koz Au; ⬇️ 1.4 moz Ag	In drilling, PEA
Leones	Chihuahua	-	2018: 26 moz Ag Change versus 2017: nil	Standby ³
Manzanillas	Durango	-	2018: 141 koz Au and 3 moz Ag Change versus 2017: nil	Standby ³
Cebadillas	Nayarit	-	2018: 165 koz Au and 4 moz Ag Change versus 2017: nil	Standby ³
La Yesca	Jalisco	-	2018: 27 koz Au and 5 moz Ag Change versus 2017: nil	Standby ³
San Nicolás	Guerrero	-	2018: 112 koz Au and 16 moz Ag Change versus 2017: nil	Standby ³
Guazaparez	Chihuahua	18,483	-	In drilling
Uruachic	Chihuahua	-	-	In drilling
Olivos	Sonora	18,138	-	In drilling
Las Pampas	Peru	-	-	In drilling
Others	Mexico & Peru	33,565	-	-

1 Preliminary Economic Assessment.

2 No new resources model; updated metal prices only.

3 Not currently a major priority.



JUANICIPIO

ADVANCED EXPLORATION PROJECT



2019 PRIORITIES

- Continue development of the mine.
- Submit the project for Board approval.
- Initiate construction, subject to Board approval.

Ownership: **56% Fresnillo plc, 44% Mag Silver**

Location: **Zacatecas, Fresnillo District**

Facilities: **Underground mine and flotation plant**

Commercial production: **2H20**

Anticipated production: **Annual average of 10 moz silver and 30 koz gold¹**

Total Capex: **US\$305 million² (Fres: US\$171 million)**

ABOUT THE PROJECT

Juanicipio is a joint venture project, with Fresnillo owning 56% and MAG Silver Corp owning the remaining 44%. This is a standalone project, located just eight kilometres from the Fresnillo mine, to be constructed, developed and operated by Fresnillo plc.

The Juanicipio deposit consists of two main vein systems, the Valdecañas vein system and the Juanicipio vein, which are significant silver-gold epithermal structures.

The Valdecañas vein system displays the vertical grade transition typical of the principal veins in the Fresnillo district, observed as a change from silver and gold-rich zones at the top to increased lead and zinc in the deeper reaches.

KEY DEVELOPMENTS IN THE YEAR

The new feasibility study was concluded in 2H18 and this, together with the engineering, procurement, construction and management agreements, were reviewed by the Technical Committee of Juanicipio.

The project is expected to gain Board approval in due course and construction will commence later in 2019.

During the year, exploration and development of the mine continued to move forward, with 6,636 metres of development works completed. Additionally, towards the end of the year, in anticipation of project approval, we initiated discussions with contractors and also with suppliers of equipment with lengthy delivery times, in order to reduce the risk of delays.

CASE STUDY

Advancing our pipeline

Drilling activities over the last 12 months have given us greater understanding of the potential at Juanicipio – endorsing the value of our strong, continuing commitment to exploration across all price cycles and in all economic environments.

Additional drilling at Juanicipio during the year has improved the geological model, generating a better understanding of the structure of the

vein system. This has given us extra confidence when estimating the resources and reserves at the project.

Historically, most drilling activity in this area has targeted north-west trending veins, such as the San Carlos vein at Fresnillo or the Jarillas vein at Saucito. At Juanicipio, however, our team has also identified a vein running north-east which is perpendicular to all the other veins in the district. This discovery has opened up the possibility of similar trending veins nearby, and we will seek to identify these in the months ahead. In addition, a hyper-spectral survey

has detected that the Juanicipio veins extend beyond the claim boundary to the north and onto our land at Fresnillo, again endorsing the potential that our Company has in this area.

The mine at Juanicipio will be approved for development in due course and we look forward to construction activities beginning later in 2019, with operations commencing in 2H 2020.

¹ Pre-feasibility study 2012.

² Represents 100% of investment (56% Fresnillo plcs, 44% Mag Silver) according to pre-feasibility study 2012.

PYRITES PLANT

DEVELOPMENT PROJECTS



Commissioning of phase II of the Pyrites plant set for 2H 2020.

TIMELINE

- Construction of the leaching plant of the Pyrites plant at Saucito (phase I) was commissioned in 2Q 2018 and started operations immediately afterwards.
- Construction of the flotation plant at the Fresnillo mine (phase II) is now expected to be concluded by 2H 2020, due to minor delays caused by a longer than anticipated permitting process.

2019 PRIORITIES

- Continue construction of the tailings flotation plant at Fresnillo.

2019 BUDGETED CAPEX US\$

49m

TOTAL CAPEX TO DATE US\$

79.5m

Ownership: **100% Fresnillo plc**

Location: **Zacatecas, Fresnillo District**

Facilities: **Leaching plant at the Saucito mine, flotation plant at the Fresnillo mine**

Commercial production: **2Q 2018 (phase I), 2H 2020 (phase II)**

Anticipated production: **Annual average of 3.5 moz silver and 13 koz gold**

Capex: **US\$155.0 million**

ABOUT THE PROJECT

The construction of the 2,000 tpd Dynamic Leaching Plant to process tailings from the Saucito mine was completed in 2Q 2018 and contributed 977 koz silver and 3.6 koz gold in 2018 (see page 54). The construction of a 14,000 tpd tailings flotation plant to process the historical and ongoing tailings from the Fresnillo mine continued, and this US\$53.8 million facility is expected to be commissioned in 2H 2020. Other facilities considered within the capex of this project were the flotation cells at Saucito, which were installed when constructing Saucito II, a central laboratory for the Fresnillo district and auxiliary buildings.

The Pyrites plant is expected to improve overall recoveries of gold and silver, and to therefore maximise production in the Fresnillo district. Production is expected to total an average of 3.5 moz silver and 13 koz gold per year once both phases are operating at full capacity.

The second phase, a flotation circuit, will treat the ongoing and historical tailings from the Fresnillo mine to produce a pyrites concentrate which will be sent to a filtration plant and then on to the leaching plant at Saucito, the final part of the process to produce the precipitates.

KEY DEVELOPMENTS IN THE YEAR

The leaching plant at Saucito, the first phase of the project, was commissioned with a delay of only a few months following a US\$54.6 million investment, which was in line with the budget. Preparations for the second phase, a tailings flotation plant at the Fresnillo mine advanced, with detailed engineering and modelling of the various structures being concluded, while civil works and the foundations of the plant began.



MINES IN OPERATION



2018 OBJECTIVES

- Continue stabilising ore grades and ore throughput.
- Maintain development rates at current levels in the short term, while increasing them in the medium and long term.
- Carry out intensive infill deep drilling to increase certainty in operational planning.
- Expand flotation area at the beneficiation plant.
- Continue deepening the San Carlos shaft.

2018 PERFORMANCE

- The silver ore grade decreased due to differences versus the geological model and increased dilution; ore throughput remained steady year-on-year.
- A new contractor was hired, however development rates declined due to lower productivity from other contractors and equipment failures.
- 70,322 metres of infill drilling was carried out.
- Continued preparation of the infrastructure for the expansion of the beneficiation plant.
- 247 metres deepening of the San Carlos shaft.

2019 OBJECTIVES

- Continue the infill drilling programme to improve the accuracy of the geological model.
- Enhance management controls.
- Increase development rates to over 3,000 tpd in the short term and commence operating the tunnel boring machine.
- Continue deepening the San Carlos shaft.
- Continue construction of the tailings flotation plant.
- Install flotation cells at the beneficiation plant.

One of the world's oldest continuously operated mines, Fresnillo produced 24% of the Group's total silver in 2018 and generated 16.9% of total adjusted revenue.

Ownership: **100% Fresnillo plc**

Location: **Zacatecas**

In operation since: **1554**

Mine life (years): **8.6** (2017: 8.8)

Facilities: **Underground mine and flotation plant**

Milling capacity (2018): **8,000 tpd/2,640,000 tpy**

Workforce: **1,122 employees, 2,159 contractors**

	2018	2017	% change
MINE PRODUCTION			
Ore milled (kt)	2,443	2,447	(0.2)
Silver (koz)	15,117	16,512	(8.4)
Gold (oz)	42,290	38,784	9.0
Lead (t)	19,619	20,514	(4.4)
Zinc (t)	31,094	30,021	3.6
Silver ore grade (g/t)	214	229	(6.6)
TOTAL RESERVES			
Silver (moz)	176.7	179.7	(1.7)
Gold (koz)	566	590	(4.1)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	243	240	1.3
Gold (g/t)	0.78	0.79	(1.3)
Cut-off grade (g/t AgEq)	212	196	8.2
TOTAL RESOURCES			
Silver (moz)	812.0	812.8	(0.1)
Gold (moz)	1.83	1.85	(1.1)
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	339	320	5.9
Gold (g/t)	0.76	0.73	4.1
Cut-off grade (g/t AgEq)	131	93	40.9



View of the Fresnillo mine facilities.

KEY DEVELOPMENTS IN THE YEAR

Silver production decreased 8.4% from 2017, mainly due to the lower ore grade resulting from the limited access to certain high grade veins at the San Carlos and Candelaria area, as well as shortcomings in the geological model. Ore throughput remained broadly stable at 7,292 tpd, though still below the nameplate capacity of 8,000 tpd, due to delays in development. The average development rate for the year was 2,884 metres per month (2017: 3,366 metres per month), driven by lower productivity from contractors and mining equipment failures, interrupting drilling activities.

To address this, we continued to implement several initiatives which included: investing in infrastructure and equipment to accelerate preparation and development works; improving the maintenance programme to increase equipment availability; and conducting an infill drilling programme to improve the accuracy of the geological model and provide greater certainty to production estimates. We hired an additional contractor in 3Q 2018, which started to ramp up its contribution to the development rate in the last quarter, and we expect that this will help increase rates going forward.

For 2019, the silver ore grade is expected to be in the range of 210-220 g/t and the gold ore grade to be around 0.60-0.65 g/t, while lead and zinc ore grades are expected to continue increasing and be in the region of 1.15 - 1.25% and 2.35 - 2.40% respectively.

Productivity, currently calculated as tonnes of ore milled per person, decreased compared to 2017 mainly due to an increase in the number of unionised employees and contractors.

EXPANSION PROJECT

The project to increase plant capacity to 9,000 tonnes per day continued, with progress focused on the civil works, the detailed engineering and the construction of the steel infrastructure for the plant. The second stage of this project will continue into 2019, including the installation of additional flotation cells, with the final stage being the installation of the vibrating screens in 2020. This project will result in an additional annual average production capacity of three million ounces of silver once commissioned in 1H 2020.

Silver resources remained broadly unchanged due to the higher silver grade in resources resulting from the higher cut-off grade, offset by a decrease in the tonnage of measured and indicated resources due to depletion.

Silver reserves slightly decreased mainly due to not being able to replace ounces mined during the year.

CAPITAL EXPENDITURES

Total capex spend in 2018 was US\$121.1 million, primarily for mine development, sustaining capex, the deepening of the San Carlos shaft, the construction of the second phase of the Pyrites plant (see page 49) and the expansion of the beneficiation plant.

These same capex projects will continue to receive the majority of investment in 2019, though investments in technology continued to be reviewed and implemented during the year.

To date, work has begun to implement technologies including Track plus (Efficiently tracks personnel and mining equipment in real time from the Mine Operations Centre located above ground), Ventilation Plus (Ventilation optimised all through the underground mines, while maintaining gas levels within international standards) and MineOps Optimiser (monitors and optimises tasks carried out in our mines, and enables us to make accurate decisions in real time from a control room), with the MineOps programme expected to increase efficiency at the mine.

REVIEW OF OPERATIONS CONTINUED



Community football team at the Fresnillo recreational park.



Members of the team preparing the mine for the tunnel boring machine.

FINANCIAL PERFORMANCE

Financial highlights	2018	2017	% change
Adjusted revenue (US\$m)	378.3	421.3	(10.2)
Adjusted production costs (US\$m)	120.7	116.2	3.9
Segment profit (US\$m)	211.5	252.2	(16.1)
Capital expenditure (US\$m)	121.1	111.7	8.4
Exploration (US\$m)	18.2	17.9	1.7
Cost per tonne (US\$)	49.4	47.5	4.1
Cash cost (\$/oz silver)	0.5	0.7	(35.2)
Margin (\$/oz)	15.1	16.3	(7.4)
Margin (expressed as % of silver price)	97.1	95.8	

Adjusted revenue, excluding inter-segment sales, decreased by 10.2% to US\$378.3 million due to the 8.3% decrease in volumes of silver sold.

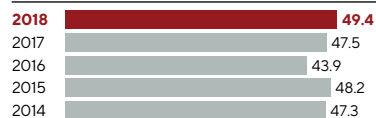
Cost per tonne increased 4.1% to US\$49.4 in 2018 mainly due to: i) cost inflation for this mine of 2.53% (largely related to contractors, personnel and operating materials); and ii) a greater number of contractors for maintenance to solve the problem related to equipment availability.

Cash cost per silver ounce decreased to US\$0.5 (2017: US\$0.7) due to higher by-product credits and lower treatment charges, partially offset by the lower silver ore grade and higher cost per tonne. Margin per ounce decreased 7.4% to US\$15.1, however, expressed as a percentage of silver price, it increased to 97.1% (2017: 95.8%).

See detailed breakdown on page 91.

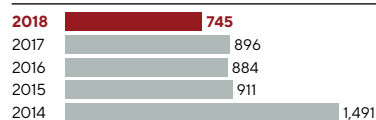
FRESNILLO US\$/TONNE MILLED

49.4



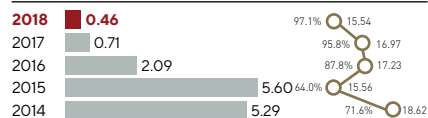
FRESNILLO ORE MILLED PER PERSON TONNES

745



FRESNILLO CASH COST SILVER US\$/OUNCE

0.5

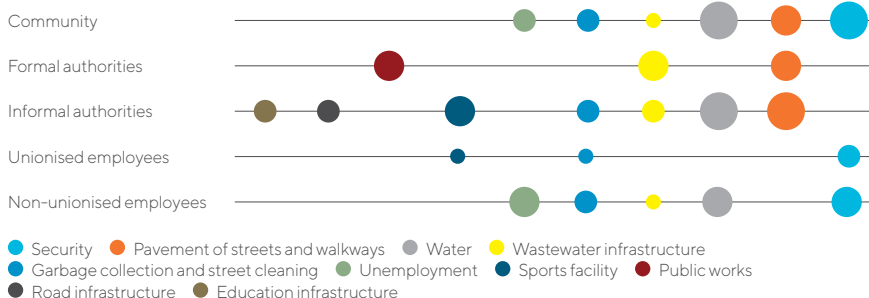


— Silver price
■ Cash cost
% Figures represent margin between cash cost and silver price

COMMUNITY PRIORITY ASSESSMENT

We engage communities through household surveys, interviews with leaders and focus groups to identify the issues that matter to them in order to identify risks and opportunities. Larger spheres represent greater importance to the individual stakeholder groups at Fresnillo.

STAKEHOLDER GROUP



● Security ● Pavement of streets and walkways ● Water ● Wastewater infrastructure
● Garbage collection and street cleaning ● Unemployment ● Sports facility ● Public works
● Road infrastructure ● Education infrastructure

CASE STUDY

Implementing infrastructure projects at the Fresnillo mine

One of the world's oldest continuously operated mines, Fresnillo has been producing silver for more than five centuries. However, recent years have seen production become more challenging in line with the deeper working levels that are an unavoidable feature of a mature mine.

Our response has been to implement a wide range of projects to enhance the mine's infrastructure and enable us to work more efficiently, more cost-effectively and at deeper levels.

For example, we recently invested in a vertical conveyor to reduce haulage distances. Installed at a cost of US\$12 million, the conveyor has helped cut the cost per tonne by 40 US cents, based on 1,500 tonnes mined.

We are also currently in the process of installing a US\$22.7 million tunnel boring machine that is expected to increase development rates by at least 300 metres per month and achieve payback in less than four years.

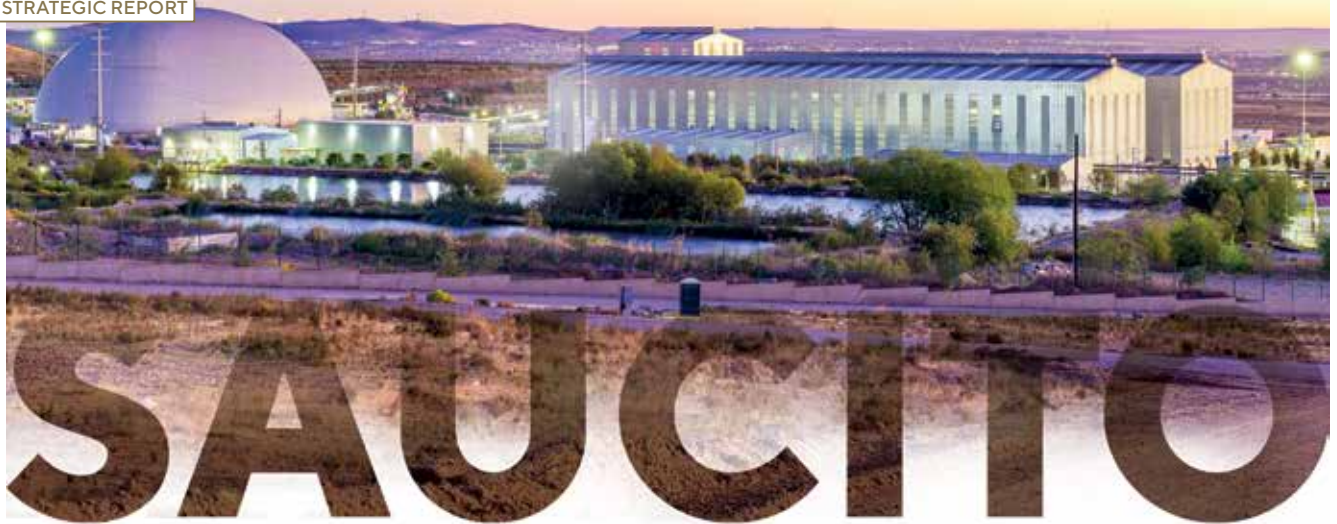
This state-of-the-art machine has been designed to our exact specification, and commissioning is anticipated during the second half of 2019.

In addition, we are implementing a new fleet management and mine control software solution that will give us greater visibility of mine operations. This software will monitor people, equipment, maintenance, drilling and haulage activities in real time and improve the performance of our own employees as well as contractors. This will be piloted in the San Alberto area of the mine during 2019.

We continue to invest in infrastructure to enable us to work more efficiently.



Vertical conveyor at Fresnillo.



MINES IN OPERATION



One of our most important assets, Saucito contributed 32% to total silver production in 2018 and generated 21.9% of total adjusted revenue.

Ownership: **100% Fresnillo plc**

Location: **Zacatecas**

In operation since: **2011**

Mine life (years): **5.3** (2017: 5.8)

Facilities: **Underground mine and flotation plant**

Milling capacity (2018): **7,800 tpd/2,600,000 tpy**

Workforce: **836 employees, 2,452 contractors**

2018 OBJECTIVES

- Maintain development rates.
- Conclude construction of the Pyrites plant.
- Initiate deepening of the Jarillas shaft.
- Intensify exploration to the south.

2018 PERFORMANCE

- Failed to maintain development rate due to poor contractor performance.
- Conducted 107,111 metres of infill drilling.
- Construction of the Pyrites plant was concluded with delays of a few months, followed by minor adjustments to the grinding process in 2H18.
- Initiated Jarillas shaft deepening.

2019 OBJECTIVES

- Intensify parametric drilling and continue infill drilling programme.
- Increase development rates.
- Continue deepening of the Jarillas shaft.

	2018	2017	% change
MINE PRODUCTION			
Ore milled (kt)	2,792	2,754	1.4
Silver (koz)	19,781	21,215	(6.8)
Gold (oz)	86,092	69,948	23.1
Lead (t)	22,662	17,714	27.9
Zinc (t)	29,506	20,348	45.0
Silver ore grade (g/t)	257	280	(8.0)
Gold ore grade (g/t)	1.25	1.09	14.7
TOTAL RESERVES			
Silver (moz)	130.3	133.2	(2.2)
Gold (koz)	679	708	(4.1)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	272	261	4.2
Gold (g/t)	1.42	1.39	2.2
Cut-off grade (g/t AgEq)	210	215	(2.3)
TOTAL RESOURCES			
Silver (moz)	428.2	513.6	(16.6)
Gold (moz)	1.9	2.1	(9.5)
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	271	280	(3.2)
Gold (g/t)	1.19	1.12	6.3
Cut-off grade (g/t AgEq)	141	117	20.5
PYRITES PLANT PRODUCTION			
Ore Processed (t)	131,780	-	N/A
Silver (koz)	977	-	N/A
Gold (oz)	3,556	-	N/A
Silver ore grade (g/t)	393	-	N/A
Gold ore grade (g/t)	2.8	-	N/A

KEY DEVELOPMENTS IN THE YEAR

Annual silver production decreased 6.8% compared to 2017 due to the lower than expected ore grade at higher grade stopes in the upper levels of the mine resulting from differences with the geological model and increased dilution.

Annual gold production increased 23.1% due to a higher ore grade. An intensive infill drilling programme is underway to improve the accuracy of the geological model and provide greater certainty to production estimates going forward.



MINES IN OPERATION



The San Julián silver-gold project is a cornerstone of our current and future production goals. In 2018 it contributed 24% to total silver production and generated 16% of total adjusted revenue.

2018 OBJECTIVES

- Obtain permits to construct a water reservoir.
- Intensify exploration.
- Expand tailings dam.

2018 PERFORMANCE

- Permits obtained and construction of the water reservoir has begun.
- Resources within the San Julián area of influence increased following an intensive exploration programme.
- Continued second stage of the expansion of the tailings dam.

2019 OBJECTIVES

- Conclude the construction of the water reservoir.
- Increase productivity through the implementation of a fleet management system.
- Continue exploration in area of influence.
- Continue implementation of 'I Care, We Care' programme.
- Obtain clean industry and International Cyanide Management Code Certification.

Ownership: 100% Fresnillo plc

Location: Chihuahua/Durango border

In operation since: 2H 2016 (Veins)/

Mine life (years): 3.5 Veins, 6.3

2Q 2017 (Disseminated Ore Body)

Disseminated Ore Body (2017: 9.0)

Facilities: Underground mine, flotation plant and a dynamic leaching plant

Workforce: 143 employees, 1,717 contractors

KEY DEVELOPMENTS IN THE YEAR

Silver and gold production at the San Julián veins decreased 8.5% and 4.3% vs. 2017 respectively, mainly due to the lower ore grade resulting from the depletion of high-grade areas. In contrast, silver production doubled at San Julián's Disseminated Ore Body and gold production increased 78.6% over 2017 as a result of the first full year of operations following its start up in July 2017.

In 2018, ore processed in the leaching plant at San Julián (Veins) remained broadly stable versus 2017 at 3,793 tpd, while ore throughput in the flotation plant at San Julián (Disseminated Ore Body) reached 6,631 tpd. This was achieved even though low water availability restricted processing capacity at San Julián (Veins) and temporarily affected the mining sequence at San Julián (Disseminated Ore Body) in 1H18.

Ore throughput at both plants is expected to decrease slightly in 2019, in accordance with the mine plan, but remain above nameplate capacity in the medium term.

In 2H18 we concluded an indigenous consultation, (see page 59). The first of its kind in Mexico, this was required in order to obtain the permits for the construction of a water reservoir that will provide a consistent source of water going forward.

The construction of this facility started in 4Q18 and is expected to be concluded in 2H19 following a US\$20 million investment.

The second stage of the expansion of the tailings dam, a downstream structure, was concluded at the end of 2018. In 2021 we expect to commence the third stage of the expansion, ensuring tailings dam capacity for a further five years.

In 2019, the silver ore grade at the San Julián Veins is expected to be in the range of 155-165 g/t and the gold ore grade is expected to average 1.6-1.7 g/t.

For the San Julián Disseminated Ore Body, silver ore grade is expected to be in the range of 160-170 g/t with the gold ore grade averaging around 0.09-0.10 g/t during 2019.

Gold and silver reserves at San Julián Veins decreased due to depletion of the higher grade areas. Gold and silver resources at San Julián veins decreased due to lower tonnage.

Silver and gold resources at San Julián Disseminated Ore body decreased due to lower tonnage and a higher cut off grade. Silver reserves decreased due to the same factors explained above.

	2018	2017	% change
MINE PRODUCTION			
Total production			
Gold (oz)	82,344	84,533	(2.6)
Silver (koz)	14,630	10,534	38.9
PRODUCTION SAN JULIÁN VEINS			
Ore milled (kt)	1,271	1,273	(0.2)
Silver (koz)	5,434	5,936	(8.5)
Gold (oz)	79,218	82,782	(4.3)
Silver ore grade (g/t)	144.1	157.2	(8.4)
Gold ore grade (g/t)	2.0	2.1	(4.8)
PRODUCTION SAN JULIÁN DISSEMINATED ORE BODY			
Ore milled (kt)	2,221	945	135.0
Silver (koz)	9,196	4,598	100.0
Gold (oz)	3,125	1,750	78.6
Lead (t)	6,101	3,598	69.6
Zinc (t)	22,027	7,849	180.6
Silver ore grade (g/t)	154.4	180.3	(14.4)
Gold ore grade (g/t)	0.1	0.1	0.0
Lead ore grade (%)	0.4	0.5	(20.0)
Zinc ore grade (%)	1.4	1.2	16.7
RESERVES SAN JULIÁN VEINS			
Silver (moz)	18.0	30.3	(40.6)
Gold (koz)	231	362	(36.2)
AVG ORE GRADE IN RESERVES SAN JULIÁN VEINS			
Silver (g/t)	126	151	(16.6)
Gold (g/t)	1.62	1.79	(9.5)
Cut-off grade (g/t AgEq)	162	171	(5.3)
RESERVES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (moz)	94.1	104.5	(10.0)
Gold (koz)	55	54	1.9
AVG ORE GRADE IN RESERVES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (g/t)	209	199	5.0
Gold (g/t)	0.1	0.1	-
Cut-off grade (g/t AgEq)	170	156	9.0
RESOURCES SAN JULIÁN VEINS			
Silver (moz)	51.1	69.5	(26.5)
Gold (koz)	653	871	(25.0)
AVG ORE GRADE IN RESOURCES SAN JULIÁN VEINS			
Silver (g/t)	112	118	(5.1)
Gold (g/t)	1.43	1.47	(2.7)
Cut-off grade (g/t AgEq)	110	95	15.8
RESOURCES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (moz)	105.2	121.8	(13.6)
Gold (koz)	63	68	(7.4)
AVG ORE GRADE IN RESOURCES SAN JULIÁN DISSEMINATED ORE BODY			
Silver (g/t)	227	188	20.7
Gold (g/t)	0.1	0.1	-
Cut-off grade (g/t AgEq)	133	117	13.7

Capex spend in 2018 was US\$83.1 million, mainly allocated to mining works, sustaining capex, construction of the tailings dam and the implementation of the Track Plus, ProxAlarm, Ventilation Plus and Mine Optimiser systems.

Budgeted capex for 2019 will mainly be allocated to mining works, sustaining capex and the construction of the water reservoir with minor investment required to conclude the implementation of the IT initiatives.

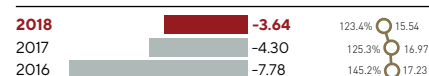
SAN JULIÁN (VEINS) US\$/TONNE MILLED

57.4



SAN JULIÁN (VEINS) CASH COST SILVER US\$/OUNCE

-3.6



— Silver price
■ Cash cost

% Figures represent margin between cash cost and silver price

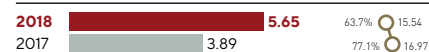
SAN JULIÁN (DISSEMINATED ORE BODY) US\$/TONNE MILLED

36.2



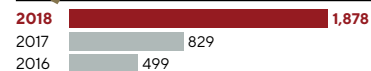
SAN JULIÁN (DISSEMINATED ORE BODY) CASH COST SILVER US\$/OUNCE

5.7



SAN JULIÁN (VEINS AND DISSEMINATED ORE BODY) ORE MILLED PER PERSON TONNES

1,878



REVIEW OF OPERATIONS CONTINUED



Inside the control room of the flotation plant for the Disseminated Ore Body.



The Merrill Crowe plant at San Julián Veins.

FINANCIAL PERFORMANCE

Financial highlights	2018	2017	% change
Adjusted revenue (US\$m)	366.5	287.2	27.6
Adjusted production costs (US\$m)	153.4	96.5	59.0
Segment profit (US\$m)	176.5	174.7	1.0
Capital expenditure (US\$m)	83.1	79.1	5.1
Exploration (US\$m)	14.3	2.5	472.0
Cost per tonne (US\$) (Veins)	57.4	52.1	10.1
Cash cost (US\$/oz silver) (Veins)	(3.6)	(4.3)	15.4
Margin (US\$/oz) (Veins)	19.2	21.3	(9.9)
Margin (expressed as % silver price) (Veins)	123.4	125.3	N/A
Cost per tonne (US\$) (Disseminated Ore Body)	36.2	31.9	13.6
Cash cost (US\$/oz silver) (Disseminated Ore Body)	5.7	3.9	45.1
Margin (US\$/oz) (Disseminated Ore Body)	9.9	13.1	(24.4)
Margin (expressed as % silver price) (Disseminated Ore Body)	63.7	77.0	N/A

Adjusted revenue and adjusted production costs increased, reflecting the first complete year of operations at San Julián (Disseminated Ore Body).

Cost per tonne at San Julián (Veins) rose 10.1% mainly due to the increase in the number of contractors for mining works.

Cash cost at San Julián (Veins) increased mainly due to the lower silver ore grade and higher cost per tonne, mitigated by lower by-product credits due to the

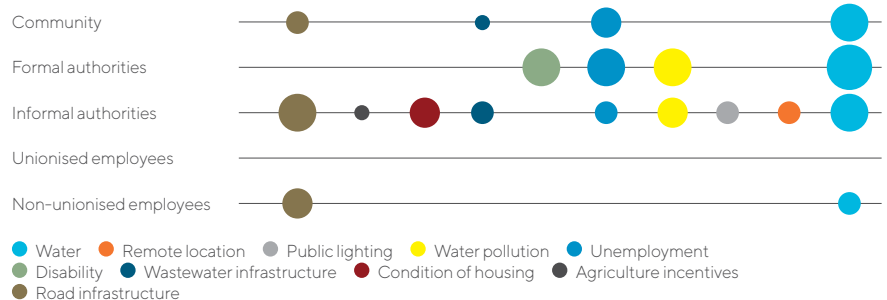
decline in volume of gold sold. Margin per ounce decreased to US\$19.2 (2017: US\$21.3), while margin expressed as a percentage of the silver price declined from 125.3% in 2017 to 123.4% in 2018 (see page 91).

Changes in cost per tonne and cash cost at San Julián (Disseminated Ore Body) are not considered to be representative as the 2017 figures correspond to the start-up of operations.

COMMUNITY PRIORITY ASSESSMENT

We engage communities through household surveys, interviews with leaders and focus groups to identify the issues that matter to them in order to identify risks and opportunities. Larger spheres represent greater importance to the individual stakeholder groups at San Julián.

STAKEHOLDER GROUP



CASE STUDY

Working together, sharing benefits

Following a detailed consultation process with the local community, we are implementing a project that will not only provide a reliable supply of water for our San Julián mine, but also increase access to water for the indigenous Raramuri people who live nearby.

During the year, we worked collaboratively with the local Raramuri community to gain their consent for the construction of a water reservoir to serve our San Julián mine.

In what was the Mexican mining industry's first formal indigenous consultation process, following recent legislation, we developed an Informed Consultation and Participation process based on a sound understanding of the social, economic, cultural and environmental context. This process included extensive and highly sensitive interactions to ensure that the characteristics of the project, and its potential impacts and mitigation measures, were fully understood by the local people before they began their deliberations.

Following this lengthy and detailed process, we were pleased to gain consent from the Raramuri, and we are currently implementing measures to prevent or mitigate adverse environmental and social impacts. In addition, as well as creating local employment, we are working with the NGO CAPTAR AC and the community to build 325 rainwater collection systems that will provide water for each household.

Good faith, transparency and accountability are the key values that guide our consultation approach.

See Sharing the Benefits in the Social and Sustainability Review; pages 83-84.



Consultation process for the construction of the water reservoir at San Julián.

CIÉNEGA

MINES IN OPERATION



Ciénega is a gold mine with a strong secondary profile in silver, contributing nearly 10% to total silver production in 2018 and generating 8% of total adjusted revenue.

Ownership: **100% Fresnillo plc**

Location: **Durango**

In operation since: **1992**

Mine life (years): **6.8** (2017: 6.9)

Facilities: **Underground mine, flotation and leaching plant**

Milling capacity (2018): **4,000 tpd/1,340,000 tpy**

Workforce: **513 employees, 544 contractors**

2018 OBJECTIVES

- Continue developing the Taspana vein.
- Intensify exploration at the Rosario vein and develop the access ramp.
- Continue construction of the third tailings dam.
- Commence basic engineering for the plant expansion to 5,000 tpd at Ciénega.

2018 PERFORMANCE

- Development at the Taspana vein continued and contributed to increased silver production.
- Exploration continued and the access ramp reached 1,473 metres.
- Construction of the third tailings dam progressed and will be completed early in 2019.
- A preliminary economic assessment (PEA) was conducted to support the plant's expansion to 5,000 tpd, leading to a decision to re-evaluate the economics of the project.

2019 OBJECTIVES

- Conduct an updated economic assessment for the expansion of the beneficiation plant at the Ciénega plant.
- Intensify exploration at the Rosario Transversal fault and commence exploration to the west of the San Ramón vein.
- Secure permits and begin engineering for the fourth tailings dam.

	2018	2017	% change
MINE PRODUCTION			
Ore milled (kt)	1,324	1,302	1.7
Silver (koz)	5,999	5,394	11.2
Gold (oz)	66,869	71,947	(7.1)
Lead (t)	4,799	6,328	(24.2)
Zinc (t)	5,892	7,048	(16.4)
Silver ore grade (g/t)	164	151	8.6
Gold ore grade (g/t)	1.65	1.82	(9.3)
TOTAL RESERVES			
Silver (moz)	56.9	54.1	5.2
Gold (koz)	598	635	(5.8)
AVG ORE GRADE IN RESERVES			
Silver (g/t)	198	189	4.8
Gold (g/t)	2.08	2.22	(6.3)
Cut-off grade (g/t AgEq)	Multiple	Multiple	-
TOTAL RESOURCES			
Silver (moz)	133.9	1673	(20.0)
Gold (moz)	1.3	1.7	(23.5)
AVG ORE GRADE IN RESOURCES			
Silver (g/t)	191	152	25.7
Gold (g/t)	1.91	1.56	22.4
Cut-off grade (g/t AgEq)	Multiple	Multiple	-

KEY DEVELOPMENTS IN THE YEAR

Annual gold production decreased due to a lower ore grade resulting from the depletion of higher ore grade areas. This was partially offset by the higher recovery rate and an increase in ore processed resulting from the reduced downtime enabled by efficiencies achieved in the maintenance programme. Silver production increased year-on-year due to the higher ore grade at the Taspana satellite mine and lower dilution.

As anticipated, the contribution from Taspana increased from 15,000 to 30,000 tonnes per month, thus contributing to the higher silver production.

In 2019, the average gold ore grade is expected to remain between 1.6-1.7 g/t and the silver ore grade is expected to average between 150-160 g/t.

Construction of the third tailings dam, a downstream structure, continued, and is expected to be concluded in early 2019.

HERRADURA

MINES IN OPERATION



One of Mexico's largest open pit gold mines, Herradura produced 51.4% of the Group's total gold in 2018 and generated 27.1% of total adjusted revenue.

2018 OBJECTIVES

- Commission the second line at the Dynamic Leaching Plant (DLP).
- Continue exploration to strengthen the Centauro expansion project.

2018 PERFORMANCE

- The second line at the DLP was commissioned in 3Q 2018 with commercial production commencing in 2019.
- Conducted an intensive exploration programme, although reserves did not increase as expected.

2019 OBJECTIVES

- Ramp-up of the second line at the DLP.
- Continue infill drilling in the Centauro pit to re-assess pit expansion.
- Start gradual conversion of haulage equipment to a dual fuel system.
- Conclude construction of leaching pad number 13.

Ownership: **Minera Penmont (100% Fresnillo plc)**

Location: **Sonora**

In operation since: **1997**

Mine life (years): **13.2** (2017: 11.6)

Facilities: **Open pit mine, heap leach and Merrill Crowe plants; dynamic leaching plants (DLP)**

Workforce: **1,500 employees, 516 contractors**

	2018	2017	% change
MINE PRODUCTION			
Ore deposited (kt)	22,157	26,027	(14.9)
Total volume hauled (kt)	124,024	130,025	(4.6)
Gold (oz)	474,168	473,638	0.1
Silver (koz)	1,523	551	176.4
Gold ore grade (g/t)	0.76	0.68	11.8
TOTAL RESERVES			
Gold (koz)	7.4	7.7	(3.9)
AVG ORE GRADE IN RESERVES			
Gold (g/t)	0.78	0.79	(1.3)
Cut-off grade (g/t Au)	Multiple	Multiple	-
TOTAL RESOURCES			
Gold (moz)	10.2	10.3	(1.0)
AVG ORE GRADE IN RESOURCES			
Gold (g/t)	0.80	0.80	-
Cut-off grade (g/t Au)	Multiple	Multiple	-

KEY DEVELOPMENTS IN THE YEAR

Annual gold production remained flat compared to 2017 due to higher ore grade processed at the Dynamic Leaching Plant and a higher recovery rate as a result of the increased irrigation on the leaching pads, offset by the lower volume of ore processed due to heavy rainfall in 2H 2018.

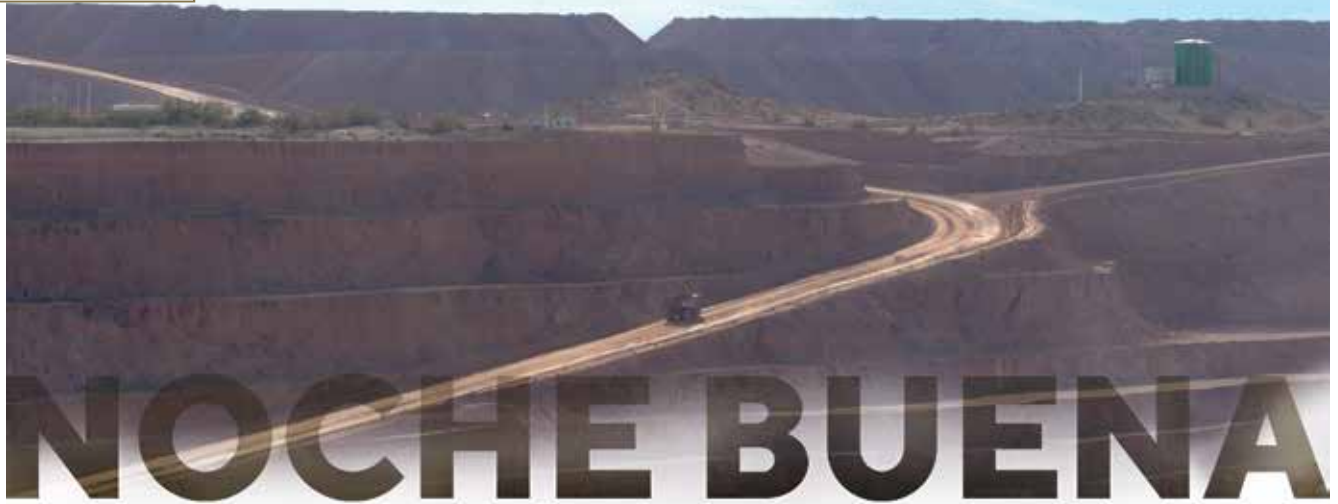
Following the construction of an access road through a number of leaching pads to reduce haulage costs, we took the opportunity to perform assays and verify certain characteristics of the ore that was displaced. These tests confirmed additional gold content on the leaching pads, which resulted in an increase of 98.9 thousand ounces of gold as at 1 January 2018.

Gold ore grades in 2019 are expected to be in the range of 0.70 – 0.75 g/t.

Productivity decreased compared to 2017 due to a lower volume of ore and waste material hauled by an increased number of personnel.

Following the increase in reserves at the Herradura mine in 2017, and further exploration conducted in the 1H18, we carried out the annual analysis to identify the separate components of the ore bodies at Herradura. This concluded that the number of components to which stripping costs are allocated should be reduced from two to one.

This change resulted in recognising the entirety of the stripping in the income statement as opposed to partially capitalising it, thereby increasing the expensed stripping ratio to 4.56 in 2H18. The expensed stripping ratio in 1H18 was 2.33, having considered it as two components.



MINES IN OPERATION



Noche Buena is located in the Herradura district, 23 kilometres from the Herradura mine. Noche Buena produced 18% of the Group's total gold in 2018 and generated over 9% of total Adjusted revenue.

Ownership: Minera Penmont (100% Fresnillo plc)	Location: Sonora
In operation since: 2012	Mine life (years): 1.9 (2017: 2.8)
Facilities: Open pit mine, heap leach and Merrill Crowe plant	
Workforce: 513 employees, 553 contractors	

	2018	2017	% change
MINE PRODUCTION			
Ore deposited (kt)	18,196	17,821	2.1
Total volume hauled (kt)	80,305	85,233	(5.8)
Gold (oz)	167,208	172,282	(2.9)
Silver (koz)	52	31	67.7
Gold ore grade (g/t)	0.52	0.52	0.0
TOTAL RESERVES			
Gold (koz)	577	819	(29.5)
AVG ORE GRADE IN RESERVES			
Gold (g/t)	0.53	0.51	3.9
Cut-off grade (g/t Au)	0.25	0.25	-
TOTAL RESOURCES			
Gold (moz)	592	837	(29.3)
AVG ORE GRADE IN RESOURCES			
Gold (g/t)	0.53	0.51	3.9
Cut-off grade (g/t Au)	0.25	0.25	-

2018 OBJECTIVES

- Maintain comparative low cash cost profile.
- Maximise production by extracting ore from new areas.

2018 PERFORMANCE

- Contained costs.
- Production was higher than anticipated, thus contributing to the upward revision of the Group's gold guidance.

2019 OBJECTIVES

- Maintain comparative low cash cost profile.
- Complete construction of leaching pad number 7.
- Implement the activated carbon project.
- Prepare mine closure plan.

KEY DEVELOPMENTS IN THE YEAR

Annual gold production decreased 2.9%, due to the lower overall speed of recovery resulting from the taller leaching pads, which in turn increased the time the solution remained in the pads. This was partly offset by the higher volume of ore processed.

Due to the mine having a limited remaining life, we remained focused on improving efficiency and reducing costs. A project to implement a Carbon in Column (CiC) process commenced during the year with engineering work, site preparation and delivery of equipment and materials.

This project will contribute to maintaining the efficiency of gold recovery in the final years of mine life and at the neutralisation stage, when the gold content is expected to be lower. We expect this project to be commissioned in 2019.

In 2019, the average ore grade is expected to be around 0.55 g/t as we mine the deeper areas of the pit.

Productivity decreased compared to 2017 due to a lower volume of ore and waste material hauled by an increased number of personnel.



Flora relocation.



The Noche Buena beneficiation plant.

Gold reserves and resources continued to decrease as a result of the natural depletion of the pit.

CAPITAL EXPENDITURES

Capital expenditures in 2018 totalled US\$50.2 million, focused on mining works and sustaining capex, including the construction of leaching pads to guarantee operational continuity. Spend in 2019 will again primarily be in sustaining capex and the construction of leaching pad number 7.

SOCIAL AND SUSTAINABILITY PRIORITY ASSESSMENT

See Herradura for community priority assessment associated with all Penmont mines, page 63.

We remained focused on improving efficiency and reducing costs.

FINANCIAL PERFORMANCE

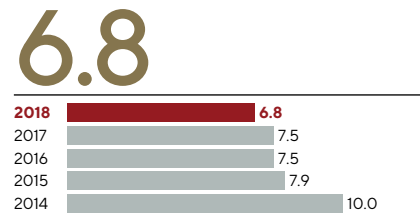
Financial highlights	2018	2017	% change
Adjusted revenue (US\$m)	211.4	215.5	(1.9)
Adjusted production costs (US\$m)	122.8	132.7	(7.5)
Segment profit (US\$m)	85.9	75.5	13.8
Capital expenditure (US\$m)	50.2	18.7	168.4
Exploration (US\$m)	3.0	5.7	(47.4)
Cost per tonne (US\$)	6.8	7.5	(9.4)
Cash cost (\$/oz gold)	735.4	793.5	(7.3)
Margin (\$/oz)	533.9	474.0	12.6
Margin (expressed as % of gold price)	42.1	37.4	

Adjusted revenue at Noche Buena slightly decreased by 1.9% to US\$211.4 million, reflecting the lower volumes of gold sold.

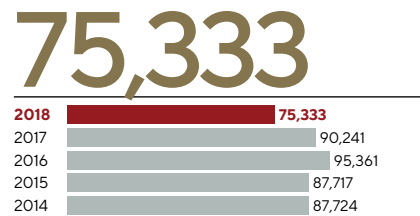
Cost per tonne at this mine decreased 9.4% to US\$6.8 in 2018 as a result of shorter distances to haul mineral from the pit to the leaching pads, despite the fact that cost inflation at this mine was 2.54% (mainly related to the unit price of diesel).

Cash cost per gold ounce decreased 7.3% to US\$735.4 due to lower cost per tonne. Margin per ounce increased to US\$533.9, while margin expressed as a percentage of the gold price rose to 42.1% in 2018 (see page 91).

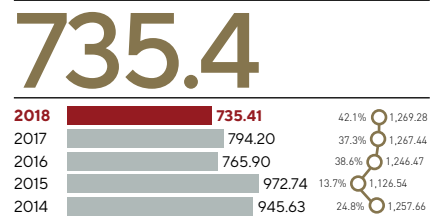
NOCHE BUENA US\$/TONNE DEPOSITED



NOCHE BUENA ORE/WASTE MOVED PER PERSON TONNES



NOCHE BUENA CASH COST GOLD US\$/OUNCE



— Gold price
■ Cash cost

% Figures represent margin between cash cost and gold price



RESPONSIBLE BUSINESS

SOCIAL AND SUSTAINABILITY REVIEW

We are committed to the responsible operation of our business. We do all we can to ensure the highest standards of ethical behaviour, health and safety, environmental stewardship and governance, while sharing the benefits of mining with our communities.

Arturo Fernández Pérez
Chairman, Health, Safety, Environment
and Community Relations Committee



LETTER FROM THE CHAIRMAN OF THE HEALTH, SAFETY, ENVIRONMENT & COMMUNITY RELATIONS (HSECR) COMMITTEE

DEAR SHAREHOLDER

The long-term sustainable success of the Company relies on building trust and mutually beneficial relationships with its stakeholders. The Health, Safety, Environment & Community Relations (HSECR) Committee evaluates, on behalf of the Board, the Company's effectiveness in responding to the wider and evolving interests of its stakeholders. Our commitment to sustainability is founded upon an ethical culture, responsible mining practices and sharing the benefits of mining with wider society. As Chairman of the HSECR Committee, I am pleased to present the activities of the HSECR Committee during the year.

The Committee is mindful of its responsibility to ensure that management has effective policies, due diligence processes and management systems in place to proactively address issues that are material to the business and relevant to its stakeholders. We have instructed management to enhance the Company's reporting practices through a set of Strategic Key Performance Indicators (KPIs). The Committee also evaluated and recommended to the Board of Directors a specific set of KPIs in order to appraise sustainability performance in a more structured manner.

Maintaining a safe and healthy workplace is our highest priority, above production and profitability. I deeply regret to report that five fatal accidents occurred in 2018 and one in early 2019. Independent of the root cause analysis of these accidents, we believe that our safety culture must be deeply embedded within the Company through behavioural change. To this end, we prompted implementation of the 'I Care, We Care' programme that integrates best practices, systems, programmes and behaviours with the goal of working in a safe manner. As part of our governance agenda, we evaluated the Company's Modern Slavery Report and monitored the progress of the 'step-up' ethics culture initiative.

We strongly believe that consultation and participation are fundamental rights of indigenous peoples. Good faith, transparency and accountability, must always be the compass that guides our community engagement efforts. Through constructive dialogue and inclusive participation, the Company obtained the free, prior and informed consent of the Raramuri indigenous people to build and operate a water reservoir for our San Julián mine.

ROLE OF THE COMMITTEE

The role and duties of the HSECR Committee are set out in its terms of reference, a copy of which can be found on the Company's website www.fresnilloplc.com.

The Committee has responsibility over the following HSECR matters:

- Policies and systems.
- Performance and impacts.
- External reporting.
- Ethical culture.

HSECR COMMITTEE MEMBERSHIP

In 2018, we welcomed Dame Judith Macgregor, an independent Non-executive Director, as a member of our Committee and I am sure that she will make valuable contributions going forward.

HSECR COMMITTEE ACTIVITY

During the year, the Committee met in accordance with its terms of reference. Our key activities during the year were:

POLICIES AND SYSTEMS

- Review of the strategy and implementation plans of the 'I Care, We Care' programme.
- Evaluation of community relations strategy and flagship projects with the communities where we operate, on issues such as education, health, water and capacity building.
- Evaluation and recommendation to the Board of Directors of a set of Board-level Sustainability KPIs.

PERFORMANCE EVALUATION

- Recommended evaluation of the Company's HSECR performance with a new set of KPIs.

EXTERNAL REPORTING

- Review of the Modern Slavery Statement 2017.

ETHICAL CULTURE

- Monitoring the progress of the ethics culture programme.

We remain strongly committed to promoting a long-term focus and rigorous analysis of the Company's sustainability strategy. I am very pleased to report that our Environment, Social and Governance (ESG) performance was recognised by the inclusion of Fresnillo plc in the FTSE4Good Index.

However, there is no room for complacency, and we continue to be fully committed to making further improvements on the ESG issues that are material to the Company and its stakeholders.

Yours faithfully

Arturo Fernández Pérez
Chairman, Health, Safety,
Environment and Community
Relations Committee

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

We are committed to the responsible operation of our business. We do all we can to ensure the highest standards of ethical behaviour, health and safety, environmental stewardship and governance, while sharing the benefits of mining with our communities. During 2018, we were again proud to be part of the FTSE4Good Index. We were also recognised by a number of other bodies this year, including: an Ethics and Values in Industry award from the Mexican Confederation of Industrial Chambers (CONCAMIN); and the Socially Responsible Company award from the Mexican Centre for Philanthropy (CEMEFI).

OUR APPROACH TO SUSTAINABILITY

We believe that responsible mining is compatible with high stakeholder expectations in terms of ethical, social and environmental performance, and recognise that our social licence to operate is dependent upon being trusted by our stakeholders. This underlines the importance of responsible business practices being deeply integrated into our business model, and of factors that affect stakeholders being considered at every critical decision-making level.



SUSTAINABLE DEVELOPMENT GOALS

Since we adopted the United Nations Sustainable Development Goals (SDGs), we have strategically aligned our sustainability strategy to advance these goals directly as part of our core business processes, or indirectly through collaboration and leverage.



In collaboration with other members of the Silver Institute, we are working on a sustainability initiative to communicate how silver, our flagship product, contributes to a sustainable future. For example, it is a key material used in renewable energy, electric vehicles, and anti-bacterial applications such as water treatment, medical applications and clothing.

See our website for more on the alignment of our sustainability strategy and the SDGs.

HUMAN RIGHTS

We respect and support human rights and will never be complicit in their abuse. We address grievances related to our business activities where relevant, and do not tolerate human rights violations committed by our employees, contractors, or public or private security providers acting on our behalf.

Key human rights issues for businesses operating in Mexico

Occupational Health & Safety (See our compatible mining section)	Modern slavery
Working conditions (See our people section)	Child labour
Unions: freedom of association (See our people section)	Discrimination
Environment (See our compatible mining section)	Land rights
Corruption: Transparency in government payments (See our compatible mining and risk sections)	Security

Source: Country Guide to Human Rights and Business in Mexico published by the Danish Institute for Human Rights.

MODERN SLAVERY

Modern slavery is a grave violation to human rights. It comprises all forms of contemporary slavery such as forced labour, servitude, human trafficking and all forms of child labour. We have a zero-tolerance approach to modern slavery and demand that all employees, suppliers and contractors reject any and all of its forms.

Visit us online to read our Modern Slavery Report.

CHILD LABOUR

Child labour deprives young people of their childhood, dignity and education. Our minimum age for employment is 18, and we require contractors at all our sites to adhere to this rule. We contribute to the eradication of child labour in our communities by supporting school infrastructure, as well as reading and other programmes that improve educational opportunities for children.

DISCRIMINATION

We are committed to ensuring that our people are treated fairly and with dignity in the workplace and do not tolerate any form of harassment, intimidation or discrimination. We promote equal opportunities, ensuring that employment and career development decisions are based on performance, qualifications, skills, experience and ethical behaviour. We have policies in place based on salary scales to mitigate gender payment gaps. In 2018, the gender payment gap of non-unionised, non-executive employees was 3.95%. We train our executives, managers and non-unionised employees to raise awareness of unconscious bias and their impacts on decision making.

GENDER PAY GAPS OF NON-UNIONISED, NON-EXECUTIVE EMPLOYEES

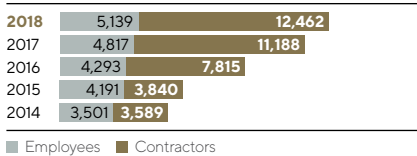
	Open pit Operations	Underground Operations	Projects	Explorations	Support and administrative staff	Average Gap per hierarchical level
First level 'Senior Engineer'	-2.50%	-6.15%	-23.46%	-3.21%	-13.91%	-6.61%
Second level 'Junior Engineer'	-0.85%	-4.63%	-5.16%	8.71%	5.39%	-1.04%
Third level 'Assistant'	16.33%	-21.36%	-100.00%	-7.98%	51.86%	-9.28%
				Overall average gap		-3.95%

OUR PEOPLE

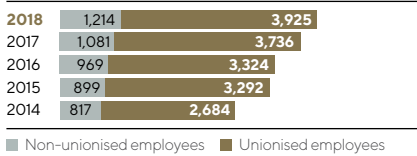


We seek to attract, develop and retain the best people, and engage them over the long term. We are committed to eliminating unsafe workplace conditions and behaviours, and to keeping our people healthy. We continue to work hard to develop an organisational culture based on trust, and to embed ethics and integrity into that culture in order to create a fair and respectful workplace.

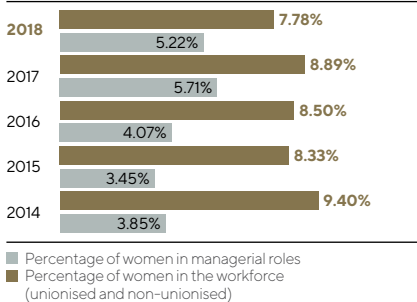
EMPLOYEES AND CONTRACTORS



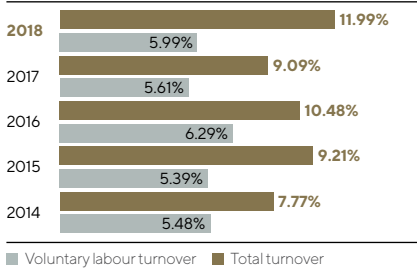
UNIONISED AND NON-UNIONISED EMPLOYEES



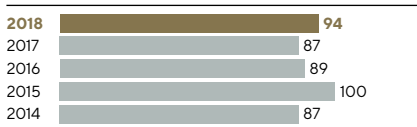
GENDER DIVERSITY



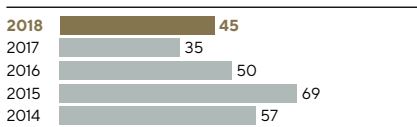
VOLUNTARY LABOUR TURNOVER



AVERAGE WORKFORCE TRAINING HOURS



AVERAGE HSECR TRAINING HOURS



Members of the Saucito team.

We respect labour rights and engage union representatives constructively. We engage our people through employee surveys to better understand and respond to their expectations. During 2018, we were proud to be recognised as one of the Best Places to Work in Mexico.

TALENT MANAGEMENT

We seek to recruit, retain, and develop the most talented people in order to ensure we have an appropriate pipeline to meet the future needs of the business. We attract and develop talent with a long-term mindset (see the case study 'Securing a talented and diverse engineering workforce' on page 70) and emphasise the value of training and mentorship. We believe that the best retention strategy is to provide opportunities for people to learn and grow. For example, among our non-unionised workforce, we promoted 143 employees to higher positions and offered changes of business unit to a further 58. In addition, we reviewed our incentives to better recognise performance. Our new performance appraisal mechanism aligns training needs and helps us identify high potential people. We develop our high potential middle managers via the Leaders with Vision programme. This involves senior executives delivering

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.

DIVERSITY & INCLUSION

We value and respect all people from diverse backgrounds. We aspire to develop an inclusive culture where our people feel valued and are inspired to contribute to their fullest potential. With the support of the University of Arizona, we continue to train managers and executives on how to manage a diverse workforce, raising awareness of unconscious bias and its impact on decision making. We also supported the Women in Mining chapters in the Mexican States of Zacatecas and Sonora.

See our website for our Diversity and Inclusion Policy.



SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

CASE STUDY

Securing a talented and diverse engineering workforce



We collaborate with leading educational institutions in Mexico to attract young and diverse talent in geology, metallurgy and mining engineering, offering students internships of varying lengths.

We recruit graduates from our pool of interns through the Engineers in Training programme. These graduates are assigned a coach from our operations team who supervises their development and provides performance appraisals – and those with good appraisals receive permanent job offers, securing the talent pipeline for our growth strategy. Through this programme, we engage students from the earliest stages of their college education and encourage more women to participate in mining.

Programme	Men	Women	Total
Short internships	79	57	136
Long internships	34	16	50
Engineers in Training	149	24	173
	73%	27%	100%

UNION RELATIONS

Unions are our strategic partners and key players in our drive to foster productivity and develop a safety culture. We respect the rights of employees to freedom of expression, association and collective bargaining. We engage unions to build trust through continuous dialogue, leadership development programmes, wellbeing activities (sports, culture, etc.) and continuous improvement projects. We have successfully reviewed our collective agreements at our Fresnillo, Saucito, Ciénega and Penmont mines. During 2018 we did not experience any work stoppage or industrial action as a consequence of labour disputes.

HEALTHIER LIFESTYLES

To prevent and control obesity-related diseases, our long-term campaign 'Bienestar siempre' raises awareness of healthy lifestyles based on good dietary habits and exercise. We launched the 'fitness challenge' to engage and support our employees with dietitians and trainers in their journey towards adopting healthier lifestyles. Our dietitians monitor the dining rooms of our mining operations to ensure that healthier choices are on offer, and also engage local schools to promote healthier dietary habits in our communities.



ETHICS CULTURE

Our behaviours and actions should always reflect our well-established ethical culture. We have identified the winning behaviours of a step-up culture and a strategy to embed ethics throughout Fresnillo.

WINNING BEHAVIOURS OF OUR STEP-UP CULTURE FRAMEWORK

KEY ACTIVITIES:



PERFORMANCE

	2018	2017
Alleged inappropriate arrangements with suppliers	21	10
Alleged harassment	18	5
Alleged conflict of interest	6	-
Alleged professional negligence	5	7
Alleged theft	1	7
Alleged abuse of authority	-	4
Alleged misuse of assets	-	3
Alleged fraud	-	1
Other	9	9
	60	46

The ethics culture programme has raised awareness and encouraged people to speak-up or report whenever they observe actions and behaviours prohibited by our code of conduct.

HOW WE EVALUATE, TRAIN AND SUPPORT OUR STEP-UP CULTURE

KEY ACTIVITIES:

EVALUATION:

We benchmark our ethics and compliance practices with Ethisphere's Ethics Quotient, monitor our culture through Ethisphere's Ethical Culture & Perceptions Survey, and monitor our winning behaviours with the ad hoc survey designed by the Centre for Leadership Ethics of the University of Arizona.

TRAINING:

We trained our executives and managers in masterclasses delivered by the professors of the University of Arizona. We also trained a group of internal trainers to deliver ethics workshops for the rest of our employees, and are deploying an e-learning course to reinforce areas of opportunity detected in the culture survey. All our training follows the Step Up Culture framework.

SUPPORT:

We use the 'moral compass' tool and the 'step-up culture' framework to enhance ethical decision making. We are converting our trainers into ethics ambassadors, and learn and share best practices by participating in Ethisphere's Business Ethics Leadership Alliance (BELA) and the Center for Leadership Ethics of the University of Arizona. In addition, we raise awareness of key elements of our code of conduct through e-learning.

CASE STUDY

Ethics ambassadors



Trained by the University of Arizona, in 2018 our ethics ambassadors delivered more than 40 ethics culture workshops – reaching 81% of our non-unionised employees.

Our ambassadors come from diverse backgrounds and represent all our business units and departments, including operations, finance, explorations and sustainability. Because our people have been trained on ethics by their own colleagues, they become more open when discussing ethical issues. Our ethics ambassadors also trained around 80 senior level contractors as part of our 'step-up' culture programme. Last December, the hard work of this group was recognised when they were awarded an ounce of silver and a course in Innovation delivered by the University of Arizona.

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

COMPATIBLE MINING



MATERIALITY

Our non-financial materiality assessment helps us better understand the relative importance of non-financial issues to our business and our diverse group of stakeholders, at local, regional and global levels. The outcomes of the materiality assessment continue to guide our sustainability strategy and streamline our reporting.



Note: Material issues in blue, other issues in green.

OTHER ISSUES

- Non-mineral waste and hazardous materials management.
- Government relations & lobbying.
- Employee wellbeing.
- Fair remuneration.
- Respect the culture and heritage of local communities.
- Energy.
- Acid Mine Drainage (AMD).
- Union relations.
- Local employment.
- Local procurement (Small and Medium Enterprises).
- Community human rights.
- Biodiversity.
- Human rights in the workplace.
- Equal remuneration for women and men.
- Corruption and bribery.
- Air emissions (SOx, NOx, particulate matter, etc.).
- Compliance with international labour standards.
- Employee recruitment, development and retention.
- Protection against forced or compulsory labour.
- Diversity and non-discrimination.
- Effectiveness of the Mexican Mining Fund.
- Climate change (physical, reputational, regulatory/financial risks).
- Appropriate disclosure of information and consultation on new projects.
- Mine closure.
- Indigenous rights.
- Number of workday hours.
- Work-family balance.

The outcomes of the materiality assessment continue to guide our sustainability strategy.

CASE STUDY

Consulting indigenous people



We are committed to interacting with indigenous peoples, respecting their values, culture and traditions.

We recognise that consultation is a fundamental right of indigenous communities and a mechanism for building trust. Consultation allows us to understand their perspectives on our projects and address their concerns. Prior to consulting, we assess potential impacts and benefits of our projects and develop the capacities of the communities to fully exercise their right to consultation. To consult, we consider their preferred method of engagement, present information in a culturally appropriate manner and reach agreements on shared benefits. Good faith, transparency and accountability are the key values that guide our consultation approach.

Read more about our community strategy on pages 81-82.

INSTILLING A CULTURE OF SAFETY

Our goal is to instil a safety culture where our workers and contractors have the knowledge, competence and desire to work safely.

Relevance and risk in the lifecycle of mining



ME CUIDO, NOS CUIDAMOS (I CARE, WE CARE)

This comprehensive programme integrates the best systems, projects and behaviours into one cohesive initiative in order to encourage safe working. It enables us to continuously innovate in safety, risk assessment and emergency preparedness, while also developing accountability through better leadership and clearer responsibilities. A key strength of the programme lies in its ability to involve each and every one of us in building trust and respect. It highlights the importance of safe working, recognises positive behaviours and creates a learning environment.



LEADERSHIP: VALUES-DRIVEN LEADERSHIP KEY ACTIVITIES:

- Senior leadership education courses.
- Supervisor education courses.
- Coaching our people.

ACCOUNTABILITY: INTEGRATION OF SAFETY AND OPERATIONAL MANAGEMENT SYSTEMS KEY ACTIVITIES:

- Safety is the responsibility of line management.
- Senior management involvement in processes, systems, operations and reports.

RISK COMPETENCIES – BEHAVIOUR: A MATURE AND RESILIENT SAFETY CULTURE KEY ACTIVITIES:

- Stepback & Think STOP +.
- Positive recognition.

RISK COMPETENCIES – SYSTEMS: ESTABLISH A RISK-BASED MANAGEMENT SYSTEM KEY ACTIVITIES:

- Internal documents aligned with ISO standards.
- Critical control risk protocols and organisational implementation.

LEARNING ENVIRONMENT: REDUCE RISKS THROUGH ENGINEERING, SYSTEMS, BEHAVIOURS AND LESSONS LEARNT KEY ACTIVITIES:

- Communicate and implement improvements and corrective actions.
- Investigation – Eye On Risk.



Protective equipment used when handling sodium cyanide.

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

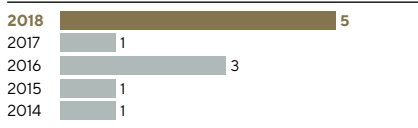
CERTIFICATIONS

	Fresnillo	Saucito	Ciénega	Penmont	San Julián
OHSAS 18001	Certified	Certified	Certified	Certified	-
Sets out criteria for international best practice in occupational health and safety management.					

PERFORMANCE

We regret to report five fatal injuries in 2018 and one fatal injury in early 2019. We are committed to implementing the measures required to reverse the negative trend in our safety record.

FATALITIES

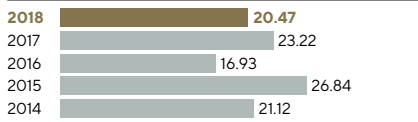


Number of fatal injuries to employees or contractors.

'I CARE, WE CARE' TRAININGS:

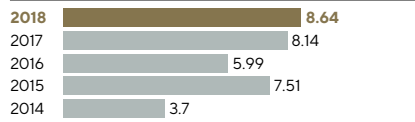
Mine	Number of courses	Number of people
Saucito	96	3,254
Fresnillo	64	2,706
San Julián	78	2,358
Ciénega	42	1,472
Juanicipio	13	201

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) FOR EVERY 1,000,000 HOURS



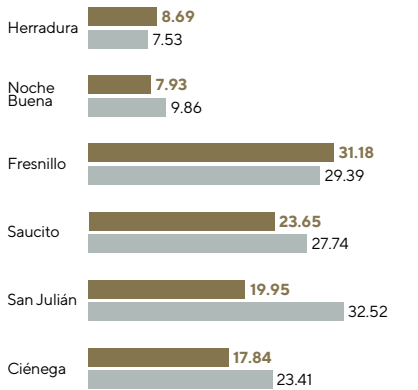
The number of fatalities + lost-time cases + restricted work cases + medical treatment + first aid cases per 1,000,000 hours worked.

LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR EVERY 1,000,000 HOURS



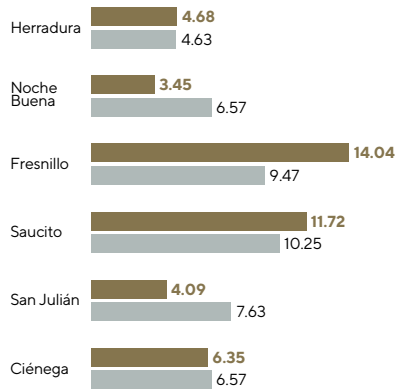
The number of lost-time injuries + fatalities per 1,000,000 hours worked.

TOTAL RECORDABLE INJURY FREQUENCY RATE (TRIFR) FOR EVERY 1,000,000 HOURS



■ 2017 ■ 2018

LOST TIME INJURY FREQUENCY RATE (LTIFR) FOR EVERY 1,000,000 HOURS



■ 2017 ■ 2018



Employees by the vertical conveyor at the Fresnillo mine.



Employees in front of the shaft winch at the Saucito mine.

OCCUPATIONAL HEALTH

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.

Relevance and risk in the lifecycle of mining



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 on prevention, emergency response is also a core competence of all our health teams.

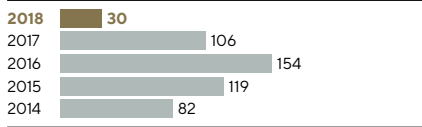
KEY ACTIVITIES:

- Monitor level of exposure to physical and chemical risks to the health of our people (noise, dust, vibration, heavy metal contamination, extreme temperatures, etc).
- Determine operating procedures, equipment, training and controls.
- Engage Safety and Operations teams to eliminate unhealthy conditions.
- Ensure that every employee entering the workforce has a health check, including physical and psychosocial evaluations.
- Perform regular check-ups to screen for occupational diseases and advise on preventive care.
- Manage our own rehabilitation facilities to accelerate recovery from injuries.

PERFORMANCE

We have reviewed our criteria regarding how we report new cases of occupational diseases. We have transitioned from reporting occupational diseases determined by the Mexican Social Security Institute (IMSS) for indemnity purposes, to reporting new cases identified during annual check-ups for special surveillance, rehabilitation or reassignment.

NEW CASES OF OCCUPATIONAL DISEASES



Clinic in the Ciénega district.

CERTIFICATIONS

	Fresnillo	Saucito	Ciénega	Penmont	San Julián
Healthy Company Certification by Mexican health authorities of the implementation of best practice in occupational health and preventive care, including the promotion of healthier lifestyles.	Certified	Certified	Certified	Certified	-
Smoke-Free Company A prerequisite for Healthy Company certification.	Certified	Certified	Certified	Certified	Certified

CASE STUDY

Ventilation on demand

The intelligent ventilation systems of our underground mines allow us to monitor gas concentrations and ventilate on demand to protect the health of our people.

Optimising ventilation also enables us to reduce our energy intensity, operating costs and carbon footprint.

In 2018 the system allowed us to save 4,051 MWh which represents an estimated reduction of 2,358 tonnes of CO₂.

Read more about our environmental impact on pages 76-80.



SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

ENVIRONMENT

While the mining and processing of precious metals are essential industries, we recognise that our business has the potential to consume water, disturb land and produce waste and greenhouse gases.

Optimising our use of resources, curbing any negative impact of our activities and being transparent and accountable regarding our environmental footprint are crucial elements of sustainable mining and help us to retain our social licence to operate.

Clean technologies play an essential role in improving environmental performance and reinforcing the social acceptability of the mining industry. We support the Colorado Cleantech Challenge, an innovation showcase that connects mining companies with clean technology solution providers, with the mutually beneficial goal of meeting our industry’s environmental challenges. In addition, our CEO, Octavio Alvidrez, is a member of the Lowell Institute of Mineral Resources of the University of Arizona. This leading research institute has the depth of expertise necessary to tackle the challenges that are critically

important to modern mining. We are part of the World Environment Centre (WEC), a think tank that advances sustainable development through the business practices of member companies and in partnership with governments, non-governmental organisations, and other stakeholders.

ENVIRONMENTAL IMPACT ASSESSMENTS

Before developing any mining project, we conduct Environmental Impact Assessments (EIAs), which identify potential impacts and the actions required to manage them. EIAs address many issues, such as surface and groundwater resources, water quality, air quality, soils, biodiversity (including threatened or endangered species), landscape and socio-economic conditions. We present our EIA report, known as an Environmental Impact Statement (EIS), to the environmental authorities for evaluation.

CERTIFICATIONS

	Exploration	San Julián	Fresnillo	Saucito	Ciénega	Penmont	
						Herradura	Noche Buena
ISO 14001 Framework and criteria for an effective environmental management system.	Certified	Started in 2017	Certified	Certified	Certified	Certified	Certified
Clean Industry Certificate granted by the Mexican Environmental Authority to promote environmental audits, compliance with regulations and adoption of best practices.	N/A	Started in 2017	Certified Level 1	Certified Level 2	Certified Level 1	Certified Level 2	Certified Level 1
Environmental Excellence Award Award granted by the Mexican Environmental Authority to recognise leadership in the adoption of best practices and continuous improvement of environmental performance.	-	-	-	Award	-	Award	-
International Cyanide Management Code Sets criteria for the global gold mining industry on cyanide management practices.	N/A	Started in 2016	N/A	N/A	On hold*	Certified	Certified

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

CASE STUDY

Biodiversity management – constructing a water dam for San Julián



As part of our efforts to mitigate the effects on biodiversity from the construction of our water dam in San Julián, we have implemented the following measures:

- Relocation of 9,844 plants of pines, oaks and biznagas, in 7.5 hectares.
- 9.2 hectares reforested with 12,000 pine trees.
- 29 captures and releases of wildlife, including foxes, skunks, squirrels and snakes, among others.
- 25,554 metres of soil conservation works.
- 7 filtering dams under construction to increase the natural filtration of water and protect the quality of the stream.
- 77 photo captures (phototaps) for wildlife monitoring.
- Community monitoring of water quality with the participation of the State Government.

ENERGY AND CLIMATE

Our goal is to improve energy efficiency and progressively integrate renewables and clean technologies into our energy mix, in order to mitigate the physical, regulatory and reputational risks of climate change.

Relevance and risk in the lifecycle of mining



Mining is energy intensive. We use energy at every stage of the value chain and this accounts for a significant portion of our overall costs. We use fossil fuels in the extraction and haulage of ore and waste rock removal, while electricity is used in our processing plants. As mining operations go deeper in response to decreasing ore grades, we expect our energy demand to increase.

INTEGRATE RENEWABLES AND CLEAN TECHNOLOGIES

KEY ACTIVITIES:

- Increase the use of renewables in our electricity supply mix.
- Monitor the development of clean technologies such as ventilation systems and electric underground vehicles.

OPERATIONAL EXCELLENCE AND ENERGY EFFICIENCY

KEY ACTIVITIES:

- Increase the energy efficiency of our processing plants and set targets for our mines.
- Optimise truck fleet performance and test diesel additives to improve fuel combustion at our open pit operations, and locate waste dumps to reduce haulage distances.
- Optimise ventilation, dewatering and ore dilution at our underground operations.

PUBLIC POLICY AND PREPAREDNESS FOR THE PHYSICAL IMPACT OF CLIMATE CHANGE

KEY ACTIVITIES:

- Engage public policymakers and other stakeholders through the Mexican Chapter of the World Business Council for Sustainable Development (CESPEDES).

See page 80 (water section) and our website for a more detailed discussion.

- Recognise that the most significant physical impacts of climate change for our Company relate to water.

Learn more about our risk assessment and governance in our report to the CDP climate change programme.

PERFORMANCE

In spite of the increase in energy demand, we reduced our greenhouse gas emissions. This reduction was driven by an increase of renewables in our energy mix, going from 9.09% in 2017 to 19.24% in 2018. This prevented the emission of 26,000 tonnes of CO₂e.

GLOBAL GHG EMISSIONS FOR THE PERIOD 1 JANUARY 2018 TO 31 DECEMBER 2018

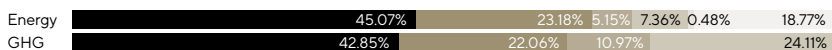
	GHG emissions (tonnes of CO ₂ e)		Energy (MWhe)	
	Reporting year 2018	Comparison year 2012	Reporting year 2018	Comparison year 2012
Scope 1 (direct emissions): Combustion of fuel (mobile and stationary sources).	530,377	375,121	2,042,982	1,385,448
Scope 2 (indirect emissions): Electricity purchased from the Mexican National Grid (CFE), WindForce Peñoles (FEISA) and Thermoelectric Peñoles (TEP).	286,697	329,245	950,547	420,615
Intensity measurement: Emissions and energy reported above per tonne of mineral processed.	0.016	0.013	0.059	0.034

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.

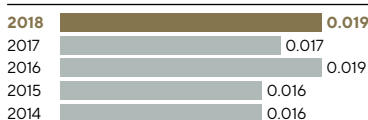
Scope 2: Indirect GHG emissions from consumption of purchased electricity.

ENERGY - GHG PROFILE - 2018

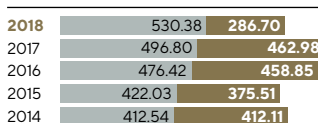


- Combustion of fossil fuels
- Combustion of fossil fuels (contractors)
- Electricity from the National Grid
- Electricity from TEP
- Electricity from FEISA (wind)
- Electricity from EDC (wind)

GHG INTENSITY (TONNES OF CO₂E PER TONNE OF MINERAL PROCESSED)

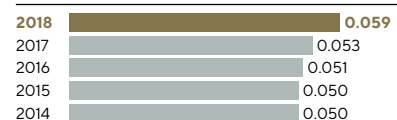


GHG EMISSIONS

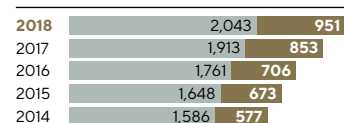


■ Scope 1 ■ Scope 2

ENERGY INTENSITY (MWHE PER TONNE OF MINERAL PROCESSED)



ENERGY USE



■ Scope 1 ■ Scope 2

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

CASE STUDY

Reducing costs, cutting emissions



We're making good progress towards our commitment announced at the 2018 AGM: to improve energy efficiency while moving Fresnillo rapidly towards cleaner, greener energy sources.

Over the last 12 months we have continued to support energy innovations and to deliver on our pledge to integrate more renewables and clean energy technologies into our energy mix. For example, the percentage of our electricity usage derived from wind power was 61% by the end of the year – and we are on track to hit our target of 75% by the close of the next financial year.

A new fuel system currently being piloted at our Herradura mine is also helping to underline our increasingly positive environmental credentials by reducing costs and cutting emissions.

Currently at the pilot stage, new dual fuel engines in Herradura's haulage truck fleet can automatically switch between diesel and clean liquid natural gas (LNG), depending on the terrain.

Early tests reveal that diesel is accounting for just 30% of usage, with the less expensive and greener LNG powering the trucks for the remainder of their journeys. This has led to fuel savings in the order of 20%, reduced the number of engine failures and is expected to result in a 5% fall in GHG emissions from the fleet.

CYANIDE MANAGEMENT

Our goal is to protect human health and the environment by responsibly managing sodium cyanide solutions and waste (tailings and spent heaps).

Relevance and risk in the lifecycle of mining



Environmental protection measures are critical for cyanide leaching systems. We comply with international best practices as promoted by the International Cyanide Management Institute (ICMI) and the Mexican standard NOM-155 SEMARNAT-2007, which establishes environmental requirements for gold and silver leaching systems. As part of our commitment to safe cyanide management, we engage with local authorities and collaborate with fire departments and hospitals to build emergency response capabilities. We make operational and environmental information regarding cyanide management available to our stakeholders.

PERFORMANCE


Our operations at Herradura and Noche Buena are certified by the Cyanide Code. During 2018, we reported no incidents related to cyanide management.

	2018	2017
Sodium cyanide (NaCN) (tonne)	13,497	11,653

DESIGN AND OPERATE OUR GOLD-ORIENTED FACILITIES IN COMPLIANCE WITH THE INTERNATIONAL CYANIDE MANAGEMENT INSTITUTE (ICMI)

KEY ACTIVITIES:

- Purchase sodium cyanide from certified manufacturers.
- Protect the environment and communities during transport to our facilities.
- Protect our people and the environment during handling and storage.
- Follow working practices that prevent impacts on health or ecosystems.
- Optimise mineral processing to minimise the residual cyanide in tailings.
- Manage and monitor seepage to prevent impacts on groundwater.
- Provide our people with emergency response training, and on how to engage authorities and communities.
- Decommission facilities responsibly to prevent legacy issues.

 Visit us online to learn more about our responsible cyanide management practices.

MINERAL WASTE MANAGEMENT

Our goal is to protect local communities and the environment by managing mineral waste responsibly.

Relevance and risk in the lifecycle of mining



Our operations produce mineral waste and, in much smaller quantities, non-mineral hazardous waste. The global trend towards lower ore grades will increase mineral waste over time, especially in open pit mining. Mineral waste includes waste rock, spent heaps and tailings, with the management of the latter being a key concern for the industry. While very rare, recent tailings incidents in the industry have served as a reminder of the critical nature of these structures.

MANAGE OUR WASTE RESPONSIBLY TO PROTECT THE HEALTH AND SAFETY OF COMMUNITIES, THE QUALITY OF THE ENVIRONMENT AND OUR REPUTATION

KEY ACTIVITIES:

- Design, build, operate and monitor all tailings dams in accordance with our own high standards and in line with the requirements of the Mexican authorities (see case study opposite for details).

MANAGE CLOSURE RESPONSIBLY TO PREVENT LEGACY ISSUES

KEY ACTIVITIES:

- Close waste storage facilities in a manner that is compatible with the surrounding environment.
- Include the closure of such facilities as part of our overall project closure plans.

Visit us online to learn more about how we manage mineral waste.

PERFORMANCE

Our historical tailings facility at Fresnillo has been transformed into an ecological park for the community, and its environmental quality has been certified by the Mexican Environment Ministry.

		Unit	2018	2017
Mine waste	Waste rock	Tonne	164,490,105	164,431,521
Processing waste	Tailings	Tonne	8,795,869	8,062,207
Metallurgical waste	Tailings	Tonne	3,560,486	3,049,216
	Heaps	Tonne	39,912,814	42,448,200

CASE STUDY

Responsible management of Tailings Storage Facilities (TSFs)



Tailings management is a key concern for the mining industry.

While very rare, recent tailings incidents in the industry have served as a reminder of the critical nature of TSFs. We are fully committed to addressing the expectations of our stakeholders to build and operate TSFs responsibly. Our tailings dams are designed and built to resist extreme weather and seismic events, in line with the hydrological, geotechnical and structural design requirements of the Mexican authorities. We pay particular attention to the chemical stability of the tailings, so that any seepage does not represent a danger to human health or the environment.

We maintain strict control over the water balance to prevent overtopping failures and ban the use of tailings dams as water reservoirs. Diversion channels are incorporated to prevent runoff water from entering the dam reservoir, while seepage collection systems protect the environment downstream. In addition to regulatory requirements, such as daily inspections and internal audits, we conduct third party stability reviews of the embankments of our operating and closed tailings dams.

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

WATER STEWARDSHIP

Our goal is to increase access to safe water by minimising our water footprint and cooperating with our stakeholders, notably communities, authorities and NGOs.

Relevance and risk in the lifecycle of mining



Although we operate in a number of arid regions, the mining and processing of ore requires large volumes of water – and this is often a relevant issue for local communities. We recognise that water is a human right and cooperate with communities to increase water access. Securing access and being responsible water stewards are critical success factors, and the prevention of environmental impacts on water resources and related ecosystems is fundamental to our social and environmental licences to operate.

Before we commence any project, we carry out EIAs to gain knowledge of water resources and their vulnerability on a local and regional scale. Responding to the expectations of our stakeholders, we evaluate water risk using the Aqueduct tool from the World Resources Institute (WRI). (Visit us online to learn more about our risk assessment as well as our report to the CDP Water programme).

OPERATIONAL EFFICIENCY

	Unit	2018	2017	2016	2015	2014
Reuse efficiency	%	80.16	83.13	80.92	81.36	82.14
Total volume of recycled water	megalitre	1,321	2,039	1,891	1,210	1,240

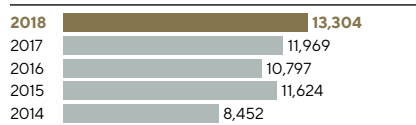
 Visit us online to learn more about our water stewardship.

ENVIRONMENTAL COMPLIANCE AND COOPERATION WITH LOCAL STAKEHOLDERS

KEY ACTIVITIES:

- Secure water rights from authorities before using any water in mining and mineral processing.
- Send unused water from dewatering to settlement ponds in order to control suspended solids, before discharging the cleaned water downstream.
- Respect our water quotas, monitoring our discharges and taking action to ensure that they adhere to water quality regulations.
- Cooperate with water authorities and other stakeholders, including communities, to increase water access.

WATER WITHDRAWAL (MEGALITRE)



OPERATIONAL EXCELLENCE TO REDUCE OUR WATER FOOTPRINT

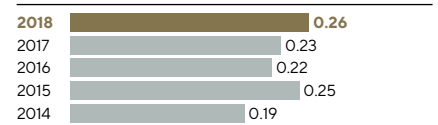
KEY ACTIVITIES:

- Implement closed water circuits, eliminating the need to discharge processed water into water streams.
- Reuse wastewater from municipalities and our own operations and camps.
- Account for water use, using the Water Accounting Framework proposed by the Minerals Council of Australia.

PERFORMANCE

During the year, we detected no negative downstream impacts on ecosystems or waterbodies due to our groundwater intake or water discharges.

WATER INTENSITY (M3/TONNE OF MINERAL PROCESSED)



SOIL POLLUTION

Our goal is to prevent soil contamination by managing our operations responsibly, thereby protecting the environment and the health of local communities.

Relevance and risk in the lifecycle of mining



Mining operations require the use of engine oils, fuels and chemical compounds as well as the management of tailings that may contaminate the soil if accidentally spilled. Soil can also be polluted by air-blown dust from tailings storage facilities. Our management system has procedures in place to prevent soil contamination.

MANAGE OUR PROCESSES RESPONSIBLY TO PREVENT IMPACTS ON THE SOIL

KEY ACTIVITIES:

- Responsibly manage engine oils, fuels, chemicals and hazardous wastes.
- Remediate spills and report them to environmental authorities, complying with Mexican regulations.

- Regularly monitor the chemical characteristics of the soil at our operations to verify compliance with Mexican regulations.
- Manage our tailings facilities to prevent air-blown dust.

COMMUNITIES

Our communities are our strategic partners. We earn and maintain their trust through effective engagement and by being accountable for our impacts – and we recognise that this is the only way to obtain and preserve our social licence to operate.

Our community strategy, which embraces all phases of the mining lifecycle, aims to build mutual understanding between our operations and local communities, ensuring that we engage, develop and grow together.

ENGAGING COMMUNITIES EFFECTIVELY IN THE LIFECYCLE OF MINING

KEY ACTIVITIES:

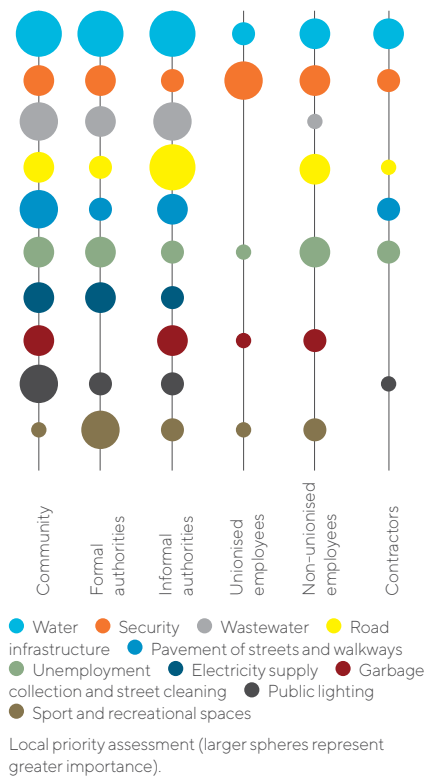
- **Explore:** Our exploration teams are the first to establish contact with a local community. We identify the relevant stakeholders and focus our engagement efforts on obtaining temporary land access to explore and assess social risks.
- **Develop:** Our stakeholder relationships deepen in this phase of the cycle, as we build trust through activities including local hiring, contracts and social investment. For our advanced feasibility and development projects, we conduct social risk assessments to help us identify the issues that matter most to the community.

- **Operate:** We regularly engage with the community via formal and informal meetings in order to manage expectations and detect risks and opportunities. We also carry out comprehensive perception studies which help us monitor how benefits are perceived and assess our impact on the key issues facing the community.

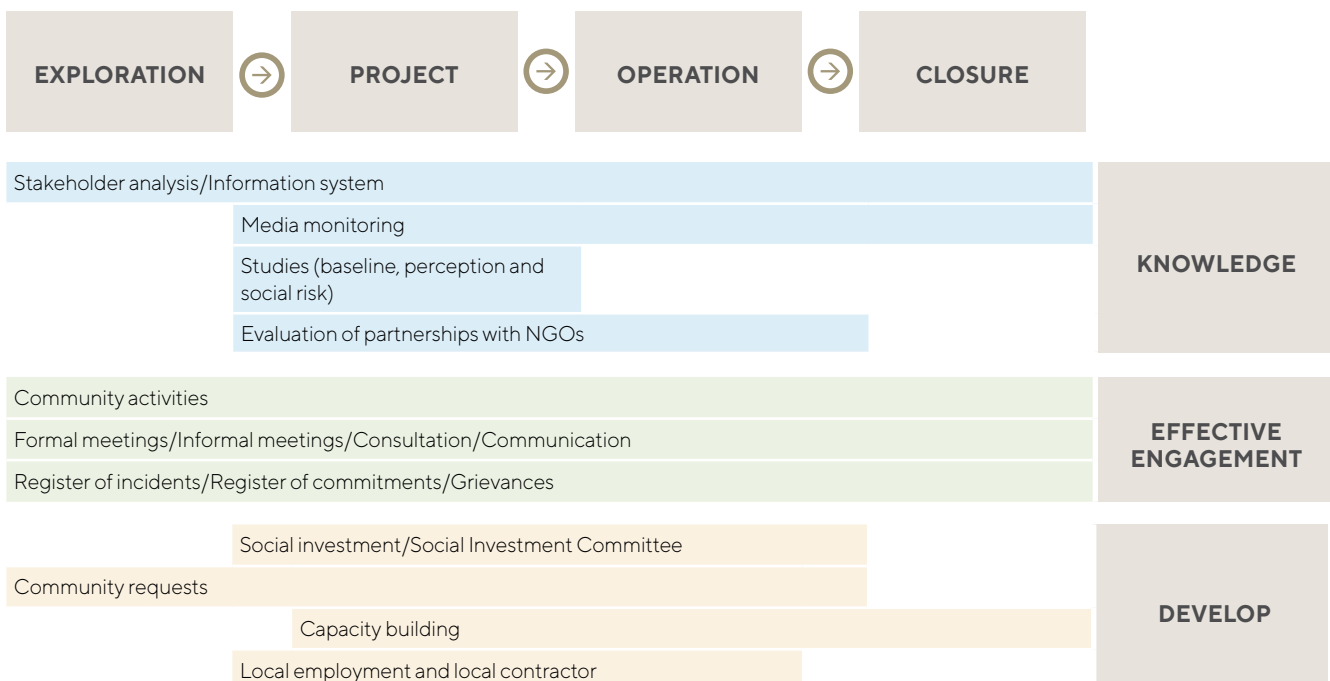
AVOID OR MITIGATE NEGATIVE IMPACTS ON THE CULTURE AND HERITAGE OF COMMUNITIES

KEY ACTIVITIES:

- Conduct social baseline studies at our development projects in order to build greater understanding of local culture and traditions.
- Collaborate with communities in local celebrations.
- Conduct regular perception studies to monitor positive and negative impacts and perceptions.
- Respect the regulatory framework for consultation with indigenous communities.



COMMUNITY ENGAGEMENT STRATEGY



SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

LAND ACQUISITIONS AND RESETTLEMENTS

Relevance and risk in the lifecycle of mining



Our goal is to manage resettlement responsibly, respecting local laws and following international best practices.

Developing a mining project involves land acquisition and, in some cases, the resettlement of households. We recognise that these are complex and life-changing issues for communities. When poorly planned and managed, land acquisition and resettlement can adversely impact the livelihoods and social structure of communities, damage our relationships or even cause conflict. We recognise that the right to an adequate standard of living after land acquisition and resettlement projects is a basic human right.

KEY ACTIVITIES:

- Avoid resettlements whenever possible, by exploring alternative options.
- If resettlements are unavoidable, work together with affected households, communities and governments to minimise adverse impacts, restoring or improving livelihoods and living conditions.
- Further develop our competences and internal processes to manage resettlements, including social baseline and asset surveys, an entitlement and compensation framework, negotiation, livelihood restoration programmes and ongoing monitoring and evaluation.

PERFORMANCE

No community resettlements occurred at our operations or development projects during 2018.

TRANSPARENCY AND ACCOUNTABILITY

Relevance and risk in the lifecycle of mining



Our goal is to provide access to non-financial information in order to facilitate the decision-making processes of our investors and stakeholders.

Being transparent and accountable for our social and environmental performance are essential factors in building trust. By disclosing material non-financial information, we are able to help our investors make more effective investment decisions. Managing our negative impacts is the key to ensuring that our business model is socially acceptable.

DISCLOSURE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INFORMATION USING THE APPROPRIATE CHANNELS

KEY ACTIVITIES:

- Annual report.
- Website.
- Dow Jones Sustainability Index (DJSI).
- Carbon Disclosure Project.
- Modern Slavery Report.
- Meetings and traditional media to inform our local stakeholders.

ACCOUNTABILITY AND SENSIBILITY REGARDING OUR POSITIVE AND NEGATIVE IMPACTS

KEY ACTIVITIES:

- Conduct perception studies in the communities where we operate to identify positive and negative perceptions and impacts.
- Monitor media.
- Hold regular meetings with our stakeholders.
- Operate grievance mechanisms to engage people that may be adversely affected by our activities.


GOVERNMENT PAYMENT TRANSPARENCY

Relevance and risk in the lifecycle of mining



Our goal is to disclose transparently our payments to governments.

Responsible mining can be a driver of economic and social development. However, corruption and poor governance diminish the benefits that society should gain from the revenues generated by mining resources. We believe that transparency regarding payments to government builds trust and empowers society.

 Visit us online to consult our report on payments to governments.

CASE STUDY

Measuring the social impact: the benefits of reading



Measuring their impact in communities is an important element of social programmes.

Our 'Picando Letras' reading programme aims to create a space where teachers, parents, youngsters and children interact, raise awareness and reflect as a result of reading – in an enjoyable, free and meaningful manner. This strengthens community bonds, educates people so they can self-reflect, express their feelings and thoughts and really listen to others in a tolerant and respectful environment. We conducted pre and post programme evaluations in the remote communities of Ciénega and San Julián with the following results:

- An increase of 8% in the number of children who decide to read on their own at home.
- An increase of 12% in the number of children who spontaneously mentioned that reading was one of their favourite things to do at home.
- On average, book collections in the schools increased by 69%.
- An increase of 14% in the number of children who say they love to read and 12% in the number of children who enjoy people reading to them.
- 28% of the children improved their comprehension skills, and their understanding of the stories.
- 7% improved their narrative skills, when telling others about the stories they listened to.

SHARING THE BENEFITS

In addition to effective stakeholder engagement, sharing the benefits of mining is essential to the social acceptability of mining projects. We create value in the regions where we operate in the form of employment, procurement, talent development, strategic community investment and payment of our fair share of taxes.

MINING FUND

In 2014, Mexico introduced a special tax to create a fund for the sustainable development of mining regions. The funds are allocated to federal, state and municipal governments. Although this fund is intended to develop the infrastructure of communities surrounding mining operations, in reality state and municipal authorities invest large amounts of it elsewhere. We partner with our communities to engage the authorities, and aim to encourage them to fund infrastructure projects that benefit mining communities.

FRESNILLO'S CONTRIBUTION TO THE FUND FOR SUSTAINABLE DEVELOPMENT OF MINING STATES AND MUNICIPALITIES (USD MILLION)

	2018	2017
	\$19.0	\$26.5

SOCIAL INVESTMENT

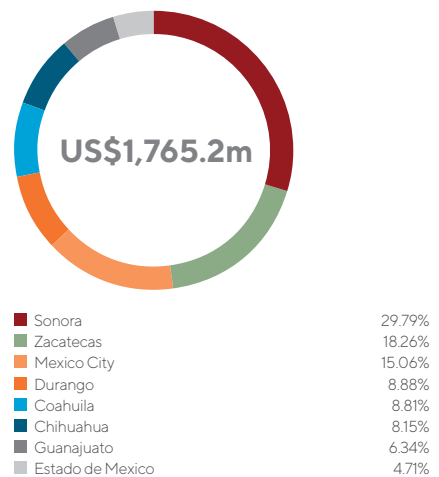
We work with our communities to develop a purposeful social investment portfolio aligned with the UN Sustainable Development Goals.

Over the years we have increased our partnerships with civil society organisations in order to build capacity in the communities where we operate.

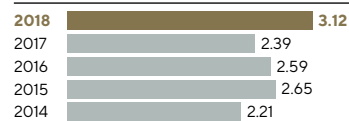
LOCAL EMPLOYMENT AND PROCUREMENT

Local employment is a key driver of social acceptability and community development. We promote local employment from the early days of the exploration phase onwards. In the development and operational phases, for example, we offer employment opportunities directly or through our mining contractors. Our local and regional labour as a percentage of the total workforce is 73.39%. Our Centre for Technical Studies (CETEF) trains mining technicians to meet our specific needs. CETEF candidates are chosen from the communities surrounding our operations, thus securing talent and strengthening our social licence to operate. We participate in the mining clusters of Zacatecas, Sonora and Chihuahua. Clusters contribute to the development of regional suppliers, strengthening their participation in the value chain of mining companies.

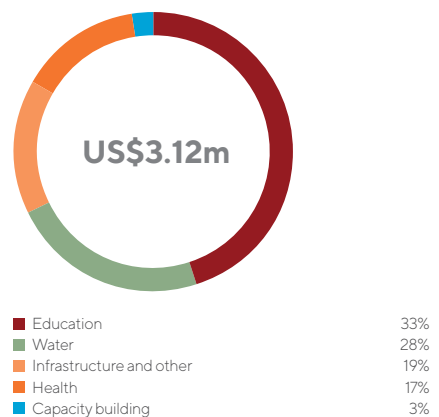
ECONOMIC VALUE DISTRIBUTED BY STATE



COMMUNITY INVESTMENT (IN MILLION US\$)



COMMUNITY INVESTMENT BY STRATEGIC LEVER %



CREATE LONG-TERM VALUE WITH OUR COMMUNITIES

4 QUALITY EDUCATION	3 GOOD HEALTH AND WELL-BEING	8 DECENT WORK AND ECONOMIC GROWTH	6 CLEAN WATER AND SANITATION
EDUCATION	HEALTH AND SPORTS	CAPACITY BUILDING	WATER

SOCIAL AND SUSTAINABILITY REVIEW CONTINUED

EDUCATION

PRIORITIES

In line with SDG 4, we seek to support inclusive and quality education as a key lever to reduce poverty and inequality. We collaborate on programmes which encourage children to read, communicate, appreciate music, and learn about rocks and minerals and robotics.

2018 PERFORMANCE HIGHLIGHTS

Picando Letras (Carving Letters) programme – with the support of the NGO International Board on Books for Young People (IBBY), we bring books and children together. This project benefits around 8,500 children in 72 schools (see case study).

Together with the NGO INNOVEC and the Zacatecas State Government, we launched a pilot programme to teach 'Rocks and Minerals' in our Fresnillo district, which benefited more than 1,000 children in nine schools.

We partnered with high schools in Fresnillo, Caborca (Penmont), and Turuachi (San Julián), entering four teams in the FIRST (For Inspiration and Recognition of Science and Technology) Robotics competition (see case study). In partnership with LaSalle Laguna University, we offer four excellence scholarships to pursue college education in Torreon.

We partnered with Maestro Elena Duran and her 'Flutes without borders' initiative to offer two concerts for 600 people from our Rodeo project, as well as 300 people from our Ciénega mine.

WATER

PRIORITIES

In line with SDG 6, we are committed to ensuring the availability and sustainable management of water and sanitation for all. We collaborate with indigenous communities on rainwater harvesting systems and engage authorities to develop water and sanitation infrastructure with the Mining Fund.

2018 PERFORMANCE HIGHLIGHTS

With the support of Captar AC we are implementing 325 rainwater collection systems for houses, benefiting 15 communities close to our San Julián mine.

We continued to engage with the municipalities, campaigning for higher levels of investment by the Mining Fund in the communities neighbouring our operations.

HEALTH

PRIORITIES

In line with SDG 3, we seek to ensure healthy lives and promote wellbeing. We work closely with NGOs, authorities and communities to provide healthcare, and to promote sports and resilience.

2018 PERFORMANCE HIGHLIGHTS

In partnership with the National University Foundation, we organised Health Weeks in Fresnillo, Ciénega, Penmont and San Julián, benefiting close to 8,000 people during the year.

Comprising reclaimed tailings ponds and a zoo, our Fresnillo parks received an average of 2,000 visitors per month.

Our football school, in partnership with Santos Futbol Club, has a capacity for 300 children in our Fresnillo District.

CAPACITY BUILDING

PRIORITIES

In line with SDG 8, we promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. We offer training of local entrepreneurs in addition to our local employment and procurement opportunities.

2018 PERFORMANCE HIGHLIGHTS

To diversify local economies, we provided training and follow-up for entrepreneurs in the communities of Fresnillo, Uruachi, Rodeo and Guanajuato.

CASE STUDY

Robotics competition

We partnered with local schools in communities neighbouring our Fresnillo, Caborca (Penmont) and Turuachi (San Julián) mines to compete in the FIRST (For Inspiration and Recognition of Science and Technology) Robotics competition.

With the support of mentors from our Company, children aged from 15 to 18 learnt how to develop their expertise in robotics, as well as the importance of teamwork and volunteering for their communities. We are preparing a fourth team from La Ciénega to compete in 2019.

The results saw the Potrobots of the Cecytech of Turuachi community become the first team from the

Rarámuri community to compete in an international robotics competition, proving that with the right support and encouragement, everything is possible. The Cabots from Conalep of Caborca Sonora advanced to the quarter finals, while the Jeunes d'Argent (Silver Youngsters), of the Cbetis 1 of Fresnillo won the Spirit Award for the most dynamic and enthusiastic team.



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 2018 figures compared to 2017, 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 164 to 217.

By following strict controls on cash, costs and expenses and while adhering to our capex budgets, we have maintained a healthy cash and other liquid funds¹ position and a low leverage ratio. This has enabled us to invest in profitable growth and deliver solid returns to shareholders.

The following report presents how we have managed our financial resources.

COMMENTARY ON FINANCIAL PERFORMANCE

2018 was a year of challenges and opportunities for the Group. This was also reflected in the financial performance for the year, with gross profit and EBITDA decreasing over 2017 by 15.6% and 13.7% respectively, while we nevertheless delivered healthy profit margins. We maintained a solid financial position, with US\$560.8 million in cash and other liquid funds¹ as of 31 December 2018 notwithstanding paying dividends of US\$298.1 million in accordance with our policy, investing US\$668.7 million in capex and spending US\$172.8 million in exploration to underpin our future growth.

Adjusted revenue slightly increased year-on-year due to the increased volumes of silver, lead and zinc sold, primarily from the San Julián (Disseminated Ore Body), offset by lower prices. This increase, together with the positive effect of the re-assessment of gold content in the leaching pads and the higher ore grade at Herradura, was more than offset by the higher stripping ratio at Herradura and higher depreciation. As a result gross profit decreased 15.6% over 2017 and, together with the higher exploration expenses, this contributed to the 13.7% decline in EBITDA.

INCOME STATEMENT

	2018 US\$ million	2017 US\$ million	Amount US\$ million	Change %
Adjusted revenue ²	2,243.4	2,233.2	10.2	0.5
Total revenue	2,103.8	2,093.3	10.5	0.5
Cost of sales	(1,323.1)	(1,167.9)	(155.2)	13.3
Gross profit	780.7	925.4	(144.7)	(15.6)
Exploration expenses	172.8	141.1	31.7	22.5
Operating profit	506.7	709.3	(202.6)	(28.6)
EBITDA ³	915.1	1,060.1	(145.0)	(13.7)
Income tax expense including mining rights	134.0	180.7	(46.7)	(25.8)
Profit for the year	350.0	560.8	(210.8)	(37.6)
Profit for the year, excluding post-tax Silverstream effects	339.5	481.2	(141.7)	(29.4)
Basic and diluted earnings per share (US\$/share) ⁴	0.475	0.761	(0.286)	(37.6)
Basic and diluted earnings per share, excluding post-tax Silverstream effects (US\$/share)	0.461	0.653	(0.192)	(29.4)

1 Cash and other liquid funds are disclosed in note 30(c) to the financial statements.

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

3 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.

4 The weighted average number of ordinary shares was 736,893,589 for 2018 and 2017. See note 17 in the consolidated financial statements.

FINANCIAL REVIEW CONTINUED

The Group's financial performance is largely determined by the quality of our assets, the skills of our people and the execution capabilities of management to achieve our strategic goals. However, there are a number of macroeconomic variables that lie beyond our control and which affect financial results. These include:

PRECIOUS METAL PRICES

In 2018, the average realised silver price decreased by 8.3% from US\$16.9 per ounce in 2017 to US\$15.5 per ounce in 2018. In addition, average realised lead and zinc prices decreased 7.4% and 5.7% year-on-year, to US\$0.99 and US\$1.28 per pound, respectively. The average realised gold price remained broadly stable at US\$1,269.1 per ounce (2017: US\$1,267.4).

HEDGING

In the second half of 2014, Fresnillo plc initiated a one-off hedging programme to protect the value of the investment made in the Penmont acquisition. The hedging programme was executed for a total volume of 1,559,689 ounces of gold with monthly settlements until December 2019.

The table below illustrates the expired structures and the outstanding hedged position as of 31 December 2018.

Concept	2018	2017	2016	2015	2014	As of 31 December 2018*
Weighted floor (US\$/oz)	1,100	1,100	1,100	1,100	1,100	1,100
Weighted cap (US\$/oz)	1,423	1,424	1,438	1,431	1,440	1,424
Expired volume (oz)	366,432	324,780	220,152	266,760	35,413	-
Gain recognised in income	-	-	48,158	1,023,580	-	-
Total outstanding volume (oz)						346,152

* Monthly settlements through December 2019.

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

MX\$/US\$ EXCHANGE RATE

The average spot Mexican peso/US dollar exchange rate devalued by 1.6%, from \$18.94 per US dollar in 2017 to \$19.24 per US dollar in 2018. This resulted in a favourable effect estimated at US\$6.7 million on the Group's production costs, as costs denominated in Mexican pesos (approximately 45% of total costs) were lower when converted to US dollars.

HEDGING

As previously reported, in 2016 Fresnillo plc decided to suspend its Mexican peso exchange rate hedging programme to hedge payment of certain peso denominated production costs. However, the Group has continued to enter into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR), Swedish krona (SEK) and Canadian dollar (CAD). The aggregate effect on income in the year was a loss of US\$321,873.

COST INFLATION

In 2018, there was a cost inflation of 2.6% net of the 1.6% average devaluation of the Mexican peso against the US dollar. The main components of our cost inflation basket are listed below:

LABOUR

Unionised employees received on average a 7.0% increase in wages in Mexican pesos, and administrative employees at the mines received a 5.5% increase; when converted to US dollars, the weighted average labour inflation was 4.5%.

ENERGY

ELECTRICITY

The Group's weighted average cost of electricity decreased by 6.4% from 7.6 US cents per kW in 2017 to 7.1 US cents per kW in 2018. This decrease was mainly due to the lower average generating cost of the Comisión Federal de Electricidad (CFE), the national utility.

DIESEL

The weighted average cost of diesel in US dollars increased 7.7% to 82.4 US cents per litre in 2018, compared to 76.5 US cents per litre in 2017.

OPERATING MATERIALS

	Year over year change in unit price %
Steel balls for milling	5.5
Other reagents	5.2
Sodium cyanide	1.1
Lubricants	0.9
Explosives	0.2
Tyres	(0.6)
Steel for drilling	(1.1)
Weighted average of all operating materials	1.4

Unit prices of the majority of operating materials remained broadly stable in US dollar terms, with the exception being the steel balls for milling and other reagents, which experienced year-on-year inflation of over 5%. However, this was partly offset by the decrease in the unit price of tyres and steel for drilling. As a result, the weighted average unit prices of all operating materials increased by 1.4% over the year. There has been no significant impact on the unit cost of operating materials 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 company, and include specific terms and conditions that cover not only labour, but also operating materials, equipment and maintenance, amongst others. Contractor costs are mainly denominated in Mexican pesos and are an important component of our total production costs. In 2018, increases granted to contractors, whose agreements were due for review during the period, resulted in a weighted average increase of 2.9% in US dollars.

MAINTENANCE

Unit prices of spare parts for maintenance remained broadly unchanged on average in US dollar terms (0.7% increase).

OTHERS

Other cost components include freight, which increased by an estimated 7.7% in US dollars, partially offset by a 2.7% decrease in insurance costs. The remaining cost inflation components experienced average inflation of 1.8% in US dollars over 2017.

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.

REVENUE**CONSOLIDATED REVENUE¹ (US\$ MILLIONS)**

	2018 US\$ million	2017 US\$ million	Amount US\$ million	Change %
Adjusted revenue ¹	2,243.4	2,233.2	10.2	0.5
Gold, lead and zinc hedging	1.6	0.0	1.6	100
Treatment and refining charges	(141.2)	(139.9)	(1.3)	0.9
Total revenue	2,103.8	2,093.3	10.5	0.5

Adjusted revenue increased by US\$10.5 million as a result of the increase in volumes of silver, lead and zinc sold, partially offset by the lower prices of these same metals. Total revenue remained broadly unchanged at US\$2,103.8 million.

¹ Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and gold, lead and zinc hedging.

FINANCIAL REVIEW CONTINUED

ADJUSTED REVENUE¹ BY METAL (US\$ MILLION)

	2018		2017		Volume Variance US\$ million	Price Variance US\$ million	Total US\$ million	%
	US\$ million	%	US\$ million	%				
Silver	815.5	36.3	844.7	37.8	51.8	(81.0)	(29.2)	(3.5)
Gold	1,118.5	49.9	1,125.3	50.4	(8.2)	1.4	(6.8)	(0.6)
Lead	105.6	4.7	101.8	4.6	11.7	(7.9)	3.8	3.7
Zinc	203.9	9.1	161.4	7.2	53.1	(10.6)	42.5	26.3
Total adjusted revenue	2,243.4	100.0	2,233.2	100.0	108.3	(98.2)	10.2	0.5

The higher volumes of silver sold resulted from the first complete year of San Julián (Disseminated Ore Body) and the increased production at Herradura and Ciénega, while the higher sales of lead and zinc were mainly driven by the contribution of San Julián (Disseminated Ore Body) and the increased volumes of base metals at depth in the Saucito mine. These favourable effects, net of the lower volume of gold sold, resulted in a positive impact on revenue of US\$108.3 million. This was offset by a US\$98.2 million negative effect primarily resulting from the lower silver, lead and zinc prices.

The contribution of gold to Adjusted revenue decreased slightly from 50.4% in 2017 to 49.9% in 2018, reflecting the expected lower volumes of gold produced and sold, while silver's contribution to Adjusted revenue decreased to 36.3% as the increased volumes of silver sold were more than offset by the lower price. As expected, the higher content of base metals at certain mines is changing the relative proportion of Adjusted revenue, with zinc increasing its contribution from 7.2% in 2017 to 9.1% in 2018, and lead representing 4.7%.

Herradura remained the main contributor to Adjusted revenue, primarily due to the higher volumes of silver sold during the year. Saucito's and Fresnillo's contribution declined from 22.6% and 18.9% in 2017 to 21.9% and 16.9% respectively in 2018, reflecting the decrease in silver ore grade and a lower silver price. The San Julián mine continued to increase its contribution to the Group's Adjusted revenue from 12.9% in 2017 to 16.4% in 2018. Noche Buena's contribution decreased to 9.4%, in line with the 1.9% decline in its Adjusted revenue, while Ciénega maintained its contribution to the Group's Adjusted revenue at 8.3%.

The relative contribution to Adjusted silver revenue continued to change in 2018 with the San Julián mine representing 24.8% (2017: 18.6%), and the contributions of Saucito and Fresnillo decreasing as expected due to an expanded silver asset base.

The start-up of San Julián (Disseminated Ore Body) also affected the relative contribution to zinc adjusted revenues. This new mine represented 25.7% of total zinc Adjusted revenues in 2018, helping to increase zinc's relative contribution to the Group's Adjusted revenues.

The contribution by metal and by mine to Adjusted revenues is expected to change further in the future, as new projects are incorporated into the Group's operations and as precious metal prices fluctuate.

ADJUSTED REVENUE BY METAL

	2018	2017
Gold	49.9%	50.4%
Silver	36.3%	37.8%
Zinc	9.1%	7.2%
Lead	4.7%	4.6%
Total	100.0%	100.0%

¹ Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and gold, lead and zinc hedging.

ADJUSTED REVENUE¹ BY MINE

	2018		2017	
Herradura	608.2	27.1%	606.8	27.2%
Saucito	492.0	21.9%	504.2	22.6%
Fresnillo	378.3	16.9%	421.3	18.9%
Noche Buena	211.4	9.4%	215.5	9.6%
San Julián (Disseminated Ore Body)	187.4	8.4%	84.8	3.8%
Ciénega	187.1	8.3%	198.3	8.9%
San Julián (Veins)	179.1	8.0%	202.3	9.1%
Total	2,243.4	100%	2,045.0	100%

VOLUMES OF METAL SOLD

	2018	% participation of each mine	2017	% participation of each mine	% change
Silver (koz)					
Saucito	17,968	34.6	19,608	39.4	(8.4)
Fresnillo	13,890	26.8	15,145	30.4	(8.3)
San Julián (Veins)	5,255	10.1	5,777	11.6	(9.0)
San Julián (Disseminated Ore Body)	7,806	15.0	3,853	7.7	102.6
Ciénega	5,459	10.5	4,815	9.7	13.4
Herradura	1,503	2.9	570	1.1	163.7
Noche Buena	7	0.0	7	0.0	-
Total silver (koz)	51,888	100	49,775	100	4.2
Gold (koz)					
Herradura	460	52.3	471	53.0	(2.3)
Noche Buena	167	19.0	170	19.1	(1.8)
San Julián (Veins)	77	8.8	81	9.2	(4.9)
Saucito	74	8.4	64	7.2	15.6
Ciénega	63	7.2	67	7.5	(6.0)
Fresnillo	37	4.2	33	3.8	12.1
San Julián (Disseminated Ore Body)	1	0.1	1	0.1	-
Total gold (koz)	879	100	888	100	(1.0)
Lead (t)					
Fresnillo	18,097	37.2	18,743	42.8	(3.4)
Saucito	20,362	41.9	16,081	36.7	26.6
Ciénega	4,385	9.0	5,828	13.3	(24.7)
San Julián (Disseminated Ore Body)	5,770	11.9	3,183	7.3	81.3
Total lead (t)	48,614	100	43,834	100	10.9
Zinc (t)					
Fresnillo	26,248	36.3	25,442	46.6	3.2
Saucito	22,599	31.3	16,815	30.8	34.4
San Julián (Disseminated Ore Body)	18,538	25.6	6,386	11.7	190.3
Ciénega	4,887	6.8	5,950	10.9	(17.9)
Total zinc (t)	72,272	100	54,594	100	32.4

FINANCIAL REVIEW CONTINUED

HEDGING

In 2018 we entered into a series of derivative contracts to hedge part of our lead and zinc by-product production through collar structures. The chart below illustrates the expired hedging structures, their impact on income in 2018 and the outstanding hedged position as of 31 December.

Concept	As of 31 December 2018	
	Zinc	Lead
Weighted floor (US\$/tonne)	2,591	2,370
Weighted cap (US\$/tonne)	3,716	2,735
Expired volume (tonne)	21,168	5,760
Gain/Loss (US\$ dollars)	602,101	980,141
Total outstanding volume (tonne)	0	0

TREATMENT AND REFINING CHARGES

Treatment and refining charges¹ are reviewed annually using international benchmarks. Treatment charges per tonne of lead and zinc concentrate decreased in dollar terms by 13.3% and 7.5%, respectively, compared to 2017, while silver refining charges declined by 7.4% over the year. This lower charge per tonne was offset by the increase in volumes of lead and zinc concentrates with high silver contents mainly shipped from Saucito and San Julián (Disseminated Ore Body) to Met-Mex, as well as the volumes of precipitates sold from the Pyrites plant. As a result, treatment and refining charges set out in the income statement in absolute terms increased by only 0.9% over 2017.

COST OF SALES

Concept	2018 US\$ million	2017 US\$ million	Amount US\$ million	Change %
Adjusted production costs ²	952.0	769.2	182.8	23.8
Depreciation	411.8	367.6	44.2	12.0
Profit sharing	12.5	16.5	(4.0)	(24.1)
Change in work in progress and others	(53.6)	16.9	(70.4)	N/A
Others	0.4	(2.3)	2.7	N/A
Cost of sales	1,323.1	1,167.9	155.2	13.3

Cost of sales increased 13.3% to US\$1,323.1 million in 2018. The US\$155.2 million increase is explained by the following combination of factors:

- An increase in Adjusted production costs (+US\$182.8 million). This was primarily due to: i) higher stripping costs at Herradura (+US\$82.6 million); ii) additional Adjusted production costs associated with the first complete year of operations at San Julián (Disseminated Ore Body) (+US\$49.6 million); iii) the decrease in volume of ore processed from development works at Saucito, the costs of which were capitalised (+US\$31.2 million); iv) cost inflation (+US\$26.4 million); and v) the reassessment in the year of the number of mining components at Herradura from two to one, effective from July 2019, which increased stripping costs expensed (+US\$21.9 million) (see page 62). The increase was partly offset by the lower volume of ore processed mainly at Herradura (-US\$19.6 million); and the favourable effect of the devaluation of the Mexican peso vs. US dollar and others (-US\$9.3 million).
- Depreciation (+US\$44.2 million). This is mainly due to the full year of operation at San Julián and the increased depreciation at the Saucito mine resulting from the start up of the Pyrites plant and the amortisation of capitalised mining works.

These negative effects were partly offset by:

- The increase in change in work in progress (-US\$70.4 million). Change in work in progress was -US\$53.6 million in 2018 as a result of the re-assessment of the gold content in the leaching pads at Herradura (see notes 2c and 5 in the financial information). This compared favourably to the US\$16.9 million costs recorded in 2017 as a result of the decrease in inventories in the leaching pads at Herradura.
- Others -US\$1.3 million.

COST PER TONNE, CASH COST PER OUNCE AND ALL-IN SUSTAINING COST (AISC)

Cost per tonne is a key indicator to measure the effects of mining inflation and cost control performance at each mine. This indicator is calculated as total production costs, plus ordinary mining rights, less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage processed. 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.

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

² Adjusted production costs is calculated as total production costs less depreciation, profit sharing and the effects of exchange rate hedging.

Cost per tonne		2018	2017	Change %
Fresnillo	US\$/tonne milled	49.4	47.5	4.1
Saucito	US\$/tonne milled	60.1	47.6	26.1
Ciénega	US\$/tonne milled	70.8	66.5	6.5
San Julián (Veins)	US\$/tonne milled	57.4	52.1	10.1
San Julián (Disseminated Ore Body) ³	US\$/tonne milled	36.2	31.9	13.6
Herradura	US\$/tonne deposited	13.2	8.0	65.8
Herradura	US\$/tonne hauled	3.1	2.6	17.0
Noche Buena	US\$/tonne deposited	6.8	7.5	(9.4)
Noche Buena	US\$/tonne hauled	2.1	1.7	24.2

Explanations regarding changes in cost per tonne by mine are covered in the Review of Operations section, on pages 50 to 65.

Cash cost per ounce, calculated as total cash cost (cost of sales plus treatment and refining charges, less depreciation) less revenue 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		2018	2017	Change %
Fresnillo	US\$ per silver ounce	0.5	0.7	(35.2)
Saucito	US\$ per silver ounce	1.0	1.5	(35.6)
Ciénega	US\$ per gold ounce	25.9	(163.7)	N/A
San Julián (Veins)	US\$ per silver ounce	(3.6)	(4.3)	(15.4)
San Julián (Disseminated Ore Body) ³	US\$ per silver ounce	5.7	3.9	45.1
Herradura	US\$ per gold ounce	504.0	492.9	2.3
Noche Buena	US\$ per gold ounce	735.4	793.5	(7.3)

³ Indicator may not be representative as it corresponds to the start-up period, when a significant volume of ore from the stock pile was processed.

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

FRESNILLO: US\$0.46/OZ AG (2018) VERSUS US\$0.71/OZ AG (2017), (-35.2%)

Cash cost per ounce decreased, principally due to higher by-product credits (-US\$0.97/oz) and lower treatment charges (-US\$0.24/oz), partially offset by the lower silver ore grade (+US\$0.71/oz) and the higher cost per tonne (+US\$0.28/oz) (see page 52).

SAUCITO: US\$0.97/OZ AG (2018) VERSUS US\$1.50/OZ AG (2017), (-35.6%)

The decrease was driven by the higher by-product credits per ounce of silver resulting from the increased volume of gold sold (-US\$2.29/oz), partially offset by the higher cost per tonne (+US\$1.21/oz) (see page 55) and the lower silver grade (+US\$0.55/oz).

CIÉNEGA: US\$25.88/OZ AU (2018) VERSUS - US\$163.74/OZ AU (2017), (N/A)

The increase in cash cost was primarily due to: the expected decrease in gold grade (+US\$115.01/oz), the higher cost per tonne (+US\$42.32/oz) (see page 61) and higher treatment and refining charges (+US\$6.78/oz). These unfavourable factors were mitigated by higher by-product credits per gold ounce due to the lower volume of gold produced (-US\$19.26/oz); and others (-US\$3.96/oz).

HERRADURA: US\$504.00/OZ AU (2018) VERSUS US\$492.86/OZ AU (2017), (+2.3%)

The increase in cash cost resulted from the higher cost per tonne (+US\$261.13/oz) (see page 63) and the change from two mining components to one during the year (see page 63) (+US\$60.68/oz); mitigated by the higher gold grade (-US\$247.39/oz); a favourable inventory valuation effect due to the increase in gold inventories on the leaching pads (-US\$34.32/oz); and higher by-product credits per gold ounce due to the increased volume of silver sold, albeit at a lower price (-US\$29.75/oz).

NOCHE BUENA: US\$735.41/OZ AU (2018) VERSUS US\$793.48/OZ AU (2017), (-7.3%)

The decrease in cash cost per ounce was mainly due to the lower cost per tonne (-US\$69.41/oz) (see page 65).

SAN JULIÁN VEINS: -US\$3.64/OZ AG (2018) VERSUS -US\$4.30/OZ AG (2017), (+15.4%)

The increase in cash cost was explained mainly by the lower silver ore grade (+US\$1.29/oz) and higher cost per tonne (+US\$0.04/oz) (see page 58), mitigated by lower by-product credits due to the decline in volume of gold sold (-US\$0.67/oz).

SAN JULIÁN DISSEMINATED ORE BODY

As operations commenced in July 2017, year-on-year figures are not considered to be representative.

FINANCIAL REVIEW CONTINUED

In addition to the traditional cash cost described on the previous page, 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.

We consider all-in sustaining costs to be a reasonable indicator of a mine's ability to generate free cash flow when compared with the corresponding metal price. We also believe it is a means to monitor not only current production costs, but also sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

ALL-IN SUSTAINING COST

All-in sustaining cost per ounce		2018	2017	Change%
Fresnillo	US\$ per silver ounce	8.92	8.20	8.7
Saucito	US\$ per silver ounce	8.64	7.09	21.9
Ciénega	US\$ per gold ounce	1,413.87	691.43	104.5
San Julián (Veins)	US\$ per silver ounce	5.05	0.83	>100.0
San Julián (Disseminated Ore Body) ¹	US\$ per silver ounce	10.01	7.88	26.9
Herradura	US\$ per gold ounce	806.73	807.66	(0.1)
Noche Buena	US\$ per gold ounce	1,029.68	870.05	18.3

¹ Indicator may not be representative as it corresponds to the start-up period, when a significant volume of ore from the stock pile was processed.

Fresnillo: Higher, mainly due to capitalised mine development mitigated by lower sustaining capex.

Saucito: Higher, as a result of higher capitalised mine development and an increase in sustaining capex.

Ciénega: Higher, primarily due to an increase in sustaining capex, higher capitalised mine development and a higher cash cost.

Herradura: Broadly stable, mainly due to the decrease in capitalised stripping costs following the reassessment of the number of mining components from two to one (see pages 62 and 63); offset by higher cash cost detailed on page 91.

Noche Buena: Higher, driven by the higher capitalised stripping, mitigated by the lower cash cost detailed on page 91.

San Julián:

San Julián (Veins): Higher, mainly due to increased sustaining capex and higher capitalised mine development.

San Julián (Disseminated Ore Body): As operations commenced in July 2017, there are no comparable year-on-year figures.

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.

Total gross profit, net of hedging gains and losses, decreased by 15.6% to US\$780.7 million in 2018.

The US\$144.7 million decrease in gross profit was mainly explained by: i) lower silver, lead and zinc prices (-US\$97.7 million); ii) the higher stripping ratio at Herradura (-US\$82.6 million); iii) the 17.5% decrease in volume of ore deposited at the Herradura heap leach (-US\$64.8 million); iv) higher depreciation (-US\$44.2 million); v) the decrease in volume of ore processed from development at Saucito, the costs of which were capitalised (-US\$31.2 million); vi) cost inflation (-US\$26.4 million); vii) the adverse effect of recognising the entirety of the stripping in the income statement in 2H 2018 following the change from two components to one at Herradura, as opposed to partially capitalising it (see pages 62 and 63) (-US\$21.8 million); viii) lower production at San Julián (Veins) (-US\$19.5 million); and ix) others (-US\$7.0 million). These factors were partly mitigated by: i) the re-assessment of gold inventories in the leaching pads at Herradura (+US\$94.4 million); ii) the higher ore grade from the inventory and improved speed of recovery at Herradura (+US\$68.4 million); iii) increased production at San Julián (Disseminated Ore Body) resulting from its first complete year of operations (+US\$67.1 million); and iv) the higher recovery rate at Saucito (+US\$20.7 million).

As reflected in the table below, Herradura remained the largest contributor to the Group's consolidated gross profit, although there was a slight decrease in its gross profit when compared to 2017. Gross profit at Saucito and Fresnillo declined by 22.1% and 24.5% over 2017 respectively, decreasing its contribution to the consolidated gross profit. San Julián remained the fourth largest contributor. Gross profit at Noche Buena increased 18.1% year on year, providing 8.7% of total gross profit, while Ciénega's share of the Group's total gross profit decreased to 4.1%.

CONTRIBUTION BY MINE TO CONSOLIDATED GROSS PROFIT, EXCLUDING HEDGING GAINS AND LOSSES

	2018		2017		Change	
	US\$ million	%	US\$ million	%	Amount US\$ million	%
Herradura	278.4	36.2	292.8	32.0	(14.4)	(4.9)
Saucito	177.8	23.1	228.2	24.9	(50.4)	(22.1)
Fresnillo	144.9	18.9	191.6	20.9	(46.7)	(24.4)
San Julián	68.4	8.9	93.1	10.1	(24.7)	(26.5)
Noche Buena	67.2	8.7	56.9	6.2	10.3	18.1
Ciénega	31.9	4.2	53.8	5.9	(21.9)	(40.7)
Total for operating mines	768.6	100	916.4	100	(147.8)	(16.1)
Metal hedging and other subsidiaries	12.1		9.0		3.1	34.4
Total Fresnillo plc	780.7		925.4		144.7	(15.6)

ADMINISTRATIVE AND CORPORATE EXPENSES

Administrative expenses increased 21.0% from US\$42.3 million to US\$51.2 million, due mainly to an increase in services provided by consultants (legal, safety, taxes, geological, indigenous community consultation, amongst others).

Corporate expenses increased 5.7% over 2017 to US\$32.1 million mainly as a result of increased corporate services provided by Servicios Industriales Peñoles, S.A.B de C.V., due to a larger number of mines and projects, and to a lesser extent, a 2.0% cost inflation.

EXPLORATION EXPENSES

Business unit/project (US\$ millions)	Exploration expenses 2018	Exploration expenses 2017	Capitalised expenses 2018	Capitalised expenses 2017
Ciénega	9.9	10.8	-	-
Fresnillo	15.6	15.8	-	-
Herradura	14.9	19.1	-	-
Saucito	16.3	11.7	-	-
Noche Buena	2.0	6.1	-	-
San Ramón	2.4	4.4	-	-
San Julián	12.2	8.4	-	-
Orisyvo	5.2	1.9	-	-
Centauro Deep	5.4	2.7	1.7	0.1
Guanajuato	16.9	7.9	1.1	0.8
Juanicipio	0.0	0.0	4.8	2.3
Others	72.0	52.3	0.8	1.0
Total	172.8	141.1	8.4	4.2

Exploration expenses increased as planned by 22.5% from US\$141.1 million in 2017 to US\$172.8 in 2018, due to intensified exploration activities, mainly around our mining districts and advanced exploration projects (see pages 45 to 48). An additional US\$8.4 million was capitalised, mainly relating to exploration expenses at the Juanicipio project, Centauro Deep and Guanajuato. As a result, risk capital invested in exploration totalled US\$181.2 million in 2018, a 24.7% increase over 2017. In 2019, total invested in exploration is expected to be approximately US\$140 million, of which US\$10 million is expected to be capitalised.

FINANCIAL REVIEW CONTINUED

EBITDA

	2018 US\$ million	2017 US\$ million	Amount US\$ million	Change%
Gross profit	780.7	925.4	(144.7)	(15.6)
+ Depreciation	411.8	367.6	44.2	12.0
- Administrative expenses	(83.3)	(72.7)	(10.6)	14.6
- Exploration expenses	(172.8)	(141.1)	(31.7)	22.5
- Selling expenses	(21.2)	(19.1)	(2.1)	11.1
EBITDA	915.1	1,060.1	(145.0)	(13.7)
EBITDA margin	43.5	50.6		

EBITDA is a gauge of the Group's financial performance and a key indicator to measure debt capacity. It is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. In 2018, EBITDA decreased 13.7% to US\$915.1 million mainly due to the lower gross profit. As a result, EBITDA margin expressed as a percentage of revenue decreased, from 50.6% in 2017 to 43.5% in 2018.

OTHER OPERATING INCOME AND EXPENSE

In 2018, a net gain of US\$3.3 million was recognised in the income statement. This compared unfavourably to the US\$16.8 million net gain recognised in 2017 mainly as a result of the sale of non-strategic mining claims to Argonaut Gold Inc.

SILVERSTREAM EFFECTS

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The total revaluation effect recorded in the 2018 income statement was a gain of US\$15.0 million. This includes negative non-cash revaluation effects of US\$22.5 million mainly as a result of the lower forward price of silver and a higher discount rate used, mitigated by the updating of the Sabinas production plan, which resulted from the updated estimate of reserves and resources. This was more than offset by a US\$37.5 million non-cash gain mainly generated by the unwinding of the discounted values. In 2017, a US\$113.7 million gain was registered mainly as a result of converting resources into reserves at the Sabinas mine.

Since the IPO, cumulative cash received has been US\$629.3 million. The Group expects that further unrealised gains or losses will be taken to the income statement in accordance with silver price cyclicity or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the balance sheet section on page 96 and in notes 13 and 29 to the consolidated financial statements.

FINANCE COSTS

Finance costs reflected the interest on the US\$800 million principal amount of 5.5% Senior Notes, net of interest received. In 2018 finance costs decreased 21.8%, from US\$34.0 million to US\$29.6 million, mainly due to the decrease in borrowing costs capitalised in 2018 compared to 2017.

In 2018, following the adoption of IFRS 9, Financial Instruments, the effects of the mark-to-market time value of the outstanding gold hedging programme are recognised in other comprehensive income, rather than in income as in 2017 (see note 2c in the financial information). This caused a favourable effect as a US\$41.1 million loss was recognised in 2017.

FOREIGN EXCHANGE

A foreign exchange loss of US\$8.1 million was recorded as a result of the realised transactions in the year. This compared negatively against the US\$6.4 million foreign exchange loss recognised in 2017.

The Group enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with the purchase of equipment denominated in Euro (EUR), Swedish krona (SEK) and Canadian dollar (CAD). At the end of 2018, the total EUR, SEK and CAD outstanding net forward position was EUR 12.67 million, CAD 0.0 and SEK 13.29 million with maturity dates from March through September 2019. Volumes that expired during 2018 were EUR 26.41 million with a weighted average strike of 1.2024 USD/EUR, CAD 1.10 million with a weighted average strike of 1.2847 CAD/USD and SEK 69.70 million with a weighted average strike of 8.5762 SEK/USD. The aggregate effect on income in the year was a loss of US\$321,873.

TAXATION

Corporate income tax expense decreased 21.4% from US\$153.5 million in 2017 to US\$120.6 million in 2018, reflecting the decline in profit before income tax.

The effective tax rate, excluding the special mining rights, was 24.9%, which was below the 30% statutory tax rate. This was mainly due to the inflationary uplift of the tax base of assets and liabilities, together with the tax credit related to the special tax on diesel. Including the effect of the special mining rights, the effective tax rate was 27.7% in 2018.

The effective tax rate in 2017 was lower (20.7% in 2017 vs. 24.9% in 2018) mainly because in 2017 there was a 4.5% revaluation of the Mexican peso which had an important impact on the tax value of assets and liabilities that are denominated in Mexican pesos; together with a higher inflation rate which impacted the inflationary uplift of the tax base of assets and liabilities (See note 10 to the financial statements).

PROFIT FOR THE YEAR

Profit for the year decreased from US\$560.8 million to US\$350.0 million in 2018, a 37.6% decline year-on-year as a result of the factors described above.

Excluding the effects of the Silverstream contract, profit for the year decreased from US\$481.2 million to US\$339.5 million.

CASH FLOW

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

	2018 US\$ million	2017 US\$ million	Amount US\$ million	Change %
Cash generated by operations before changes in working capital	930.7	1,073.7	(143.0)	(13.3)
(Increase)/Decrease in working capital	(127.9)	(2.9)	(125.0)	>100
Taxes and employee profit sharing paid	(214.4)	(309.3)	94.9	(30.7)
Net cash from operating activities	588.4	761.5	(173.2)	(22.7)
Silverstream contract	36.3	43.3	(7.0)	(16.3)
Purchase of property, plant & equipment	(668.7)	(604.8)	(63.9)	10.6
Dividends paid to shareholders of the Company	(298.1)	(236.6)	(61.5)	26.0
Net interest (paid)	(15.7)	(21.0)	5.3	(25.2)
Net increase in cash during the period after foreign exchange differences	(335.2)	(16.0)	(319.4)	>100
Cash and other liquid funds at 31 December ¹	560.8	896.0	(335.3)	(37.4)

¹ Cash and other liquid funds are disclosed in note 30(c) to the financial statements.

Cash generated by operations before changes in working capital decreased by 13.3% to US\$930.7 million, mainly as a result of the lower profits generated in the year. Working capital increased US\$127.9 million mainly due to increased ore inventories in the leaching pads at Herradura (US\$63.9 million); higher trade and other receivables resulting from an increase in VAT receivables (US\$60.4 million); and an increase in prepayments and other assets (US\$11.8 million). This increase in working capital was partly offset by an increase in trade and other payables (US\$8.2 million).

Taxes and employee profit sharing paid decreased 30.7% over 2017 to US\$214.4 million.

As a result of the above factors, net cash from operating activities decreased 22.7% from US\$761.5 million in 2017 to US\$588.4 million in 2018.

Other sources of cash were the proceeds of the Silverstream contract of US\$36.3 million and capital contributions from minority shareholders in subsidiaries of US\$23.6 million.

FINANCIAL REVIEW CONTINUED

The funds mentioned on the previous page were mainly used to purchase property, plant and equipment for a total of US\$668.7 million, a 10.6% increase over 2017. Capital expenditures for 2018 are further described below:

PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	2018 US\$ million	
Fresnillo mine	121.1	Mine development and purchase of in-mine equipment, deepening of the San Carlos shaft and the construction of the second phase of the Pyrites plant
Saucito mine	148.4	Development, replacement of in-mine equipment, construction of the Pyrites plant and deepening of the Jarillas shaft
Herradura mine	116.0	Stripping activities, sustaining capex, construction of second line of the DLP and land acquisition
San Julián mine	83.1	Mine development, purchase of in-mine equipment and construction of the third tailing dam
Ciénega mine	72.9	Development, replacement of in-mine equipment, construction of tailings dam and installation of high compact thickener
Noche Buena mine	50.2	Mining works and sustaining capex
Juanicipio project	46.9	Exploration expenditure and construction of ramps
Other	30.1	
Total purchase of property, plant and equipment	668.7	

Dividends paid to shareholders of the Group in 2018 totalled US\$298.1 million, a 26.0% increase over 2017, in line with our dividend policy which includes a consideration of profits generated in the period. The 2018 payment included the final 2017 dividend of US\$219.4 million and the 2018 interim dividend paid in September of US\$78.8 million.

Net interest of US\$15.7 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 decrease in net cash of US\$335.2 million (net decrease in cash and other liquid assets), which combined with the US\$896.0 million balance at the beginning of the year resulted in cash and other liquid assets of US\$560.8 million at the end of 2018.

BALANCE SHEET

Fresnillo plc continued to maintain a solid financial position with cash and other liquid funds¹ of US\$560.8 million as of 31 December 2018, albeit decreasing 37.4% versus December 2017, as explained above.

Inventories increased 23.6% to US\$335.0 million mainly as a result of the increase in inventories of gold on the leaching pads at Herradura.

Trade and other receivables increased 14.9% to US\$462.0 million mainly as a result of the increase in value added tax recoverable.

The change in the value of the Silverstream derivative from US\$538.9 million at the beginning of the year to US\$519.1 million as of 31 December 2018 reflects proceeds of US\$34.8 million corresponding to 2018 (US\$31.4 million in cash and US\$3.4 million in receivables) and the Silverstream revaluation effect in the income statement of US\$15.0 million.

The net book value of property, plant and equipment was US\$2,693.1 million at year end, representing a 10.0% increase over 2017. The US\$244.5 million increase was mainly due to the advancement in the development projects; capitalised development works; purchase of additional in-mine equipment; and the construction of leaching pads at Herradura and Noche Buena.

The Group's total equity was US\$3,128.3 million as of 31 December 2018, a 2.0% increase over 2017. This was mainly explained by the increase in retained earnings, reflecting the 2017 profit and the net unrealised gains on cash flow hedges.

¹ Cash and other liquid funds are disclosed in note 30(c) to the financial statements.

DIVIDENDS

Based on the Group's 2018 performance, the Directors have recommended a final dividend of 16.7 US cents per Ordinary Share, which will be paid on 24 May 2019 to shareholders on the register on 26 April 2019. 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 10.7 US cents per share amounting to US\$78.8 million.

The corporate income tax reform introduced in Mexico in 2014 created a withholding tax obligation of 10% relating to the payment of dividends, including to foreign nationals.

Historically the Company has been making dividend payments out of retained earnings generated before the tax reform came into force and no withholding tax has therefore been applicable. We expect that dividend payments relating to 2019 and future years will attract the withholding obligation. However, foreign shareholders may be able to recover such tax depending on their tax residence and the existence of double taxation agreements.

GOVERNMENT PAYMENT TRANSPARENCY

We aim to be transparent about our payments to governments.

Responsible mining can be a driver of economic and social development. However, corruption and poor governance diminish the benefits that society should gain from the revenues of mining resources. We support transparency and public scrutiny of the payments we make to governments.

The key activity of the year was evaluating our tax position and publishing a statement on our website to clarify our approach to risk management and governance arrangements in relation to UK taxation, in accordance with Schedule 19 of the Finance Act 2016.

PERFORMANCE

Please see the Government Payments Report on our website.



GOVERNANCE

FRESNILLO'S APPROACH TO GOVERNANCE

The Board takes corporate governance seriously and considers its responsibilities under the UK Corporate Governance Code (the 'Code') with care. With nearly 75% of its share capital owned by Peñoles, it is important to understand Fresnillo's corporate governance in the context of the Company's relationship with its parent company. The Board considers this to be a strength rather than a threat because it brings the shareholder perspective into the boardroom and creates an additional level of accountability for the executive team compared to other listed companies. The framework for corporate governance within Fresnillo plc therefore has three features which are relatively unusual for UK public companies; in particular:

1 A fully non-executive Board: There are no Executive Directors on the Board; however, the Fresnillo Board operates differently from the traditional UK boards which usually have both non-executive and executive directors. The non-independent and independent Directors on the Board engage with the business of the Board from two different perspectives which enables two levels of scrutiny to be applied to the Board's decision-making.

2 A fit for purpose Remuneration Committee: The membership of the Remuneration Committee is made up of Non-executive Directors (the majority of whom are independent) who are able to bring the following perspectives to the working of the Remuneration Committee:

- an understanding of shareholder expectations;
- an understanding of the evolving remuneration expectations of investors on the London Stock Exchange; and
- an understanding of the general approaches to remuneration within the Mexican market.

Having the Chairman of the Company, who is non-executive but not independent, as a member of the Remuneration Committee, enhances the Committee's collective ability to take these perspectives into account in its discussions.

3 Strong governance over related party matters: Fresnillo plc derives synergistic benefits from services provided by Peñoles. Being a part of a group which has common requirements across a number of service areas, provides opportunities for resources to be shared efficiently from a cost point of view. The key elements of the Board's approach to ensuring that the Company's commercial relationship with its parent company and other related parties are independent and maintained on an arms length basis are described later in this section. The Audit Committee regularly reviews these arrangements to ensure that they provide the intended benefits to the Company in a transparent and controlled manner.

CHAIRMAN'S GOVERNANCE LETTER

DEAR SHAREHOLDER

We passed the tenth anniversary of Fresnillo's listing on the London Stock Exchange this year and continued to reflect on the standards of governance that are necessary and appropriate to a company of the size and nature of Fresnillo. We continued the dialogue with our largest independent shareholders about the standards of corporate governance that are the most appropriate for our Group. This is a subject about which we remain as attentive as ever and I would like to reiterate that we are truly committed to having the highest standards of corporate governance considering the nature of the company that Fresnillo is.

At the 2018 AGM, Guy Wilson, who was an independent Non-executive Director and Chairman of our Audit Committee retired from the Board having served on the Board for ten years. I would like to express my appreciation to Guy for the commendable work that he did in establishing the Audit Committee as a thorough and independent overseer of our financial reporting, risk and internal control frameworks. Alberto Tiburcio has taken over as Chairman of the Audit Committee and is doing an excellent job in ensuring that the Audit Committee continues to progress in its important role.

We were pleased to welcome Georgina Kessel to the Board as an independent Non-executive Director following her election at the 2018 AGM. For the second year running, we were able to appoint a new female member with superb credentials to our Board, maintaining our policy of making appointments to the Board on the basis of merit whilst, at the same time, continuing to broaden the gender diversity of the Board.

In the first half of 2018, our Senior Independent Director, Charles Jacobs, supported by members of our senior management team, led a number of conversations with institutional investors and their representative bodies regarding our Board composition and membership, particularly focusing on the time and commitment of our Board members. Notwithstanding this dialogue, it is disappointing that some investors did not share our assessment and chose to vote against the reappointments of certain Directors. We note that those institutions represented a minority of our independent shareholders. We have commented at some length on pages 107 and 108 of this Corporate Governance Report on the basis on which the Nominations Committee and the Board have assessed the current composition, independence and time commitment of the Directors and I hope that shareholders will support the Board's position on this matter. It is not clear at this stage, following the recent change of the Mexican Government, how the political situation in Mexico will impact Fresnillo. It is clear, though, that the Board will benefit from having such a diverse and experienced range of skills and insights around the Board table, enabling it to evaluate the current context and guide the management team going forward. Consequently, we maintain our conviction that the current composition of the Board is the best one, and therefore we will continue to press the case for our shareholders to endorse the appointment of all of our Directors at the 2019 AGM.

In July 2018, the FRC published a new version of the UK Corporate Governance Code which will take effect from 1 January 2019. We have begun considering the implications of this new Code for our own corporate governance arrangements and will comment on this more fully in our 2019 annual report. At this stage, where we are able to comment on provisions of the new Code, we have done so in this annual report.

As ever, my colleagues and I are always willing to discuss our corporate governance arrangements with any shareholder who wishes to engage with us on this topic. If there are any governance matters which shareholders wish to raise, they should contact our London office (the contact details are set out on page 250).

Yours faithfully


Mr Alberto Baillères
Chairman of the Board



KEY GOVERNANCE DEVELOPMENTS IN 2018


STAKEHOLDERS

The Board has begun to consider its engagement with the Group's key stakeholders.

 See page 113.


DIVERSITY

A third female member was appointed to the Board in 2018.

 See page 117.


INDEPENDENCE

Steps were taken during the year to enhance the independent representation on the Board.

 See page 107.

UK CORPORATE GOVERNANCE CODE 2018

During 2018, the Board took steps towards compliance with the 2018 version of the Code.

 See page 113.


OVERBOARDING

The Board and management have engaged with shareholders about overboarding concerns in 2018.

 See pages 107-108.

BOARD EVALUATION

The Board undertook an internally conducted effectiveness review in 2018.

 See page 111.

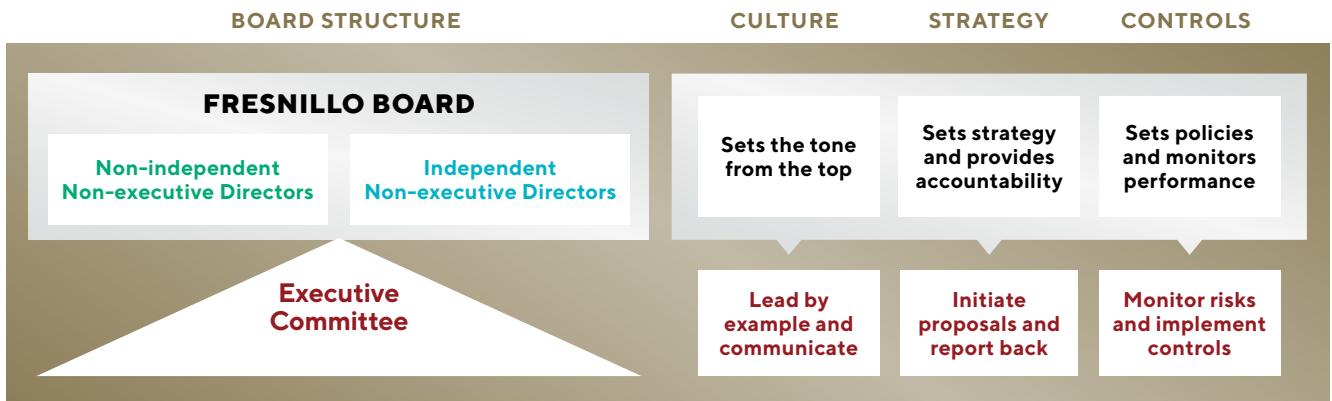
FRESNILLO'S APPROACH TO CORPORATE GOVERNANCE

THE BOARD'S LEADERSHIP ROLE

The Board provides leadership to the Fresnillo Group, setting the key values underpinning the culture by which the Group will continue to operate. The Board supervises the management of the Group's activities, including the implementation of both the Group's long-term plans and commercial strategy.

THE BOARD AND CULTURE

The Corporate Code of Conduct is approved by the Board and sets down its cultural expectations for the activities of all Directors, executives, employees and related third parties (including clients, suppliers and the community) in the conduct of the Company's business. The Corporate Code of Conduct helps to ensure a foundation of values and sets standards for behaviour that encourage an environment of ethics and responsibility for the benefit of the Company's stakeholders. It serves to complement the internal and external regulations already in force and also to establish corrective measures for anyone who fails to comply with the provisions of the Corporate Code of Conduct. It also provides the framework for the Company's compliance with the UK Bribery Act and the Mexican anti-bribery and corruption legislation.



BOARD SCRUTINY AND PROCESS

The Board has a formal schedule of matters reserved for its approval which includes approvals of major expenditure, investments and key policies. The schedule is regularly reviewed to keep it up to date with any regulatory developments. The last review and revision was undertaken in October 2017.

The requirements of the roles of Chairman and of the Chief Executive Officer have been agreed by the Board and are set out in a written Statement of Responsibilities. The composition of the Board has been structured to ensure that no one individual can dominate the decision-making processes of the Board.

The non-independent and independent Directors on the Board engage with the business of the Board from two different perspectives which enables two levels of scrutiny to be applied to the Board's decision-making.

1ST LEVEL OF SCRUTINY

The Executive Committee meets with the non-independent Non-executive Directors to ensure that any reports and proposals are properly evaluated before they are brought to the full Board for discussion and, where appropriate, approval.

2ND LEVEL OF SCRUTINY

The independent Non-executive Directors bring an external perspective to bear when evaluating proposals and conducting the business of the Board.

The different participants therefore contribute to the work of the Board, through its meetings in the following way:



BOARD COMMITTEES**AUDIT COMMITTEE****COMPOSITION:**

- All independent Non-executive Directors

KEY CONTRIBUTORS:

Chief Financial Officer, Internal Audit, Risk Manager, Company Secretary, External Auditor

 See the Audit Committee Report on pages 119-129.

NOMINATIONS COMMITTEE**COMPOSITION:**

- Majority independent Non-executive Directors

KEY CONTRIBUTORS:

Chairman, Chief Executive Officer, Company Secretary


 See the Nominations Committee Report on pages 116-118.

REMUNERATION COMMITTEE**COMPOSITION:**

- Majority independent Non-executive Directors

KEY CONTRIBUTORS:

Chief Executive Officer, Remuneration Consultants, Company Secretary


 See the Remuneration Report on pages 130-142.

HSECR COMMITTEE**COMPOSITION:**

- Majority non-independent Non-executive Directors

KEY CONTRIBUTORS:

Chief Executive Officer, Head of Sustainability, Line Managers, Chief Legal Officer

 See the Social and Sustainability Review on pages 66-84.

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 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 2018 in compliance with such requirement.

For the financial year ended 31 December 2018, the Company has complied with the provisions of the Code in all areas, save in respect of Code Provision 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, 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 and 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.

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.

THE BOARD OF DIRECTORS

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS



Alberto Baillères
Chairman

DATE OF APPOINTMENT

15 April 2008

COMMITTEE MEMBERSHIP

Nominations Committee (Chairman)
Remuneration Committee

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

All four of the BAL Listed Entities (as defined below), Fomento Económico Mexicano S.A.B. de C.V., Grupo Televisa S.A.B., Grupo Kuo S.A.B. de C.V. and Dine S.A.B. de C.V.

OTHER KEY CURRENT APPOINTMENTS

Mr Baillères is President of Grupo BAL. He is also a member of the board of Grupo Financiero BBVA Bancomer S.A. de C.V. and BBVA Bancomer, S.A., as well as being member of the board of trustees of Instituto Tecnológico Autónomo de México, A.C.

KEY STRENGTHS AND EXPERIENCE

- 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 supervisory perspectives.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** 3/3 **A** -
H - **R** 3/3



Alejandro Baillères
Non-executive Director
and Deputy Chairman

DATE OF APPOINTMENT

16 April 2012

COMMITTEE MEMBERSHIP

None

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

All four of the BAL Listed Entities, Coca-Cola FEMSA S.A.B. de C.V. (Alternate Director).

OTHER KEY CURRENT APPOINTMENTS

Mr Baillères is Deputy Chairman of Grupo BAL and a member of the board of trustees of Instituto Tecnológico Autónomo de México, A.C. He is a member of the international council of the World Economic Forum.

KEY STRENGTHS AND EXPERIENCE

- Insurance and related financial services in Mexico.
- Broad board-level commercial experience in Mexico.

As Deputy Chairman of Grupo BAL and former Chief Executive Officer of Grupo Nacional Provincial (a leading insurance company in Mexico), Mr Baillères brings knowledge and experience of Mexican and international business to his role.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H - **R** -



Arturo Fernández
Non-executive Director

DATE OF APPOINTMENT

15 April 2008

COMMITTEE MEMBERSHIP

HSECR Committee (Chairman)

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

All four of the BAL Listed Entities, Grupo Bimbo S.A.B. de C.V. and Fomento Económico Mexicano S.A.B. de C.V. (Alternate Director).

OTHER KEY CURRENT APPOINTMENTS

Mr Fernández is rector and a member of the board of trustees of Instituto Tecnológico Autónomo de México, A.C and a member of the board Grupo BBVA Bancomer S.A. de C.V. and BBVA Bancomer, S.A.

KEY STRENGTHS AND EXPERIENCE

- 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).

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H 2/2 **R** -

Some Directors hold directorships of some or all of the following listed companies which all part of the consortium known as Grupo BAL (along with Fresnillo plc, see also page 136): Industrias Peñoles S.A.B. de C.V., Grupo Palacio de Hierro S.A.B. de C.V., Grupo Nacional Provincial S.A.B. and Grupo Profuturo S.A.B. de C.V. In this section, these companies are jointly or individually referred to as the BAL Listed Entities.



Juan Bordes
Non-executive Director

DATE OF APPOINTMENT

10 January 2008

COMMITTEE MEMBERSHIP

None

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

All four of the BAL Listed Entities and Bolsa Mexicana de Valores S.A.B. de C.V.

OTHER KEY CURRENT APPOINTMENTS

Mr Bordes is a member of the board of trustees of Instituto Tecnológico Autónomo de México, A.C.

KEY STRENGTHS AND EXPERIENCE

- Senior executive (CEO-level) responsibilities over many 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.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H - **R** -



Jaime Lomelín
Non-executive Director

DATE OF APPOINTMENT

15 April 2008

COMMITTEE MEMBERSHIP

HSECR Committee

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

Mr Lomelín is a director of the following BAL Listed Entities: Industrias Peñoles S.A.B. de C.V., Grupo Nacional Provincial S.A.B., Grupo Palacio de Hierro, S.A.B. de C.V. (Alternate Director) and Grupo Profuturo, S.A.B. de C.V. (Alternate Director).

OTHER KEY CURRENT APPOINTMENTS

Mr Lomelín is a member of the board of the Cámara Minera de México (the Mexican Mining Chamber) and a member of the board of trustees of Instituto Tecnológico Autónomo de México, A.C.

KEY STRENGTHS AND EXPERIENCE

- 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 the Board discussions.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H 2/2 **R** -



Fernando Ruiz
Non-executive Director

DATE OF APPOINTMENT

15 April 2008

COMMITTEE MEMBERSHIP

HSECR Committee

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

Kimberly Clark de México S.A.B. de C.V., Mexichem S.A.B. de C.V., Grupo Cementos de Chihuahua S.A.B. de C.V., Grupo Mexico S.A.B. de C.V., Rassini S.A.B. de C.V., Grupo Financiero Santander Mexico S.A.B. de C.V., Grupo Pochteca S.A.B. de C.V., Bolsa Mexicana de Valores S.A.B. de C.V. and two BAL Listed Entities (Grupo Nacional Provincial S.A.B. and Grupo Palacio de Hierro S.A.B. de C.V.)

OTHER KEY CURRENT APPOINTMENTS

None

KEY STRENGTHS AND EXPERIENCE

- Mexican tax and accounting experience.
- International board and audit committee experience

Mr Ruiz was, until 2006, 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.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H 2/2 **R** -

NON-INDEPENDENT NON-EXECUTIVE DIRECTORS

The Non-independent Directors have more regular day-to-day access to the executive management of Fresnillo plc and therefore are able to engage with proposals put forward by the Executive Committee as they are developed.

1ST LEVEL OF SCRUTINY

The Executive Committee has several meetings with the non-independent Non-executive Directors to ensure that any reports and proposals are properly evaluated before they are brought to the full Board for discussion and, where appropriate, approval.

- B** Board meeting
- N** Nominations Committee meeting
- A** Audit Committee meeting
- H** HSECR Committee meeting
- R** Remuneration Committee meeting

THE BOARD OF DIRECTORS CONTINUED

INDEPENDENT NON-EXECUTIVE DIRECTORS



Charles Jacobs
Senior Independent
Non-executive Director

DATE OF APPOINTMENT

16 May 2014

COMMITTEE MEMBERSHIPRemuneration Committee (Chairman)
Audit Committee**CURRENT EXTERNAL LISTED
COMPANY DIRECTORSHIPS**

Investec Plc/Investec Limited.

**OTHER KEY CURRENT
APPOINTMENTS**Mr Jacobs is senior partner and
chairman of Linklaters LLP.**KEY STRENGTHS
AND EXPERIENCE**

- Board and governance experience.
- Legal professional with a focus on capital markets, mining and metals.

Mr Jacobs brings his non-executive directorships at Investec and his 28 years of experience in governance, legal and regulatory matters to the boardroom.

As Senior Independent Director, Charles Jacobs is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer or Head of Investor Relations.

**BOARD AND COMMITTEE
MEETING ATTENDANCE**

B 4/4 **N** - **A** 3/3
H - **R** 3/3



Bárbara Garza Lagüera
Independent
Non-executive Director

DATE OF APPOINTMENT

16 May 2014

COMMITTEE MEMBERSHIP

Nominations Committee

**CURRENT EXTERNAL LISTED
COMPANY DIRECTORSHIPS**Coca-Cola FEMSA S.A.B. de C.V.,
Fomento Económico Mexicano
S.A.B. de C.V., Promecap Acquisition
Company S.A.B. de C.V.**OTHER KEY CURRENT
APPOINTMENTS**Ms Garza Lagüera is a non-
executive director of Soluciones
Financieras SOLFI.**KEY STRENGTHS
AND EXPERIENCE**

- Mexican commercial and industrial experience.
- International Board experience.

As an experienced director, particularly through her career at Coca-Cola FEMSA and Fomento Económico Mexicano, the largest franchise bottler of Coca-Cola products in the world, Ms Garza Lagüera brings a broad experience of Mexican commercial and international business.

**BOARD AND COMMITTEE
MEETING ATTENDANCE**

B 4/4 **N** 3/3 **A** -
H - **R** -



Georgina Kessel
Independent
Non-executive Director

DATE OF APPOINTMENT

30 May 2018

COMMITTEE MEMBERSHIP

None

**CURRENT EXTERNAL LISTED
COMPANY DIRECTORSHIPS**Iberdrola S.A. (Independent Non-
executive Director and Chair of
the Audit & Risk Committee).**OTHER KEY CURRENT
APPOINTMENTS**

Ms Kessel is a non-executive director of Grupo Financiero Scotia Inverlat, S.A. de C.V. (a subsidiary of The Bank of Nova Scotia) serving as Chair of the Audit Committee and a member of the Risk and Corporate Governance Committees) and a partner in Spectron E&I, an energy advisory firm.

**KEY STRENGTHS
AND EXPERIENCE**

- Ministerial experience within Mexican government.
- Knowledge of Mexican energy sector.

Ms Kessel served as Secretary of State in the Ministry of Energy from 2006 to 2011. She also chaired the Governing Board of the Federal Electricity Commission and has been president and a Board member of Petróleos Mexicanos (PEMEX). She has previously been General Director of the National Bank of Works and Public Services (BANOBRAS), member of the governing bodies of Nacional Financiera (NAFIN) and the National Bank of Foreign Trade (BANCOMEXT), adviser to the Chairman of the Federal Competition Commission (CFC) and Head of the Investment Unit at the Ministry of Finance and Public Credit of Mexico.

**BOARD AND COMMITTEE
MEETING ATTENDANCE**

B 2/2 **N** - **A** -
H - **R** -



Dame Judith Macgregor, DCMG LVO
Independent
Non-executive Director

DATE OF APPOINTMENT

23 May 2017

COMMITTEE MEMBERSHIP

HSECR Committee

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

None

OTHER KEY CURRENT APPOINTMENTS

Dame Judith is a member of the Governing Council of the University of Southampton, a member of the UK Arts and Humanities Research Council, the Board of VisitBritain and a Trustee of the University of Cape Town in South Africa Trust.

KEY STRENGTHS AND EXPERIENCE

- International diplomatic experience.
- Government relations in resource-rich countries.

Dame Judith's distinguished career as a British diplomat brings a range of international experience to her role. She has worked closely with and promoted the interests and profile of UK companies across a wide range of sectors, including the mining sector, in a number of countries including Mexico.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** - **A** -
H 2/2 **R** -



Alberto Tiburcio
Independent
Non-executive Director

DATE OF APPOINTMENT

4 May 2016

COMMITTEE MEMBERSHIP

Audit Committee (Chairman)
Nominations Committee

CURRENT EXTERNAL LISTED COMPANY DIRECTORSHIPS

Mr Tiburcio is an independent non-executive director of FEMSA, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Grupo Nacional Provincial S.A.B. and Grupo Palacio de Hierro S.A.B. de C.V.

OTHER KEY CURRENT APPOINTMENTS

Mr Tiburcio is an independent non-executive director of Grupo Financiero Scotia Inverlat, S.A. de C.V. (a Mexican subsidiary of The Bank of Nova Scotia), Profuturo Afore S.A. de C.V., Transparencia Mexicana and Instituto Tecnológico Autónomo de México, A.C.

KEY STRENGTHS AND EXPERIENCE

- International and Mexican audit and accountancy and Mexican tax experience.
- Mexican and international board and audit committee experience.

Mr Tiburcio was the Chairman and CEO of Mancera S.C. (the Mexican firm of Ernst & Young LLP) from January 2001 until his retirement in June 2013 having been a partner for more than 30 years. He has served as statutory auditor and advisor to many prestigious Mexican companies and now sits on the boards and audit committees of important Mexican companies and institutions thus bringing significant Mexican tax as well as Mexican and international audit and accounting experience to the Board.

BOARD AND COMMITTEE MEETING ATTENDANCE

B 4/4 **N** 3/3 **A** 5/5
H - **R** -



Jaime Serra
Mr Jaime Serra served as a Director throughout 2018 but resigned as a Director on 25 February 2019. His Board and Committee attendance during 2018 is set out below:

BOARD AND COMMITTEE MEETING ATTENDANCE

B 3/4 **N** - **A** 4/5
H - **R** 2/3

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board considers these Directors to be independent in character and judgement.

2ND LEVEL OF SCRUTINY

The Independent Non-executive Directors bring an external perspective to bear when evaluating proposals and conducting the business of the Board.

DIRECTORS RE-ELECTION

All of the Directors listed in this section, except Mr Serra, will seek re-election by shareholders at the forthcoming Annual General Meeting.

- B** Board meeting
- N** Nominations Committee meeting
- A** Audit Committee meeting
- H** HSECR Committee meeting
- R** Remuneration Committee meeting

EXECUTIVE COMMITTEE

The Executive Committee comprises the most senior executives within the Fresnillo Group.



Octavio Alvidrez
Chief Executive Officer

DATE OF APPOINTMENT
15 August 2012

COMMITTEE MEMBERSHIP
Mr Alvidrez is invited to attend Board, Audit Committee, HSECR Committee and Remuneration Committee meetings.

KEY STRENGTHS AND EXPERIENCE

- Mine management within Mexico.
- UK investor relations.

Mr Alvidrez has extensive experience within the mining industry having previously held the position of General Manager of the Madero mine operated by Peñoles, which is one of Mexico's largest mines. Mr Alvidrez joined the Peñoles Group in August 1988, since then he has held a number of senior operational and financial positions across Peñoles (Treasurer and Head of Procurement) and Fresnillo (Head of Investor Relations in London).

Mr Alvidrez is the current President of The Silver Institute, a director of the Lowell Institute for Mineral Resources of the University of Arizona, a member of the Mexican Mining Chamber and a Vice-president of the Advisory Board of the School of Mines of the University of Guanajuato, Mexico.



Mario Arreguín
Chief Financial Officer

DATE OF APPOINTMENT
15 April 2008

COMMITTEE MEMBERSHIP
Mr Arreguín is invited to attend Board and Audit Committee meetings.

KEY STRENGTHS AND EXPERIENCE

- 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

COMMITTEE MEMBERSHIP
Mr Giles is invited to attend Board meetings.

KEY STRENGTHS AND EXPERIENCE

- Senior exploration experience within Mexico.
- Engineering and geology background.

During 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 Inc., Corona Gold Corp. and Toromex. He is an officer of the Society of Economic Geologists and the Mexican Association of Mining Metallurgical and Geological Engineers.



André Sougarret
Chief Operating Officer

DATE OF APPOINTMENT
2 January 2019

COMMITTEE MEMBERSHIP
Mr Sougarret is invited to attend Board meetings and to the Audit Committee on occasions.

KEY STRENGTHS AND EXPERIENCE

- Senior project and operational experience.
- Strong mining and engineering track record.

Mr Sougarret's most recent role was as Executive Vice President at the National Mining Company (ENAMI), an organisation responsible for the growth of the mining industry in Chile. Prior to joining ENAMI, Mr Sougarret Larroquete held several positions at the Teniente Division of Codelco implementing best practice methods across the entire division. His previous roles also include General Manager of the Centinela and Esperanza mines at Antofagasta plc. He has a degree in Mining Engineering from the University of Chile and an MBA in Company Administration from Loyola College.

Roberto Diaz served as the Chief Operating Officer until his retirement in early 2019.

EFFECTIVENESS

CHAIRMAN'S INDEPENDENCE

The Chairman, Mr Alberto 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., the Company's controlling shareholder. Mr Baillères is also the Chairman of Peñoles and other companies within the BAL Group. Mr Baillères has been the Chairman of the Company since its IPO in 2008.

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 Board considers that the continued oversight of the Company's strategic and operational integrity provided by it being a member of the Peñoles Group enhances the quality of its corporate governance rather than detracts from it (as explained further on page 100) and, therefore, the Board continues to value and endorse Mr Baillères' chairmanship of the Company. Given Mr Baillères' experience and understanding of Mexican business and its regulatory context, this assessment gains further validity in the current political and social environment in Mexico. Notwithstanding the expectations of the 2018 UK Corporate Governance Code, the Board does not expect to change this assessment for the foreseeable future.

The performance of the Chairman has been evaluated by the independent Non-executive Directors, led by the Senior Independent Director, every year since 2008 and feedback from that review is provided to the Chairman by the Senior Independent Director.

The Relationship Agreement continues to provide a foundation for a transparent governance system, which ensures that the Company benefits from Mr Baillères' leadership and experience while being able to demonstrate to other shareholders that the Fresnillo Group is capable of carrying on its business independently of any companies with which he is connected. 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. Further information regarding the Relationship Agreement can be found on page 109.

DIRECTORS' INDEPENDENCE

The Board considers the Directors listed as being independent on pages 104 and 105, 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 standards set out in Code Provision B.1.1 are taken into account. For Ms Bárbara Garza Lagüera, Mr Charles Jacobs, Ms Georgina Kessel, Dame Judith Macgregor and Mr Jaime Serra Puche, none of the situations set out in Code Provision B.1.1 are applicable. In making this assessment for Mr Alberto Tiburcio, the Board notes that Mr Tiburcio retired as Chairman and Chief Executive Officer of Mancera S.C., the Mexican firm of EY, the Company's auditor, in June 2013. Mr Tiburcio was not involved in the provision of audit or any other services to the Company by Ernst & Young LLP prior to his retirement. Mr Tiburcio is an independent non-executive director of Grupo Nacional Provincial, S.A.B. and Grupo Palacio de Hierro, S.A.B. de C.V., which are companies within the BAL Group. Given that he is not involved in executive duties in any of those companies and has a similar obligation to be independent for those two companies as for Fresnillo, the Board does not consider that Mr Tiburcio's position as an independent Non-executive Director of the Company is adversely impacted by those two appointments. The Board believes that Mr Tiburcio's experience in Mexican and international business and his experience and knowledge of Mexican and international accounting and audit practice and corporate governance are particularly valuable to the Board and the Audit Committee, making him eminently qualified to be the Chairman of the Audit Committee.

TIME COMMITMENT AND OVERBOARDING

The Board is very aware that investors are concerned about all Board members being able to devote sufficient time and attention to the Company's business and this concern will be triggered (a) when a director's attendance record at Board and Committee meetings falls below expected levels without sufficient justification; and/or (b) where a director is overboarded, in particular, when a Non-executive Director holds more than five listed company directorships.

The Nominations Committee annually reviews the time commitments of the Non-executive Directors to the Fresnillo plc Board and devoted significant time and thought to this exercise in 2018. Its philosophy in doing so, was to consider (1) the total workload of each Non-executive Director; and (2) the particular value that each Director brings to the Board.

EFFECTIVENESS CONTINUED

In assessing the time commitments of each of the Directors, the Nominations Committee takes into account the following factors:

1. Public companies vary considerably in the expectations that they place on their non-executive directors. It considers that a global company with various lines of business operating in many countries, should not count the same as a single-product company with operations primarily in just one country. Fresnillo plc falls into the latter category and because of the relative commonality of its activities, the Board does not consider that it needs more than four scheduled Board meetings a year, a factor which is reflected in the relatively low fees that the Company pays its Non-executive Directors.
2. This relatively low number of meetings is further justified by the degree of governance oversight of the Company. This comes by virtue of it also being a member of the BAL Group, of which, five of the Directors are also members in a primary capacity and two of the Directors are involved in an independent non-executive capacity. The calendar for Board and Committee meetings is scheduled to align with the other meetings of companies, including listed companies within the BAL Group ownership structure. This ensures that Fresnillo plc Directors who are appointed to the boards of other companies within the BAL Group do not have any time conflicts with their other commitments on BAL Listed Entity boards.

The Non-executive Directors are required, by their letters of appointment, to spend 14 days per annum on Company business. The BAL Group Directors usually meet with management prior to each Board meeting to extensively review the agenda and papers for the forthcoming meeting with them. They also oversee management responses to actions arising from the Board meetings. This time commitment, as well as the time required in travelling to the UK for the annual general meeting each year, more than exceeds the time commitment specified in their letters of appointment. The attendance record at Board meetings of the BAL appointed Directors over the past ten years has been exemplary.

The independent Directors have committee responsibilities which, in conjunction with their Board duties, take up more time than their letters of appointment require. In addition, the UK-based Directors also travel to and from Mexico for Board and Committee meetings which also significantly increases the time that they spend on their Board duties.

The other listed company directorships of the Fresnillo plc Directors is set out on pages 102 to 105 of this report. The Board and Committee attendance record of each of the Directors during 2018 is set out on pages 102 to 105 of this report.

In addition, during 2018 the Nominations Committee specifically considered the issue of overboarding and time commitment in relation to two Directors: Fernando Ruiz and Jaime Serra. Its assessment is as follows:

FERNANDO RUIZ

For the whole of his time on the Fresnillo board, Mr Ruiz has held many other listed company directorships. These directorships are mainly on listed Mexican companies and, as explained previously, the Board considers that these directorships are less time consuming and onerous in their demand than UK listed companies because of the size of their boards and the frequency of their meetings. Mr Ruiz' attendance record at Board and Committee meetings has been solid and has never been a matter of concern to the Nominations Committee or the Board.

Of greater importance to the Nominations Committee is the value to the Board of Mr Ruiz' advice and expertise, particularly in the area of tax and Government fiscal policy. The Board are keen that Mr Ruiz continues to remain a member of the Board, albeit given his length of service on the Board, he is no longer considered to be an Independent Director.

JAIME SERRA

Jaime Serra held six listed company directorships, one more than allowed by investor policies and missed one board and two committee meetings in 2018. Mr Serra was a key player in the original launch of the NAFTA free trade agreement when he was still in government and his knowledge and expertise has been in great demand, including in an ad hoc unpaid capacity at Government level during the negotiation of the United States - Mexico - Canada Agreement ('USMCA'), the successor agreement to NAFTA, during 2018. The Board considered that it is of huge benefit to Fresnillo to have someone of Mr Serra's calibre on the Board given his involvement and insight into the political world.

Notwithstanding this, given the overboarding concerns and the demands of his recent appointment as Chairman of BBVA Bancomer, Mr Serra and the Board agreed that he would not stand for re-election at the 2019 AGM and he resigned from the Board on 25 February 2019.

THE GOVERNANCE OF FRESNILLO'S RELATED PARTY ARRANGEMENTS

RELATIONSHIP AGREEMENT

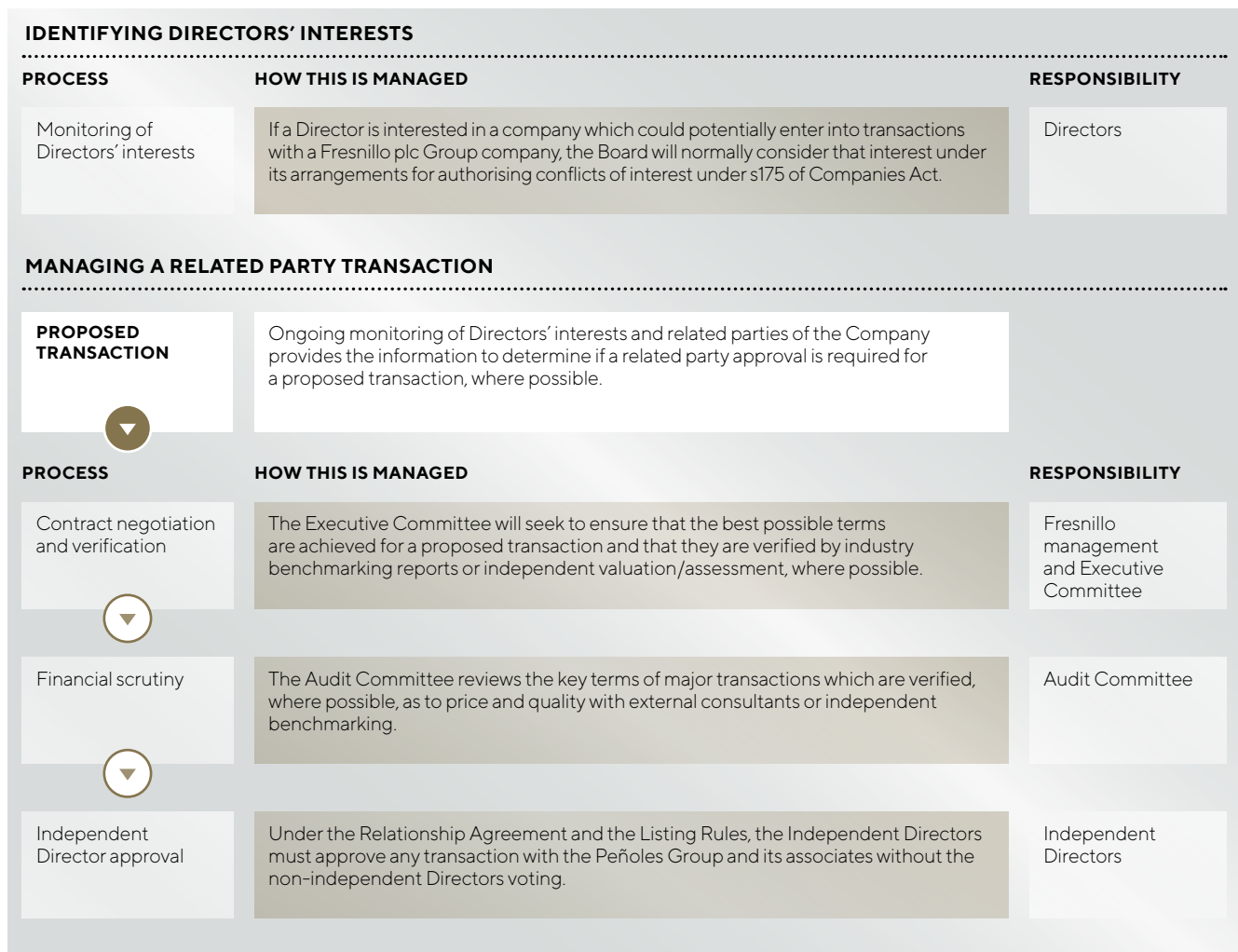
Peñoles has entered into a relationship agreement with the Company (the 'Relationship Agreement') to ensure that relationships between the Fresnillo Group and the Peñoles Group are conducted at arm's length and on normal commercial terms. The Non-independent Directors listed previously have been appointed to the Board by Peñoles pursuant to the Relationship Agreement.

The Relationship Agreement complies with the independence provisions set out in Listing Rule 6.1.4DR for controlled companies. The Company has complied with the independence provisions included in the Relationship Agreement during the financial year ended 31 December 2018.

As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2018 by Peñoles and/or any of its associates.

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.


The following diagram summarises the approach taken to identify and manage related party transactions.



CONFLICTS OF INTEREST

The Group requires that Directors complete a 'Director's List'. The list sets out details of situations where each Director's interest may conflict with those of the Company (situational conflicts). Each Director has re-submitted their list as at 31 December 2018 for the Board to consider and authorise any new situational conflicts identified in the re-submitted lists.

At the beginning of each Board meeting, the Company Secretary reminds the Directors of their duties under sections 175, 177 and 182 of the Companies Act which relate to the disclosure of any conflicts of interest prior to any matter that may be discussed by the Board.

 Further information about related party matters considered by the Board during the year are set out in the Audit Committee Report on pages 128 and 129.

BOARD BUSINESS AND ACTIVITIES

All meetings of the Board are held in Mexico. The Board has a well-established programme of meetings. Board members usually receive Board papers five days prior to meetings in order to enable the Directors adequate time to study and consider the documents. Members of the Executive Committee, led by the Chief Executive Officer, are present at all of the Board meetings and present all of the papers on operational, stakeholder and financial matters. The following table sets out the key business of the Board during 2018.

STRATEGIC UPDATES	GOVERNANCE AND ETHICS	REPORTING	FINANCIAL AND CONTROLS
<ul style="list-style-type: none"> – Exploration strategy. – Update on San Julián development. – Update on Ciénega expansion. – CSR strategy. – Update on the New United States-Mexico-Canada Trade Agreement. – Annual strategy lunch. 	<ul style="list-style-type: none"> – Receipt of Board evaluation reports and action plan. – Meeting of independent Directors. – Board and Committee appointments. – Approval of Shared Services Agreement. – Approval of Met-Mex contract rates. – Review of changes to the UK Corporate Governance Code. 	<ul style="list-style-type: none"> – Approval of 2017 Annual Report and Accounts. – Approval of Preliminary Announcement. – Review and approval of Viability Statement. – Approval of Interim Report. – Approval of Modern Slavery Statement. 	<ul style="list-style-type: none"> – Approval of budget and business plan 2019. – Review and approval of dividend policy and dividend proposals. – Review and approval of Principal Risks and Uncertainties.
REGULAR REPORTS AND AGENDA ITEMS <ul style="list-style-type: none"> – Chief Executive’s Report (including Project, Exploration HSCER and Culture Reports). – Financial Report. – Board and Committee Reports. – Risk and Internal Control Report. – Anti-Bribery and Corruption updates. – Investor Relations and Corporate Communications update. – Legal and Company Secretarial Report (including litigation update). 			

Directors have the right to raise concerns at Board meetings, and can ask for those concerns to be recorded in the Board minutes. The advice and services of the Company Secretary (whose appointment and removal is a matter reserved for the Board) are also available to the Directors. The Group has also established a procedure which enables Directors, in relevant circumstances, to obtain independent professional advice at the Company’s expense.

ENSURING THAT THE ANNUAL REPORT IS FAIR, BALANCED AND UNDERSTANDABLE

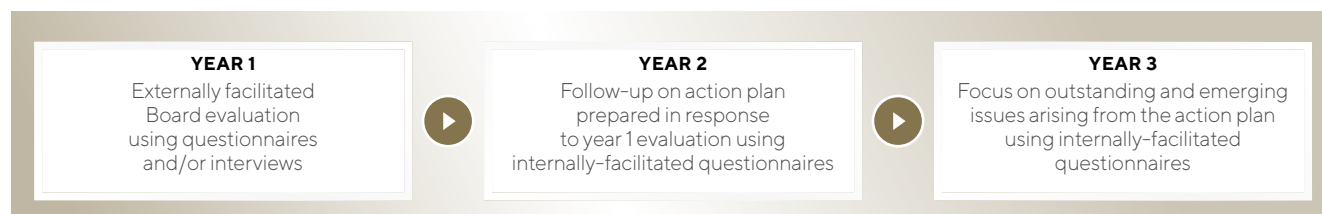
In relation to the Annual Report and financial statements for the year ended 31 December 2018, there are a number of steps that the Board undertook to ensure that the Annual Report is fair, balanced and understandable:

- Two weeks prior to the Annual Report being approved by the Board, members of the Audit Committee and other Directors reviewed a current draft enabling them to assess whether the information was consistent with their understanding of the Company’s business and the nature and content of discussions at the Board meetings during the year.
- Suggested changes put forward by the Directors, based on knowledge obtained through Board and Audit Committee papers and discussion and other interactions with management were taken into account by management in preparing the final version of the Annual Report.
- Internal Audit undertook a review exercise of the principal non-financial numbers in the Annual Report which are extracted from the Company’s operational records.
- The Audit Committee also reviewed the Annual Report and financial statements, taking into account comments made and reports issued by EY and decided to recommend them to the Board for approval.

As a result of the above procedures, the Board considers that, taken as a whole, the Annual Report is fair, balanced and understandable.

BOARD PERFORMANCE EVALUATION

In order to evaluate its own effectiveness, the Board undertakes annual appraisals using a combination of externally facilitated and internally-run evaluations over a three-year cycle. The cycle of the Board's evaluations is summarised as follows:



BOARD EVALUATION IN 2018

2018 was the second year of the three-year evaluation cycle and therefore the Company used an internally-facilitated evaluation to follow up on the external evaluation conducted by Linstock in 2017.

The 2018 evaluation was conducted by the Company Secretary by means of a confidential questionnaire. The aim of the evaluation was to follow-up on the points raised by Linstock, review the Board's progress to date and identify further steps for the Board to take.

The questionnaire was consistent with the 2017 approach in seeking the Directors' views on the Board's interaction with strategy and operational matters and the Board's processes and interactions.

The Board was presented with the findings of the evaluation at the October Board meeting. The key points of discussion arising from the 2018 evaluation process and principal actions being taken in response focussed on the following areas:

- the process for agreeing future strategy;
- the allocation of time to the discussions about risk;
- additional information to support the Key Performance Indicator metrics presented to the Board;
- reporting on community relations;
- the format of Board papers; and
- further developments to the process for post-investment reviews.

INDIVIDUAL PERFORMANCE REVIEWS

Non-executive Directors occasionally meet the Chairman without executives being present. The independent Non-executive Directors meet annually in order to evaluate the performance of the Chairman. On the back of this meeting, the Senior Independent Director discusses the views of the independent Directors with the Chairman. The Independent Directors held this meeting in 2018 after the February meeting and took the 2017 Board Evaluation review into account in their discussions and feedback to the Chairman.

BOARD DEVELOPMENT

Senior management present on the Group's strategic initiatives to provide the Non-executive Directors with more information about the broader context to the Company's activities. In addition, there is a 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; building on mine visits in recent years. During 2018, a number of the Non-executive Directors made mine visits including to Fresnillo, Saucito, Juanicipio, Herradura and Noche Buena.

Briefings were arranged for all Directors from the Company's legal advisers. These include presentations which were aimed at familiarising the Directors with their duties and responsibilities as Directors of a UK listed company and changes to the UK Corporate Governance Code. In addition, the Chairman meets with Directors to discuss any training or development needs.

CASE STUDY - BY DAME JUDITH MACGREGOR

GETTING UP TO SPEED WITH FRESNILLO



As British Ambassador to Mexico from 2009 to 2013, I was well aware of Fresnillo's successful activity as a UK listed company and major gold and silver producer – a significant player in our work to strengthen bilateral trade and business.

But in 2017 as a new Independent Board Director, a different learning was ahead of me. This began in London, with a thorough induction on UK Corporate Governance and my role in this, conducted by Fresnillo's London lawyers, Head of Legal in Mexico and Company Secretary – with invaluable support from the Senior Independent Director.

This theory came to life and much better understanding, in subsequent meetings with the Chairman, CEO and fellow members of the Fresnillo Board, plus the chance to meet Fresnillo staff and most importantly, to see the Fresnillo mines, which span a large part of Mexico. Mining is a complex industry around a reasonably straightforward proposition of extracting valuable minerals from the soil. But its economic, social, environmental and human ramifications are of course extremely wide ranging.

Visits now to three mines: to Fresnillo, San Julián and Herradura have given me a far better understanding of how we are meeting our goal of creating value through growth and returns: of the importance of investment in the people, the technology and the skills necessary for our business and the economic and social context around it. In the Fresnillo mine, it was instructive to see the challenges of maximising extraction from an historic mine. In San Julián, the start up of a totally new operation in a previously untapped region, and at Herradura, the growing enhancement of production through new technology, especially the use of IT.

Equally impressive on all my trips has been the strong focus on social programmes to help develop the economic, educational and health opportunities in the local communities. One highlight was seeing students in a remote community develop a robot that could score real goals (!) and it was great to visit new projects to stimulate enterprise and water conservation. There is much still to learn – but 18 months on and as a member of the Committee for Health and Safety, Environment and Community Relations, I am definitely better equipped to provide the oversight and challenge required of an Independent Director.

Mining is a complex industry around a reasonably straightforward proposition of extracting valuable minerals from the soil. But its economic, social, environmental and human ramifications are of course extremely wide ranging.



UK CORPORATE GOVERNANCE CODE 2018


During the year, the Board and its Committees have considered the requirements of the 2018 version of the UK Corporate Governance Code (the 'New Code') and initiated actions to move the Company's corporate governance towards compliance with the new provisions set out in the New Code. The key steps taken have included:

- Reviews of the Board's responsibilities and those of the Board Committees and, where appropriate, amendments to Committee terms of reference to bring them into line with the New Code;
- A review of the current conflicts of interests procedures operated by the Board;
- Agreement concerning the mechanisms for Board engagement with employees including the designation of Mr Arturo Fernández as the Non-executive Director responsible for overseeing those arrangements, and
- A decision that the Audit Committee should continue to review whistleblowing procedures and reporting on a regular basis but reporting to the Board at least twice per year on this matter from 2019 onwards.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER GROUP	GOVERNANCE RESPONSIBILITY	GOVERNANCE ACTIVITIES DURING 2018
EMPLOYEES	Board, Audit Committee and HSECR Committee	<ul style="list-style-type: none"> – Review of culture and organisational ethics strategy and reports on metrics. – Oversight of whistleblower arrangements and cases. – Evaluation of health and safety performance. – Monitoring the initiative to embed ethics and culture. – Evaluation of the Modern Slavery Statement. – Development of health, safety and diversity and inclusion KPIs for reporting to the Board.
LOCAL COMMUNITIES AND CIVIL SOCIETY	Board and HSECR Committee	<ul style="list-style-type: none"> – Community initiatives are monitored by the Board and HSECR Committee. – During 2018, the HSECR Committee developed community KPIs. – Evaluation of trends and their business implications.
CONTRACTORS	Board, Audit and HSECR Committees	<ul style="list-style-type: none"> – HSECR Committee oversight of dialogue with contractors on safety matters. – Reviews of contractor engagement elements of the Anti-Bribery & Corruption programme.
CUSTOMERS	Board and Audit Committee	<ul style="list-style-type: none"> – The Company's relationship with its sole customer is monitored through the Board's related party oversight processes.
GOVERNMENT AND REGULATORS	Board, Executive Committee, HSECR Committee and Audit Committee	<ul style="list-style-type: none"> – Regular dialogue with Government departments at both BAL, Board and Executive Committee levels during the year reports on matters such as taxation. – Evaluation of regulatory impacts on health, safety, environment and social matters.

The Executive Committee is responsible for the day-to-day stewardship of all stakeholder relationships and its members report to the Board on the key metrics and initiatives. The Executive Committee is currently developing a proposal for future employee engagement for the Board to review in compliance with Code Provision 5 of the 2018 UK Corporate Governance Code. Stakeholder relationships are included in the bonus metrics for the senior management team.

 Further information about the Group's relationship with its suppliers is set out on pages 22 and 23 of the Strategic Report.

RELATIONS WITH SHAREHOLDERS

The Board continually monitors the interests of the Company's minority shareholders in order to ensure that those interests are being properly respected, and that they are aligned as far as possible with those of the majority shareholders.

The Company has an office in London where the Head of Investor Relations is based. During 2018, the Group maintained a strong communications and investor relations programme, as detailed in the table below.

2018		INVESTOR RELATIONS AND INDUSTRY ACTIVITIES
JANUARY		Publication of the 4Q 2017 production report
FEBRUARY		
MARCH		Roadshow following the preliminary results announcement and presentation: UK and USA
APRIL		Publication of the 1Q 2018 Production Report followed by investor conference calls
MAY		Annual General Meeting BAML Global Metals and Mining Conference
JUNE		
JULY		Publication of the 2Q 2018 Production Report
AUGUST		Publication of the half-year results and UK roadshow
SEPTEMBER		Denver Gold Forum HSBC EEMEA and LATAM Conference
OCTOBER		Publication of the 3Q 2018 Production Report followed by investor conference calls
NOVEMBER		Goldman Sachs Global Natural Resources Conference JP Morgan Best of British Conference
DECEMBER		

The Chief Executive Officer and Chief Financial Officer also meet with analysts, hold conference calls after production reports and engage with shareholders by participating in the major roadshows after the preliminary and half-yearly results are announced. They are joined by other members of the Executive Committee for some of these visits. This is done to give the investors and analysts the chance to discuss the results of the Group whilst also giving them an opportunity to raise any queries or concerns they may have. The table below outlines some examples of the discussion points at such meetings and the response from the Company.

Progress at the Fresnillo mine

Clear explanation of the decisive plan to stabilise the mine's ore grade and throughput while outlining the reasons for progressing at a slower than anticipated pace.

Economic outlook for the mining industry in Mexico

Articulate the market conditions seen in Mexico with special emphasis on the mining industry. Additionally provide relevant updates following the election of the new Mexican President.

Performance at our operating mines

Provide a clear update on the performance of all operating mines including the infill drilling programme at Fresnillo and Saucito to enhance the accuracy of the geological model.

Projects progress

Keep the market up to date with progress at the Pyrites plant project and the commissioning of second line of the DLP at Herradura.

Juanicipio

Updates on the progress of this joint venture project including principal statistics where available, the completion of the Feasibility study and the expected timing for its subsequent approval.

Exchange rate effects

Clear and detailed articulation of the different exchange rate effects on production costs in conjunction with other line items in the income statement, including the charge for taxation.

Costs

Detailed breakdown of cost metrics on a year-by-year basis highlighting and clarifying variations; cost inflation/deflation by component.

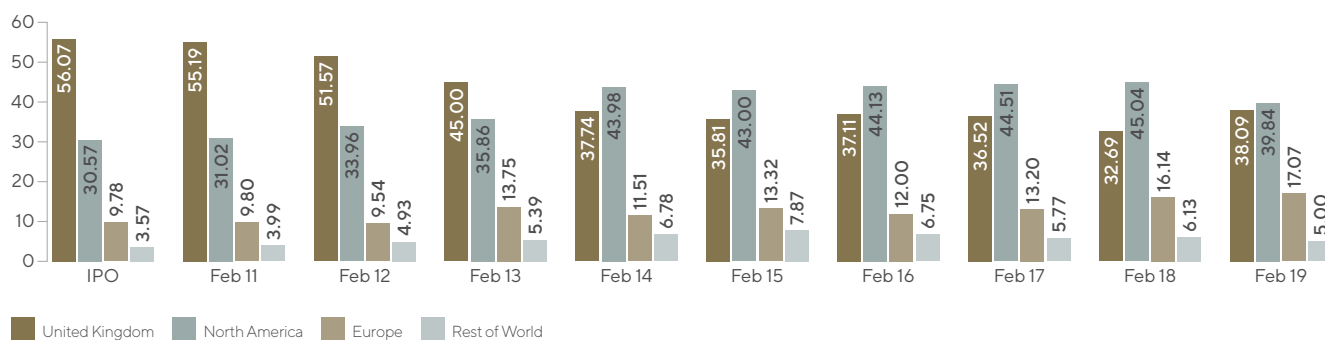
Capital allocation: Capex versus dividends

Reiteration of the Company's unchanged dividend policy of balancing quality growth with returns across the cycle.

The Head of Investor Relations in London is tasked with maintaining existing relations with analysts and major shareholders on a day-to-day basis, which is done by way of telephone calls and meetings. The Company also attends a full programme of mining conferences in order to meet with current and prospective investors. Contact with investors in Mexico is maintained through the Investor Relations Office in Mexico City. The Chief Financial Officer gives a report at each Board meeting on communications and shareholder activity.

GEOGRAPHICAL SHAREHOLDER BASE

The following graph (IPO in 2008 until January 2019) demonstrates the Company's global appeal to independent investors with a significant shift from a predominantly UK shareholder base to a much more globally diverse shareholder base.

**MAJOR INTERESTS IN SHARES**

As at 25 February 2019, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

	Number of voting rights	%
Industrias Peñoles S.A.B. de C.V.	552,595,191	74.99
BlackRock Inc.	46,029,078	6.25
First Eagle Investment Management LLC.	37,243,673	5.05

2018 ANNUAL GENERAL MEETING

At the 2018 Annual General Meeting, all resolutions put to shareholders were passed by a majority. Prior to the AGM, the Company consulted with a number of shareholders in relation to the resolutions to re-elect the Directors. In accordance with 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.

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.

2019 ANNUAL GENERAL MEETING

The Company's eleventh Annual General Meeting will be held on 21 May 2019 at 12.00 noon at The Royal Aeronautical Society, 4 Hamilton Place, London, W1J 7BQ. The business of the Annual General Meeting ('AGM') will be conducted in accordance with paragraphs 36 and 38 of the Guidance on Board Effectiveness published by the Financial Reporting Council in July 2018. 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 2018 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.

The Corporate Governance Report which is set out on pages 98 to 129 has been approved by the Board of Directors of Fresnillo plc

Signed on behalf of the Board

Charles Jacobs
Senior Independent Director
25 February 2019

NOMINATIONS COMMITTEE REPORT

DEAR SHAREHOLDER

During 2018, there have been two main issues for the Nominations Committee to consider: the need to replace Guy Wilson who retired at the AGM having served ten years as an independent Non-executive Director and Chairman of the Audit Committee and the search for a new Chief Operating Officer to replace Roberto Diaz, who retired at the beginning of 2019. In both tasks, the Nominations Committee made good progress. I was pleased that Georgina Kessel agreed to join the Board as an independent Non-executive Director at the 2018 AGM and that Alberto Tiburcio, who has served on the Board and Audit Committee since 2016, agreed to take over as Chairman of the Audit Committee. Alberto and Georgina are both settling into these new roles very well and I firmly believe that the Nominations Committee decisions will, in both cases, prove to be very successful. I am also pleased to report that we now have three female Directors on our Board which further demonstrates our commitment to promoting greater diversity on the Board.

At the executive level, the process to replace of Roberto Diaz as Chief Operating Officer has been a long one. After a long search, we were pleased to confirm the appointment of André Sougarret as Chief Operating Officer which was announced in January 2019. We recognise, as a result of this appointment, that our Executive Committee continues to consist only of men. We have always maintained a policy of appointing people on the basis of merit but without discrimination and this continues to be the case. Mr Sougarret was the best of the candidates considered for the job and the Nominations Committee was happy to endorse his appointment. Where we can, we continue to promote women into senior positions in the Company. Towards the end of the year, for example, we appointed a new Compliance Officer who is female.

I am also pleased to report that we now have three female Directors on our Board which further demonstrates our commitment to promoting greater diversity on the Board.

Earlier in the Corporate Governance Report, reference is made to our dialogue with shareholders about the time commitment and other interests of our Non-executive Directors. This is a matter we have scrutinised closely as a Committee. We remain firmly convinced that there is an excellent combination of skills and experience around the Board table which will serve the Board well in the coming months. We will continue to review such matters each year in the light of the requirements of the new UK Corporate Governance Code.

Yours faithfully

Mr Alberto Baillères
Chairman of the Nominations Committee



NOMINATIONS COMMITTEE

COMPOSITION

The members of the Nominations Committee are Alberto Baillères (Chairman of the Committee), Bárbara Garza Lagüera and Alberto Tiburcio. Ms Garza Lagüera and Mr Tiburcio are both independent Non-executive Directors and therefore the majority of the members of the Nominations Committee are independent in compliance with the requirements of the UK Corporate Governance Code.

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.

Attendance

Mr Alberto Baillères	3/3
Ms Bárbara Garza Lagüera	3/3
Mr Alberto Tiburcio	3/3

BOARD APPOINTMENTS POLICY AND PROCESS IN SUMMARY

The Nominations Committee and Board are strongly committed to the principle of equality of opportunity when making new appointments to the Board while ensuring that appointments are made on the basis of merit. The Nominations Committee continues to consider the composition of the Board with a focus on its continued commitment to diversity.

The criteria for determining the composition of the Board and future Board appointments continue 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.
- The provisions 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 and further afield.

BOARD DIVERSITY POLICY 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. Following the recent appointments of Dame Judith Macgregor and Georgina Kessel as independent Non-executive Directors, 50% (four out of the eight) of the Directors that have been appointed to the Board since 2012 have been women. This demonstrates the Board's commitment to gender diversity. With 25% of the current Board composition being female, the Nominations Committee recognises that this does not meet the 33% target for representation of women on the board set by the Hampton-Alexander Review. Nevertheless, it will continue to keep the gender balance of the Board as a key factor in considering future Board appointments, which at all times will be based on merit.

NOMINATIONS COMMITTEE REPORT CONTINUED

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 it is changing and the Company is committed to hiring and developing women with educational training in mining engineering, geology, finance and accounting. A further explanation of the steps that the Company is taking to promote diversity across its businesses is set out in the Sustainability Report on page 69.

Board composition: gender split	2017	2018
Male	10/12	9/12
Female	2/12	3/12

With ten Mexican and two British directors on the Board, the Nominations Committee is satisfied with the ethnic diversity of the Board.

 Full versions of the Board Appointments Policy and Process and the Board Diversity Policy and the Group Diversity Policy, can be found on the Company's website (www.fresnilloplc.com).

ACTIVITY DURING 2018

The Nominations Committee met three times 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.

The Nominations Committee recognised that a further independent Non-executive Director appointment was necessary given that Guy Wilson had reached the nine year deadline for independence set by the UK Corporate Governance Code. Consequently, Mr Guy Wilson retired from the Board at the 2018 AGM and was replaced as an independent Non-executive Director by Georgina Kessel, who brings excellent political and business experience in Mexico and further afield to the Board.

COMMITTEE MEMBERSHIP

The Nominations Committee reviewed the composition and effectiveness of the Board Committees in 2018 in the light of recent changes to the composition of the Board and approved the following changes to the Board Committees which took effect from the 2018 AGM:

- Alberto Tiburcio was appointed Chairman of the Audit Committee in place of Guy Wilson, who retired from the Audit Committee;
- Charles Jacobs was appointed as an additional member of the Audit Committee; and
- Judith Macgregor was appointed as an additional member of the HSECR Committee.

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. Over the past year, the Nominations Committee has been considering the need to replace Mr Roberto Diaz, the Chief Operating Officer, who retired in early 2019. Identifying the right successor for this role has been an extended exercise. It was decided to split the current role into two separate roles, Chief Operating Officer and Chief Projects Officer. Following an extensive search, which included the consideration of suitable female candidates, the Nominations Committee approved the appointment of Mr André Sougarret as Chief Operating Officer with effect from 2 January 2019. In December 2018, Humberto Garibay was appointed as Chief Projects Officer reporting to the Chief Operating Officer.

OTHER NOMINATIONS COMMITTEE ACTIVITY

The Nominations Committee also considered the following matters:

- Approval of the Nominations Committee Report prior to publication.
- Review of the time commitment required from each Director.
- The proposed re-election of each of the continuing Directors at the AGM.
- A self-evaluation exercise (which concluded that the Nominations Committee is functioning well).

 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.

AUDIT COMMITTEE REPORT

DEAR SHAREHOLDER

I am delighted to introduce my first Audit Committee Report since being appointed Chairman of the Audit Committee in May 2018. I would like to begin by thanking Guy Wilson, my predecessor, for chairing the Committee from July 2008 until the AGM this year, and for his valuable contributions to the Company. I will certainly seek to maintain and develop the important role that the Audit Committee plays in the overseeing the integrity of the financial reporting, risk and control and assurance activities.

As we started planning for this latest report, it was pleasing to see that some issues which had been topics of scrutiny and discussion in previous years have become less prominent in our thinking in 2018, for instance there has been some improvement in the Company's IT security and data protection. However, as old challenges recede, others remain and new ones emerge. One major area of discussion during the year, was the ongoing dialogue with the Mexican tax authorities about the investigations that we referred to in the 2017 annual report. These investigations are routine but ahead of changes of personnel at the Mexican tax authorities towards the end of the year there was a noticeable increase in tax audit activity. I am pleased to report that a number of the audits were concluded satisfactorily prior to the end of the year. Notwithstanding this good progress, there are some audits still ongoing which we will continue to monitor closely.

There are a number of key issues that we discuss with the external audit team each year when reviewing the financial statements. This year, we have spent time discussing the valuation of inventories as an emerging consideration for the Audit Committee due to the re-estimation of quantities held in leaching pads at Herradura. This was as a result of new information obtained from samples taken when a new access road was cut through the pad, following which drill samples were taken from a larger area of the pad. This is discussed on page 62 of this report. A more general concern during the year has been the changing macro-economic environment and its impact on commodity prices. In turn, these impact a number of our judgement areas including the valuation of the Silverstream arrangements, the estimation of reserves and resources, the going concern assessment and the testing for impairment.

The work undertaken by EY on our 2017 financial statements was the subject of an external review by the FRC's Audit Quality Review team and I am pleased to report that the conclusion from that review was that the quality of the audit is good with only limited improvements needed. We have evaluated the two specific points raised by the AQRT and have responded accordingly.

During the year, two evaluation exercises were undertaken. Towards the end of the year, the Audit Committee members and key participants in the Audit Committee meetings completed an internal evaluation questionnaire, the results of which were satisfactory and discussed at our December meeting. This review resulted in some useful suggestions for further improving the quality of the Committee's work (see page 129). We also commissioned Deloitte to undertake an externally facilitated review of our Internal Audit function, which was conducted in the final quarter of the year and the results were discussed at our February 2019 meeting. The overall conclusion of that review from Deloitte was that the Internal Audit function is performing effectively.

During the second half of 2018, the Fresnillo Board and the Audit Committee assessed the implications of the 2018 update to the UK Corporate Governance Code. The Audit Committee has focused on three particular areas, ahead of the effective date of the Code on 1 January 2019. The Board has decided that the Audit Committee will continue its role in regularly reviewing whistleblowing reports reviewed by the Honour Commission, but will then report to the Board on the information it has received and the conclusion of its reviews. We also intend to review our reporting on audit and associated matters in the light of the new requirements of Provision 26 of the new Code. Finally, we received a summary from management on the steps being taken in this annual report to reflect the requirements of the new Code, particularly in relation to stakeholder reporting.

During the year, I visited the Fresnillo and Saucito mines and the Juancipio project. Also during the year, my fellow Director and member of the Audit Committee, Charles Jacobs visited the Fresnillo and Herradura mines. In addition to seeing the mine operations during my visits, I was able to get to know the different programmes that the Company has developed to support the communities and its sustainability.

With the change in the Mexican Government which took place on 1 December 2018, the regulatory environment in Mexico may experience some significant changes over the coming months. This along with the testing economic circumstances that are expected, may present new challenges in 2019. I believe the Audit Committee is well-placed to meet them, if they occur.

Yours faithfully

Alberto Tiburcio
Chairman of the Audit Committee



AUDIT COMMITTEE REPORT CONTINUED

AUDIT COMMITTEE

COMPOSITION

The members of the Audit Committee at 31 December 2018 were Alberto Tiburcio (Chairman of the Committee), Jaime Serra and Charles Jacobs.

	Financial and auditing experience	Sector experience
Alberto Tiburcio (appointed to the Committee on 4 May 2016 and appointed Chairman of the Committee on 30 May 2018)	Previously Chairman and CEO of EY (Mexico). Experience in national and international accounting and audit practice and corporate governance.	Various industries. Independent board and Audit Committee experience at various public companies.
Jaime Serra (appointed to the Committee on 16 May 2014)	Previously Secretary of Finance and Commerce in the Mexican government.	Political and financial insight through the various roles held in government.
Charles Jacobs (appointed to the Committee on 30 May 2018)	Senior Partner and Chairman of Linklaters LLP.	An adviser to several UK natural resources companies and boards.
Guy Wilson (appointed 1 July 2008, retired on 30 May 2018)	Previously a partner at EY (UK) with international audit, accountancy and capital transaction experience.	Previously an adviser to several UK natural resources company boards.

The Chief Financial Officer and representatives from the external auditor and Internal Audit attend all meetings. The Chief Executive Officer, other members of the Executive Committee and management attend where appropriate and external advisors attend for specific matters if relevant.

THE ROLE AND ACTIVITY OF THE AUDIT COMMITTEE

The Audit Committee met five times during 2018. Its programme of activity is determined at the beginning of each year and is structured to ensure that it reviews all of the activities set out in its terms of reference. The Audit Committee has six primary responsibilities and a secondary one for monitoring its own effectiveness. This report is, therefore, presented under the following headings:



FINANCIAL REPORTING

Overseeing the Company's financial reporting to shareholders.



INTERNAL AUDIT

Overseeing the work and findings of the Internal Audit team.



EXTERNAL AUDIT

Overseeing the Company's relationship with its external auditor.



WHISTLEBLOWING

Overseeing the effectiveness of the Company's whistleblower scheme.



RISK AND INTERNAL CONTROL

Overseeing risk, internal control, going concern and viability.




RELATED PARTIES

Overseeing financial aspects of the relationship with related parties.



EFFECTIVENESS

Monitoring the Audit Committee's effectiveness and that of the internal and external audit functions.

 The role and duties of the Audit Committee are set out in its terms of reference, a copy of which can be found on the Company's website at www.fresnilloplc.com.



FINANCIAL REPORTING

KEY ACTIVITIES DURING THE PAST 12 MONTHS

- Review of plan for preparing the financial statements and Annual Report for the year ending 31 December 2018.
- Review of the significant judgements and estimates that impact the financial statements.
- Review of the financial statements and Annual Report for the year ending 31 December 2018.
- Review of the reconciliation of Tax and PTU and monitoring the ongoing dialogue with the Mexican tax authorities on tax matters.
- Review of Payments to Government disclosure.
- Review of interim financial statements for 2018 and Interim Announcement.
- Consideration of new accounting standards, particularly IFRS 9, 15 and 16, and their implications for the Company's financial reporting.
- Consideration of whether any changes were required to the existing accounting policies.

SIGNIFICANT JUDGEMENT AREAS

The Audit Committee spends time ensuring that there is consistency between the policies and judgements used in preparing both the full-year and half-year financial statements prior to respectively recommending those financial statements to the Board for approval. In conjunction with management and the external auditor, the Audit Committee considers the principal areas of audit risk and judgements made in relation to the financial statements which should be considered during its review of the financial statements and the external auditor's report thereon. In many cases, these significant judgement areas will be the same as those considered in previous years; however, as the mining cycle progresses these judgement areas will evolve and new ones will need to be considered while others may become less important. This process may be summarised in the following way:

SIGNIFICANT JUDGEMENT PROCESS BY CATEGORY OF RISK



SIGNIFICANT JUDGEMENT AREAS IN 2018

The significant judgement areas prioritised in 2018 are set out below. In each case, the Audit Committee concluded that the accounting treatment and disclosure in the financial statements is appropriate.

SILVERSTREAM CONTRACT (SEE NOTE 13 TO THE FINANCIAL STATEMENTS)

ASSESSMENT OF THE RISK

The Silverstream contract represents a large asset on our balance sheet which can, as a result of movements in variables discussed below, give rise to large, albeit non-cash, income or expense amounts in the income statement.

VARIABLES CONSIDERED

The Silverstream contract is a derivative financial instrument which must be reflected at fair value at each balance sheet date. The fair value is most sensitive to the timing and volume of forecast production derived from the reserves and resources and production profile of the Sabinas mine, estimated future silver price and the discount rate applied in the valuation.

SOURCES OF ASSURANCE

The Audit Committee discussed with management and EY the inputs into the valuation at the balance sheet date and associated sensitivity analysis. It also reviewed management's suggested disclosures relating to the Silverstream contract. It discussed with EY their procedures for their audit of the valuation.

AUDIT COMMITTEE REPORT CONTINUED



FINANCIAL REPORTING CONTINUED

RELATED PARTY TRANSACTIONS INCLUDING REVENUE RECOGNITION (SEE NOTE 26 TO THE FINANCIAL STATEMENTS)

ASSESSMENT OF THE RISK 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 our financial position. Furthermore, related party transaction disclosure requirements allow investors to understand the nature and extent of the Company's transactions with related parties and there is a risk that disclosures in the financial statements could be inaccurate or incomplete.

VARIABLES CONSIDERED Every year, the Audit Committee scrutinises the probity of all major related party transactions to ensure that they are entered into transparently and fairly to all shareholders (see the section of this report headed 'Transactions with Related Parties').

SOURCES OF ASSURANCE The Audit Committee considered management reports on the transactions with related parties during the year and for the trading relationship with Met-Mex the basis on which pricing is determined by reference to third party benchmarking reports. Transfer pricing assessments are also completed by the Group's external adviser, PricewaterhouseCoopers ('PwC'). The Audit Committee discussed EY's procedures to ensure that related party transactions are recognised accurately and correctly reported in the relevant disclosures in the Annual Report, to ensure that they are consistent with the information it is presented with during the year.

ESTIMATION OF QUANTITIES IN INVENTORY (SEE NOTE 14 TO THE FINANCIAL STATEMENTS)

ASSESSMENT OF THE RISK Inventory from leaching pads accumulates over time during which period the potential recovery of precious metal from that inventory may change. This may result in an incorrect valuation of the metal held in the leaching pads. The re-estimation of quantities of ore held in leaching pads at Herradura had to be considered as a result of new information obtained from samples taken when a new access road was cut through the pad, following which drill samples were taken from a larger area of the pad.

VARIABLES CONSIDERED The Audit Committee considered management's basis for the timing and quantification of the updated estimation. This included (i) the relevance of the results of the samples taken from one area of the leaching pads to all deposits; (ii) the justification for the inputs used in the inventory calculation; (iii) indicators at the prior year end, that could have highlighted the need to perform a re-estimate of recovery rates; and (iv) whether there is a need to re-evaluate the inventory at other nearby business units.

SOURCES OF ASSURANCE The Audit Committee has discussed the answers given to EY and their specialists by the operational management team in response to enquiries concerning this matter.

MINERAL RESERVES AND RESOURCES (SEE PAGES 245 TO 247)

ASSESSMENT OF THE RISK Reserves and resources are a primary driver of Fresnillo's market valuation and a significant input into calculations of depreciation and assessments of impairment. Inaccuracies in the estimation of reserves and resources would lead to broad implications across the Annual Report and Accounts.

VARIABLES CONSIDERED The estimation of mineral reserves and resources requires significant judgement, not only in respect of mineral physically in place but also metal price and cost assumptions used to determine the cut-off grade for identifying economically viable ore bodies. There is also judgment in developing and maintaining the mine plans which estimate the timing and quantities of related production.

SOURCES OF ASSURANCE The Audit Committee took into account the report by SRK Consulting (the Company's independent reserves and resources auditor) on the reserves and resources (excluding Silverstream) as presented to the Board in February 2019. The Audit Committee also considered EY's evaluation of the competence and objectivity of SRK.

TAXATION AND PTU (SEE NOTE 10 TO THE FINANCIAL STATEMENTS)

ASSESSMENT OF THE RISK

The taxation of mining companies in Mexico has been the subject of much attention and governmental action in Mexico. In accordance with the Mexican legislation, local companies also pay employee profit sharing ('PTU') equivalent to approximately 10% of the taxable income of each fiscal year.

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. In addition, certain tax assets and liabilities are denominated in Mexican pesos and are revalued in US dollars during the period, resulting in foreign exchange gains or losses which need to be taken into account when assessing the tax charge for the period and the deferred taxes computation.

VARIABLES CONSIDERED

The Audit Committee reviews the status and potential outcomes of tax audits and significant adjustments applied to accounting profit in determining profit subject to taxation or PTU for each subsidiary which are clearly set out in papers prepared by management.

SOURCES OF ASSURANCE

Throughout the year the Audit Committee received updates on the status of tax inspections. The Audit Committee reviewed management's supporting memoranda on the consolidation of tax and PTU and sought EY's views on the same. It ascertained the degree to which such judgements and adjustments are supported by internal and/or external subject matter experts and ensured that these explanations correspond with information it was presented with during the year prior to approving the relevant disclosures in the Annual Report.

ENSURING THAT THE ANNUAL REPORT IS FAIR, BALANCED AND UNDERSTANDABLE

The Audit Committee supports the Board in ensuring that the Annual Report is fair, balanced and understandable. The approach taken by the Board in relation to the Annual Report and financial statements for the year ended 31 December 2018 is described on page 110 of the Corporate Governance Report. The Audit Committee also:

- reviews the Annual Report and financial statements, taking into account comments made and reports issued by EY and then decides whether to recommend them to the Board for approval; and
- discusses with Internal Audit any issues arising from the review that they undertake of the principal non-financial numbers in the Annual Report (which are extracted from the Company's operational records).

AUDIT COMMITTEE REPORT CONTINUED



EXTERNAL AUDIT

KEY ACTIVITIES DURING THE PAST 12 MONTHS

- Review of letter from EY providing their observations and opportunities arising from the 2017 audit process and management responses to same.
- Discussion with EY of the findings from their review of the interim results for the period ended 30 June 2018.
- Review of 2018 half-year representation letter given to EY.
- Review and approval of the external audit plan, fees and terms of audit engagement.
- Review of Financial Reporting Council (‘FRC’) Report on EY as a firm in respect of 2017 annual reports.
- Consideration of the independence, objectivity and qualifications of EY as external auditor.
- Review of policy on the provision of non-audit services by the external auditor and approvals.
- Review of the Audit Quality Review team report on EY’s audit of the 2017 financial statements.
- Review of the results of the ‘hard close audit’ for the ten months to 31 October 2018.
- Review EY’s report following completion of the audit for the year ended 31 December 2018.
- Review of the representation letter given to EY for the 2018 full-year audit.
- Review effectiveness of the 2018 full-year audit process.
- Recommendation to the Board of the reappointment of EY as auditor at the 2019 AGM.

During 2018, 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.

APPOINTMENT OF THE EXTERNAL AUDITOR

In February 2018, the Audit Committee considered and recommended the re-appointment of the external auditor, EY, to the Board prior to the Company’s Annual General Meeting. This recommendation took into account the commitments made by EY during the tender exercise which was conducted during 2016 (and was outlined in the Audit Committee Report for 2016). EY was first appointed as the Company’s external auditor in 2008 and reappointed following this tender exercise in 2016.

The Audit Partner is Daniel Trotman and he has been the Audit Partner for four years.

EVALUATION OF THE EXTERNAL AUDITOR

The Audit Committee reviewed the FRC’s Audit Quality Review (‘AQR’) on EY as a firm and the specific report on EY’s audit of the 2017 financial statements. The conclusion from that review was that the quality of the audit was good with only limited improvements needed. The Audit Committee has evaluated the two specific points raised by the AQR and discussed them with EY. It does not consider these points to be significant and the Chairman of the Audit Committee has responded to the communications received from the FRC.

In February 2019, based on the above criteria, and following detailed discussions with management, the Audit Committee evaluated the performance of EY in 2018 and concluded that it was appropriate to recommend the reappointment of EY as external auditor at the 2019 Annual General Meeting.

QUALITY AND INDEPENDENCE OF THE EXTERNAL AUDITOR AND NON-AUDIT SERVICES POLICY

The Audit Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity and is appropriately qualified with sufficient resources and expertise to fulfil the role. The Audit Committee specifically 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 reviewed its policy for the provision of non-audit services to the Fresnillo Group by the external auditor (the ‘Policy’) during the year having previously updated it in 2016. No further changes were made to the Policy in 2018. The current policy permits the engagement of the external auditor to provide statutory audit services, certain assurance, and due diligence services where fees are less than US\$5,000 to be pre-approved. Any engagement of the external auditor to provide permitted services above US\$5,000 is subject to the specific approval of the Audit Committee. During 2018, the Audit Committee authorised EY to provide research into transfer pricing methodologies (US\$30,000), in accordance with the Policy on the basis that this piece of work was not deemed by the Audit Committee to compromise EY’s independence. As at the date of this report, this work has not yet been awarded to EY.

Details of the fees paid to EY during the year as shown in note 27 to the financial statements.



RISK AND INTERNAL CONTROL

KEY ACTIVITIES DURING THE PAST 12 MONTHS

RISK	<ul style="list-style-type: none"> • Half-yearly reviews of the risk matrix and Key Risk Indicators ('KRIs'). • Half-yearly reviews of the Principal Risks and Uncertainties.
INTERNAL CONTROL	<ul style="list-style-type: none"> • Quarterly review of internal control monitoring reports to the Board. • Consideration of plan for the year-end review of the system of internal controls. • Annual review of the system of internal controls.
FINANCIAL	<ul style="list-style-type: none"> • Annual treasury policy review and investment of cash balances.
NON-FINANCIAL	<ul style="list-style-type: none"> • Regular reviews of the Anti-Bribery and Corruption Programme ('ABAC'). • Regular reports on legal matters (including land titles and litigation). • Regular reviews of IT governance, IT strategy, cyber security and data protection. • Annual review of compliance with mining licence conditions.
GOING CONCERN	<ul style="list-style-type: none"> • Half-yearly reviews of the Going Concern Statement and supporting papers.
VIABILITY	<ul style="list-style-type: none"> • Review of the process for preparing the Viability Statement including scenario planning assumptions and supporting paper. • Review of the draft Viability Statement prior to submission to Board for approval.

RISK

Management continues to build on the existing risk management framework, seeking to enhance risk governance and management across the business in line with the UK Corporate Governance Code. In order to support the Board in monitoring the normal risk management activities, the Audit Committee reviewed management's activities in relation to:

- quarterly reporting to the Board on the effectiveness of current controls;
- promoting the ownership of risk mitigation and associated controls among the process owners at the business unit level (being the first line of defence) through their periodic reporting on the effectiveness of controls; and
- ensuring 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. A quarterly report is prepared for the Board which comments on any significant variations in KRIs and management's conclusion on the likely effect on the relevant risk ratings and/or any modifications in the related controls. This is reviewed by the Audit Committee prior to its submission to the Board.

During 2018, 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.

Further details of the risk management system are set out on pages 28 to 29.

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 30 to the financial statements.

INFORMATION TECHNOLOGY

In the current year the Audit Committee continued to receive updates on the Group's IT strategy, its linkage to the Group's overall business strategy and the financial implications of that strategy for the business plan. The Audit Committee has also focused on the related risks of cyber security. The Audit Committee was satisfied that progress has been made during the year in each of these areas.

INTERNAL CONTROL

The Audit Committee assists the Board in monitoring the effectiveness of the Company's internal control environment. This monitoring includes oversight of all material controls including financial, operational, regulatory and compliance.

During 2018, the Audit Committee has continued to review the quarterly internal control monitoring document which was introduced in 2016 and which is prepared and submitted to the Board at each of its regular meetings. This document specifically reports on developments in the Key Risk Indicators and internal controls and the key findings from the quarterly Internal Audit reports.

AUDIT COMMITTEE REPORT CONTINUED



RISK AND INTERNAL CONTROL CONTINUED

During 2018, the Internal Audit team facilitated a 'roadshow' of meetings with management at each of the Business Units to discuss the differences between Internal Audit's assessment of the Group's internal controls and those of the management teams themselves. This exercise promoted a better understanding of the importance of the Group's internal procedures in mitigating risk and enhancing internal controls.

The process agreed by the Audit Committee to monitor the Group's system of internal controls is 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 identifying and addressing 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 progress to date was reviewed by the Audit Committee in February 2019.

Further control exceptions identified in the current year include those relating to health and safety procedures, handling of explosives, further improving the monitoring of tailings deposits and procedures in relation to permits. These issues are not pervasive throughout the Group's operations but each issue has occurred at least at one of the Group's operating areas and plans for remediation have been approved and these are being progressed.

On the recommendation of the Audit Committee, the Board agreed that the following statement be made about the review of the system of internal control in the 2018 Annual Report and Accounts.

The Board has, through the Executive Committee and the Audit Committee (at its February 2019 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 complement Fresnillo's risk management framework and are 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

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. The Audit Committee supported the Board in this assessment by considering whether the Company has adequate liquid resources to meet its obligations as they fall due. In February 2019, the Audit Committee reviewed the Group budget and cash flow forecasts for the period to December 2020, taking into account the Company's anticipated production profiles at each mine, budgeted capital and exploration expenditure and the sensitivity of the cashflow forecasts to movements in metal prices, including stress testing those forecasts to identify the levels to which metals prices must fall to put pressure on working capital levels.

The Audit Committee also 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. The Audit Committee also challenged management on the feasibility of the mitigating actions and the potential speed of their implementation. As a result of the procedures performed, the Audit Committee satisfied itself that the going concern basis of preparation is appropriate and the financial statements appropriately reflect the conclusions on going concern.

VIABILITY ASSESSMENT

The executive team has developed a comprehensive approach for the preparation of the Viability Statement, which was first used in the Company's annual report for the year ended 31 December 2015. This process has been reviewed each year since and incrementally developed. The key steps in this process are explained within the Viability Statement.

The Audit Committee reviewed the methodology that the executive team adopted in preparing the Viability Statement at its meeting in December 2018 and then reviewed the output from that process at its meeting in February 2019. Given that the five-year period of assessment for the purposes of the Viability Statement, the potential impact of the repayment of the US\$800 million Senior Notes in 2023, was also taken into account for the first time.

The Board's Going Concern Statement and longer-term Viability Statement are set out in the Strategic Report on pages 42 and 43.



INTERNAL AUDIT

KEY ACTIVITIES DURING THE PAST 12 MONTHS

ANNUALLY	<ul style="list-style-type: none"> Review of the Internal Audit Plan and its resourcing for the following year. Evaluation of Internal Audit.
TWICE A YEAR	<ul style="list-style-type: none"> Meeting between the Audit Committee and Internal Audit without management present.
QUARTERLY	<ul style="list-style-type: none"> Review of significant Internal Audit findings (including progress on the most significant points from previous audits) based on the audits conducted during the most recent quarter.

The Head of Internal Audit and Deputy Director, Internal Audit attend all meetings of the Audit Committee.

The Internal Audit team seeks to complete audits of all the operating risks across all of the Fresnillo Group's mining assets on a regular basis. During the year, the Audit Committee received specific input from Internal Audit to focus on three particular areas:

- New mines:** Following the emphasis on auditing the Company's new mines which was initiated in 2016, Internal Audit completed its examination to ensure that proper procedures were implemented from the beginning in those new operations and to ascertain whether there were any lessons to be learned. This work was fundamental to refine methodologies and working arrangements between multiple disciplines to provide enhanced transparency to management about operational and financial performance throughout the process of building and commissioning new mines.
- Red flags:** At each meeting during the year, the Audit Committee focused on the progress made by management in dealing with 'red flag' items, being the most serious control weaknesses, raised during Internal Audit visits to ensure that the management responses to remediation are appropriate and timely progress in reducing the number of red flags over time.
- IT issues:** (including cyber security): During 2017, the Audit Committee received presentations from the Head of IT setting out the Group IT Strategy for the year and demonstrating how this supports the overall Group Strategy. The Audit Committee noted good progress in establishing appropriate procedures and systems for dealing with cyber security threats. An initial phase of work supported by PwC has now been completed and a second phase of implementation work, facilitated by Deloitte is progressing well.

In addition, the Audit Committee also monitored the quality of the dialogue between Internal Audit and the Executive Committee in reviewing internal audit findings and agreeing action plans with appropriate levels of operational buy-in to deal with the points raised. The Audit Committee met with the Chief Executive Officer and Chief Operating Officer several times during the year to review the outstanding points and is satisfied with the progress achieved through this dialogue.

The Internal Audit Plan for 2019 was reviewed at the Audit Committee meeting in October 2018 and was approved. When reviewing the Internal Audit Plan for the year, the Audit Committee also considered the personnel available within the Internal Audit team, their expertise and experience, to resource their increasing workload. For 2019, the Audit Committee requested that the Internal Audit team consider whether any additional financially-focussed audits should be considered in addition to the operational audits that are currently undertaken within the plan.

The members of the Audit Committee evaluate the performance of the Internal Audit team annually and in 2018 this process was facilitated externally by Deloitte. The findings of the evaluation were presented to the Audit Committee, and a summary of it was also presented to the Board in February 2019. Deloitte's overall view was that the Internal Audit function is performing in an effective manner. The Audit Committee will review their detailed recommendations with Internal Audit at its upcoming meetings.

AUDIT COMMITTEE REPORT CONTINUED



WHISTLEBLOWING

KEY ACTIVITIES DURING THE PAST 12 MONTHS

- Review of whistleblowing cases considered by Honour Commission at each meeting of the Audit Committee.

Fresnillo plc has a whistleblowing line available for all stakeholders, including employees, third parties and the general public. Information regarding this whistleblowing mechanism is widely circulated with access available via our website in the Ethics and Culture/Code of Conduct section. The purpose of the whistleblowing line is to encourage employees and others to raise good faith concerns about misconduct that goes or appears to go against the Company's internal Code of Conduct and our institutional values.

The 'Fresnillo Plays Fair' whistleblower hotline allows stakeholders to anonymously report (via an independent third party) violations of the Group's Code of Conduct. The results are assessed by an independent third party and processed for review by the Honour Commission, which comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Compliance Officer, the Director of Internal Audit, the Vice President of Exploration and the Head of Legal. The whistleblowing reports are reviewed on a quarterly basis by Audit Committee.

These arrangements have been established for some time and the Audit Committee is responsible for ensuring that appropriate investigation of all whistleblowing incidents is undertaken in a timely manner. In 2018, there were a total of 60 reports, a 30% increase over 2017. The Audit Committee continues to view this increase being as a result of the Company's efforts to promote a greater understanding of the benefits of reporting issues and considers that this indicates that employees recognise that such reports are valued and investigations are rigorously evaluated. In 2018, 65% of the reports were concluded in the year with the remainder, having been raised in the latter part of the year, still under investigation. Further details on the whistleblowing report activity in 2018 is set out in the Sustainability Report on page 71.

During 2018, the Audit Committee was satisfied that all matters had been or are being properly investigated with appropriate action taken. The Audit Committee considers that current level of issues raised is good evidence that the programme is being taken seriously across the Group and is operating satisfactorily.

The Board and the Audit Committee have considered whether responsibility for overseeing the whistleblower arrangements should transfer to the Board itself, in line with the recommendations of the 2018 UK Corporate Governance Code. Both the Board and the Audit Committee consider that the Committee's current oversight of the whistleblower arrangements works well and, therefore, this responsibility will remain with the Audit Committee; however the Chairman of the Audit Committee will report formally to the Board concerning the Audit Committee's reviews of the whistleblower line at least twice a year in future.



RELATED PARTIES

KEY ACTIVITIES DURING THE PAST 12 MONTHS

- Review of related parties list.
- Conclusion of the renewal of the Shared Services Agreement
- Review of insurance programme (including the role of related parties in the insurance programme).
- Review of Met-Mex treatment charge and refining charge rates for 2018.

Peñoles owns just under 75% of the issued share capital of the Company (see page 115) and therefore has and will continue to have a significant level of influence over the affairs and operations of Fresnillo.

Being part of the same Group also provides an opportunity for synergistic benefits to be achieved operationally and administratively by combining the resourcing of common services that can be shared between Peñoles and Fresnillo. The principal arrangements between the Company and related parties are:



RELATED PARTIES CONTINUED

THE SHARED SERVICES AGREEMENT

The Shared Services Agreement is an agreement between the Company and Peñoles under which 24 categories of services are provided to the Company by Peñoles. The Shared Services Agreement was renewed for five years with effect from 1 January 2018. In order to ensure that Fresnillo is charged appropriately for services rendered by Peñoles under the Shared Services Agreement, management has regular meetings with Peñoles to discuss its performance against the Key Performance Indicators ("KPIs") for each of the different categories of service where issues of non-compliance are addressed and remediation agreed. In addition, Internal Audit conducts 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.

As described in the 2017 Annual Report, the Audit Committee concluded that the new five-year Shared Services Agreement was reasonable in all respects and recommended that the independent Non-executive Directors approve signing of the Shared Services Agreement by the Company, which they did at the Board meeting in February 2018.

THE MET-MEX AGREEMENT

During the year, the Audit Committee considered the proposed charges in respect of the Met-Mex arrangements for 2018 comparing proposed prices to comparable prices charged by Met-Mex to independent customers and to those of other smelters taking account of ore composition and transport costs to validate that they are reasonable. Based on the satisfactory outcome of the Audit Committee's review of the proposed prices, the Audit Committee recommended to the Board that the independent Directors approve the proposed charges for 2018 under the Met-Mex arrangements, which they did at the Board meeting in October 2018.

OTHER AGREEMENTS

There are other dealings with related parties in the ordinary course of business (e.g. insurance brokerage) which, although not requiring approval by independent Directors, will from time-to-time be reviewed by the Audit Committee to ensure that the arrangements are on a reasonable arm's-length basis.



EFFECTIVENESS

KEY ACTIVITIES DURING THE PAST 12 MONTHS

- Audit Committee evaluation activities.
- Annual review of the terms of reference of the Audit Committee in order to ensure that they remain up-to-date.

Since the inception of the Audit Committee, there has been a continuing programme of evaluation which has embraced the activities of the Committee itself as well as the performances respectively of the external auditor and the Internal Audit function. At least once every three years, these reviews have been externally facilitated with internal evaluation exercises undertaken during the intervening years.

Following the 2017 external evaluation of the Committee by Lintstock LLP, an internal review of the Audit Committee was conducted by the Company Secretary used a questionnaire-based approach. The output from that review was considered satisfactory and at the meeting of the Audit Committee in December 2018 a number of specific steps were discussed, mostly focussed on further improving the time efficiency of the Committee's discussions and developing certain aspects of the reports provided to the Committee.

Members of the Audit Committee take responsibility for updating their knowledge of accounting and audit issues as well as relevant regulatory issues. They also ensure that they develop a good understanding of the Company's operations. During 2018, both Alberto Tiburcio and Charles Jacobs visited a number of the Group's mines. In addition to the usual briefings and updates that they attend, they also hosted a meeting of Audit Committee Chairs of other UK-listed resources companies to discuss current audit and accounting issues being considered across the mining sector.

The terms of reference of the Committee were reviewed to take account of the requirements of the new UK Corporate Governance Code and these were approved by the Board in February 2019.

REMUNERATION AT A GLANCE

REMUNERATION POLICY IN SUMMARY

REMUNERATION POLICY OBJECTIVE

WHAT DOES THE POLICY SEEK TO ACHIEVE?

The Group's remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives to the creation of shareholder value are the key objectives of this policy.



COMPONENTS OF DIRECTORS' REMUNERATION

HOW IS THE REMUNERATION POLICY ACHIEVED?

COMPONENT	RATIONALE
SALARY	Setting base salary levels for Executive Directors and members of the Executive Committee at an appropriate level is key to managerial retention in Mexico. Salaries are positioned within a range of possible salaries according to experience and length of service. Ordinarily, subject to performance, the same percentage will be applied to salary increases across the Company for senior management and other employees alike.
BONUS	The annual bonus rewards the achievement of financial and strategic business targets and the delivery of personal objectives. Annual bonus is capped at six months' salary and is paid on the basis of metrics set out in the remuneration policy.
LONG-TERM INCENTIVES	The annual bonus scheme sets 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. The Company does not operate a long-term incentive plan.
BENEFITS	Benefits are provided in line with the Group's policy on employee benefits.
PENSION	The Group operates a defined contribution scheme. Executive Directors and key management are entitled to membership of the defined contribution scheme.
SHARE BASED REMUNERATION	The Company does not use share-based forms of remuneration because historically it has not been a common form of remuneration in Mexico.
ADDITIONAL FEATURES OF FRESNILLO'S REMUNERATION POLICY	
SHAREHOLDING GUIDELINES	In the absence of share-based incentive schemes, the Company does not adopt shareholding guidelines for executives.
RECOVERY OF BONUS	The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt claw-back and malus arrangements. There is however scope within the bonus scheme for bonus awards to be adjusted downward at the discretion of the Remuneration Committee.

WHAT WAS ACHIEVED? PERFORMANCE HIGHLIGHTS AND OUTCOMES IN 2018

SILVER PRODUCTION (MOZ)	GOLD PRODUCTION (KOZ)	TOTAL SILVER RESERVES (MOZ)	TOTAL GOLD RESERVES (MOZ)	PROFIT FOR THE YEAR (US\$M)
61.8 +5.3%	922.5 +1.3%	476.9 -5.1%	11.0 -6.0%	350.0 -37.6%
(2017: 58.7)	(2017: 911.1)	(2017: 501.7)	(2017: 11.7)	(2017: 560.8)

OBJECTIVE OF THE ANNUAL BONUS

WHAT DOES THE ANNUAL BONUS SEEK TO ACHIEVE?

The annual bonus is set for and based on performance over a single-year period but 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 broadly equal priority within variable remuneration.



**BALANCING LONG-TERM AND SHORT-TERM OBJECTIVES
HOW IS THE ANNUAL BONUS STRUCTURED?**

LINK TO STRATEGY	BONUS CATEGORY	WEIGHTING (%)	MEASURE	IMPACT
<p>1</p> <p>EXTEND THE GROWTH PIPELINE</p> <p>2</p> <p>DELIVER GROWTH THROUGH DEVELOPMENT PROJECTS</p> <p>3</p> <p>MAXIMISE THE POTENTIAL OF EXISTING OPERATIONS</p> <p>4</p> <p>ADVANCE SUSTAINABLE DEVELOPMENT</p>	<p>PRODUCTION</p>	26	Increase in equivalent ounces produced	Short-term vs. Long-term Drives annual results Supports long-term financial sustainability
	<p>SAFETY</p>	5+/-5	Fatalities	Ensures a safe working environment Creates a positive culture
	<p>RESOURCES</p>	30	1 Increase in total resources 2 Increase in resources upgraded	Ensures that the long-term prospects are enhanced
	<p>STAKEHOLDERS</p>	11	Various linked to employee, supplier and community relations	Maintains the business model over the long term
	<p>FINANCIAL</p>	17	Adjusted net profit	Drives annual results Supports long-term financial sustainability
	<p>TEAMWORK</p>	11	1 Teamwork 2 Succession planning	Improves short-term performance Sustainable management team
	<p>SAFETY & ENVIRONMENT</p>	PENALTIES	1 Multiple fatalities 2 Environmental incidents	Ensures a safe working environment Reduces risk of long-term environmental damage

Note: Net Profit is adjusted to exclude currency fluctuation, the effect of year-on-year changes in metal prices and any revaluation of the Silverstream Contract.

In addition to Penalties based on the metrics, the Remuneration Committee also has discretion to reduce bonus payments in the event of poor operational and financial performance, see Remuneration Policy on pages 143 to 147.

TOTAL ENVIRONMENTAL INCIDENTS

0
(2017: 0)

FATALITIES

5
(2017: 1)

CEO'S 2018 REMUNERATION

TOTAL SALARY (US\$'000)

830 +4.0%
(2017: 809)

BONUS (US\$'000)

Nil -100%
(2017: 98)

DIRECTORS' REMUNERATION REPORT CHAIRMAN'S ANNUAL STATEMENT

DEAR SHAREHOLDER

This year has been a year of reflection for the Remuneration Committee. We continue to welcome the support of our shareholders for our remuneration arrangements and I was pleased to see that this support was again strongly demonstrated at our 2018 AGM.

For some time, however, the Remuneration Committee has been considering whether the annual bonus arrangements for our senior management team could be better aligned to our strategy. As the Company moves from a phase of fairly rapid growth to one of consolidation, we believe that some realignment would be helpful. In reflecting on this, we have also considered the feedback that we received from shareholders on our remuneration arrangements. In last year's annual report, we stated that there would be a cap on any individual component of the bonus arrangements of 135% of target. More recently, we have further refined the bonus scheme to better align the KPIs to the requirements of our current strategy and growth profile and also introduce a sliding scale of payments between two months' salary and six months' salary for maximum achievement in place of the stepped payment thresholds between target and maximum that we currently have. We believe that these changes, which are designed to improve the effectiveness of our bonus plan should be approved by our shareholders and, therefore, we are submitting our remuneration policy for approval at the 2019 AGM. I would ask for your support for these amendments.



The Remuneration Committee has considered the requirements of the new UK Corporate Governance Code. Given that our remuneration policy does not anticipate the use of long-term share-based incentives, the most significant elements of the new Code do not apply to Fresnillo. However, there are some important principles set out in the new Code which we recognise are important. The Remuneration Committee considers that the Company's remuneration policy has always been inherently clear, simple, predictable and proportionate. We also firmly believe that our policy is designed to avoid of excessive rewards. However, the changes to the remuneration policy, which we are proposing at the 2019 AGM, seek to create even closer alignment between remuneration and the Company's purpose, values and strategy. The main changes proposed to be made to the Policy are summarised below:

Proposed change	Rationale
Updating the KPIs referred to in the Policy, both in terms of the objective themselves and the measures relating thereto.	To better align the incentives for the Executive Committee members with the requirements of the business as the Group moves into a phase of slower organic growth.
Introducing a cap on each of the KPIs (other than the Safety KPI) such that the points awarded on any KPI (other than Safety) cannot exceed 135 per cent. of the target set for that KPI at the beginning of the year.	To mitigate the possibility that high performance in one category could make up for poor performance in all other categories.
Introducing a sliding scale for bonus awards between 100 points (two months' salary) and 115 points (six months' salary) rather than the current stepped approach.	To more closely align bonus to actual performance.

In our Remuneration Report, we continue to publish remuneration information in respect of our Chief Executive Officer as if he were a member of the Board, even though that is not the case. We believe this is an appropriate addition to the transparency of our reporting. As ever, I am always interested to hear the views of shareholders on our approach to executive remuneration.

Yours faithfully

Charles Jacobs
Chairman of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION 2018

INTRODUCTION

This Report sets out information about the remuneration of the Directors and Chief Executive Officer of the Company for the year ended 31 December 2018. In accordance with the Regulations (as defined on page 143), the information provided in the section entitled 'Directors' Remuneration - 1 January 2018 to 31 December 2018' and 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 has 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 2018 TO 31 DECEMBER 2018

SINGLE TOTAL FIGURE OF REMUNERATION

The detailed emoluments received by the Executive and Non-executive Directors and the Chief Executive Officer during the year ended 31 December 2018 are detailed below:

US\$'000	Salary/Fees 2018	Benefits 2018	Annual bonus 2018	Pension 2018	Total 2018	Salary/Fees 2017	Benefits 2017	Annual bonus 2017	Pension 2017	Total 2017
Chairman										
Alberto Baillères	47	0	0	0	47	43	0	0	0	43
Non-executive Directors										
Juan Bordes	47	0	0	0	47	43	0	0	0	43
Arturo Fernández	47	0	0	0	47	43	0	0	0	43
Jaime Lomelín	47	0	0	0	47	43	0	0	0	43
Fernando Ruiz	47	0	0	0	47	43	0	0	0	43
Guy Wilson ¹	49	0	0	0	49	118	0	0	0	118
Alejandro Baillères	47	0	0	0	47	43	0	0	0	43
Bárbara Garza Lagüera	47	0	0	0	47	43	0	0	0	43
Charles Jacobs	120	0	0	0	120	118	0	0	0	118
Jaime Serra	47	0	0	0	47	43	0	0	0	43
Alberto Tiburcio ²	58	0	0	0	58	43	0	0	0	43
Dame Judith Macgregor ³	120	0	0	0	120	72	0	0	0	72
Georgina Kessel ⁴	28	0	0	0	28	-	-	-	-	-
Total	751	0	0	0	751	695	0	0	0	695
Chief Executive Officer (not a member of the Board during the year)										
Octavio Alvidrez ^{5,6}	830	78	0	(22)	886	810	81	98	83	1,072
Grand total	1,581	78	0	(22)	1,637	1,505	81	98	83	1,767

1 Guy Wilson retired from the Board on 30 May 2018.

2 Alberto Tiburcio's increase in fees are due to his increased responsibilities as Chairman of the Audit Committee.

3 Dame Judith Macgregor was appointed to the Board on 23 May 2017.

4 Georgina Kessel was appointed to the Board on 30 May 2018.

5 Benefits provided to Mr Alvidrez include the cost of life insurance premiums 2018: US\$28,632 (2017: US\$26,536), club memberships 2018: US\$3,039 (2017: US\$1,748), subsistence and other meal benefits 2018: US\$5,147 (2017: US\$13,613), premiums for medical insurance covering limited expenses and check-ups 2018: US\$2,534 (2017: US\$5,045), chauffeur 2018: US\$32,818 (2017: US\$29,780), car 2018: US\$5,185 (2017: US\$3,957) and social security costs 2018: US\$1,041 (2017: US\$993).

6 The basis of calculation for Mr Alvidrez' annual bonus for 2018 is set out in the following table.

The Company does not operate a long-term incentive plan or any share-based incentives.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

The objectives, as applied to Mr Alvidrez' annual bonus payment, the measures associated with each objective, and the relative weighting between objectives, are detailed below:

Bonus category	Measure	Weighting points ¹	2018 KPI target	2018 result	2018 points award	2017 result	2017 points award
Production	Increase in equivalent ounces produced ² <i>This information is shown on page 25</i>	26	129.3 million equivalent ounces of silver (2017: 118.8 million equivalent)	122.7	24.7	118.0	25.9
Resources	Increase in total resources ² <i>This information is shown on pages 245 and 246</i>	10	At least maintain prior year total resources	100%	10.0	103%	10.3
	Increase in resources upgraded from inferred to measured/indicated ² <i>This information is shown on page 245</i>	20	At least maintain prior year total indicated resources	103%	20.6	101%	20.2
Financial	Adjusted net profit ³	17	US\$486 million ⁴ (2017: US\$384 million)	US\$373 million	13.1	US\$442 million	19.6
Stakeholder	Relationship with key stakeholders e.g. communities and unions ⁴	5	Unmeasured	7	7	5	5
	Management of land rights ⁴	3		4	4	4	4
	Controls over contractors ⁴	3		4	4	4	4
Teamwork	Collective teamwork across the Group ⁴	5	Unmeasured	7	7	7	7
	Progressing the Succession Plan for Executive Committee positions ⁴	6		6	6	5	5
Safety	Fatal accidents ⁵	5		5	0	1	0
Sub-total		100			96.4		101.0
Penalties:	Safety:	-	Zero fatal accidents ⁶ :		(9.3)		0
	Environment:	-	Zero serious incidents ⁷ :		0		0
Sub-total		100			87.1		101.0
Discretion⁸		100			-		-
Total		100			87.1		101.0

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 in proportion to the level of the shortfall compared to the previous year. Production excludes amounts from the Silverstream contract and is compared against budget for the year. Total resources includes 100% of all of the resource estimates at the Group's controlled mines, irrespective of ownership.

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 2018 net profit amount for the purposes of the 2018 annual bonus was in line with this approach. A table setting out the reconciliation of net profit to the numbers reported in the financial statements is set out on page 135. The target is set as the prior year profit, excluding the revaluation of the Silverstream contract, the mark-to-market revaluation of derivatives and foreign exchange gains/losses in the prior year.

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 ten points.

6 In addition to the loss of points 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.

7 In the event of an environmental incident, the total bonus score will be reduced by 2%, in the case of two incidents, a further 3% will be deducted. In the case of three incidents, a further 4% and so on.

8 Under the current Remuneration Policy and proposed Remuneration Policy, the Remuneration Committee has discretion to make adjustments to bonus payments (see section headed Discretion in the table on page 144).

RECONCILIATION OF ADJUSTED NET PROFIT TARGETS AND OUTCOMES TO THE FINANCIAL STATEMENTS

US\$ millions	2018 Result	2017 Result
Profit for year as shown in financial statements	350.0	560.8
Adjustments:		
Changes due to currency fluctuations	(27.5)	30.3
Changes due to year-on-year movements in metal prices (including the effects of metal hedging)	61.4	(69.3)
Changes due to the movement in the valuation of the Silverstream contract	(10.5)	(79.6)
Adjusted net profit total for bonus purposes	373.0	442.2

EXPLANATION OF NON-FINANCIAL TARGETS AND COMMITTEE DECISION ON POINTS AWARDED

Relationship with stakeholders	Performance was in line with expectations.
Surface tenure	Performance continued to be in line with expectations.
Controls over contractors	Improvements made during 2017 were maintained during 2018.
Collective teamwork	Improvements made during 2017 were maintained during 2018.
Succession plan for Executive Committee positions	A key appointment to the Executive Committee was made at the end of the year.

PENSION ENTITLEMENT

The pension entitlement of the Chief Executive Officer is as follows:

US\$'000	Defined Contribution Scheme ('DCS')		Increase in accrued benefits during the year (note 1)		Increase, before inflation and the exchange, in accrued benefits during the year	
	At 31 December 2018	At 31 December 2017	2018	2017	2018	2017
Rights as at 31 December 2018 ¹	617					
Additional benefit in the event that the Chief Executive Officer retires early.	In the event of early retirement, Mr Alvidrez is entitled to receive his accumulated contributions (both member and Company) to the DCS.		Mr Alvidrez is not currently entitled to any additional benefit on early retirement in the DBS.			
Octavio Alvidrez	1,486	1,447	39	150	5	83

¹ The increase in accrued benefits during the year includes a revaluation effect of US\$ (25k) (2017: US\$19k).

Mr Alvidrez is expected to retire at his normal retirement age of 60 years old.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

SHARES HELD BY DIRECTORS

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2018 and at 31 December 2018 was:

	1 January 2018	31 December 2018
Alberto Baillères ¹	552,595,191	552,595,191
Juan Bordes	15,000	15,000
Arturo Fernández	-	-
Jaime Lomelín	-	-
Fernando Ruiz	30,000	30,000
Guy Wilson ²	15,000	N/A
Alejandro Baillères	-	-
Bárbara Garza Lagüera	-	-
Charles Jacobs	-	-
Jaime Serra	-	-
Alberto Tiburcio	-	-
Dame Judith Macgregor	-	-
Georgina Kessel ³	N/A	-

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. Fresnillo plc and Peñoles are part of the consortium known as Grupo BAL which is controlled and directly or indirectly majority-owned by Mr Baillères.

2 Guy Wilson retired from the Board on 30 May 2018.

3 Georgina Kessel was appointed to the Board on 30 May 2018.

UNAUDITED INFORMATION

IMPLEMENTATION OF REMUNERATION POLICY IN 2018

CHIEF EXECUTIVE OFFICER SALARY AND BENEFITS

The total remuneration paid to the Chief Executive Officer, Octavio Alvidrez, during the year was US\$886,112.

During the year, Mr Alvidrez served as Chief Executive Officer but was not a member of the Board. Mr Alvidrez is employed under a contract of employment with Servicios Administrativos Fresnillo S.A. de C.V., a subsidiary of Fresnillo plc. Mr Alvidrez' contract commenced on 15 August 2012 and is governed by Mexican Federal Labour Law. Mr Alvidrez' service agreement does not have a fixed term and can be terminated in writing by either party. There is no provision in Mr Alvidrez' service agreement entitling him to additional compensation for termination other than those required by Mexican labour laws for termination without cause. No benefits are payable on termination.

The salary payable under Mr Alvidrez' service agreement is MX\$972,010 per month, which excludes payments for holidays, Company-paid savings contributions and other cash benefits. In 2018, his total salary payments were MX\$15,985,844 (US\$829,925). In 2017, his total salary payments were MX\$15,322,731 (US\$809,480). In 2018, Mr Alvidrez was awarded a salary increase of 4.5%. The percentage level of salary increases for employees during the year was an average of 5.5%. As required by the Directors' Remuneration Policy, Willis Towers Watson have confirmed that the Chief Executive Officer's remuneration remains in line with the Remuneration Policy.

Under his service agreement, Mr Alvidrez is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing ('PTU'). Mr Alvidrez 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.

The Remuneration Committee consider that year-on-year changes to the remuneration of the Chief Executive Officer align equitably with changes in the remuneration of the Company's workforce for the following reasons:

Salary	The Remuneration Committee ordinarily use the same percentage agreed for the whole workforce as the percentage basis for the annual salary increase for the Chief Executive Officer.
Bonus	The Chief Executive is prohibited from participating in the PTU scheme and therefore may only receive a bonus maximum equal to six months' pay. All other employees are eligible for PTU payments annually which can be as high as 200% of salary in exceptional years.
Benefits	The Chief Executive Officer participates in the Company-wide benefits scheme.
Pension	The Chief Executive Officer is a member of the Company's standard pension scheme.

ANNUAL BONUS

Mr Alvidrez achieved 87.1 points under the bonus scheme for the year ended 31 December 2018 (2017: 101.0 points) and therefore was not awarded a bonus for 2018.

PENSIONS

The Group operates a defined contribution scheme (which was introduced on 1 July 2007). Further information on the Group's pension schemes is set out in the Remuneration Policy on page 145.

RECOVERY OF BONUS

The Remuneration Policy gives the Remuneration Committee discretion to reduce bonus payments to take account of poor operational or financial performance during the year or in relation to previous years. Downward adjustment would also be considered where the executive response to adverse health, safety or environmental performance during the year was considered to be poor. Such discretion would be applied after any adjustments in relation to safety and environmental performance had already been deducted under the annual bonus plan see page 144 in the Directors' Remuneration Policy section.

YEAR-ON-YEAR PERCENTAGE CHANGE IN REMUNERATION OF CEO AND ALL EMPLOYEES

	Percentage change (in US dollar amounts) 2018-2019		
	Base salary/Fees	Benefits	Annual bonus
Chief Executive Officer	2.5%	(4.0%)	(100%)
All employees	18.0%	6.8%	2.1%

IMPLEMENTATION OF THE REMUNERATION POLICY IN 2018 AND 2019

The Remuneration Committee established the peer group of companies for the purposes of validating the remuneration of Executive Directors and senior management (the 'Peer Group'). The Peer Group consists of 11 resources companies from Europe (three companies), USA and Canada (six companies) and Mexico (two companies) as follows:

Europe	Randgold Resources
	Acacia Mining
	Hochschild Mining
USA/Canada	Agnico Eagle Mines Ltd
	Goldcorp Inc.
	Hecla Mining Co.
	Newmont Mining Corporation
	Panamerican Silver Corp.
Mexico	Yamana Gold Inc.
	Goldcorp
	Grupo Mexico

The Remuneration Committee has agreed that the Chief Executive's salary should be set within a range of 25-75% of the Peer Group for base salary. In 2017, Willis Towers Watson advised the Remuneration Committee that the CEO's salary remains well within the parameters set out in the remuneration policy. A further review will be conducted in April 2019.

The Remuneration Committee has considered the effectiveness of key performance indicators ('KPIs') and targets that were set for 2018 and it continues to consider that the overall structure of the Annual Bonus Plan as set for 2018 remains broadly appropriate for 2019. However, recognising that the Company is moving into a phase of consolidation rather than growth, the Remuneration Committee received a revised proposal for the structure of the annual bonus plan. The Remuneration Committee also, with effect from 2018, introduced a cap on each of the KPIs (other than the Safety KPI) such that the points awarded on any KPI (other than Safety) cannot exceed 135% of the target set for that KPI at the beginning of the year. Since 2017, the Remuneration Committee has been given discretion under the Remuneration Policy to amend bonus payment outcomes in certain circumstances (as set out in the Remuneration Policy). Such discretion is unaffected by this cap.

The 2019 weightings and measures are therefore set out in the table below. The 2019 targets and performance against those targets will be disclosed in next year's report.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

Objective	Measure	Weighting points ¹
Financial	(Adjusted EBITDA 2019/Budgeted EBITDA) x 100 ⁴	20
Production	Increase in equivalent ounces produced compared to the prior year production level ³	20
Exploration	(Total Resources 2019/Total Resources 2018) x 100 ²	3
	Net increase in resources upgraded from inferred to measured and indicated (MI Resources 2019/MI Resources 2018) x 100 ²	4
	Reserves replenishment ² (Reserves 2019/Reserves 2018) x 100	4
Exploration Projects Progress	Progress compared to project plan for four key exploration projects (to be reviewed each year) (Target = 90% progress: Maximum = 100% progress, proportional decrease to nil points below 90%)	10
Projects	Progress compared to project plan for three key development projects (to be reviewed each year) (Target = 92% progress: Maximum = 100% progress, proportional decrease to nil points below 92%)	11
Human Resources	Performance of contractors Management of contractors – progress with stripping programmes (Target = 90% progress: Maximum = 100% progress, proportional decrease to nil points below 90%) ⁴	5
	Unionised labour relations (Discretionary award) ⁴	2
	Management of contractors programme (Target = 90% progress on planned work: Maximum = 100% progress, proportional decrease to nil points below 90%) ⁴	1
Safety	Fatal accidents (see note 5 below) ⁵	
	Progress in implementing the safety plan for the year (Target = 95% progress: Maximum = 100% progress, proportional decrease to nil points below 95%)	3
	Reduction in the Lost Days Ratio compared to previous year (Lost days/Total Headcount, including contractors) Maximum: 10% or more reduction	3
	Reduce the Injury Rate compared to previous year (Total accidents /Headcount) Maximum: 10% or more reduction	3
Communities	Project-based target to be determined each year	6
Synergies and collective teamwork	Discretionary target to be agreed by the Chairman and Deputy Chairman	4
Environment Management	Based on a score card for managing environmental risks	3
Total		100
Adjustments ^{6,7,8}		-
Total		100

- The points weighting is considered by the Remuneration Committee each year to ensure that it reflects an appropriate balance of priorities for management according to the Strategic Plan. Where a change of emphasis is considered to be necessary, the weighting will be amended in future years. For 2019, the targets, weighting and measures have been amended to reflect that the Company is moving into a phase of consolidation rather than growth.
- Increase of 2.0 points per each 1% of audited Resources above Target. A decrease of 2.0 points per each 1% below Target. Resources will be weighted to take account of quality and potential commercial viability. Increase of 2.0 per each 1% of audited Reserves above Target. A decrease of 2.0 points per each 1% below Target. Reserves will be weighted to take account of quality and commercial viability.
- For 2019, lead and zinc production will be included in the production target as well as silver and gold. Increase of 1.0 point per 1.00% increase in Production up to 5.0 points. Decrease of 1 point in the case of a 1% decline in Production from zero to 5% reduction, decrease of 1.5 for each additional 1% decline between 6% and 10% reduction, for each additional 1% percentage decline beyond 10% decline, 3 points are deducted.
- EBITDA is adjusted to exclude currency fluctuation, the effect of year-on-year changes in metals prices and any revaluation of the Silverstream contract. Increase of 1.0 point per 1.00% increase in EBITDA up to 7.0 points, decrease of 1 point in the case of a 1% decline in EBITDA from zero to 5% reduction, decrease of 1.5 for each additional 1% decline between 6% and 10% reduction, for each additional 1% percentage decline beyond 10% decline, 2.5 points are deducted.
- In the event of zero fatalities during the year, a premium of 10 points will be awarded for safety. For the purposes of calculating fatalities; all fatalities are included, irrespective of whether they are employees or contractors.
- In the event of a fatality, zero points will be awarded for safety, the number of points awarded will be further reduced by 1% if there are two fatalities. From the remaining total score, an additional 2% will be deducted if there are three fatalities. In the case of four fatal accidents, an additional 3% will be deducted from the remaining total score and so on for further fatalities.
- In the event of an environmental incident, the total bonus score will be reduced by 1% per each Environmental Incident reported to Profepa up to three incidents. In the case of four incidents or more, a further 3% for each incident will be deducted and so on.
- Under the Remuneration Policy, the Remuneration Committee has discretion to make adjustments to bonus payments in certain circumstances.
- The maximum points awarded cannot exceed 35% above the weighting.

NON-EXECUTIVE DIRECTORS LETTERS OF APPOINTMENT

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	£35,000
Juan Bordes	15 April 2008	3 months	1 year	£35,000
Arturo Fernández	15 April 2008	3 months	1 year	£35,000
Fernando Ruiz	15 April 2008	3 months	1 year	£35,000
Alejandro Baillères	16 April 2012	3 months	1 year	£35,000
Jaime Lomelín	15 August 2012	3 months	1 year	£35,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year	£35,000
Charles Jacobs	11 April 2014	3 months	1 year	£90,000
Jaime Serra Puche ²	11 April 2014	3 months	1 year	£35,000
Alberto Tiburcio	4 May 2016	3 months	1 year	£50,000
Dame Judith Macgregor	22 May 2017	3 months	1 year	£90,000
Georgina Kessel	7 May 2018	3 months	1 year	£35,000

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 21 May 2019, 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.

2 Jaime Serra Puche resigned from the Board on 25 February 2019.

Unless otherwise determined, the Director concerned may give not less than three months' notice of termination of the appointment. Copies of the Directors' letters of appointment and service agreements are available for inspection at the Company's registered office.

REMUNERATION COMMITTEE**ROLE**

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's Remuneration Policy for Executive Directors and 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.

MEMBERSHIP

The Remuneration Committee consisted of the following Directors as at 31 December 2018:

- Mr Charles Jacobs (Chairman), independent Non-executive Director;
- Mr Alberto Baillères, Chairman of the Board; and
- Mr Jaime Serra, independent Non-executive Director.

Although the UK Corporate Governance Code states the need for the Remuneration Committee to be made up of independent Non-executive Directors, the Board believes that it is vital that the membership of the Committee is made up of Non-executive Directors who are able to bring the following perspectives to the working of the Remuneration Committee:

- an understanding of shareholder expectations;
- an understanding of the evolving remuneration expectations of investors on the London Stock Exchange, and
- an understanding of the general approaches to remuneration within the Mexican market.

The current composition of the Remuneration Committee is considered to be appropriate. Although 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), the Board continues to uphold the view 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

REMUNERATION COMMITTEE ACTIVITY DURING THE PAST 12 MONTHS

Attendance

Mr Charles Jacobs	3/3
Mr Alberto Baillères	3/3
Mr Jaime Serra	2/3

During the year, the Committee met three times. Its key activities during the year were:

- Approval of and recommendation of changes to the Remuneration Policy to the Board for approval prior to inclusion in the business of the 2018 AGM for shareholder approval.
- Review of reports from Willis Towers Watson concerning the benchmarking of remuneration for members of the Executive Committee and Executive Directors, by reference to the Peer 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 a report from Willis Towers Watson concerning developments in market practice in Mexico in relation to long-term share-based incentives.
- Review of the Non-executive Directors' fees.
- Review of the performance of the Chief Executive Officer and members of the Executive Committee compared to the KPIs set for 2017 and approval of annual bonus awards for 2017 based on achievement of KPI targets.
- Review of KPI targets for the Chief Executive Officer and members of the Executive Committee for 2018, including consideration of the effectiveness of changes to the targets to reward better performance in safety improvement and exploration efforts set the previous year.
- Revision of KPIs for Chief Executive and members of the Executive Committee for 2019 to better align with Strategic Plan.
- Receipt of reports from the Company Secretary on UK regulatory developments in relation to executive remuneration, including the implications of changes to the UK Corporate Governance in relation to remuneration.
- Other activities, e.g. Committee evaluation, as required by the Committee's terms of reference and review of the terms of reference of the Committee.

 The 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.

ADVISORS 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. While the Remuneration Committee takes such information into account when considering executive remuneration, none of these advisors 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. Willis 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. Willis Towers Watson provide general advice and benchmarking information to the Group concerning executive remuneration and during 2018, the Group paid Willis Towers Watson US\$Nil (2017: US\$20,735).

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 98% 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
2016: Remuneration Report	99.89%	0.11%	99.48%	0.52%	44,391
2017: Remuneration Policy	99.87%	0.13%	99.42%	0.58%	43,901
2017: Remuneration Report	99.86%	0.14%	99.34%	0.66%	43,901
2018: Remuneration Report	99.79%	0.21%	98.99%	1.01%	12,203
2018: Remuneration Policy amendment	99.45%	0.55%	97.32%	2.68%	9,907

Note: Prior to 2014, there was only one vote on the Directors Remuneration Report at each Annual General Meeting.

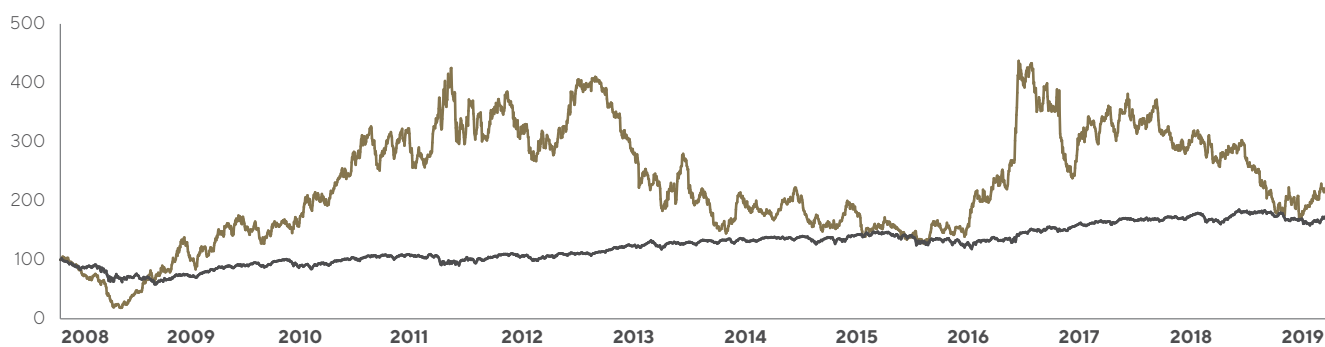
PAYMENTS TO DEPARTING DIRECTORS

During the year, the Company has not made any payments to past Directors; nor has it made any payments to Directors for loss of office.

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.

— Fresnillo - Total Return Index
— FTSE 100 Total Return Index



DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL REPORT ON REMUNERATION 2018 CONTINUED

TOTAL REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

The total remuneration of the Chief Executive Officer for the past six years, in US dollars, has been as follows:

Year ending 31 December	2013	2014	2015	2016	2017	2018
Chief Executive Officer						
Total remuneration US\$'000s						
Octavio Alvidrez	1,116	1,217	1,166	1,111	1,072	886
Percentage change on previous year	(41.5%)	9.1%	(4.2%)	(4.7%)	(3.5%)	(10.7%)
Proportion of maximum bonus paid to CEO in year						
Octavio Alvidrez	33.33%	33.33%	33.33%	66.66%	33.33%	Nil%

RELATIVE IMPORTANCE OF THE SPEND ON PAY

	2018	2017	% change
Staff costs (US\$'000s) ¹	109,549	99,337	10.3%
Distributions to shareholders (US\$'000s)	298,442	236,543	26.2%

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
 25 February 2019

DIRECTORS' REMUNERATION REPORT CONTINUED

PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019

INTRODUCTION

This part of the Directors' Remuneration Report sets out the remuneration policy of the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). The policy has been developed taking into account the principles of the 2018 version of the UK Corporate Governance Code (the '2018 Code') and the views of our major shareholders. The Remuneration Committee have assessed the criteria recommended by Code Provision 40 of the 2018 Code. It believes that the Company's remuneration policy has always been inherently clear, simple, designed to avoid of excessive rewards, predictable and proportionate. The changes to the remuneration policy seek to create even closer alignment between remuneration and the Company's purpose, values and strategy. It describes the policy which will be applied for the financial year ending 31 December 2019. The remuneration policy will be put to a vote at the 2019 Annual General Meeting and if approved, the effective date of the policy will be the date of the 2019 Annual General Meeting of the Company, 21 May 2019.

As required by UK law, the remuneration policy is binding in relation to Directors. The Company currently has no Executive Directors who would be bound by the remuneration policy. However, the Company will (as it has previously done) treat the Chief Executive Officer as if he were an Executive Director for the purposes of the remuneration policy and for reporting on his remuneration.

REMUNERATION POLICY

The Group's remuneration policy seeks to ensure that the Company is able to attract, retain and motivate its Executive Directors and members of the Executive Committee. The retention of key management and the alignment of management incentives and the creation of shareholder value being key objectives of this policy.

Setting base salaries for Executive Directors and members of the Executive Committee 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 triennially 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 (the 'Policy Table'):

BASE SALARY

PROVIDES THE CORE REWARD FOR THE ROLE

Operation	<p>Reviewed annually and fixed for 12 months starting on 1 April each year and the review is influenced by:</p> <ul style="list-style-type: none"> • Role, experience and performance. • Average workforce salary adjustments. • Mexican economic factors. • Comparison with the Company's peer group in Mexico and internationally. <p>Salaries are benchmarked triennially 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 2019.</p>
Maximum value	<p>The Executive Director's salary will be reviewed taking account of the benchmarking information received by the Remuneration Committee and the maximum value of the Executive Director's base salary will be positioned within the mid-range for companies in the peer group of Mexican and international resources companies. An Executive Director's salary will be increased in line with increases applied across the whole workforce. In exceptional circumstances, the Executive Director's salary may be increased by up to but never more than 10% above the average pay increase for the whole workforce of the Company in any year. The rationale for such increases will be fully explained in the Annual Report on Remuneration.</p>
Performance metric	<p>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 Executive Director are provided in the Annual Report on Remuneration.</p>
Discretion	<p>The Remuneration Committee will establish the Company's comparator peer group in Mexico and internationally as part of the triennial review which it will consider in April 2019. The peer group will be reviewed again in April 2019. The Committee will report on the outcome of these reviews within the relevant Annual Report on Remuneration.</p>

DIRECTORS' REMUNERATION REPORT CONTINUED

PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019 CONTINUED

ANNUAL BONUS

REWARDS THE ACHIEVEMENT OF BOTH 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 is made on a prorated basis between two months' salary paid for the achievement of 100 points and six months' salary paid for the achievement of 115 points or more, as follows:

Number of points	Months' salary paid
100.00	Two months' salary.
100.01-115.00	Prorated on a linear basis between two months' salary and six months' salary.
115.01+	Six months' salary.

Maximum value The maximum percentage of salary is 50% (six months' salary) and is paid where Executive Directors achieve 115.01 points or more under the Annual Bonus Plan (the target is 100 points).

Performance metric The KPI targets set out in the previous table will apply and are intended to focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration teamwork, synergies, community and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets, which are set by reference to the reserves and resources and financial metrics at the previous year end and/or set in the budget for the forthcoming financial year are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority. The achievement of project milestones will be used to measure project management performance and the Committee's discretion will be applied for subjective metrics such as teamwork.

Details of the measures, targets and performance which is tested on an annual basis will be provided in the Annual Report on Remuneration.

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 make appropriate adjustments to the KPIs themselves, the bonus bands within the overall maximum and the individual KPI weightings from year-to-year.

The Remuneration Committee retains the discretion to adjust bonus payments in the following circumstances:

- (i) A downward adjustment where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or operational performance during the year (or in respect of previous years). In this case a downward adjustment would be applied.
- (ii) Where factors outside the control of Executive Directors e.g. force majeure circumstances have significantly depressed the level of points awarded. 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 a modest upward adjustment may be considered.
- (iii) Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered.

The use of any such discretions will be fully explained in future Directors' Remuneration Reports.

Note: Any adjustment in individual KPI weightings will not result in their achievement being any less difficult to satisfy.

BENEFITS

HELP RECRUIT AND RETAIN EMPLOYEES

Operation	An Executive Director would be entitled to life insurance, the use of a company car and chauffeur, meal and subsistence benefits, 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 from time to time.
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 Company contribution for any employee may not exceed 13% of salary.
Performance metric	None.
Discretion	Not applicable.

ALIGNMENT OF EXECUTIVE REMUNERATION AND THE MARKET

In setting the fixed remuneration of Executive Directors and 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.

A formal review of the Executive Director and Executive Committee members' remuneration is conducted by Willis Towers Watson and will be undertaken at least once every three years. These enable the Remuneration Committee to validate the Company's policy towards remuneration and ensure that it is globally as well as locally competitive. The analysis evaluates the elements of base salary, short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. With assistance from Willis Towers Watson, the Remuneration Committee has established a peer group which will be used to benchmark any Executive Director's and any Executive Committee member's remuneration (the 'Peer Group') to ensure that it remains within the parameters set out in this policy (see page 137 of the Annual Report on Remuneration). The Peer Group will be reviewed at least every three years, and updated where necessary, to ensure that it remains an appropriate comparator group of companies.

THE CONSIDERATION OF WIDER EMPLOYMENT CONDITIONS AND REMUNERATION

When setting pay and benefits for Executive Directors and members of the Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated each year, with employee representatives as its starting point taking account of inflation and other information supporting the annual pay award for employees. Subject to the 10% limit in the Policy Table, 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 Willis Towers Watson report specifically commissioned by the Remuneration Committee, the same benchmark reports are used in the evaluation of executive and employee remuneration, thus providing a common approach to both.

Below Board level, a statutory profit-sharing arrangement ('PTU') is operated which in some years has enabled employees to receive significant levels of bonus in line with the increased profitability of the relevant employing company. Neither the Chief Executive Officer nor any of the Non-executive Directors participate in a PTU scheme within the Fresnillo Group. The other members of senior management group below Board level are employed by Servicios Administrativos Fresnillo S.A. de C.V., which pays annual PTU payments. However, such payments are modest.

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 5-8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary.

Executive Directors may participate the Group's pension schemes on the same basis as any other employee.

DIRECTORS' REMUNERATION REPORT CONTINUED

PROPOSED DIRECTORS' REMUNERATION POLICY FOR 2019 CONTINUED

The Remuneration Committee does not consult with employees in setting Directors' remuneration. Engagement with employees as a stakeholder group is primarily the responsibility of the Board; however, where appropriate, the Remuneration Committee will consider any relevant feedback from employees to the Board in relation to remuneration matters when discharging its responsibilities under this Policy.

ENGAGEMENT WITH SHAREHOLDERS ON REMUNERATION

The composition of the Remuneration Committee has been designed to ensure that the views of the controlling shareholder (through the membership of the Chairman of the Board on the Committee) and the independent shareholders (through the membership of a UK-based Director on the Committee) can be represented. The Remuneration Committee has considered the views of organisations such as Institutional Shareholder Services ('ISS') and the Investment Association both generally and as reported to the Company in relation to its own executive remuneration practices prior to each Annual General Meeting, when considering the Remuneration Policy and its application.

POLICY ON RECRUITMENT

The Remuneration Committee will consider the remuneration of new Executive Directors by reference to the remuneration policy set out previously. The Remuneration Committee does not as a default position pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. If it did, such payments would be fully explained in the next Annual Report on Remuneration both as to the reason for payment and the rationale for the quantum. 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. The Remuneration Committee is likely to set base salaries below median on appointment while retaining discretion to award increases during the first and, possibly, subsequent years to bring salaries into the normal range expected for Executive Directors, in line with the Company's stated policy. Such increases will not exceed the maximum level set out in the Policy Table. New Executive Directors will receive benefits and pensions in line with the Company's existing policy and will be able to participate in the Annual Bonus Plan on a pro-rated basis for the portion of the financial year for which they are in post. The maximum level of variable pay for new recruits will be the same as that set out in the Policy Table for existing employees (pro-rated as necessary).

POLICY ON LOSS OF OFFICE

Other than in circumstances of gross misconduct, Executive Directors and members of the Executive Committee, 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 generally make payments in lieu of notice to departing executives. However, the Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

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. No distinction is therefore made between short and long-term incentives.

The Company operates a single cash-based incentive plan for Executive Directors and the members of the Executive Committee, including the Chief Executive Officer.

RECOVERY OF BONUS

The absence of long-term incentives and the operation of Mexican law makes it difficult to adopt claw-back and malus arrangements. 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 claw-back provisions into the contractual arrangements with the Chief Executive Officer at this stage. Within this remuneration policy, the Remuneration Committee reserves the right to make downward adjustment to bonus payments where the KPI outcomes would result, in the opinion of the Remuneration Committee, in a bonus payment which cannot be justified by the Company's financial or personal performance during the year (or subsequently in respect of previous years). In this case a downward adjustment would be applied.

ILLUSTRATIONS OF THE APPLICATION OF THE REMUNERATION POLICY FOR THE CHIEF EXECUTIVE OFFICER

The following table sets out the fixed and variable remuneration of the Chief Executive Officer in the different scenarios where he receives, minimum, target and maximum variable pay (based on 31 December 2018 remuneration).

Component	Max value US\$'000s		Minimum	Target	Maximum
Share incentives ¹					
Annual bonus	303	Annual variable pay ²		US\$1,093k	US\$1,295k ⁴
			US\$992k	9.2%	23.4%
Pension benefits	79	Fixed pay ³	100%	90.8%	76.6%
Other benefits	78				
Base salary	835				

1 Fresnillo plc does not operate any share option or share-based long-term incentive plans.

2 Variable pay consists only of remuneration where performance measures or targets relate only to one financial year.

3 Fixed pay includes salary, benefits and pension.

4 The Company does not operate any equity-based long-term incentives, consequently, the Company's share price does not have any impact on the variable remuneration paid to Executive Directors and members of the Executive Committee who do not sit on the Board.

EXTERNAL APPOINTMENTS

It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies and retain any fees or other remuneration for doing so, 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 of 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.

The Chairman of the Company does not receive any fees for acting as Chairman other than his fees as a Non-executive Director.

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. The fees payable to Non-executive Directors are calculated on the following bases:

- A base fee of £35,000 per annum is paid to each non-UK-based 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, other than as follows.
 - The UK-based Non-executive Directors receive a higher fee, currently £90,000 per annum, to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and for responsibilities as Committee members and, where appropriate, as Senior Independent Director and/or Chairman of any Committee.
 - When the Chairman of the Audit Committee is resident in Mexico, he/she will receive an additional fee of £15,000 per annum.
 - Members of the Audit Committee will receive an additional fee of £5,000 per annum.


SHAREHOLDING GUIDELINES

Fresnillo has not introduced share ownership guidelines. The Company does not operate share-based incentive arrangements given that the culture for incentives in the Mexican market does not favour share-based incentives. Consequently, there would be neither opportunity nor appetite for executives to build a shareholding in the Company and therefore the Remuneration Committee has not adopted any shareholding guidelines.

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 2018.

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 to 105.
Results and dividends	Results for the year ended 31 December 2018 are set out in the Financial Review on pages 85 to 87 and the Consolidated Income Statement on page 164. Information regarding the proposed final dividend can be found in the Financial Review on page 97. Dividend payments made during the year ended 31 December 2018 can be found in the notes to the financial statements on page 233.
Articles of Association	<p>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:</p> <p>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.</p> <p>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.</p> <p>There are no restrictions on the transfer of the Ordinary Shares other than:</p> <ul style="list-style-type: none"> • 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. <p>A Director may be elected either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not thereby exceed the maximum in accordance with the Company's Articles of Association. Any person so appointed by the Directors shall retire at the next Annual General Meeting and shall then be eligible for election.</p> <p>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 cooperation, 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.</p> <p>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.</p> <p> The Company's full Articles of Association can be found on the Company's website. www.fresnilloplc.com/who-we-are/corporate-governance/</p>
Share capital	Details of the Company's share capital are set out in note 17 to the financial statements on page 197.
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 115.
Directors' interests	Details of the Directors' beneficial interests are set out in the Remuneration Report on page 136.
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 renewal was carried out in October 2018.
Major interests in shares	Notifiable major share interests of which the Company has been made aware of are set out on page 115 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. http://www.fresnilloplc.com/who-we-are/corporate-governance
Political contributions	The Company did not make any donations to political organisations during the year.
Payments to governments	In June 2018, the Company approved and published a report disclosing payments made to governments. The report can be found on the Company's website. http://www.fresnilloplc.com/investor-relations/regulatory-announcements .
Modern Slavery Statement	The Company has approved and published on its website its Modern Slavery Statement in accordance with the Modern Slavery Act 2015. http://www.fresnilloplc.com/corporate-responsibility/modern-slavery/
Diversity policy	In February 2018 the Company approved and published on its website its policy on diversity. http://www.fresnilloplc.com/corporate-responsibility/our-policies/
UK tax strategy	The Company's UK tax strategy for the financial year ending 31 December 2018 is published on its website. http://www.fresnilloplc.com/corporate-responsibility/tax-strategy/
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the Social and Sustainability Report on page 77 of the Strategic Report.
Financial risk	Details of the Company's policies on financial risk management and the Company's exposure to price risk, credit risk, liquidity risk and cash flow risk are outlined in note 30 to the financial statements.
Branches outside the UK	The Company's operations are outside the UK.
Activities in research and development	The Company does not have any research and development activities.
Future developments	Details about the Company's future developments can be found in the Strategic Report on pages 08 and 09.
Auditors	A resolution to re-appoint Ernst & Young LLP as auditor 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: <ul style="list-style-type: none"> • so far as he/she is aware, there is no relevant audit information of which the Company's auditor is 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 auditor is 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.
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: <ul style="list-style-type: none"> • Capitalised interest for the year ended 31 December 2018 and information regarding tax relief can be found on page 194. • Details of significant contracts with controlling shareholders can be found on pages 128 to 129. • Details pertaining to services provided to the Company by Peñoles are set out on pages 204 to 205. • 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 109.

The Directors' Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Charles Jacobs
Senior Independent Director
25 February 2019

Fresnillo plc
Registered Office:
21 Upper Brook Street
London, W1K 7PY
United Kingdom
Company No: 6344120

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 those 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

Charles Jacobs
Senior Independent Director
25 February 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC

OPINION

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 of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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.

We have audited the financial statements of Fresnillo plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2018	Parent Company balance sheet as at 31 December 2018
Consolidated income statement for the year then ended	Parent Company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Parent Company statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 17 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 30 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

CONCLUSIONS RELATING TO PRINCIPAL RISKS, GOING CONCERN AND VIABILITY STATEMENT

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs(UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on pages 28 to 41 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on pages 125 and 126 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 directors' statement set out on page 43 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;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on pages 42 and 43 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.

OVERVIEW OF OUR AUDIT APPROACH

Key audit matters	<ul style="list-style-type: none"> • Recognition of related party transactions, including revenue recognition. • Valuation of the Silverstream contract. • Recoverable amount of mining assets. • Recoverable amount of investments in subsidiaries (Parent Company only). • Re-estimation of quantities held in leaching pads at Herradura.
Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of 6 components, being the 5 operating mining units and the Parent Company. These components accounted for: <ul style="list-style-type: none"> – 100% of Revenues; – 92% of Profit before tax, excluding Silverstream revaluation effects and the gain from the part payment of an insurance claim; and, – 81% of Total assets. • In addition, we performed specified procedures on specific balances at a further 4 components. These components accounted for: <ul style="list-style-type: none"> – 100% of the Silverstream revaluation effects; – 8% of Profit before tax excluding Silverstream revaluation effects and the gain from the part payment of an insurance claim; and, – 17% of Total assets.
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of US\$23.4 million which represents 5% of forecast profit before tax, prior to Silverstream revaluation effects and the gain from the part payment of an insurance claim of an insurance claim.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In the table below, each key audit matter is attributed an icon which is used to map these to our components in scope in the subsequent section below.

KEY AUDIT MATTER

RECOGNITION OF RELATED PARTY TRANSACTIONS, INCLUDING REVENUE RECOGNITION ◆

- All of the Group's current year revenue from the sale of goods, being concentrates, doré, slag and precipitates (US\$2,102.7 million; 2017: US\$2,084.0 million), and a significant amount of its expenses incurred (US\$133.2 million; 2017: US\$111.6 million), arise from transactions with related parties. These related parties are principally subsidiaries of the Group's direct Parent, Industrias Peñoles ('Peñoles').
- Principal transactions include the sale of goods to the Met-Mex Peñoles refinery, administrative services received and the Silverstream contract.
- 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 Group's parent.
- There is also a risk that revenues are inappropriately recognised as a result of incorrect cut-off or inappropriate measurement of product sold.
- There is an ongoing focus by the Mexican tax authorities on transfer pricing as reflected by the current tax inspections. There is therefore the potential risk of tax exposures arising from related party transactions.

- ➡ Our judgment is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

Related party transactions are disclosed in note 26 to the consolidated financial statements, Revenues in note 4 and relevant accounting policies in note 2.

OUR AUDIT RESPONSE

We performed full scope audit procedures over this risk area in 6 components, which covered 100% of the aggregate risk amount relating to revenue and 61% relating to related party expenses. In addition we performed specified procedures in 1 component which covered 38% of the aggregate risk amount relating to related party expenses. We also performed specified procedures over the Silverstream contract, which covered 100% of the risk amount.

Identification of related parties and related party transactions	<ul style="list-style-type: none"> • We evaluated the appropriateness of management's process for identifying, recording and reporting related party transactions and tested relevant controls. • 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 not already identified by management or that are outside the normal course of business.
Revenue recognition	<ul style="list-style-type: none"> • On a sample basis we performed testing to verify physical deliveries of product in the year. • We performed revenue cut-off testing, by reference to shipment dates. • We evaluated the appropriateness of the accounting for embedded derivatives arising from the provisional pricing terms in sales contracts. • We obtained an understanding of the basis of the treatment and refining charges negotiated between the Group and Peñoles for the current year, these being deducted from revenue. We confirmed principal inputs to external benchmarks and confirmations received directly from the auditor of Peñoles. • We performed overall analytical procedures which consisted of comparing actual revenues on a disaggregated basis to detailed expectations developed based on production in the year and market prices for relevant metals and obtained explanations for any material variances.
Related party expenses	<ul style="list-style-type: none"> • On a sample basis we tested related party expenses against underlying contractual terms. • 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.
Silverstream contract	<ul style="list-style-type: none"> • We tested a sample of cash receipts in respect of silver that is payable under the contract in the year. • The valuation of the Silverstream contract is discussed separately below.
Accuracy of disclosures	<ul style="list-style-type: none"> • We verified that related party disclosures in the financial statements are consistent with the results of our audit procedures.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

KEY AUDIT MATTER

Transfer pricing considerations	<ul style="list-style-type: none"> We, along with our internal transfer pricing specialist, obtained and reviewed the most recent report (for 2017) to management from its transfer pricing specialists. We assessed the specialist as a specialist engaged by management. Our transfer pricing specialist inspected information to support transactions between Fresnillo and Peñoles.
Management override	<ul style="list-style-type: none"> We performed overall analytical review procedures applying a low variance threshold at a disaggregated level, comparing production quantities against the mine plans. We obtained explanations for variances through interviews with management and the Executive Committee, internal reporting to the Executive Committee and published production reports. Where relevant, we corroborated those explanations through EY's bespoke data analysis tools and external sources of information. We also used EY's data analysis tools to search for terms indicating related parties and prepared a summary of transactions related to known related-party vendors and customers, which we compared to the schedule provided by management to the Audit Committee.

KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE

- Our procedures did not identify issues with the identification, recording or reporting of related party transactions.
- We concluded that revenue recognition in the year is appropriate, including the treatment of related provisional pricing terms.
- In respect of transfer pricing in transactions with related parties, we confirmed that the methodology for determining transfer pricing in respect of the transactions with other Peñoles companies has not changed during the year.

KEY AUDIT MATTER

VALUATION OF THE SILVERSTREAM CONTRACT ■

- The valuation of the Silverstream contract (US\$519.1 million at 31 December 2018; 2017: US\$538.9 million), a derivative financial instrument, is estimated by management using a discounted cash flow model.
- Key assumptions are the estimation of the reserves and resources and the related production profile of the Sabinas mine (owned and operated by Peñoles), future silver prices and the discount rate applied. These assumptions require management judgment and estimation.
- The resulting valuation is sensitive to changes in these assumptions which may result in material revaluation effects in the financial statements (US\$15.0 million pre-tax gain in 2018; 2017: US\$133.7 million pre-tax gain).

➔ Our judgment is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

The nature of the Silverstream contract and related valuation considerations are disclosed in note 13 to the consolidated financial statements and the relevant accounting policies in note 2.

OUR AUDIT RESPONSE

We performed specified procedures over the valuation of the Silverstream contract at 31 December 2018 and related income statement revaluation effects. These procedures covered 100% of the risk amount.

Valuation model	<ul style="list-style-type: none"> In conjunction with our valuation specialists, we evaluated the appropriateness of the valuation approach and related model used by the Company to determine the fair value of the Silverstream contract under accounting standards.
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KEY AUDIT MATTER

Reserves and resources and production profile of the Sabinas mine	<ul style="list-style-type: none"> • We interviewed the Sabinas mine geologist in order to understand the assumptions used in the estimation of reserves and resources and movements in the estimation in the year. • We issued instructions to the auditor of Peñoles to perform procedures and report to us in respect of the reserves and resources estimate and mine plan of the Sabinas mine. These procedures included: <ul style="list-style-type: none"> – conducting walkthroughs to confirm our understanding of Peñoles management’s processes to estimate quantities of reserves and resources and to develop the Sabinas mine plan; – testing of certain key Peñoles controls which address the risks associated with the estimation of reserves and resources quantities and the accuracy of the resulting mine plan; – gaining an understanding of reasons for changes in estimates of reserves and resources in the year; – assessing the professional competence, objectivity, and capabilities of Peñoles’ internal specialists involved in the estimation of reserves and resources quantities; and – evaluating the reasonableness and appropriateness of inputs to the reserves and resources estimates and Sabinas mine plan as at 31 December 2018. • We discussed the results of the above procedures with the auditor of Peñoles and reviewed key working papers.
Key economic assumptions in the valuation	<ul style="list-style-type: none"> • 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 to consider the appropriateness of silver price and discount rate assumptions when considered together in the valuation model and analysis of the consistency of assumptions to other accounting estimates. • We performed sensitivity analysis on the combination of silver price assumptions and discount rate.

KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE

- 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 highlighted the sensitivity of the valuation to economic input assumptions, most significantly silver price and discount rate.
- We concluded that the overall valuation of the contract is within a reasonable range.

KEY AUDIT MATTER**RECOVERABLE AMOUNT OF MINING ASSETS ▲**

- The identification of indicators of impairment is judgmental.
- When an impairment test is performed, the key assumptions underpinning management’s assessment of the recoverable amount of mining assets are reserves and resources and related mine plans and production profiles, estimated future operating and capital expenditure, future commodity prices, exchange rates and the discount rates applied.
- The estimation of mineral reserves and resources quantities of the Group’s mines requires significant judgment and estimation.
- The Group’s reserves and resources are audited by SRK, a specialist engaged by management.
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in impairment of property plant and equipment (net book value being US\$2,693.1 million, 2017 US\$2,448.6 million). There is no impairment taken in prior years that may be reversed.

- ➡ Our judgment is that the level of risk in this area remains consistent with the prior year.

We have not made significant changes to our audit response compared to the prior year.

Management’s assessment of the judgement and estimation required is set out in note 2 to the consolidated financial statements, with results of management’s assessment for impairment in note 12. The reserves and resources tables are presented on pages 245 to 247, after the Parent Company notes.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

KEY AUDIT MATTER

OUR AUDIT RESPONSE

We performed full scope audit procedures over this risk area in 5 components, which covered 100% of the risk amount.

Indicators of impairment and methodology used to estimate recoverable values	<ul style="list-style-type: none"> We reviewed management's identification of indicators of impairment under accounting standards. We assessed the methodology used by management to estimate the recoverable value of each mining asset for which an impairment test was performed to ensure that this is consistent with accounting standards. We have assessed the valuation models used by management to estimate the recoverable value of each asset.
Estimation process for reserves and resources	<ul style="list-style-type: none"> We walked through the process of the estimation of the reserves and resources quantities and tested relevant controls. We walked through the process of converting the estimation of the reserves and resources quantities to mine plans and tested relevant controls.
External specialists engaged by management	<ul style="list-style-type: none"> We assessed SRK as a specialist engaged by management. Through discussions with SRK, we have gained an understanding of the scope of their work to verify that this was appropriate. We engaged our own specialist (geologist) to evaluate the information provided by management's geologist. We read the report of the external specialist and gained an understanding of the changes in reserves and resources estimates in the year.
Key internal assumptions used in management's estimate of the recoverable values of mining assets	<ul style="list-style-type: none"> We agreed related production profiles to the current mine plans for each mine and considered their consistency with our understanding of future plans at the mines obtained through interviews with both operating and senior management. We assessed operating and capital costs included in the cash flow forecasts for consistency with current operating costs and forecast mine production.
Key external assumptions used in management's estimate of the recoverable values of mining assets	<ul style="list-style-type: none"> Working with our valuation specialists we 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 the discount rate applied.

KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE

- We assessed SRK as an appropriate specialist 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.
- We consider the approach to determining the recoverable value of mining assets tested for impairment to be appropriate.
- Our procedures confirmed that the reserves and resources and related production profiles used in impairment testing 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.
- We concluded that the carrying values of mining assets are recoverable at 31 December 2018.

KEY AUDIT MATTER

RECOVERABLE AMOUNT OF INVESTMENT IN SUBSIDIARIES (PARENT COMPANY ONLY) ▽

- Investments in subsidiaries (US\$7,141 million, 2017 US\$7,094 million) are more sensitive to changes in recoverable value than the Group's underlying mining assets because these investments were re-measured at fair value in 2008 when the Group was established ahead of its Initial Public Offering.
- The principal driver of the recoverable amount of investments in subsidiaries is the estimated value of underlying mining assets held by the Group's subsidiaries. Refer to related considerations in the related key audit matter above.
- In addition, management estimates the recoverable value of exploration projects in considering the recoverable value of subsidiaries.
- Changes to assumptions could lead to material changes in estimated recoverable amounts, resulting in either impairment or reversals of impairment taken in prior years.

Our judgment is that the level of risk in this area has increased as a result of performance at certain mines being below expectation in the year.

We have not made significant changes to our audit response compared to the prior year.

Management's assessment of the judgement and estimation required is set out in note 2 to the Parent Company financial statements, with management's assessment of investments in subsidiaries included in note 5.

OUR AUDIT RESPONSE

We performed full scope audit procedures over this risk area in 1 component, which covered 100% of the risk amount.

Key internal assumptions used in management's estimate of the recoverable value

- We have assessed the methodology used by management to estimate the recoverable value of each investment for which an impairment test was performed to ensure that this is consistent with accounting standards.
- Refer to the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets.
- We have evaluated management's approach to valuing exploration prospects.

Key external assumptions used in management's estimate of the recoverable value

- Refer to the key audit matter above with respect to procedures performed relating to the recoverable value of mining assets.
- We have performed sensitivity analysis on management's calculated recoverable values for alternative assumptions around the discount rate applied.

KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE

- We concluded that the carrying values of mining assets, the principal driver of the recoverable amount of investments in subsidiaries, are reasonable.
- We highlighted the sensitivity of the recoverable value, and therefore impairment charges or reversals, to economic input assumptions, most significantly silver and gold prices and the discount rate applied. We consider that management's discount rates applied are at the lower end of an acceptable range. We reported sensitivity analysis to demonstrate the financial impact of changing this assumption.

KEY AUDIT MATTER

RE-ESTIMATION OF QUANTITIES HELD IN LEACHING PADS AT HERRADURA ●

- The recoverable quantity of gold from leaching pads is an estimate requiring consideration of a number of variables and is likely to evolve over time as further information is obtained from ongoing leaching activities and analysis of the ore deposited.
- Following new information obtained in the year related to humidity and the grade of content in solution, management updated its estimate of the gold content in the Herradura leaching pads. This resulted in an increase in the estimated remaining gold content as at 1 January 2018 from 23 koz to 122 koz.
- Management has accounted for this increase prospectively, by increasing the number of ounces in inventory as at 1 January 2018, therefore reducing the weighted average unit cost of production. This impact reduced cost of sales in the year by US\$76.8 million.
- We consider that there is a risk of manipulation of the estimate as a result of management judgment involved in interpreting the results of the new analysis in the year in combination with ongoing recovery information from the pads. This includes the extent to which this new information is extrapolated across the full extent of the Herradura leaching pads. There is also judgment involved in the timing of the recognition of the change in estimate and the related effects on the financial statements.

This is a new risk for the year.

We have designed and executed specific audit responses to address the risk in the current year.

Inventories are disclosed in note 14 and cost of sales in note 5 to the consolidated financial statements. The relevant accounting policies are set out in note 2.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

OUR AUDIT RESPONSE

We performed full scope audit procedures over this risk area in the impacted component, which covered 100% of the risk amount.

Methodology applied to make estimate	<ul style="list-style-type: none"> We assessed management's geologist involved in estimating the recoverable quantity of gold from leaching pads as a specialist. We engaged an external specialist (geologist) to evaluate the information provided by management's internal geologist. We, along with our specialist, <ul style="list-style-type: none"> obtained an understanding of management's process and methodology to determine the revised estimate of quantities held in leaching pads; assessed the appropriateness of the methodology applied including changes as compared to prior periods; evaluated the basis for judgments applied, including the appropriateness of applying the new information to the entirety of the Herradura leaching pads; challenged whether the information obtained at Herradura suggests recovery rates for other mines in the mining district should be revised.
Calculation of estimate and related financial statement effects	<ul style="list-style-type: none"> We assessed whether the adjustment represents a change in estimation or a prior year error. We recomputed the calculation of estimated gold content performed by management, agreeing inputs to prior year working papers where relevant. We performed sensitivity analysis on the primary inputs to the calculation, being humidity and gold content in solution. We reviewed the disclosures in the financial statements to confirm their accuracy and clarity.
Management override	<ul style="list-style-type: none"> As the evaluation of related controls requires the evaluation of the assumptions used in, and the output of, that process, we do not seek to rely on these controls. We increased the level of challenge when performing our substantive procedures, including the engagement of a specialist as discussed above.

KEY AUDIT MATTER

KEY OBSERVATIONS COMMUNICATED TO THE AUDIT COMMITTEE

- As heap leach recovery rates are an estimate that continues to be refined as new information is obtained, we consider it reasonable that management updated its estimate to reflect new information obtained in the current year.
- We therefore agree with management that it is appropriate for the adjustment to be accounted for prospectively in 2018.
- We highlighted the judgmental nature of the assumptions applied in the computation of the adjustment and demonstrated the potential range in the estimate of recoverable gold using sensitivity analysis.
- We concluded that there was a reasonable basis for the final assumptions used in the estimate and their application to the entire Herradura leaching pads.
- As such we concluded that there was adequate basis for the additional quantity and resulting accounting effects in the year.

PRINCIPAL CHANGES AS COMPARED TO THE PRIOR YEAR ARE DETAILED BELOW:

This year we have included a new Key Audit Matter 'Re-estimation of quantities held in leaching pads at Herradura'. During 2017 and 2018, management assayed ore samples that were removed from an existing pad at Herradura in order to build a pathway to new leaching pads. The new information obtained from the assays resulted in a re-estimation of the remaining gold content of the leaching pads and a corresponding adjustment to inventory volumes. Given the judgment involved in this re-estimation and the size of the adjustment we consider this a new significant and fraud risk in the year.

In the prior year, our audit report included a key audit matters in relation to 'Disclosures, provisions and asset carrying value arising from the El Bajio Ejido conflict.' In light of a decrease in associated risk following favourable court rulings and a reduced possible financial statement impact, we no longer consider this a significant risk in the current year.

In the prior year, our audit report included a key audit matters in relation to 'Potential tax uncertainties arising from tax authority inspections and changes in legislation'. In light of no recent updates to legislation or significant new inspections, this area was not a key audit matter for this year's audit.

AN OVERVIEW OF 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, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

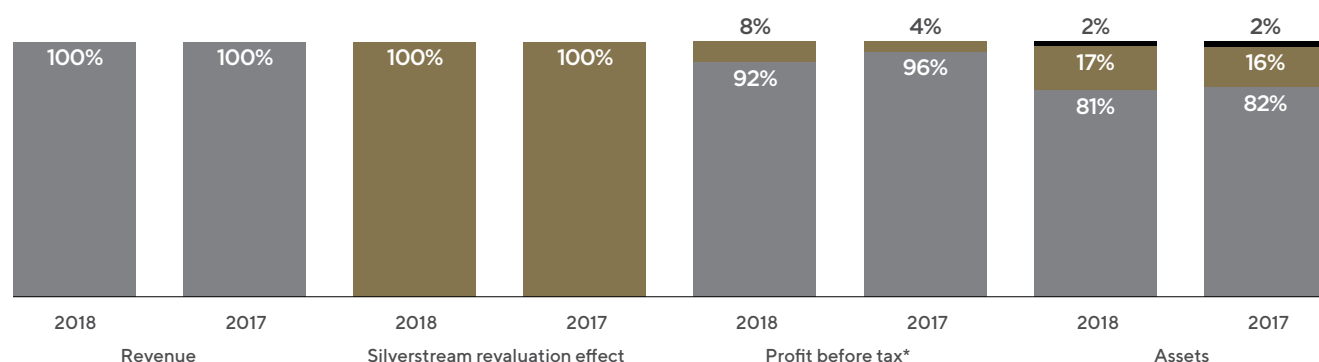
We performed an audit of the complete financial information of 6 components (2017: 5) ('full scope components') which were selected based on their size or risk characteristics. These components cover the operating mining units in Mexico and the Parent Company. In some instances operating mining units include more than one operating mine; the Penmont mining unit includes the Herradura, Noche Buena and Soledad & Dipolos mines (additionally in 2017 the Fresnillo mining unit included the Fresnillo and the San Julián mines).

We also performed specified audit procedures on specific account balances in a further 4 components (2017: 5). The procedures were on those account balances within those components which we deemed to be significant either because of the size of these accounts or their risk profile. These accounts included taxation, mine closure provisions, property, plant and equipment and cash and cash equivalents and all balances relating to the Silverstream contract.

The reporting components where we performed audit procedures represented:

Key

■ Full scope ■ Specified procedures ■ Other procedures



* Excludes sales, Silverstream revaluation effects and gain on sale of concessions.

The audit scope of components at which we perform specified procedures may not include testing of all significant accounts of the component but will have contributed to the coverage reflected above.

The remaining components together represent an effect on the Group's Profit before tax excluding Silverstream revaluation effects and the receipt of a part payment received in respect of an insurance claim of less than 1% (2017: (1)%) and 2% of total assets (2017: 2%). For these components, we perform other procedures, including analytical review and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement in the Group financial statements.

CHANGES FROM THE PRIOR YEAR

In the current year, following the San Julián phase II mining unit coming on stream in summer 2017, we have separated the Fresnillo and San Julián mining units into two components, representing the individual operating mines. We have also removed Las Torres from our scope to reflect the stability in management's estimation of mine rehabilitation costs.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

INVOLVEMENT WITH COMPONENT TEAMS

All of the Group's significant operations are in Mexico and are audited by one local team under our direct supervision.

	Work performed by	
	Primary team	One component team under our direct supervision
Full scope components	● (Parent company)	●●●●●
Components on which specified audit procedures are performed	● (Silverstream contract*)	●●●

* In respect of the valuation of the Silverstream contract, we perform primary procedures directly. The component team performs certain supporting procedures regarding cash receipts, and the auditor of Peñoles provides support in respect of procedures on the estimation of reserve and resource quantities and the related mine plan at the Sabinas mine.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by the component auditor operating under our instruction. Of the 6 full scope components, audit procedures were performed on 1 of these directly by the primary audit team. For the 4 components at which specified procedures were performed, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The primary engagement team, including the Senior Statutory Auditor, visited Mexico four times during the audit, during both the planning and execution phases, with members of the team working with and supervising the component team in Mexico for a number of weeks over several visits. These visits involved discussion and oversight of the component team audit approach, consideration of any accounting and auditing issues arising from their work, reviewing key audit working papers, meeting with management and attending closing meetings. In addition, in the last two years members of the primary engagement team, including the Senior Statutory Auditor, visited three of the Group's mining operations. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Senior members of the component team attended a Global Team Planning Event in the planning phase of the audit, the Post Interim Event after hard close procedures and 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 component team. In other cases, we reviewed key working papers including, but not limited to, the risk areas described above.

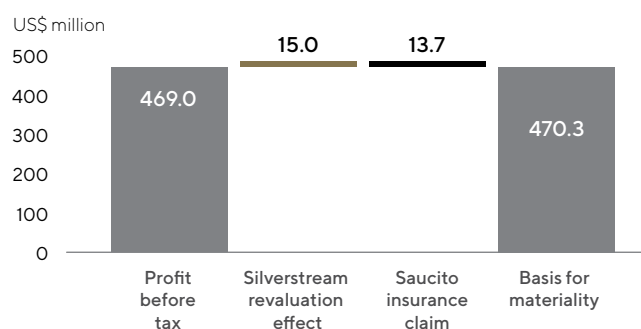
OUR APPLICATION OF MATERIALITY

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\$23.4 million (2017: US\$31.0 million), which is 5% (2017: 5%) of profit before tax prior to Silverstream revaluation effects and the receipt of a part payment received in respect of an insurance claim, a one-off material item (subject to roundings). We believe 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 and the receipt of a part payment in respect of an insurance claim is a one off transaction. In the prior year an adjustment had been made to exclude the one-off gain on the sale of a concession.



During the course of our audit, we reassessed initial materiality and updated its calculation for the actual financial results of the year. This resulted in a decrease of materiality compared to that calculated at the planning stage of the audit, due to a decrease in precious metals prices in the last quarter of the year.

We determined materiality for the Parent Company to be US\$70.0 million (2017: US\$70.5 million), which is 1% (2017: 1%) of equity. The materiality of the Parent Company is higher than that of the Group, reflective of the Parent Company's primary role being that of a holding company.

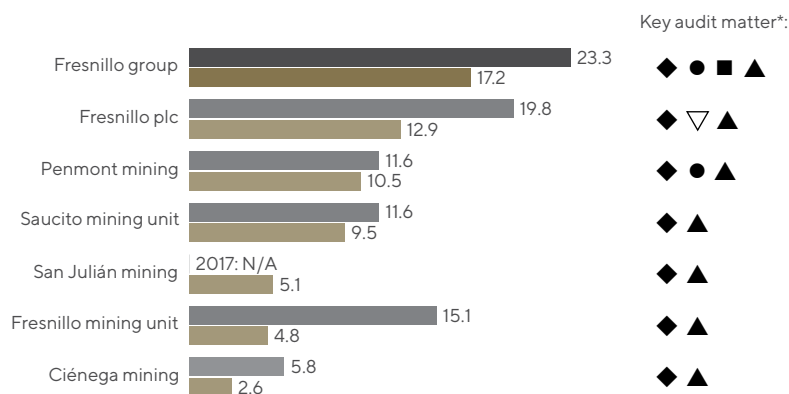
PERFORMANCE MATERIALITY

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, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely US\$17.5 million (2017: US\$23.2 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. The performance materiality allocated to full-scope components in the current year is set out in the graph to the right.

Allocated performance materiality decreased in respect of all components, reflecting the overall performance of the Group.



* The icons correspond to the key audit matters set out above. Audit procedures in respect of the recoverable amount of investments in subsidiaries are performed at the performance materiality of the standalone parent financial statements.

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 US\$1.1 million (2017: US\$1.5 million), which is set at 5% of planning materiality, 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.

OTHER INFORMATION

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 150** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 119 to 129** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 101** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRESNILLO PLC CONTINUED

OPINIONS 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 150, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (IFRS, the Companies act 2006 and UK Corporate Governance Code), regulations impacting mining operations including mining laws, environmental and labour regulations and tax and employee profit sharing requirements in Mexico.
- We understood how Fresnillo plc is complying with those legal and regulatory frameworks by making enquiries to management, internal audit, those responsible for legal and compliance procedures and the Company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management from various parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free of fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

OTHER MATTERS WE ARE REQUIRED TO ADDRESS

- We were appointed by the Company on 4 May 2016 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 11 years, covering periods from our initial appointment in 2008 through to the year ended 31 December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

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.

Daniel Trotman

(Senior statutory auditor)

FOR AND ON BEHALF OF ERNST & YOUNG LLP, STATUTORY AUDITOR

London

26 February 2019

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER

	Notes	Year ended 31 December 2018			Year ended 31 December 2017		
		US\$ thousands			US\$ thousands		
		Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	2,103,785		2,103,785	2,093,308		2,093,308
Cost of sales	5	(1,323,057)		(1,323,057)	(1,167,903)		(1,167,903)
Gross profit		780,728		780,728	925,405		925,405
Administrative expenses		(83,339)		(83,339)	(72,710)		(72,710)
Exploration expenses	6	(172,799)		(172,799)	(141,108)		(141,108)
Selling expenses		(21,237)		(21,237)	(19,110)		(19,110)
Other operating income	8	11,703		11,703	28,203		28,203
Other operating expenses	8	(8,360)		(8,360)	(11,371)		(11,371)
Profit from continuing operations before net finance costs and income tax		506,696		506,696	709,309		709,309
Finance income	9	20,372		20,372	14,576		14,576
Finance costs	9	(50,010)		(50,010)	(89,653)		(89,653)
Revaluation effects of Silverstream contract	13	-	14,956	14,956	-	113,656	113,656
Foreign exchange loss		(8,084)		(8,084)	(6,399)		(6,399)
Profit from continuing operations before income tax		468,974	14,956	483,930	627,833	113,656	741,489
Corporate income tax	10	(116,162)	(4,487)	(120,649)	(119,365)	(34,097)	(153,462)
Special mining right	10	(13,315)		(13,315)	(27,220)		(27,220)
Income tax expense	10	(129,477)	(4,487)	(133,964)	(146,585)	(34,097)	(180,682)
Profit for the year from continuing operations		339,497	10,469	349,966	481,248	79,559	560,807
Attributable to:							
Equity shareholders of the Company		339,377	10,469	349,846	481,019	79,559	560,578
Non-controlling interest		120		120	229		229
		339,497	10,469	349,966	481,248	79,559	560,807
Earnings per share: (US\$)							
Basic and diluted earnings per Ordinary Share from continuing operations	11	-		0.475	-		0.761
Adjusted earnings per share: (US\$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	11		0.461	-	0.653		-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER

	Notes	Year ended 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Profit for the year		349,966	560,807
Other comprehensive income/(expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Gain on cash flow hedges recycled to income statement		1,582	-
Loss on cost of hedge recycled to income statement		(269)	-
Changes in the fair value of cost of hedges		14,353	-
Total effect of cash flow hedges		15,666	-
Changes in the fair value of available-for-sale financial assets		-	8,808
Impairment of available-for-sale financial assets taken to income during the year		-	36
Total effect of available-for-sale financial assets		-	8,844
<i>Foreign currency translation</i>		(185)	118
Income tax effect on items that may be reclassified subsequently to profit or loss:		(4,699)	(2,653)
Net other comprehensive income that may be reclassified subsequently to profit or loss:		10,782	6,309
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in the fair value of cash flow hedges		-	-
Losses on cash flow hedges recycled to other assets		(233)	-
Changes in the fair value of cash flow hedges		(58)	-
Total effect of cash flow hedges		(291)	-
Changes in the fair value of equity investments at FVOCI		(46,579)	-
Remeasurement gains on defined benefit plans	21	2,610	933
Income tax effect on items that will not be reclassified to profit or loss	10	19,999	(148)
Net other comprehensive (expense)/income that will not be reclassified to profit or loss		(24,261)	785
Other comprehensive (expense)/income, net of tax		(13,479)	7,094
Total comprehensive income for the year, net of tax		336,487	567,901
Attributable to:			
Equity shareholders of the Company		336,377	567,672
Non-controlling interests		110	229
		336,487	567,901

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER

	Notes	As at 31 December	
		2018 US\$ thousands	2017 US\$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	12	2,693,104	2,448,596
Equity instruments at FVOCI	2(b),29	78,219	-
Available-for-sale financial assets	2(b)	-	144,856
Silverstream contract	13	498,274	506,569
Derivative financial instruments	29	20	-
Deferred tax asset	10	88,883	48,950
Inventories	14	91,620	91,620
Other receivables	15	-	129
Other assets		3,199	3,389
		3,453,319	3,244,109
Current assets			
Inventories	14	243,404	179,485
Trade and other receivables	15	411,157	342,506
Income tax recoverable		50,871	59,588
Prepayments		15,488	3,543
Derivative financial instruments	29	294	382
Silverstream contract	13	20,819	32,318
Cash and cash equivalents	16	560,785	876,034
		1,302,818	1,493,856
Total assets		4,756,137	4,737,965
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	17	368,546	368,546
Share premium	17	1,153,817	1,153,817
Capital reserve	17	(526,910)	(526,910)
Hedging reserve	17	(229)	-
Cost of hedging reserve	17	(2,374)	-
Available-for-sale financial assets reserve	17	-	53,799
Fair value reserve of financial assets at FVOCI	17	23,370	-
Foreign currency translation reserve	17	(795)	(610)
Retained earnings	17	2,033,860	1,962,708
		3,049,285	3,011,350
Non-controlling interests		78,968	55,245
Total equity		3,128,253	3,066,595
Non-current liabilities			
Interest-bearing loans	19	800,127	799,046
Derivative financial instruments	29	-	14,224
Provision for mine closure cost	20	189,842	184,775
Provision for pensions and other post-employment benefit plans	21	6,393	9,217
Deferred tax liability	10	470,925	491,677
		1,467,287	1,498,939

	Notes	As at 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Current liabilities			
Trade and other payables	22	133,140	134,949
Income tax payable		10,960	18,328
Derivative financial instruments	29	3,807	4,992
Employee profit sharing		12,690	14,162
		160,597	172,431
Total liabilities		1,627,884	1,671,370
Total equity and liabilities		4,756,137	4,737,965

These financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Mr Arturo Fernández
Non-executive Director
 25 February 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER

	Notes	Year ended 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Net cash from operating activities	28	588,359	761,471
Cash flows from investing activities			
Purchase of property, plant and equipment		(668,669)	(604,751)
Proceeds from the sale of property, plant and equipment and other assets	8	78	26,078
Repayments of loans granted to contractors		1,327	925
Short-term investments		-	200,000
Silverstream contract	13	36,303	43,349
Purchase of available-for-sale financial assets		-	(19,877)
Proceeds from the sale of debt investments		20,087	-
Interest received		19,520	14,535
Net cash used in investing activities		(591,354)	(339,741)
Cash flows from financing activities			
Dividends paid to shareholders of the Company	18	(298,068)	(236,560)
Capital contribution		23,613	18,869
Interest paid ¹	19	(35,177)	(35,503)
Net cash used in financing activities		(309,632)	(253,194)
Net (decrease)/increase in cash and cash equivalents during the year		(312,627)	168,536
Effect of exchange rate on cash and cash equivalents		(2,622)	(4,456)
Cash and cash equivalents at 1 January		876,034	711,954
Cash and cash equivalents at 31 December	16	560,785	876,034

1 Total interest paid during the year ended 31 December 2018 less amounts capitalised totalling US\$11.1 million (31 December 2017: US\$11.4 million) which were included within the caption Purchase of property, plant and equipment.

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	Hedging reserve	Cost of hedging reserve	Available-for-sale financial assets reserve	Fair value reserve of financial assets at FVOCI	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity													
Balance at 1 January 2017													368,546	1,153,817	(526,910)	-	-	47,608	-	(728)	1,637,888	2,680,221	36,147	2,716,368	
Profit for the year													-	-	-	-	-	-	-	-	560,578	560,578	229	560,807	
Other comprehensive income, net of tax													-	-	-	-	-	6,191	-	118	785	7,094	-	7,094	
Total comprehensive income for the year													-	-	-	-	-	6,191	-	118	561,363	567,672	229	567,901	
Capital contribution													-	-	-	-	-	-	-	-	-	-	18,869	18,869	
Dividends declared and paid													18	-	-	-	-	-	-	-	(236,543)	(236,543)	-	(236,543)	
Balance at 31 December 2017													368,546	1,153,817	(526,910)	-	-	53,799	-	(610)	1,962,708	3,011,350	55,245	3,066,595	
Adjustments for initial application of IFRS 9													2(b)	-	-	-	-	(13,376)	(53,799)	49,622	-	17,553	-	-	-
Profit for the year													-	-	-	-	-	-	-	-	349,846	349,846	120	349,966	
Other comprehensive expense, net of tax													-	-	-	(229)	11,002	-	(26,252)	(185)	2,195	(13,469)	(10)	(13,479)	
Total comprehensive income for the year													-	-	-	(229)	11,002	-	(26,252)	(185)	352,041	336,377	110	336,487	
Capital contribution													-	-	-	-	-	-	-	-	-	-	23,613	23,613	
Dividends declared and paid													18	-	-	-	-	-	-	-	(298,442)	(298,442)	-	(298,442)	
Balance at 31 December 2018													368,546	1,153,817	(526,910)	(229)	(2,374)	-	23,370	(795)	2,033,860	3,049,285	78,968	3,128,253	

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 5 of the Parent Company accounts (the 'Group').

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75 percent 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 registered address of Peñoles is Calzada Legaria 549, Mexico City 11250. 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 26.

The consolidated financial statements of the Group for the year ended 31 December 2018 were authorised for issue by the Board of Directors of Fresnillo plc on 25 February 2019.

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 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 2018 and 2017, 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 trade receivables, derivative financial instruments, equity securities, investment in funds 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 2018 and 2017, 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 interest are also recorded in equity.

(B) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2017, except for the following:

NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (NEW STANDARDS) ADOPTED BY THE GROUP**FINANCIAL INSTRUMENTS**

On January 1, 2018, the Company adopted IFRS 9, Financial Instruments which replaced IAS 39, Financial Instruments: Recognition and Measurement using the modified retrospective approach, hence, the Group does not restate prior periods. Differences between previous carrying amounts using accounting policies as disclosed in the 2017 ARA and those determined under IFRS 9 at the date of initial application have been included in opening retained earnings.

IFRS 9 provides a revised model for classification and measurement of financial instruments; a single, forward-looking expected loss impairment model; and changes to hedge accounting.

The classification and measurement model for financial assets in IFRS 9 is based on the Group's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Generally, equity instruments are classified and measured as fair value through profit or loss (FVPL). However, in respect of equity instruments that the Group intends to hold for the foreseeable future, IFRS 9 permits the Group to irrevocably elect upon initial recognition or transition to classify those assets as fair value through other comprehensive income (FVOCI). Changes in the fair value of equity instruments elected to be classified as FVOCI are not reclassified to profit or loss in future periods. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

LONG-TERM FINANCIAL ASSETS

The adoption of IFRS 9 resulted in certain changes to the classification of financial assets previously classified as available-for-sale financial assets (AFS). The Company designated its investments in quoted equity investments as FVOCI and classified investments in funds as FVPL:

	(in thousands of US dollars)	
	1 January 2018	31 December 2017
Available-for-sale financial assets	-	144,856
Debt instruments at fair value through profit or loss	19,877	-
Equity instruments at fair value through other comprehensive income	124,979	-
	144,856	144,856

Upon transition, the balance in the AFS reserve relating to investments in funds was reclassified from accumulated other comprehensive income (OCI) to retained earnings in the amount of US\$53.8 million. In addition, the amounts previously recognised in retained earnings related to historical impairment of AFS that are now classified as FVOCI have been reclassified to the FVOCI reserve in the amount of US\$6.0 million.

TRADE RECEIVABLES

Under IFRS 9, embedded derivatives are no longer separated from their host contracts. Instead, where embedded derivatives are present, the entire host contract is classified as fair value through profit or loss. For the Group, this change affects the trade receivables that include provisional pricing adjustments. However, it did not result in any change in the carrying amount of those trade receivables.

IMPAIRMENT

The adoption of the new 'expected credit loss' impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the Group's financial assets on the transition date given the Group transacts exclusively with organisations with strong credit ratings, has had a negligible historical level of counterparty default and only has a short term period of exposure to credit risk.

HEDGING

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms previously available under IAS 39. Under IFRS 9, however, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship' and retrospective assessment of hedge effectiveness is no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

IFRS 9 changes the accounting requirements for the time value of purchased options where only the intrinsic value of such options has been designated as the hedging instrument. In such cases, changes in the time value of options are initially recognised in OCI as a cost of hedging. Where the hedged item is transaction related, amounts initially recognised in OCI related to the change in the time value of options are reclassified to profit or loss or as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedged item that realises over time, the amounts initially recognised in OCI are amortised to profit or loss on a systematic and rational basis over the life of the hedged item. Under IAS 39, the change in time value of options was recorded in the income statement. As at 1 January 2018, the adjustment to reflect the changes in accounting for the time value of such options increased retained earnings and decreased the cost of hedging reserve by US\$19.1 million (US\$13.4 million net of tax).

REVENUE RECOGNITION

On January 1, 2018, the Group adopted IFRS 15, Revenue from Contracts with Customers which supersedes IAS 18, Revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 requires entities to recognise revenue when control of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognise revenue when the risks and rewards of the goods or services transfer to the customer. The Company concluded there is no change in the timing of revenue recognition of its doré, precipitates and concentrate sales under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time. Therefore, no adjustment was required to the Group's financial statements.

Revenue associated with the sale of concentrates, precipitates and doré bars is recognised when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to the customer's smelter or refinery agreed with the buyer; at which point the buyer controls the goods.

The Group's sales contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Revenues are recorded under these contracts at the time control passes to the buyer and measured at the fair value of the consideration receivable based on forward market prices set on specified quotational periods applied to the Group's best estimate of contained metal quantities.

At each reporting date, provisionally priced metal is marked to market based on the forward selling price for the quotational period stipulated in the contract, changes in fair value of provisionally priced metal is recognised in revenue adjusting the value of sales. The transaction price can be measured reliably as an active and freely traded commodity market such as the London Metals Exchange exists for silver, gold, zinc and lead and the value of product sold by the Company is directly linked to the form in which it is traded on that market. Variations between the price recorded at the date when control is transferred to the buyer and the actual final price set under the smelting contracts are caused by changes in metal prices resulting in the receivable being recorded at FVPL.

Final settlement is based on quantities adjusted as required following the inspection of the product by the customer as well as applicable commodity prices. IFRS 15 requires that variable consideration should only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group concluded that the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant and do not constrain the recognition of revenue.

Refining and treatment charges under the sales contracts continue to be deducted from revenue from sales of concentrates as these are not related to a distinct good or service.

OTHER NARROW SCOPE AMENDMENTS

The Group has adopted IFRIC 22 – Foreign Currency Transactions and Advance Considerations, which did not have a material impact on the Group's consolidated financial statements.

Other than the amendment mentioned above, there were no significant new standards that the Group was required to adopt effective from 1 January 2018.

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, as applicable to the Group's financial statements, when they become effective, except where indicated.

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 and earlier application is permitted. The Group has elected to adopt the new standard from 1 January 2019 applying the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption. The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. As at the reporting date, the Group has non-cancellable operating lease commitments of \$16.1 million, see note 24. Of these commitments, approximately \$0.2 million relate to short-term leases and \$2.7 million to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. Application of tax law can be complex and requires judgement to assess risk and estimate outcomes where the amount of tax payable or recoverable is uncertain. The Group evaluated potential uncertain tax positions under the requirements of the Interpretation and has not identified any impact on the Group's financial statements. IFRIC 23 is applicable for annual periods beginning on or after 1 January 2019.

The IASB and IFRS Interpretation committee have issued other amendments resulting from improvements to IFRSs 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.

(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 for the year ended 31 December 2018 are:

- 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.

Once the Group has identified production stripping for a surface mining operation, judgment is required in identifying the separate components of the ore bodies for that operation, to which stripping costs should be allocated. Generally, a component will be a subset of the total ore body that is made more accessible as a result of the stripping activity. In identifying components of the ore body, the Group works closely with the mining operations personnel to analyse each of the mine plans since components are usually identified during the mine planning stage. The Group reassesses the components of ore bodies in line with the preparation and update of mine plans which usually depend on newest information of reserves and resources.

In the current year, this reassessment did not give rise to any changes in the identification of components except for those existing at Centauro pit at Herradura mine.

Following the results of reserves and resources studies in the prior year, significant additional gold reserves were identified at Centauro pit. The mining operations worked on assessing the impact of these new reserves on the design of the mine and proposed a new mine plan which was approved in July 2018. The new design significantly expands the size of the Centauro pit and results in areas which were previously going to be mined as two separate components being accessed and mined as a single component. Based on the new mine plan, effective 1 July 2018 the Group has changed the components identified at Centauro pit and therefore the measurement of the corresponding stripping costs.

This change was incorporated prospectively from 1 July 2018. Had the determination of components not changed, capitalised stripping cost during the six-month period ended 31 December 2018 would have been US\$28.6 million higher, with an offsetting impact against the work-in-progress inventory balance as of 31 December 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

- Contingencies, note 25:
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 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 geological assumptions and judgements made in estimating the size and grade of the ore body, estimates of commodity prices, foreign exchange rates, future capital requirements and production costs.

As additional geological information is produced during the operation of a mine, the economic assumptions used and the 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, which 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;
 - Stripping costs capitalised in the balance sheet, either as part of mine properties or inventory, or charged to profit or loss may change due to changes in stripping ratios;
 - Provisions for mine closure costs may change where changes to the ore reserve and resources estimates affect expectations about when such activities will occur; and
 - The recognition and carrying value of deferred income tax assets may change due to changes regarding the existence of such assets and in estimates of the likely recovery of such assets.
- Estimate of recoverable ore on leaching pads:
In the Group's open pit mines, certain mined ore is placed on leaching pads where a solution is applied to the surface of the heap to dissolve the gold and enable extraction. The determination of the amount of recoverable gold requires estimation with consideration of the quantities of ore placed on the pads and the grade of that ore (based on assay data) and the estimated recovery percentage (based on metallurgical studies and current technology).

The grades of ore placed on pads are regularly compared to the quantities of metal recovered through the leaching process to evaluate the appropriateness of the estimated recovery (metallurgical balancing). The Group monitors the results of the metallurgical balancing process and recovery estimates are refined based on actual results over time and when new information becomes available.

In 2017, the Group decided that it would construct a new leaching pad in a separate area of the Herradura mine. To reduce the hauling distance from the pit to the new pad, the Group constructed an access route through certain existing leaching pads, removing and redepositing the ore in the process. These works allowed the Group to perform assays and verify certain characteristics of the ore, including the humidity of the ore deposited and the grade of gold in solution. The Group finalised the evaluation of those assays during first half of 2018.

As a result of this new information, the Group updated its estimate of the remaining gold content in leaching pads resulting in an increase of 98.9 thousand ounces of gold as at 1 January 2018. This represents 1.7% of the total gold content deposited from the inception of the mine to 31 December 2017.

This change in estimation was incorporated prospectively in inventory from 1 January 2018. The increase in the number of ounces reduced the weighted average cost of inventory. Had the estimation not changed, production cost during the year ended 31 December 2018 would have been US\$71.9 million higher, with an offsetting impact against the work-in-progress inventory balance as of 31 December 2018.

- Silverstream, note 13:
The valuation of the Silverstream contract as a derivative financial instrument requires estimation by management. The term of the derivative is based on the Sabinas life of mine 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 30. The impact of changes in silver price assumptions, foreign exchange, inflation and the discount rate is included in note 31.

- Estimation of the mine closure costs, notes 2 (j) and 19:
Significant estimates and assumptions are made in determining the provision for mine closure cost as there are numerous factors that will affect the ultimate amounts payable. These factors include estimates of the extent and costs of rehabilitation activities, the currency in which the cost will be incurred, 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 (q) and 10:
The recognition of 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.

(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. The determination of functional currency requires management judgement, particularly where there may be more than one currency in which transactions are undertaken and which impact the economic environment in which the entity 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 cost 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 ceases 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 is 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 units of production method. The identification of components and the expected useful lives of those components are evaluated as new information of reserves and resources is available. 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.

(F) IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of non-financial 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.

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 of disposal. 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. Fair value less cost of disposal is based on an estimate of the amount that the Group may obtain in an orderly sale transaction between market participants. 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

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost;
- those to be measured subsequently at fair value through OCI; and
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

AMORTISED COST

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The Group's financial assets at amortised cost include receivables (other than trade receivables which are measured at fair value through profit and loss).

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

At transition to IFRS 9, the Group had certain financial asset that were accounted for as debt instruments at fair value through other comprehensive income; however, at the reporting date, no such assets existed.

EQUITY INSTRUMENTS DESIGNATED AS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investments under this category.

FAIR VALUE THROUGH PROFIT OR LOSS

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

The Group's trade receivables and derivative financial instruments, including the Silverstream contract, are classified as fair value through profit or loss.

DE-RECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

IMPAIRMENT OF FINANCIAL ASSETS

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables (other than trade receivables which are measured at FVPL), the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(H) INVENTORIES

Finished goods, work in progress and ore stockpile 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.

(I) 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.

(J) 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.

(K) 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 external actuarial firm as at each year-end balance sheet date. The discount rate is the yield on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 external 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.

(L) EMPLOYEE PROFIT SHARING

In accordance with the Mexican legislation, companies in Mexico are subject to pay for employee profit sharing ('PTU') equivalent to ten percent 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.

(M) 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.

(N) REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised when control of goods or services transfers to the customer based on the performance obligations settle in the contracts with customers.

SALE OF GOODS

Revenue associated with the sale of concentrates, precipitates and doré bars is recognised when control of the asset sold is transferred to the customer. Indicators of control transferring include an unconditional obligation to pay, legal title, physical possession, transfer of risk and rewards and customer acceptance. This generally occurs when the goods are delivered to the customer's smelter or refinery agreed with the buyer; at which point the buyer controls the goods.

The Group's sales contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Revenues are recorded under these contracts at the time control passes to the buyer and measured at the fair value of the consideration receivable based on forward market prices set on specified quotational periods applied to the Group's best estimate of contained metal quantities.

Final settlement is based on quantities adjusted as required following the inspection of the product by the customer as well as applicable commodity prices. IFRS 15 requires that variable consideration should only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As the adjustments relating to the final assay results for the quantity and quality of concentrate sold are not significant, they do not constrain the recognition of revenue.

Refining and treatment charges under the sales contracts are deducted from revenue from sales of concentrates as these are not related to a distinct good or service.

(O) 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.

(P) SELLING EXPENSES

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.

The Group also recognises in selling expenses a discovery premium royalty equivalent to 1% of the value of the mineral extracted and sold during the year from certain mining titles granted by the Mexican Geological Survey (SGM) in the San Julián mine. The premium is settled to SGM on a quarterly basis.

(Q) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 (See note 10 (e)). The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (See note 10).

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; and
- 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.

(R) 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.

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.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet the 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. This is not a reclassification adjustment and will not be recognised in OCI for the period. 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. In such cases, changes in the time value of options are initially recognised in OCI as a cost of hedging. Where the hedged item is transaction related, amounts initially recognised in OCI related to the change in the time value of options are reclassified to profit or loss or as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedged item that realises over time, the amounts initially recognised in OCI are amortised to profit or loss on a systematic and rational basis over the life of the hedged item.

(S) 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.

(T) 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 29 and 30.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 29.

(U) 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 2018, the Group has seven reportable operating segments as follows:

- The Fresnillo mine, located in the state of Zacatecas, an underground silver mine.
- The Saucito mine, located in the state of Zacatecas, an underground silver mine.
- The Ciénega mine, located in the state of Durango, an underground gold mine; including the San Ramón 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.
- The Noche Buena mine, located in state of Sonora, a surface gold mine.
- The San Julián mine, located on the border of Chihuahua/Durango states, an underground silver-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 2018 and 2017, substantially all revenue was derived from customers based in Mexico.

OPERATING SEGMENTS

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2018 and 2017, respectively. Revenues for the year ended 31 December 2018 include those derived from contracts with costumers and other revenues, as showed in note 4.

US\$ thousands	Year ended 31 December 2018									
	Fresnillo	Herradura	Ciénega	Soledad-Dipolos ⁴	Saucito	Noche Buena	San Julián	Other ⁵	Adjustments and eliminations	Total
Revenues:										
Third party ¹	333,009	607,073	172,922	-	436,491	210,994	341,714	-	1,582	2,103,785
Inter-Segment								85,101	(85,101)	-
Segment revenues	333,009	607,073	172,922	-	436,491	210,994	341,714	85,101	(83,519)	2,103,785
Segment Profit²	211,530	322,985	79,154	-	274,505	85,903	176,518	65,690	(11,281)	1,205,004
Depreciation and amortisation										(411,764)
Employee profit sharing										(12,512)
Gross profit as per the income statement										780,728
Capital expenditure ³	121,146	116,002	72,895	-	148,440	50,209	83,129	76,848	-	668,669

- Total third party revenues include treatment and refining charges amounting US\$141.2 million. Adjustments and eliminations correspond to hedging gains (note 4).
- Segment profit excluding foreign exchange hedging gains, depreciation and amortisation and employee profit sharing.
- Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, purchase of mine equipment and capitalised stripping activity, excluding additions relating to changes in the mine closure provision. Significant additions the construction of facilities at San Julián phase II, the second dynamic leaching plant at Herradura and the construction of the Pyrites plant at Saucito.
- During 2018, this segment did not operate due to the Bajío conflict (note 25).
- Other inter-segment revenue corresponds to leasing services provided by Minera Bermejil, S.A. de C.V.; capital expenditure mainly corresponds to Minera Juanicipio S.A de C.V. and Minera Bermejil, S. de R.L. de C.V.

US\$ thousands	Year ended 31 December 2017									
	Fresnillo	Herradura	Ciénega	Soledad-Dipolos ⁴	Saucito	Noche Buena	San Julián	Other ⁵	Adjustments and eliminations	Total
Revenues:										
Third party ¹	368,286	605,823	183,689	-	446,008	214,998	274,504	-	-	2,093,308
Inter-Segment								79,907	(79,907)	-
Segment revenues	368,286	605,823	183,689	-	446,008	214,998	274,504	79,907	(79,907)	2,093,308
Segment Profit²	252,249	355,570	97,098	2,269	315,196	75,496	174,712	59,878	(22,966)	1,309,502
Depreciation and amortisation										(367,609)
Employee profit sharing										(16,488)
Gross profit as per the income statement										925,405
Capital expenditure ³	111,724	153,200	46,461	-	133,679	18,748	79,069	61,870	-	604,751

- Total third party revenues include treatment and refining charges amounting US\$139.9 million.
- Segment profit excluding depreciation and amortisation and employee profit sharing. During 2017 there were no foreign exchange hedging losses included in Gross profit.
- Capital expenditure represents the cash outflow in respect of additions to property, plant and equipment, including mine development, construction of leaching pads, purchase of mine equipment and capitalised stripping activity, excluding additions relating to changes in the mine closure provision. Significant additions the construction of facilities at San Julián phase II, the second dynamic leaching plant at Herradura and the construction of the Pyrites plant at Saucito.
- During 2017, this segment did not operate due to the Bajío conflict (note 25). Segment profit is derived from the changes in the net realisable value allowance against inventory (note 14).
- Other inter-segment revenue corresponds to leasing services provided by Minera Bermejil, S.A. de C.V.; capital expenditure corresponds to Minera Juanicipio S.A de C.V.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. 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 SOURCE

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Revenues from contracts with customers	2,102,694	2,084,048
Revenues from other sources:		
Provisional pricing adjustment on products sold	(491)	9,260
Hedging gain on sales	1,582	-
	2,103,785	2,093,308

(B) REVENUES BY PRODUCT SOLD

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	804,882	832,039
Doré and slag (containing gold, silver and by-products)	818,067	820,821
Zinc concentrates (containing zinc, silver and by-products)	249,182	195,837
Precipitates (containing gold and silver)	231,654	244,611
	2,103,785	2,093,308

All lead concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining.

(C) 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	
	2018 US\$ thousands	2017 US\$ thousands
Silver	815,837	844,815
Gold	1,118,087	1,125,290
Zinc	204,499	161,305
Lead	106,536	101,826
Value of metal content in products sold	2,244,959	2,233,236
Adjustment for treatment and refining charges	(141,174)	(139,928)
Total revenues ¹	2,103,785	2,093,308

¹ Includes provisional price adjustments which represent changes in the fair value of trade receivables resulting in a loss of US\$0.5 million (2017: gain of US\$9.2 million due to changes in the fair value of embedded derivatives arising on provisional pricing in sales contracts) and hedging gain of US\$1.6 million (2017: nil). For further detail, refer to note 2(n).

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	
	2018 US\$ per ounce	2017 US\$ per ounce
Gold ²	1,269.1	1,267.4
Silver ²	15.5	16.9

² For the purpose of the calculation, revenue by content of products sold does not include the results from hedging.

5. COST OF SALES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Depreciation and amortisation (notes 2 (e) and 12)	411,764	367,609
Personnel expenses (note 7)	94,653	89,629
Maintenance and repairs	150,021	115,670
Operating materials	191,954	153,221
Energy	176,333	144,298
Contractors	291,970	233,909
Freight	11,633	10,545
Insurance	4,956	4,786
Mining concession rights and contributions	13,271	11,589
Other	29,680	22,043
Cost of production	1,376,235	1,153,299
Change in work in progress and finished goods (ore inventories) ¹	(53,178)	16,873
Change in net realisable value allowance against inventory (note 14)	-	(2,269)
	1,323,057	1,167,903

1 Refer to note 2 (c) for more detail related to change in work in progress inventories for the year ended 31 December 2018 following a change in estimations.

6. EXPLORATION EXPENSES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Contractors	127,734	105,778
Administrative services	6,734	6,818
Mining concession rights and contributions	23,441	15,056
Personnel expenses (note 7)	4,137	4,260
Assays	3,615	2,850
Rentals	1,378	2,329
Other	5,760	4,017
	172,799	141,108

These exploration expenses were mainly incurred in areas of the Fresnillo, Herradura, La Ciénega, Saucito and San Julián mines, the San Ramón satellite mine and Orysivo, Guanajuato, Centauro Deep, San Javier and Carina projects. In addition, exploration expenses of US\$6.3 million (2017: US\$8.3 million) were incurred in the year on projects located in Peru and Chile.

The following table sets forth liabilities (generally trade payables) corresponding to exploration activities of the Group companies engaged only in exploration, principally Exploraciones Mineras Parreña, S.A. de C.V.

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Liabilities related to exploration activities	112	1,947

The liabilities related to exploration activities recognised by the Group 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.

Cash flows relating to exploration activities are as follows:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Operating cash out flows related to exploration activities	174,634	140,804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. PERSONNEL EXPENSES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Salaries and wages	46,542	39,448
Employees' profit sharing	13,003	17,150
Bonuses	12,367	12,112
Statutory healthcare and housing contributions	17,976	16,057
Other benefits	10,682	8,704
Vacations and vacations bonus	2,870	2,636
Social security	2,369	1,862
Post-employment benefits ¹	4,026	4,224
Legal contributions	2,190	1,608
Training	3,033	3,834
Other	7,404	8,852
	122,462	116,487

¹ Post-employment benefits include US\$0.6 million associated to benefits corresponding to the defined contribution plan (2017: US\$0.4 million).

(A) PERSONNEL EXPENSES ARE REFLECTED IN THE FOLLOWING LINE ITEMS:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Cost of sales (note 5)	94,653	89,629
Administrative expenses	23,672	20,109
Exploration expenses (note 6)	4,137	6,749
	122,462	116,487

(B) THE MONTHLY AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR WAS AS FOLLOWS:

	Year ended 31 December	
	2018 No.	2017 No.
Mining	2,236	1,994
Plant concentration	752	602
Exploration	480	501
Maintenance	1,035	865
Administration and other	658	936
Total	5,161	4,898

8. OTHER OPERATING INCOME AND EXPENSES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Other income:		
Gain on sale of property, plant and equipment ¹	-	25,333
Insurance recovery ²	9,245	-
Other	2,458	2,870
	11,703	28,203

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Other expenses:		
Rentals	184	229
Maintenance ³	1,278	1,858
Donations	1,313	2,540
Environmental activities	1,216	1,790
Loss on sale of property, plant and equipment	999	-
Consumption tax expensed	655	1,031
Impairment available-for-sale financial assets	-	36
Other	2,715	3,887
	8,360	11,371

1 Mainly corresponds to a sale of a certain mining concession from the Fresnillo district to a third party for a consideration of US\$26.0 million, resulting in a gain of US\$24.8 million.

2 Corresponds to a partial reimbursement for the insurance claim relating to Saucito's flood see note 26 for further detail.

3 Costs relating to the rehabilitation of the facilities of Compañía Minera las Torres, S.A. de C.V. (a closed mine).

9. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Finance income:		
Interest on short-term deposits and investments	15,584	11,368
Other	4,788	3,208
	20,372	14,576

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Finance costs:		
Interest on interest-bearing loans	36,258	35,808
Fair value movement on derivatives ¹	274	41,389
Unwinding of discount on provisions	10,044	11,703
Other	3,434	753
	50,010	89,653

1 The 2017 figure principally relates to the time value associated with gold commodity options (see note 29 for further detail). During 2018 this effect was recognised within other comprehensive income (see note 2 (b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. INCOME TAX EXPENSE

A) MAJOR COMPONENTS OF INCOME TAX EXPENSE:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	156,715	155,692
Amounts under provided in previous years	11,774	8,676
	168,489	164,368
Deferred:		
Origination and reversal of temporary differences	(52,327)	(45,003)
Revaluation effects of Silverstream contract	4,487	34,097
	(47,840)	(10,906)
Corporate income tax	120,649	153,462
Special mining right		
Current:		
Special mining right charge ¹	10,860	19,415
	10,860	19,415
Deferred:		
Origination and reversal of temporary differences	2,455	7,805
Special mining right	13,315	27,220
Income tax expense reported in the income statement	133,964	180,682

¹ The special mining right 'SMR' allows the deduction of payments of mining concessions rights up to the amount of SMR payable within the same legal entity. During the fiscal year ended 31 December 2018, the Group credited US\$17.3 million (2017: US\$15.7 million) of mining concession rights against the SMR. Total mining concessions rights paid during the year were US\$22.2 million (2017: US\$16.3 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. Without regards to credits permitted under the SMR regime, the current special mining right charge would have been US\$28.1 million (2017: US\$35.1 million).

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Consolidated statement of comprehensive income:		
Deferred income tax credit/(charge) related to items recognised directly in other comprehensive income:		
Gain on cash flow hedges recycled to income statement	(388)	-
Changes in fair value of cash flow hedges	(4,224)	-
Changes in fair value of available-for-sale financial assets	20,327	(2,653)
Remeasurement losses on defined benefit plans	(415)	(148)
Income tax effect reported in other comprehensive income	15,300	(2,801)

(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	
	2018 US\$ thousands	2017 US\$ thousands
Accounting profit before income tax	483,930	741,489
Tax at the Group's statutory corporate income tax rate 30.0%	145,179	222,446
Expenses not deductible for tax purposes	2,454	2,562
Inflationary uplift of the tax base of assets and liabilities	(16,599)	(20,011)
Current income tax (over)/underprovided in previous years	(4,807)	472
Exchange rate effect on tax value of assets and liabilities ¹	(778)	(9,934)
Non-taxable/non-deductible foreign exchange losses	1,255	(4,242)
Inflationary uplift of tax losses	(2,909)	(5,084)
IEPS tax credit (note 10 (e))	(7,012)	(26,181)
Deferred tax asset not recognised	6,571	4,461
Special mining right deductible for corporate income tax	(3,992)	(8,165)
Other	1,287	(2,862)
Corporate income tax at the effective tax rate of 24.9% (2017: 20.7%)	120,649	153,462
Special mining right	13,315	27,220
Tax at the effective income tax rate of 27.6% (2017: 24.4%)	133,964	180,682

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	
	2018 US\$ thousands	2017 US\$ thousands
Opening net liability	(442,727)	(443,027)
Income statement credit arising on corporate income tax	47,840	10,906
Income statement charge arising on special mining right	(2,455)	(7,805)
Exchange difference	-	-
Net credit/(charge) related to items directly charged to other comprehensive income	15,300	(2,801)
Closing net liability	(382,042)	(442,727)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. INCOME TAX EXPENSE CONTINUED

The amounts of deferred income tax assets and liabilities as at 31 December 2018 and 2017, considering the nature of the related temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2018 US\$ thousands	2017 US\$ thousands	2018 US\$ thousands	2017 US\$ thousands
Related party receivables	(220,131)	(221,451)	(1,320)	22,270
Other receivables	1,315	(2,171)	(3,486)	(1,554)
Inventories	188,119	162,842	(25,277)	271
Prepayments	(1,035)	(898)	137	(923)
Derivative financial instruments including Silverstream contract	(150,205)	(147,535)	(1,942)	12,551
Property, plant and equipment arising from corporate income tax	(330,722)	(341,774)	(11,052)	(9,551)
Exploration expenses and operating liabilities	50,691	44,121	(6,570)	(19,818)
Other payables and provisions	57,303	55,379	(1,924)	(10,646)
Losses carried forward	67,059	68,213	1,154	(1,870)
Post-employment benefits	1,016	1,465	34	220
Deductible profit sharing	3,807	4,249	442	(344)
Special mining right deductible for corporate income tax	29,321	30,661	1,340	(1,561)
Equity investments at FVOCI	3,510	-	-	-
Available-for-sale financial assets	-	(16,818)	-	2,643
Other	(4,396)	(3,772)	624	(2,594)
Net deferred tax liability related to corporate income tax	(304,348)	(367,489)	-	-
Deferred tax credit related to corporate income tax	-	-	(47,840)	(10,906)
Related party receivables arising from special mining right	(20,161)	(21,379)	(1,218)	2,616
Inventories arising from special mining right	13,746	11,107	(2,639)	(2,831)
Property plant and equipment arising from special mining right	(71,279)	(64,966)	6,312	8,020
Net deferred tax liability	(382,042)	(442,727)	-	-
Deferred tax credit	-	-	(45,385)	(3,101)
Reflected in the statement of financial position as follows:				
Deferred tax assets	88,883	48,950	-	-
Deferred tax liabilities—continuing operations	(470,925)	(491,677)	-	-
Net deferred tax liability	(382,042)	(442,727)	-	-

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\$223.5 million (2017: US\$227.4 million). If not utilised, US\$37.6 million (2017: US\$13.7 million) will expire within five years and US\$185.9 million (2017: US\$213.6 million) will expire between six and ten years.

The Group has further tax losses and other similar attributes carried forward of US\$42.2 million (2017: US\$37.4 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\$1,430 million (2017: US\$1,723 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%.

During 2016 the Mexican Internal Revenue Law granted to taxpayers a credit in respect of an excise tax (Special Tax on Production and Services, or IEPS for its acronym in Spanish) paid when purchasing diesel used for general machinery and certain mining vehicles. The credit can be applied against either the Group's own corporate income tax or the income tax withheld from third parties. The credit is calculated on an entity-by-entity basis and expires one year after the purchase of the diesel. In the year ended 31 December 2018, the Group applied a credit of US\$14.9 million in respect of the year (2017: US\$23.2 million), which was offset by an adjustment in respect of prior years of US\$7.8 million (2017: nil). Additionally, as at 31 December 2017 the Group recognised a deferred tax asset US\$2.9 million in respect of the IEPS incurred in 2017 and expected to be applied during 2018. As the IEPS deduction is itself taxable, the deferred tax asset is recognised at 70% of the IEPS carried forward. The net amount applied by the Group is presented in the reconciliation of the effective tax rate in note 10(b).

The SMR 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 and is considered as income tax under IFRS. 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.

11. 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 2018 and 2017, earnings per share have been calculated as follows:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	349,846	560,578
Adjusted profit from continuing operations attributable to equity holders of the Company	339,377	481,019

Adjusted profit is profit as disclosed in the Consolidated Income Statement adjusted to exclude revaluation effects of the Silverstream contract of US\$14.9 million gain (US\$10.4 million net of tax) (2017: US\$113.6 million gain (US\$79.5 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.

	2018	2017
	thousands	thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	736,984	736,894

	2018	2017
	US\$	US\$
Earnings per share:		
Basic and diluted earnings per share	0.475	0.761
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	0.461	0.653

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2017

	Land and buildings	Plant and Equipment	Mining properties and development costs	Other assets	Construction in Progress	Total
	US\$ thousands					
Cost						
At 1 January 2017	243,975	1,635,586	1,508,016	193,905	499,285	4,080,767
Additions	3,079	5,464	46,558	27,187 ²	567,856	650,144
Disposals	-	(9,584)	(4,415)	(1,611)	-	(15,610)
Transfers and other movements	14,751	186,125	359,226	35,984	(596,086)	-
At 31 December 2017	261,805	1,817,591	1,909,385	255,465	471,055	4,715,301
Accumulated depreciation						
At 1 January 2017	(90,586)	(895,367)	(822,434)	(92,163)	-	(1,900,550)
Depreciation for the year ¹	(21,462)	(165,502)	(179,891)	(14,061)	-	(380,916)
Disposals	-	9,410	4,412	939	-	14,761
At 31 December 2017	(112,048)	(1,051,459)	(997,913)	(105,285)	-	(2,266,705)
Net Book amount at 31 December 2017	149,757	766,132	911,472	150,180	471,055	2,448,596

Year ended 31 December 2018

	Land and buildings	Plant and Equipment	Mining properties and development costs	Other assets	Construction in Progress	Total
	US\$ thousands					
Cost						
At 1 January 2018	261,805	1,817,591	1,909,385	255,465	471,055	4,715,301
Additions	1,928	76,424	69	546	586,840	665,807
Disposals	-	(9,768)	(2,386)	(1,749)	-	(13,903)
Transfers and other movements	19,566	248,356	269,336	22,469	(559,727)	-
At 31 December 2018	283,299	2,132,603	2,176,404	276,731	498,168	5,367,205
Accumulated depreciation						
At 1 January 2018	(112,048)	(1,051,459)	(997,913)	(105,285)	-	(2,266,705)
Depreciation for the year ¹	(24,130)	(166,204)	(208,807)	(20,878)	-	(420,019)
Disposals	-	9,159	1,881	1,583	-	12,623
At 31 December 2018	(136,178)	(1,208,504)	(1,204,839)	(124,580)	-	(2,674,101)
Net Book amount at 31 December 2018	147,121	924,099	971,565	152,151	498,168	2,693,104

1 Depreciation for the year includes US\$411.8 million (2017: US\$367.7 million) recognised as an expense in cost of sales in the income statement and US\$8.3 million (2017: US\$13.3 million), capitalised as part of construction in progress.

2 From the additions in 'other assets' category US\$(4.5) million (2017: US\$24.1 million) corresponds to the reassessment of mine closure rehabilitations costs, see note 20.

The table below details construction in progress by operating mine

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Saucito	88,916	101,885
Herradura	70,536	98,401
Noche Buena	20,834	12,028
Ciénega	47,838	29,039
Fresnillo	48,671	30,641
San Julián	64,236	53,383
Other ³	157,137	145,678
	498,168	471,055

3 Mainly corresponds to Juanicipio development project (2017: Juanicipio development project and Minera Bermejil, S.A. de C.V.).

During the year ended 31 December 2018, the Group capitalised US\$11.1 million of borrowing costs within construction in progress (2017: US\$11.4). Borrowing costs were capitalised at the rate of 5.78% (2017: 5.78%).

SENSITIVITY ANALYSIS

As at 31 December 2018 and 2017, 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 valuation approaches management used long-term price assumptions of US\$1,310/ounce and US\$19.25/ounce (2017: US\$1,300/ounce and US\$19/ounce) for gold and silver, respectively. Management considers 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. Management has considered a low sensitivity by decreasing gold and silver prices by 5% (2017: gold and silver 5%) and a high sensitivity by decreasing gold and silver prices by 10% and 15% respectively (2017: gold and silver 10%). As at 31 December 2018 the analysis resulted in an impairment on Herradura of US\$302.7 million under high sensitivity; US\$72.3 million under low sensitivity and San Julián US\$159.3 million under high sensitivity; US\$45.4 million under low sensitivity (2017: nil for Herradura and San Julián).

13. 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 that commenced from 31 December 2013) is payable to Peñoles. The cash payment per ounce for the year ended 31 December 2018 was \$5.26 per ounce (2017: \$5.20 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 FVPL and classified within non-current and current assets as appropriate. The term of the derivative is based on Sabinas life of mine which is currently 35 years. 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 2018 total proceeds received in cash were US\$36.3 million (2017: US\$43.3 million) of which, US\$4.9 million was in respect of proceeds receivable as at 31 December 2017 (2016: US\$5.9 million). Cash received in respect of the year of US\$31.3 million (2017: US\$37.3 million) corresponds to 3.4 million ounces of payable silver (2017: 3.6 million ounces). As at 31 December 2018, a further US\$3.4 million (2017: US\$4.9 million) of cash receivable corresponding to 335,914 ounces of silver is due (2017: 422,375 ounces).

The US\$15.0 million unrealised gain recorded in the income statement (31 December 2017: US\$113.6 million gain) resulted mainly from the unwinding of the discount and the updating of the Sabinas long-term mine plan, which were partially compensated by the increase in the LIBOR reference rate and the decrease in the forward silver price.

A reconciliation of the beginning balance to the ending balance is shown below:

	2018 US\$ thousands	2017 US\$ thousands
Balance at 1 January:	538,887	467,529
Cash received in respect of the year	(31,379)	(37,373)
Cash receivable	(3,371)	(4,925)
Remeasurement gains recognised in profit and loss	14,956	113,656
Balance at 31 December	519,093	538,887
Less – Current portion	20,819	32,318
Non-current portion	498,274	506,569

See note 29 for further information on the inputs that have a significant effect on the fair value of this derivative, see note 30 for further information relating to market and credit risks associated with the Silverstream asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. INVENTORIES

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Finished goods ¹	15,052	10,957
Work in progress ²	235,094	175,016
Ore stockpile ³	3,799	15,115
Operating materials and spare parts	87,180	75,331
	341,125	276,419
Allowance for obsolete and slow-moving inventories	(6,101)	(5,314)
Balance as 31 December at lower of cost and net realisable value	335,024	271,105
Less – Current portion	243,404	179,485
Non-current portion ⁴	91,620	91,620

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 (note 2(c)).

3 Ore stockpile includes ore mineral obtained during the development phase at San Julián.

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\$1,323.1 million (2017: US\$1,170.1 million) before changes to the net realisable value of inventory. During the year there was no adjustment to net realisable value allowance against work-in-progress inventory (2017: US\$2.2 million decrease). The adjustment to the allowance for obsolete and slow-moving inventory recognised as an expense was US\$0.8 million (2017: US\$1.04 million).

15. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Trade and other receivables from related parties (note 26) ⁵	213,292	226,134
Value Added Tax receivable	182,290	85,979
Other receivables from related parties (note 26)	3,371	4,925
Other receivables from contractors	2,755	21,292
Other receivables	10,306	4,612
	412,014	342,942
Provision for impairment of 'other receivables'	(857)	(436)
Trade and other receivables classified as current assets	411,157	342,506
Other receivables classified as non-current assets:		
Loans granted to contractors	–	129
	–	129
	411,157	342,635

5 As of 31 December 2017 trade receivables from related parties includes the fair value of embedded derivatives arising due to provisional pricing in sales contracts of US\$6.5 million.

Trade receivables are shown net of any corresponding advances, are non-interest bearing and generally have payment terms of 46 to 60 days.

The total receivables denominated in US\$ were US\$223.1 million (2017: US\$242.3 million), and in Mexican pesos US\$187.2 million (2017: US\$100.3 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 2018 is US\$0.9 million (2017: US\$0.4 million). In determining the recoverability of receivables, the Group performs a risk analysis considering the type and age of the outstanding receivable and the credit worthiness of the counterparty, see note 30(b).

16. CASH AND CASH EQUIVALENTS

The Group considers cash and cash equivalents when planning its operations and in order to achieve its treasury objectives.

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Cash at bank and on hand	2,125	4,265
Short-term deposits	558,660	871,769
Cash and cash equivalents	560,785	876,034

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.

17. EQUITY**SHARE CAPITAL AND SHARE PREMIUM**

Authorised share capital of the Company is as follows:

Class of share	As at 31 December			
	2018		2017	
	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 2017	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2017	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2018	736,893,589	\$368,545,586	50,000	£50,000

As at 31 December 2018 and 2017, 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.

HEDGING RESERVE

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. EQUITY CONTINUED

COST OF HEDGING RESERVE

The changes in the time value of option contracts are accumulated in the costs of hedging reserve. These deferred costs of hedging are either reclassified to profit or loss or recognised as a basis adjustment to non-financial assets or liabilities upon maturity of the hedged item, or, in the case of a hedge item that realises over time, amortised on a systematic and rational basis over the life of the hedged item.

AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE

As at 31 December 2017 this reserve recorded fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value were recycled to the income statement. These assets were reclassified upon adoption of IFRS 9, for further detail see note 2 (b).

FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI

The Group has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2(b). These changes are accumulated within the FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

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.

18. DIVIDENDS DECLARED AND PAID

The dividends declared and paid during the years ended 31 December 2018 and 2017 are as follows:

	US cents per Ordinary Share	Amount US\$ thousands
Year ended 31 December 2018		
Final dividend for 2017 declared and paid during the year ¹	29.8	219,594
Interim dividend for 2018 declared and paid during the year ²	10.7	78,848
	40.5	298,442
Year ended 31 December 2017		
Final dividend for 2016 declared and paid during the year ³	21.5	158,432
Interim dividend for 2017 declared and paid during the year ⁴	10.6	78,111
	32.1	236,543

1 This dividend was approved by the Board of Directors on 30 May 2018 and paid on 4 June 2018.

2 This dividend was approved by the Board of Directors on 3 September 2018 and paid on 7 September 2018.

3 This dividend was approved by the Board of Directors on 23 May 2017 and paid on 26 May 2017.

4 This dividend was approved by the Board of Directors on 31 July 2017 and paid on 8 September 2017.

19. 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	
	2018 US\$ thousands	2017 US\$ thousands
Opening balance	799,046	798,027
Accrued interest	46,267	46,267
Interest paid ⁵	(46,267)	(46,267)
Amortisation of discount and transaction costs	1,081	1,019
Closing balance	800,127	799,046

5 Accrued interest is payable semi-annually on 13 May and 13 November.

The Group has the following restrictions derived from the issuance of the Notes:

CHANGE OF CONTROL:

Should the rating of the Senior Notes be downgraded as a result of a change of control (defined as the sale or transfer of 35% or more of the common shares; the transfer of all or substantially all the assets of the Group; starting a dissolution or liquidation process; or the loss of the majority in the board of directors) the Group is obligated to repurchase the notes at an equivalent price of 101% of their nominal value plus the interest earned at the repurchase date, if requested to do so by any creditor.

PLEDGE ON ASSETS:

The Group shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Group may pledge the aforementioned properties provided that the repayment of the Notes keeps the same level of priority as the pledge on those assets.

20. 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. 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.

The Group has performed separate calculations of the provision by currency, discounting at corresponding rates. As at 31 December 2018, the discount rates used in the calculation of the parts of the provision that relate to Mexican pesos range from 7.12% to 8.55% (2017: range of 6.27% to 7.97%). The range for the current year parts that relate to US dollars range from 2.05% to 2.70% (2017: range of 1.37% to 2.22%). 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 3 to 25 years from 31 December 2018 (3 to 27 years from 31 December 2017). As at 31 December 2018 the weighted average term of the provision is 12 years (2017:13 years).

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Opening balance	184,775	149,109
Increase to existing provision	9,758	1,024
Effect of change in estimation	-	19,678
Effect of changes in discount rate	(14,279)	(281)
Unwinding of discount	10,065	11,729
Payments	(545)	(131)
Foreign exchange	68	3,647
Closing balance	189,842	184,775

21. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT PLANS CONTINUED

The following tables provide information relating to changes in the defined benefit obligation and the fair value of plan assets:

	Pension cost charge to income statement					Remeasurement gains/(losses) in OCI								Balance at 31 December 2018	
	Balance at 1 January 2018	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
Defined benefit obligation	(27,327)	(62)	(1,791)	5	(1,848)	884	-	-	1,749	821	-	2,570	-	-	(25,721)
Fair value of plan assets	18,110	-	1,110	27	1,137	(630)	40	-	-	-	-	40	614	57	19,328
Net benefit liability	(9,217)	(62)	(681)	32	(711)	254	40	-	1,749	821	-	2,610	614	57	(6,393)

US\$ thousands

	Pension cost charge to income statement					Remeasurement gains/(losses) in OCI								Balance at 31 December 2017	
	Balance at 1 January 2017	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
Defined benefit obligation	(25,377)	(956)	(1,729)	(1,146)	(3,831)	883	-	-	515	498	-	1,013	-	(15)	(27,327)
Fair value of plan assets	16,282	-	1,031	731	1,762	(413)	(80)	-	-	-	-	(80)	422	137	18,110
Net benefit liability	(9,095)	(956)	(698)	(415)	(2,069)	470	(80)	-	515	498	-	933	422	122	(9,217)

US\$ thousands

Of the total defined benefit obligation, US\$7.4 million (2017: US\$7.5 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	
	2018 %	2017 %
Discount rate	8.42	7.67
Future salary increases (NCPI)	5.15	5.0

The life expectancy of current and future pensioners, men and women aged 65 and older will live on average for a further 23.1 and 26.6 years respectively (2017: 23.1 years for men and 26.3 for women). The weighted average duration of the defined benefit obligation is 10.8 years (2017: 11 years).

The fair values of the plan assets were as follows:

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Government debt	351	556
State owned companies	5,132	4,559
Mutual funds (fixed rates)	13,845	12,995
	19,328	18,110

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 2018 is as shown below:

Assumptions	Discount rate		Future salary increases (NCPI)		Life expectancy of pensioners
	0.5% Increase	0.5% Decrease	0.5% increase	0.5% decrease	+1 Increase
Sensitivity Level					
(Decrease)/increase to the net defined benefit obligation (US\$ thousands)	(1,256)	1,374	179	(173)	76

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.

22. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Trade payables	91,734	93,664
Other payables to related parties (note 26)	12,321	9,057
Accrued expenses	13,163	18,600
Other taxes and contributions	15,922	13,628
	133,140	134,949

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 30.

23. COMMITMENTS

A summary of capital expenditure commitments by operating mine is as follows:

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Saucito	52,288	64,511
Herradura	17,701	28,813
Noche Buena	3,346	1,643
Ciénega	13,779	16,688
Fresnillo	90,181	19,570
San Julián	8,781	27,403
Other ¹	142,111	83,729
	328,187	242,357

¹ Other includes commitments of Minera Juanicipio, S.A. de C.V. (2017: Minera Bermejil, S. de R.L. de C.V. and Minera Juanicipio, S.A. de C.V.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24. OPERATING LEASES

(A) OPERATING LEASES AS LESSOR

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Within one year	–	491
After one year but not more than five years	–	108
	–	599

(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 follows¹:

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Within one year	6,374	3,424
After one year but not more than five years	9,756	2,926
	16,130	6,350

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Minimum lease payments expensed in the year	7,193	4,916

¹ During the Group's IFRS 16 implementation activities, a limited number of highly certain extensions to operating lease commitments were identified. The 2017 commitments have been restated to reflect those judgements in a consistent manner.

25. CONTINGENCIES

As of 31 December 2018, 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 (SAT, by its Spanish acronym) 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. As such, 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.
- Other than discussed below, tax inspections that had been initiated by the SAT in previous years, were either closed or resolved through a Conclusive Agreement in 2018 or in early 2019. According to article 69-H of the Mexican Tax Code, settlements reached and executed by taxpayers and the authority may not be challenged in any way. Such settlements shall only be effective between the parties; and they shall not constitute a precedent in any case.
- With respect to Minera Penmont's 2012 and 2013 tax inspections, on 11 July, 2018 the Company filed before tax authorities a substance administrative appeal against the tax assessment, and on 3 September 2018, it filed additional documentation before tax authorities and is waiting for its response.
- On 22 October 2018 we were notified of the SAT's findings in respect of Minera Penmont's 2015 & 2016 tax inspections. The Company considers it completed the provision of all documentation required to demonstrate that the tax deductions which are being challenged, are appropriate and is waiting for the SAT's response.
- On 1 February 2019 we were notified that the SAT will conduct an inspection of Minera Saucito's 2013 tax certificate.
- It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from these or any future inspections that may be initiated. 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.
- 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' o 'CUFIN') account 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 2018 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 the Soledad-Dipolos mine 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 Court noted in that same year 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 Court further issued a procedural order in execution of its 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 was excessive since this level of remediation was not part of the original agrarian ruling and also because the procedural order appeared not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. In December 2016, the Agrarian Court issued a subsequent procedural order in which the Court recognised that Penmont complied with the agrarian ruling by having returned the land in dispute and, furthermore, that remediation activities are to be conducted in accordance with Federal environmental guidelines and regulations, as supervised by the competent Federal authorities. Remediation activities in this respect are pending as the agrarian members have not yet permitted Penmont physical access to the lands. Penmont has already presented a conceptual mine closure and remediation plan before the Agrarian Court in respect of the approximately 300 hectares where Penmont conducted mining activities. The agrarian community Ejido El Bajío appealed this procedural order from the Agrarian Court and a Federal District Court denied this appeal. The agrarian community has presented in the month of August 2017 a further and last recourse against this ruling by the Federal District Court and the final result is pending.
 - In addition, and as also previously reported by the Company, claimants in the El Bajío matter 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. As previously reported, the Agrarian Court issued rulings declaring such occupation agreements over those land parcels to be null and void 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. Given that Penmont has not conducted significant mining operations nor has specific geological interest in these land parcels, any contingency relating to such land parcels is not considered material by the Company. The case relating to the claims over these land parcels remains subject to finalisation.
 - Various claims and counterclaims have been made between the relevant parties in the El Bajío matter. There remains significant uncertainty as to the finalisation and ultimate outcome of these legal proceedings.
- In 2011, flooding occurred in the Saucito mine, following which the Group filed an insurance claim in respect of the damage caused (and in respect of business interruption). In early 2018, the insurance provider notified the Group that the claim had been accepted; however, there is disagreement about the appropriate amount to be paid. In October the Group received US\$13.6 million in respect of the insurance claim, however this does not constitute a final settlement and management continues to pursue a higher insurance reimbursement. Due to the fact that negotiations are on-going and there is uncertainty regarding the timing of reaching an agreement with the insurer, the amount expected to be recovered is currently not practicable to determine.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. CONTINGENCIES CONTINUED

- On 11 February 2019, the Supreme Court of Mexico issued a ruling regarding a specific constitutional issue presented by the former administration of the Federal Government, who challenged the ability of the State of Zacatecas to impose environmental taxes on aspects such as (i) extraction of rocks; (ii) emissions into the air; (iii) discharges of industrial residues, and (iv) disposal of industrial waste.

The ruling of the Supreme Court establishes that, from a constitutional point of view, there is no express limitation granting the Mexican State at a Federal level the sole power to impose such taxes; therefore, the State of Zacatecas has a joint right to create these taxes. Notwithstanding the foregoing, the Court did not exhaust the analysis of the legality of each particular tax created by the State of Zacatecas.

The Company had previously challenged the legality of such taxes and in 2017 obtained an injunction from a Federal court. The State of Zacatecas has appealed this ruling and the final result is pending.

26. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following related party transactions during the years ended 31 December 2018 and 2017 and balances as at 31 December 2018 and 2017.

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	
	2018 US\$ thousands	2017 US\$ thousands	2018 US\$ thousands	2017 US\$ thousands
Trade:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	213,202	225,741	408	397
Other:				
Industrias Peñoles, S.A.B. de C.V.	3,371	4,925	-	-
Servicios Administrativos Peñoles, S.A. de C.V.	-	-	3,249	2,434
Servicios Especializados Peñoles, S.A. de C.V.	-	-	1,556	1,786
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	1,138	-
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	988	1,650
Eólica de Coahuila S.A. de C.V.	-	-	3,459	1,926
Other	90	392	1,523	864
Sub-total	216,663	231,058	12,321	9,057
Less-current portion	216,663	231,058	12,321	9,057
Non-current portion	-	-	-	-

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
<i>Silverstream contract:</i>		
Industrias Peñoles, S.A.B. de C.V.	519,093	538,887

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 13.

(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	
	2018 US\$ thousands	2017 US\$ thousands
Income:		
<i>Sales:</i> ¹		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	2,119,758	2,101,579
<i>Insurance recovery</i>		
Grupo Nacional Provincial, S.A. B. de C.V. ²	13,652	-
<i>Other income</i>	4,419	3,173
Total income	2,137,829	2,104,752

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\$141.2 million (2017: US\$139.9 million) and include sales credited to development projects of US\$17.6 million (2017: US\$8.3 million).

2 Includes a time value element of US\$3.1 million which has been recognised in finance income within the income statement.

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Expenses:		
<i>Administrative services:</i> ³		
Servicios Administrativos Peñoles, S.A. de C.V. ⁴	28,625	26,323
Servicios Especializados Peñoles, S.A. de C.V.	15,830	18,239
	44,455	44,562
<i>Energy:</i>		
Termoeléctrica Peñoles, S. de R.L. de C.V.	17,383	20,415
Fuerza Eólica del Istmo S.A. de C.V.	2,187	1,678
Fuentes de Energía Peñoles, S.A. de C.V.	3,872	-
Eólica de Coahuila S.A. de C.V.	34,147	13,666
	57,589	35,759
<i>Operating materials and spare parts:</i>		
Wideco Inc	5,783	4,534
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	8,329	6,420
	14,112	10,954
<i>Equipment repair and administrative services:</i>		
Serviminas, S.A. de C.V.	9,733	8,406
<i>Insurance premiums:</i>		
Grupo Nacional Provincial, S.A. B. de C.V.	8,603	8,157
<i>Other expenses:</i>	2,561	3,795
Total expenses	137,053	111,633

3 Includes US\$1.7 million (2017: US\$6.4 million) corresponding to expenses reimbursed.

4 Includes US\$4.2 million (2017: US\$7.5 million) relating to engineering costs that were capitalised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. RELATED PARTY BALANCES AND TRANSACTIONS CONTINUED

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

Key management personnel include the members of the Board of Directors and the Executive Committee.

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Salaries and bonuses	3,260	3,385
Post-employment benefits	245	235
Other benefits	249	373
Total compensation paid in respect of key management personnel	3,754	3,993

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Accumulated accrued defined pension entitlement	4,001	4,433

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.

27. AUDITOR'S REMUNERATION

Fees due by the Group to its auditor during the year ended 31 December 2018 and 2017 are as follows:

Class of services	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	1,306	1,214
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	176	226
Audit-related assurance services	347	308
Tax compliance services	4	19
Total	1,833	1,767

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 US\$ thousands	2017 US\$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		349,966	560,807
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation and amortisation	5	411,764	367,609
Employee profit sharing	7	13,003	17,150
Deferred income tax	10	(45,385)	(3,101)
Current income tax expense	10	179,349	183,783
Loss/(gain) on the sale of property, plant and equipment and other assets	8	999	(25,333)
Impairment of available-for-sale financial assets	8	-	36
Net finance costs		27,433	33,674
Foreign exchange loss		8,382	11,434
Difference between pension contributions paid and amounts recognised in the income statement		62	(58)
Non-cash movement on derivatives		34	41,389
Changes in fair value of Silverstream	14	(14,956)	(113,656)
Working capital adjustments			
(Increase) in trade and other receivables		(60,384)	(44,381)
(Increase) in prepayments and other assets		(11,753)	(708)
(Increase)/decrease in inventories		(63,918)	5,745
Increase in trade and other payables		8,174	36,426
Cash generated from operations		802,770	1,070,816
Income tax paid		(200,088)	(292,063)
Employee profit sharing paid		(14,323)	(17,282)
Net cash from operating activities		588,359	761,471

29. FINANCIAL INSTRUMENTS

(A) FAIR VALUE CATEGORY

	As at 31 December 2018			
	US\$ thousands			
	Amortised cost	Fair value through OCI	Fair value (hedging instruments)	Fair value through profit or loss
Financial assets:				
Trade and other receivables (note 15)	1,986	-	-	216,573
Equity instruments at FVOCI	-	78,219	-	-
Silverstream contract (note 13)	-	-	-	519,093
Derivative financial instruments	-	-	314	-
Financial liabilities:				
Interest-bearing loans (note 19)	800,127	-	-	-
Trade and other payables (note 22)	97,169	-	-	-
Derivative financial instruments	-	-	3,807	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

29. FINANCIAL INSTRUMENTS CONTINUED

	As at 31 December 2017			
	US\$ thousands			
	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)
Financial assets:				
Trade and other receivables ¹ (note 15)	-	-	236,859	-
Available-for-sale financial assets	-	144,856	-	-
Silverstream contract (note 13)	538,887	-	-	-
Embedded derivatives within sales contracts ¹ (note 4)	6,511	-	-	-
Derivative financial instruments	311	-	-	71
Financial liabilities:				
		At fair value through profit or loss	At amortised Cost	At fair value through OCI (cash flow hedges)
Interest-bearing loans (note 19)		-	799,046	-
Trade and other payables (note 22)		-	102,721	-
Derivative financial instruments		37	-	19,179

¹ Trade and other receivables and embedded derivative 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 are as follows:

	Carrying amount		As at 31 December	
	2018	2017	2018	2017
	US\$ thousands	US\$ thousands	US\$ thousands	US\$ thousands
Financial assets:				
Trade receivables	216,573	236,859	216,573	236,859
Equity instruments at FVOCI	78,219	-	78,219	-
Available-for-sale financial assets	-	144,856	-	144,856
Silverstream contract (note 13)	519,093	538,887	519,093	538,887
Embedded derivatives within sales contracts	-	6,511	-	6,511
Derivative financial instruments	74	382	74	382
Financial liabilities:				
Interest-bearing loans ² (note 19)	800,127	799,046	817,936	878,864
Derivative financial instruments	3,807	19,216	3,807	19,216

² Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

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 2018			
	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:				
Trade receivables	-	-	216,573	216,573
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	-	240	-	240
Option and forward foreign exchange contracts	-	74	-	74
Silverstream contract	-	-	519,093	519,093
Other financial assets:				
Equity instruments at FVOCI	78,219	-	-	78,219
	78,219	314	735,666	814,199
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	-	3,660	-	3,660
Option and forward foreign exchange contracts	-	147	-	147
	-	3,807	-	3,807
	As of 31 December 2017			
	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:				
Embedded derivatives within sales contracts	-	-	6,511	6,511
Option commodity contracts (note 29 (c))	-	71	-	71
Option and forward foreign exchange contracts	-	311	-	311
Silverstream contract	-	-	538,887	538,887
Financial investments available-for-sale:				
Quoted investments	144,856	-	-	144,856
	144,856	382	545,398	690,636
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts (note 29 (c))	-	19,179	-	19,179
Option and forward foreign exchange contracts	-	37	-	37
	-	19,216	-	19,216

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

29. 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 13) is shown below¹:

	2018 US\$ thousands	2017 US\$ thousands
Balance at 1 January:	225,741	(2,750)
Net change in trade receivable from goods sold	(12,048)	-
Changes in fair value	(4,016)	15,068
Realised embedded derivatives during the year	3,525	(5,807)
Balance at 31 December	213,202	6,511

¹ Balance as at 31 December 2017 corresponds to the embedded derivative included in trade receivable for sales subject to provisional pricing; from 1 January 2018 onwards as a result of the adoption of IFRS 9 as explained in note 2 (b) the balance corresponds the whole trade receivable for sales subject to provisional pricing.

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 including unobservable inputs (Level 3). 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 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.

For further information relating to the Silverstream contract see note 13. 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 30.

EQUITY INVESTMENTS:

The fair value of equity investments is derived from quoted market prices in active markets (Level 1).

INTEREST-BEARING LOANS

The fair value of the Group's interest-bearing loan, is derived from quoted market prices in active markets (Level 1).

TRADE RECEIVABLES:

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 (n)). This price exposure is considered to be an embedded derivative and therefore the entire related trade receivable is measured at fair value.

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.

(C) DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into certain option contracts to manage its exposure to commodity price risk as described in note 2 (r).

The Group sells gold as the primary product of the Group's open-pit mines. Upon the acquisition of the remaining 46% interest in the Penmont mines in 2014, the Group entered into commodity option contracts to protect the value of future sales related to that previous non-controlling interest over a period of five years. The Group also sells lead and zinc as a by-product in certain of its mines. Except in relation to the acquisition of the remaining interest in the Penmont mines described above, the Group's risk management strategy is to not hedge primary metal prices and hedge by-product metals in certain market conditions. The Group monitors metal price volatility in order to determine when to enter into new hedging contracts related to by-products. New contracts were entered into in 2017 but not in 2018. These contracts are expected to reduce the volatility attributable to metals price fluctuations. Hedging the price volatility of forecast metals sales is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity option contracts match the terms of the expected highly probable forecast sales (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the commodity option contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Due to the terms of the Group's hedge relationships, the change in the fair value of both the hedging instrument and hedged items equalled the amounts recognised in other comprehensive income in the following paragraphs. The amounts recycled to the income statement in respect of these contracts are recognised in revenue; ineffectiveness is recognised in finance cost.

GOLD OPTION CONTRACTS

As at 31 December 2018, the outstanding collar derivative instruments mature over the period from 31 January 2019 to 30 December 2019 and hedge cash proceeds for the sales of gold production amounting 346,152 ounces (2017: 712,584 ounces) with a floor price of US\$1,100:1 ounce, a range of capped prices from US\$1,375 to US\$1,495:1 ounce (2017: US\$1,375 to US\$1,495:1 ounce) and weighted average capped price of US\$1,424:1 ounce (2017: US\$1,423:1 ounce). The fair value of the put options as at 31 December 2018 was an asset of US\$0.9 million (2017: US\$3.7 million), and the fair value of the call options at 31 December 2018 was a liability of US\$4.6 million (2017: US\$21.8 million). In 2018 the changes in the fair value of the option contracts corresponding to the time value amounted to US\$14.4 million and was recorded in other comprehensive income; in 2017 fair value amounted of US\$41.1 million was recorded in the income statement.

LEAD OPTION CONTRACTS

As at 31 December 2018 there were no outstanding options related to lead contracts. As at 31 December 2017, lead collar derivative instruments hedge lead production amounting 21,168 tonnes with a floor price of US\$2,370:1 tonne, a range of capped prices from US\$2,730 to US\$2,740:1 tonne and weighted average cap price of US\$2,735:1 tonne. The fair value of the put options at 31 December 2017 was an asset of US\$0.5 million, and the fair value of the call options at 31 December 2017 was a liability of US\$0.5 million. The gain recycled to the income statement in the period was US\$1.0 million (2017: nil).

ZINC OPTION CONTRACTS

As at 31 December 2018 there were no outstanding options related to zinc contracts. As at 31 December 2017, zinc collar derivative instruments hedge lead production amounting 5,760 tonnes with a range of floor prices of US\$2,500 to 2,756:1 tonne and weighted average floor price of US\$3,716:1 tonne, a range of capped prices from US\$3,650 to US\$3,800:1 tonne and weighted average cap price of US\$3,716:1 tonne. The fair value of the put options at 31 December 2017 was an asset of US\$0.5 million, and the fair value of the call options at 31 December 2017 was a liability of US\$1.5 million. The gain recycled to the income statement in the period was US\$0.6 million (2017: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT

OVERVIEW

The Group's principal financial assets and liabilities, other than derivatives, comprise trade receivables, cash, equity instruments at FVOCI, 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.

(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.

In the following tables, the effect on equity excludes the changes in retained earnings as a direct result of changes in profit before tax.

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 2018 (see note 29 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
2018	10% (10%)	(380) 464
2017	20% (10%)	(3,783) 1,365

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.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US\$ thousands
2018	10% (10%)	19 20
2017	10% (10%)	(335) 500

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
2018	10% (10%)	53 52
2017	10% (10%)	1058 (1,056)

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.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US\$ thousands
2018	10% (10%)	(46) 56
2017	20% (10%)	(781) 521

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, zinc and lead price.

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream) to a reasonably possible change in commodities 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.

Year ended 31 December	Increase/(decrease) in commodity prices				Effect on profit before tax: increase/ (decrease) US\$ thousands	Effect on equity: increase/ (decrease) US\$ thousands
	Gold	Silver	Zinc	Lead		
2018	10% (10%)	15% (15%)	25% (20%)	20% (15%)	22,330 (21,204)	(14,910) 8,703
2017	10% (10%)	10% (10%)	20% (20%)	15% (15%)	83,433 5,105	(19,164) 1,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. FINANCIAL RISK MANAGEMENT CONTINUED

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
2018	15% (15%)	106,879 (106,879)
2017	10% (10%)	72,779 (72,779)

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 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
2018	75 (75)	4,206 (4,206)
2017	90 (50)	7,898 (4,388)

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
2018	75 (75)	(47,151) 54,775
2017	90 (50)	(58,798) 37,935

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
2018	100	56
	(100)	(51)
2017	100	88
	(100)	(83)

EQUITY PRICE RISK

The Group has exposure to changes in the price of equity instruments that it holds as available-for-sale financial assets.

The following table demonstrates the sensitivity of available-for-sale financial 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
2018	40%	-	31,288
	(40%)	-	(31,288)
2017	40%	-	28,972
	(65%)	-	(65,408)

(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 26, 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 16. 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 2018 and 2017. 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 per cent 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 mA-1+ (Standard and Poor's) and above. As at 31 December 2018, the Group had concentrations of credit risk as 19 per cent of surplus funds were deposited with one financial institution of which the total investment 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 16 for the maximum credit exposure to cash and cash equivalents, note 27 for related party balances with Met-Mex and note 29 for equity instruments at FVOCI. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2018, being US\$519.1 million (2017: US\$538.9 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. 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.

	US\$ thousands				Total
	Within 1 year	2-3 years	3-5 years	> 5 years	
As at 31 December 2018					
Interest-bearing loans (note 19)	46,267	92,534	92,534	800,000	1,031,335
Trade and other payables	97,169	-	-	-	97,169
Derivative financial instruments - liabilities	3,807	-	-	-	3,807

	US\$ thousands				Total
	Within 1 year	2-3 years	3-5 years	> 5 years	
As at 31 December 2017					
Interest-bearing loans (note 19)	46,267	92,534	92,534	846,267	1,077,602
Trade and other payables	102,311	-	-	-	102,311
Derivative financial instruments - liabilities	4,992	14,224	-	-	19,216

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:

	US\$ thousands				Total
	Within 1 year	2-3 years	3-5 years	> 5 years	
As at 31 December 2018					
Inflows	12,608	4,310	-	-	16,918
Outflows	(12,688)	(4,290)	-	-	(16,977)
Net	(80)	20	-	-	(60)

	US\$ thousands				Total
	Within 1 year	2-3 years	3-5 years	> 5 years	
As at 31 December 2017					
Inflows	15,174	-	-	-	15,174
Outflows	(14,884)	-	-	-	(14,884)
Net	290	-	-	-	290

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2019 as at 31 December 2018 and during 2018 as at 31 December 2017, 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 shareholder's 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.

In managing its capital, the Group considers its cash and other liquid asset position, as set out below:

	2018 US\$ thousands	2017 US\$ thousands
Cash and cash equivalents (note 16)	560,785	876,034
Available-for-sale financial instruments held in funds	-	19,877
Cash and other liquid assets position	560,785	895,911

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER

	Notes	Year ended 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Profit for the year	3	(571,022)	323,122
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Changes in the fair value of available-for-sale financial assets	2 (b),16	-	8,808
Impairment of available-for-sale financial assets taken to income during the year		-	36
<i>Total effect of available-for-sale financial assets</i>		-	8,844
Income tax effect on items that may be reclassified subsequently to profit or loss		-	(2,653)
Net other comprehensive income that may be reclassified subsequently to profit or loss:		-	6,191
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in the fair value of equity investments at FVOCI	2 (b)	(46,579)	-
Income tax effect on items that will not be reclassified to profit or loss:	4	20,328	-
Net other comprehensive expense that will not be reclassified to profit or loss		(26,251)	-
Other comprehensive (expense)/income, net of tax		(26,251)	6,191
Total comprehensive income for the year, net of tax		(597,273)	329,313

PARENT COMPANY BALANCE SHEET

AS AT 31 DECEMBER

	Notes	As at 31 December	
		2018 US\$ thousands	2017 US\$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	5	6,415,137	7,094,131
Equity instruments at FVOCI	2 (b), 16	78,219	-
Available-for-sale financial assets	2 (b), 16	-	144,856
Derivative financial instruments	16	20	-
Deferred tax asset	4	23,012	10,169
		6,516,388	7,249,156
Current assets			
Loans to related parties	13	895,315	590,286
Income tax recoverable		259	632
Trade and other receivables	6	4,336	8,139
Derivative financial instruments	16	294	382
Cash and cash equivalents	7	4,560	133,370
		904,764	732,809
Total assets		7,421,152	7,981,965
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	8	368,546	368,546
Share premium	8	1,153,817	1,153,817
Merger reserve	8	4,627,260	5,353,146
Available-for-sale financial assets reserve	8	-	46,916
Fair value reserve of financial assets at FVOCI	8	16,488	-
Retained earnings	8	105,430	231,455
Total equity		6,271,541	7,153,880
Non-current liabilities			
Interest-bearing loans	10	800,127	799,046
Derivative financial instruments	16	-	14,224
		800,127	813,270
Current liabilities			
Trade and other payables	11	10,820	9,823
Derivative financial instruments	16	3,807	4,992
Loans from related parties	13	334,857	-
		349,484	14,815
Total liabilities		1,149,611	828,085
Total equity and liabilities		7,421,152	7,981,965

The loss for the Company is US\$571.0 million for the year ended 31 December 2018 (2017: profit of US\$323.1 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.

These financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

Mr Arturo Fernández
Non-executive Director

25 February 2019

PARENT COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER

	Notes	Year ended 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Net cash generated from operating activities	15	10,606	20,063
Cash flows from investing activities			
Capital contribution to subsidiaries		(46,892)	(33,484)
Loans granted to related parties		(2,114,835)	(1,546,749)
Proceeds from repayment of loans granted to related parties		1,809,356	1,437,453
Interest received		54,717	53,685
Dividends received		152,616	218,593
Purchase of available-for-sale financial assets		-	(19,877)
Proceeds from the sale of debt investments		20,087	-
Other payments		-	(1,526)
Net cash (used in) generated from investing activities		(124,951)	108,095
Cash flows from financing activities			
Loans granted by related parties		465,443	31,366
Repayment of loans granted by related parties		(131,415)	(31,366)
Dividends paid		(298,068)	(236,560)
Interest paid		(46,981)	(47,720)
Net cash used in financing activities		(11,021)	(284,280)
Net in cash and cash equivalents during the year		(125,366)	(156,122)
Effect of exchange rate on cash and equivalents		(3,444)	1,756
Cash and cash equivalents at 1 January		133,370	287,736
Cash and cash equivalents at 31 December	7	4,560	133,370

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER

		US\$ thousands						
	Notes	Share capital	Share premium	Merger reserve	Available-for-sale financial assets reserve	Fair value reserve of financial assets at FVOCI	Retained earnings	Total equity
Balance at 1 January 2017		368,546	1,153,817	5,250,357	40,725	-	247,665	7,061,110
Profit for the year		-	-	-	-	-	323,122	323,122
Other comprehensive expense net of tax		-	-	-	6,191	-	-	6,191
Total comprehensive loss for the year		-	-	-	6,191	-	323,122	329,313
Transfer of reserves		-	-	102,789	-	-	(102,789)	-
Dividends declared and paid	9	-	-	-	-	-	(236,543)	(236,543)
Balance at 31 December 2017		368,546	1,153,817	5,353,146	46,916	-	231,455	7,153,880
Adjustments for initial application of IFRS 9	2 (b)	-	-	-	(46,916)	42,739	17,553	13,376
Profit for the year		-	-	-	-	-	(571,022)	(571,022)
Other comprehensive expense net of tax		-	-	-	-	(26,251)	-	(26,251)
Total comprehensive income for the year		-	-	-	-	(26,251)	(571,022)	(597,273)
Transfer of reserves		-	-	(725,886)	-	-	725,886	-
Dividends declared and paid	9	-	-	-	-	-	(298,442)	(298,442)
Balance at 31 December 2018		368,546	1,153,817	4,627,260	-	16,488	105,430	6,271,541

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 5. The Company is a Mexican resident for taxation purposes with tax residency in Mexico City. For further information see note 4.

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75 percent 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 a holding company for the Fresnillo Group of companies. See note 5.

The financial statements of the Company for the year ended 31 December 2018 were authorised for issue by the Board of Directors of Fresnillo plc on 25 February 2019.

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 2018 and 2017, 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 equity securities 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 2017, except for the following:

On January 1, 2018, the Company adopted IFRS 9, Financial Instruments which replaced IAS 39, Financial Instruments: Recognition and Measurement using the modified retrospective approach, hence, the Company does not restate prior periods. Differences between previous carrying amounts using accounting policies as disclosed in the 2017 ARA and those determined under IFRS 9 at the date of initial application have been included in opening retained earnings.

IFRS 9 provides a revised model for classification and measurement of financial instruments; a single, forward-looking expected loss impairment model; and changes to hedge accounting.

The classification and measurement model for financial assets in IFRS 9 is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest. Generally, equity instruments are classified and measured as fair value through profit or loss (FVPL). However, in respect of equity instruments that the Company intends to hold for the foreseeable future, IFRS 9 permits the Company to irrevocably elect upon initial recognition or transition to classify those assets as fair value through other comprehensive income (FVOCI). Changes in the fair value of equity instruments elected to be classified as FVOCI are not reclassified to profit or loss in future periods. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9.

LONG-TERM FINANCIAL ASSETS

The adoption of IFRS 9 resulted in certain changes to the classification of financial assets previously classified as available-for-sale financial assets (AFS). The Company designated its investments in quoted equity investments as FVOCI and classified investments in funds as FVPL:

	(in thousands of US dollars)	
	1 January 2018	31 December 2017
Available-for-sale financial assets	–	144,856
Debt instruments at fair value through profit or loss	19,877	–
Equity instruments at fair value through other comprehensive income	124,979	–
	144,856	144,856

Upon transition, the balance in the AFS reserve relating to investments in funds was reclassified from accumulated other comprehensive income (OCI) to retained earnings in the amount of US\$46.9 million. In addition, the amounts previously recognised in retained earnings related to historical impairment of AFS that are now classified as FVOCI have been reclassified to the FVOCI reserve in the amount of US\$6.0 million.

IMPAIRMENT

The adoption of the new 'expected credit loss' impairment model under IFRS 9, as opposed to an incurred credit loss model under IAS 39, had a negligible impact on the carrying amounts of the Company's financial assets on the transition date given the probability of default determined for its subsidiaries, see note 2 (f). At 1 January 2018 the expected credit loss was negligible.

REVENUE RECOGNITION

On January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers which supersedes IAS 18, Revenue. IFRS 15 establishes a single five-step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 requires entities to recognise revenue when control of goods or services transfers to the customer whereas the previous standard, IAS 18, required entities to recognise revenue when the risks and rewards of the goods or services transfer to the customer. The Company concluded there is no change in the timing of revenue recognition of the trademark royalties under IFRS 15 compared to the previous standard as the point of transfer of risks and rewards of goods and services and transfer of control occur at the same time. Therefore, no adjustment was required to the Company's financial statements.

Other than the amendment mentioned above, there were no significant new standards that the Company was required to adopt effective from 1 January 2018.

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 Company's financial statements are disclosed below. The Company intends to adopt these standards, as applicable to the Company's financial statements, when they become effective, except where indicated.

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 and earlier application is permitted. As at 31 December 2018 the Company has no lease agreements as a lessor or as a lessee, thus no impact is expected on the accounting policies, financial position or performance of the Company.

IFRIC 23 UNCERTAINTY OVER INCOME TAX TREATMENTS

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments. Application of tax law can be complex and requires judgement to assess risk and estimate outcomes where the amount of tax payable or recoverable is uncertain. The Company evaluated potential uncertain tax positions under the requirements of the Interpretation and has not identified any impact on the Company's financial statements. IFRIC 23 is applicable for annual periods beginning on or after 1 January 2019.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

JUDGEMENTS

An area of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements is:

- Contingencies (note 12):
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

A significant area of estimation uncertainty made by management in preparing the financial information statements include:

- Impairment and subsequent reversal of impairment of investments in subsidiaries (notes 2(e) and 5):
The Company assesses 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. Due to the nature of the subsidiaries, the assessment of the recoverable amount is generally determined based on the net present value of future cash flows related to the subsidiaries requiring 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. These cash flows are discounted using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The determination of that rate requires certain judgements.

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 2018 the Company recognised an impairment loss of US\$725.9 million (2017: reversal of impairment of US\$102.8 million) to recognised a cumulative impairment relating to subsidiaries of US\$1,162.3 million (2017: US\$436.4 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 value is determined.

(E) INVESTMENTS IN SUBSIDIARIES

Subsidiaries are entities which the Company controls due to it being 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. Impairment charges and reversals, up to the value of the merger reserve, are reclassified from retained earnings to the merger reserve.

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 to, or return of the original cost recognised in investment in subsidiaries. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, an estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs of disposal and the value in use. The Company usually determines fair value based on the net present value of the future cash flows related to its subsidiaries. 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

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured at amortised cost.
- those to be measured subsequently at fair value through OCI, and.
- those to be measured subsequently at fair value through profit or loss.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

AMORTISED COST

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

The Company's financial assets at amortised cost include receivables from loans granted to related parties.

FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

At transition to IFRS 9, the Company had certain financial assets that were accounted for as debt instruments at fair value through other comprehensive income; however, at the reporting date, no such assets existed.

EQUITY INSTRUMENTS DESIGNATED AS FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its listed equity investments under this category.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

FAIR VALUE THROUGH PROFIT OR LOSS

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable.

The Company's derivative financial instruments are classified as fair value through profit or loss.

DE-RECOGNITION OF FINANCIAL ASSETS

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

IMPAIRMENT OF FINANCIAL ASSETS

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For loans granted to subsidiaries the Company evaluate the expecting credit loss using a one year probability of default corresponding to the mining industry determined by a specialised financial institution and considering an appropriate severity based on the cost of capital of the Group.

For other trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(G) 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.

(H) 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.

(I) 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.

(J) 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.

(K) 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 certain of 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(L) 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 16 and 17.

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 16.

(M) 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.

Mexican Income Tax Law establishes a 10% withholding on earnings from 2014 and thereafter, for dividends paid to foreign residents and Mexican individuals.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Dividends paid that exceed CUFIN are subject to an income tax payable at a rate of 30%. The tax is payable by the Company and may be credited against the normal income tax payable by the Company in the year in which the dividends are paid or in the following two years. Dividends paid from earnings previously taxed are not subject to any withholding or additional tax payment.

3. 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.

4. INCOME TAX**(A) INCOME TAX REPORTED IN OTHER COMPREHENSIVE INCOME**

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Deferred income tax credit/(charge) related to items recognised directly in other comprehensive income:		
Changes in the fair value of equity investments at FVOCI (note 2 (b))	20,328	-
Change in fair value on available-for-sale financial assets (note 2 (b))	-	(2,642)
Impairment of available-for-sale financial assets taken to income during the year	-	(11)
Income/(expense) tax effect reported in other comprehensive income	20,328	(2,653)

(B) THE MOVEMENTS IN THE DEFERRED INCOME TAX LIABILITY ARE AS FOLLOWS:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Opening net asset	10,169	9,691
(Expense)/income statement credit	(7,485)	3,131
Net credit/(charge) related to items directly charged to other comprehensive income (note 2 (b))	20,328	(2,653)
Closing net asset	23,012	10,169

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	
	2018 US\$ thousands	2017 US\$ thousands
Prepayments and other assets	(579)	(614)
Accrual for expected credit losses on loans granted to subsidiaries	374	-
Derivative financial instruments	1,098	5,603
Losses carried forward	18,608	21,998
Equity instruments at FVOCI	3,511	-
Available-for-sale financial assets	-	(16,818)
Net deferred tax asset	23,012	10,169

(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\$1,430 million (2017: US\$1,723 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%.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

5. INVESTMENTS IN SUBSIDIARIES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Opening balance	7,094,131	6,957,858
Impairment	(725,886)	-
Reversal of impairment	-	102,789
Additions	46,892	33,484
Closing balance	6,415,137	7,094,131

During 2018, due to 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 2018. As a result, a cumulative impairment loss of US\$1,162.3 million is recognised with respect to certain of the Company's investment in subsidiaries (2017: US\$436.4 million). The recoverable amount was estimated based on the Fair Value Less Cost of Disposal (FVLCD) model (2017: FVLCD).

The following tables provide relevant information in respect of each impaired subsidiary:

	Year ended 31 December 2018			
	Current year Impairment loss US\$ thousand	Cumulative Impairment US\$ thousand	Recoverable amount US\$ thousands	Discount rate
Minera Fresnillo, S.A. de C.V.	578,642	578,642	3,982,547	Post-tax 5.77%
Minera Mexicana la Ciénega, S.A. de C.V.	140,358	501,149	496,394	Post-tax 5.49%
Exploraciones Mineras Parreña, S.A. de C.V.	6,886	82,549	139,784	Post-tax 5.38%
	725,886	1,162,340		

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. The price assumptions used to calculate FVLCD are determined with reference analysts' consensus of long term prices. As at 31 December 2018, the Company used long-term price assumptions of US\$1,310/ounce and US\$19.25/ounce for gold and silver, respectively.

	Year ended 31 December 2017			
	Current year Impairment reversal US\$ thousand	Cumulative Impairment US\$ thousand	Recoverable amount US\$ thousands	Discount rate
Minera Fresnillo, S.A. de C.V.	(94,747)	-	4,440,269	Post-tax 5.13%
Minera Mexicana la Ciénega, S.A. de C.V.	-	360,791	571,439	Post-tax 5.13%
Exploraciones Mineras Parreña, S.A. de C.V.	(8,042)	75,663	146,670	Post-tax 5.02%
	(102,789)	436,454		

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. The price assumptions used to calculate FVLCD are determined with reference analysts' consensus of long-term prices. As at 31 December 2017, the Company used price assumptions of US\$1,300/ounce and US\$19/ounce for gold and silver, respectively.

SENSITIVITY ANALYSIS

As at 31 December 2018 management has performed a sensitivity analysis for those subsidiaries where cumulative impairment may be affected by a reasonably possible change in silver and gold prices. Management has considered a decrease in silver and gold of 15% and 10% respectively (2017: 10% silver and gold). The sensitivity resulted in an additional impairment on Minera Fresnillo, S.A. de C.V. of US\$719.9 million (2017: US\$448.2 million), Minera Mexicana la Ciénega, S.A. de C.V. US\$102.1 million (2017: US\$110.6 million) and Minera Saucito, S.A. de C.V. US\$134.5 million (2017: US\$49.5 million).

The subsidiaries in which investments are directly held as at 31 December 2018 and 2017 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December	
			2018	2017
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	México ³	100	100
Minera Penmont, S. de R.L. de C.V. ¹	Production of doré bars (gold/silver)	México ³	56	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	México ³	100	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	México ³	100	100
Desarrollos Mineros Canelas, S.A. de C.V.	Extraction and sale of mineral ore	México ³	100	100
Desarrollos Mineros Fresne, S. de R.L. de C.V. ¹	Extraction and sale of mineral ore	México ³	56	56
Desarrollos Mineros el Aguila, S.A. de C.V.	Extraction and sale of mineral ore	México ³	100	100
Metalúrgica Reyna, S.A. de C.V.	Extraction and sale of mineral ore	México ³	100	100
Equipos Mineros Nazas, S.A. de C.V.	Leasing of mining equipment	México ³	100	100
Proveedora de Equipos Fresne, S de R.L. de C.V. ¹	Leasing of mining equipment	México ³	56	56
Equipos Mineros la Hacienda, S.A. de C.V.	Leasing of mining equipment	México ³	100	100
Proveedora de Equipos Jerez, S.A. de C.V.	Leasing of mining equipment	México ³	100	100
Minera Juanicipio, S.A. de C.V.	Mining project	México ³	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	México ³	100	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	México ³	100	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	México ³	55	55
Minera El Bermejil, S. de R.L. de C.V.	Mining equipment leasing	México ³	100	100
Compañía Minera Las Torres, S.A. de C.V.	Mine project	México ³	100	100
Servicios Administrativos Fresnillo, S. A. de C.V.	Administrative services	México ³	100	100
Operaciones Fresnillo, S.A. de C.V.	Administrative services	México ³	100	100
Servicios de Exploración Fresnillo, S.A. de C.V.	Administrative services	México ³	100	100
Fresnillo Management Services, Ltd	Administrative services	UK ⁴	100	100
Fresbal Investments, Ltd	Holding company for mining Investments	Canada ⁵	100	100
Fresnillo Perú, S.A.C.	Exploration services	Peru ⁶	100	100
Parreña Perú, S.A.C.	Exploration services	Peru ⁶	100	-
Fresnillo Chile, SpA	Exploration services	Chile ⁷	100	100
Minera Capricornio, SpA	Exploration services	Chile ⁷	100	-
Caja de Ahorros Fresnillo, S.C. ²	Administrative services	México ³	-	-

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 entire share capital of the company is held through its subsidiaries.

3 The registered address for all Mexican subsidiaries is: Calzada Saltillo 400 No. 989, Torreón, Coahuila 27250.

4 Registered address is: Second Floor, 21 Upper Brook Street, London W1.

5 Registered address is: 355 Burrard Street, Suite 1800, Vancouver, BC, V6C 2G8.

6 Registered address is: República de Colombia 643, Piso 9, Distrito San Isidro, Lima 27.

7 Registered address is: Apoquindo 4775 oficina 1002 - Las Condes, Santiago de Chile.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

6. TRADE AND OTHER RECEIVABLES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Other receivables from related parties (note 13)	4,176	7,958
Prepayments	157	159
Other	3	22
	4,336	8,139

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 credit worthiness of the counterparty.

7. CASH AND CASH EQUIVALENTS

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Cash at bank and on hand	104	6
Short-term deposits	4,456	133,364
Cash and cash equivalents	4,560	133,370

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.

8. EQUITY

SHARE CAPITAL AND SHARE PREMIUM

Class of share	As at 31 December			
	2018		2017	
	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 2017	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2017	736,893,589	\$368,545,586	50,000	£50,000
At 31 December 2018	736,893,589	\$368,545,586	50,000	£50,000

As at 31 December 2018 and 2017, 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.

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 2018 and 2017 represent the impairment losses and reversals of the carrying value of Fresnillo's investments in subsidiaries transferred from retained earnings.

AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE

As at 31 December 2017 this reserve recorded fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value were recycled to the income statement. These assets were reclassified upon adoption of IFRS 9, for further detail see note 2 (b).

FAIR VALUE RESERVE OF FINANCIAL ASSETS AT FVOCI

The Company has elected to recognise changes in the fair value of certain investments in equity securities in OCI, as explained in note 2(b). These changes are accumulated within the FVOCI reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

RETAINED EARNINGS

This reserve records the accumulated results of the Company, less any distributions and dividends paid.

9. DIVIDENDS DECLARED AND PAID

The dividends declared and paid during the years ended 31 December 2018 and 2017 are as follows:

	US cents per Ordinary Share	Amount US\$ thousands
Year ended 31 December 2018		
Final dividend for 2017 declared and paid during the year ¹	29.8	219,594
Interim dividend for 2018 declared and paid during the year ²	10.7	78,848
	40.5	298,442
Year ended 31 December 2017		
Final dividend for 2016 declared and paid during the year ³	21.5	158,432
Interim dividend for 2017 declared and paid during the year ⁴	10.6	78,111
	32.1	236,543

1 This dividend was approved by the Board of Directors on 30 May 2018 and paid on 4 June 2018.

2 This dividend was approved by the Board of Directors on 3 September 2018 and paid on 7 September 2018.

3 This dividend was approved by the Board of Directors on 23 May 2017 and paid on 26 May 2017.

4 This dividend was approved by the Board of Directors on 31 July 2017 and paid on 8 September 2017.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

10. INTEREST-BEARING LOANS

SENIOR NOTES

On 13 November 2013, the Group completed its offering of an aggregate principal amount of US\$800 million of 5.500% Senior Notes due 2023 (the 'Notes').

An analysis of the debt recognised in the balance sheet is as follows:

	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Opening balance	799,046	798,027
Accrued interest	46,267	46,267
Interest paid ¹	(46,267)	(46,267)
Amortisation of discount and transaction costs	1,081	1,019
Closing balance	800,127	799,046

¹ Accrued interest is payable semi-annually on 13 May and 13 November.

The Group has the following restrictions derived from the issuance of the Notes:

CHANGE OF CONTROL:

Should the rating of the senior notes be downgraded as a result of a change of control (defined as the sale or transfer of 35% or more of the common shares; the transfer of all or substantially all the assets of the Group; starting a dissolution or liquidation process; or the loss of the majority in the board of directors) the Group is obligated to repurchase the notes at an equivalent price of 101% of their nominal value plus the interest earned at the repurchase date, if requested to do so by any creditor.

PLEDGE ON ASSETS:

The Group shall not pledge or allow a pledge on any property that may have a material impact on business performance (key assets). Nevertheless, the Group may pledge the aforementioned properties provided that the repayment of the Notes keeps the same level of priority as the pledge on those assets.

11. TRADE AND OTHER PAYABLES

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Other payables to related parties (note 13)	1,592	3,895
Other taxes and contributions	8,490	5,332
Accrued expenses	738	596
	10,820	9,823

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 17.

12. CONTINGENCIES

As of 31 December 2018 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 (SAT, by its Spanish acronym) 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. As such, 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.
- Other than discussed below, tax inspections that had been initiated by the SAT in previous years, were either closed or resolved through a Conclusive Agreement in 2018 or in early 2019. According to article 69-H of the Mexican Tax Code, settlements reached and executed by taxpayers and the authority may not be challenged in any way. Such settlements shall only be effective between the parties; and they shall not constitute a precedent in any case.
- With respect to Minera Penmont's 2012 and 2013 tax inspections, on 11 July 2018 the Company filed before tax authorities a substance administrative appeal against the tax assessment, and on 3 September 2018, it filed additional documentation before tax authorities and is waiting for its response.
- On 22 October 2018 we were notified of the SAT's findings in respect of Minera Penmont's 2015 & 2016 tax inspections. The Company considers it completed the provision of all documentation required to demonstrate that the tax deductions which are being challenged, are appropriate and is waiting for the SAT's response.
- On 1 February 2019 we were notified that the SAT will conduct an inspection of Minera Saucito's 2013 tax certificate.
- It is not practical to determine the amount of any potential claims or the likelihood of any unfavourable outcome arising from these or any future inspections that may be initiated. 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 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') account 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 the Soledad-Dipolos mine 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 Court noted in that same year 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 Court further issued a procedural order in execution of its 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 was excessive since this level of remediation was not part of the original agrarian ruling and also because the procedural order appeared not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. In December 2016, the Agrarian Court issued a subsequent procedural order in which the Court recognised that Penmont complied with the agrarian ruling by having returned the land in dispute and, furthermore, that remediation activities are to be conducted in accordance with Federal environmental guidelines and regulations, as supervised by the competent Federal authorities. Remediation activities in this respect are pending as the agrarian members have not yet permitted Penmont physical access to the lands. Penmont has already presented a conceptual mine closure and remediation plan before the Agrarian Court in respect of the approximately 300 hectares where Penmont conducted mining activities. The agrarian community Ejido El Bajío appealed this procedural order from the Agrarian Court and a Federal District Court denied this appeal. The agrarian community has presented in the month of August 2017 a further and last recourse against this ruling by the Federal District Court and the final result is pending.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

12. CONTINGENCIES CONTINUED

- In addition, and as also previously reported by the Company, claimants in the El Bajío matter 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. As previously reported, the Agrarian Court issued rulings declaring such occupation agreements over those land parcels to be null and void 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. Given that Penmont has not conducted significant mining operations or has specific geological interest in these land parcels, any contingency relating to such land parcels is not considered material by the Company. The case relating to the claims over these land parcels remains subject to finalisation.
- Various claims and counterclaims have been made between the relevant parties in the El Bajío matter. There remains significant uncertainty as to the finalisation and ultimate outcome of these legal proceedings.
- In 2011, flooding occurred in the Saucito mine, following which the Group filed an insurance claim in respect of the damage caused (and in respect of business interruption). In early 2018, the insurance provider notified the Group that the claim had been accepted; however, there is disagreement about the appropriate amount to be paid. In October the Group received US\$13.6 million in respect of the insurance claim, however this does not constitute a final settlement and management continues to pursue a higher insurance reimbursement. Due to the fact that negotiations are on-going and there is uncertainty regarding the timing of reaching an agreement with the insurer, the amount expected to be recovered is currently not practicable to determine.
- On 11 February 2019, the Supreme Court of Mexico issued a ruling regarding a specific constitutional issue presented by the former administration of the Federal Government, who challenged the ability of the State of Zacatecas to impose environmental taxes on aspects such as (i) extraction of rocks; (ii) emissions into the air; (iii) discharges of industrial residues; and (iv) disposal of industrial waste.
The ruling of the Supreme Court establishes that, from a constitutional point of view, there is no express limitation granting the Mexican State at a Federal level the sole power to impose such taxes; therefore, the State of Zacatecas has a joint right to create these taxes. Notwithstanding the foregoing, the Court did not exhaust the analysis of the legality of each particular tax created by the State of Zacatecas.
The Company had previously challenged the legality of such taxes and in 2017 obtained an injunction from a Federal court. The State of Zacatecas has appealed this ruling and the final result is pending.

13. 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 5, 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 2018 and 2017 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 2018	31 December 2017	31 December 2018	31 December 2017
Loans with related parties ¹	895,315	590,286	334,857	-
Administrative services	4,101	7,911	1,590	2,888
Trademark royalty	-	-	-	733
Other	75	47	2	274
Sub-total	899,491	598,244	336,449	3,895
Less-current portion	899,491	598,244	336,449	3,895
Non-current portion	-	-	-	-

¹ Accounts receivable derived from loans with related parties are net of reserve for expected credit loss of US\$1.2 million (2017: nil) see note 2 (f).

Effective interest rates on loans granted to related parties in US dollar range between 4.26% to 4.74% (2017: 3.23% to 3.43%); in Mexican peso range 9.98% to 10.36% (2017: 9.04% to 9.44%).

(B) PRINCIPAL TRANSACTIONS WITH RELATED PARTIES (APART FROM DIVIDENDS, ADDITIONAL INVESTMENTS AND RETURNS OF CAPITAL) ARE AS FOLLOWS:

	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Income:		
Trademark royalties	16,860	32,111
Interest on loans to related parties	54,270	52,163
Total income	71,130	84,274
	Year ended 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Expenses:		
Administrative services	5,168	8,517
Interest on loans from related parties	1,439	1,451
Others	97	-
Total expenses	6,704	9,968

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY

Key management personnel comprise Non-executive Directors. In 2018, their compensation was US\$0.7 million (2017: US\$0.7 million). This compensation paid is disclosed in the Directors' Remuneration Report.

14. AUDITOR'S REMUNERATION

The auditor's remuneration for the Company was US\$1.3 million (2017: US\$1.2 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 Group financial statements are prepared which include these fees on a consolidated basis.

15. NOTES TO THE STATEMENT OF CASH FLOWS

	Notes	Year ended 31 December	
		2018 US\$ thousands	2017 US\$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		(571,022)	323,122
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Impairment reversal of investment in subsidiaries	5	725,886	(102,789)
Dividend income		(152,616)	(218,593)
Income tax expense		1,753	(3,131)
Other expenses		-	1,526
Impairment of available-for-sale financial assets		-	36
Net finance (gain)/loss		(3,200)	36,668
Foreign exchange loss		3,444	(852)
Working capital adjustments			
Decrease/(Increase) in trade and other receivables		5,293	(7,930)
Increase in prepayments and other assets		-	(159)
Decrease/(Increase) in trade and other payables		1,162	(7,241)
Cash generated from operations		10,700	20,657
Income tax paid		(94)	(594)
Net cash generated from operating activities		10,606	20,063

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

16. FINANCIAL INSTRUMENTS

(A) FAIR VALUE CATEGORY

As at 31 December 2018			
US\$ thousands			
	Amortised cost	Fair value through OCI	Fair value through profit or loss
Financial assets:			
Trade and other receivables	4,336	-	-
Loans to related parties	896,562	-	-
Other financial assets	-	78,219	-
Derivative financial instruments	-	-	314
Financial liabilities:			
Interest-bearing loans	-	800,127	-
Trade and other payables	-	1,592	-
Derivative financial instruments	-	-	3,807

As at 31 December 2017			
US\$ thousands			
	At fair value through profit or loss	Available-for-sale investments at fair value through OCI	Loans and receivables
Financial assets:			
Trade and other receivables	-	-	8,138
Loans to related parties	-	-	590,286
Available-for-sale financial assets	-	144,856	-
Derivative financial instruments	382	-	-
Financial liabilities:			
Interest-bearing loans	-	-	799,046
Trade and other payables	-	-	2,888
Derivative financial instruments	-	19,216	-

(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	
	2018 US\$ thousands	2017 US\$ thousands	2018 US\$ thousands	2017 US\$ thousands
Financial assets:				
Derivative financial instruments	314	382	314	382
Loans to related parties ¹	896,562	590,286	896,562	590,286
Other financial assets	78,219	-	78,219	-
Available-for-sale financial assets	-	144,856	-	144,856
Financial liabilities:				
Interest-bearing loans ²	800,127	799,046	817,936	878,864
Derivative financial instruments	3,807	19,216	3,807	19,216

1 Loans with related party are categorised in Level 3 of the fair value hierarchy.

2 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

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 2018 US\$ thousands				
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 (note 16 (c))	-	240	-	240
Option and forward foreign exchange contracts	-	74	-	74
Other financial assets:				
Equity investments	78,219	-	-	78,219
	78,219	314	-	78,533
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts (note 16 (c))	-	3,660	-	3,660
Option and forward foreign exchange contracts	-	147	-	147
	-	3,807	-	3,807

As of 31 December 2017 US\$ thousands				
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 (note 16 (c))	-	71	-	71
Option and forward foreign exchange contracts	-	311	-	311
Financial investments available-for-sale:				
Quoted investments	144,856	-	-	144,856
	144,856	382	-	145,238
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts (note 16 (c))	-	19,179	-	19,179
Option and forward foreign exchange contracts	-	37	-	37
	-	19,216	-	19,216

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:

OPTION AND FORWARD 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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

16. FINANCIAL INSTRUMENTS CONTINUED

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.

EQUITY INVESTMENTS:

The fair value of equity investments is derived from quoted market prices in active markets. (Level 1)

INTEREST-BEARING LOANS

Fair value of the Company's interest-bearing loan, is derived from quoted market prices in active markets. (Level 1)

LOANS WITH RELATED PARTIES

Fair value of the Company's loan to related party 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 certain of 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 following tables summarise the fair value of derivative financial instruments held as of 31 December 2018 and 2017.

Financial assets	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Option contracts ¹		
Gold	194	-
Lead	46	71
Total derivative related assets	240	71
Less -current portion	240	71
Non-current portion ²	-	-

Financial liabilities	As at 31 December	
	2018 US\$ thousands	2017 US\$ thousands
Commodity contracts ¹		
Gold	3,660	18,096
Zinc	-	1,083
Total derivative related liabilities	3,660	19,179
Less -current portion	3,660	4,992
Non-current portion ²	-	14,187

1 Option contracts operate as zero cost collars.

2 Non-current portion corresponds to gold option contracts that mature in a period over one year from the reporting date.

17. FINANCIAL RISK MANAGEMENT**OVERVIEW**

The Company's principal financial assets and liabilities, other than derivatives, are comprised of trade receivables, cash, available-for-sale financial 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 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 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.

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
2018	10% (10%)	(399) 487
2017	20% (10%)	(88) 59

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

17. 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 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
2018	10% (10%)	(172) 258
2017	10% (10%)	(335) 500

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
2018	10% (10%)	1,460 (1,453)
2017	10% (10%)	1,058 (1,056)

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 16 (c).

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) in commodity prices				Effect on profit before tax: increase/ (decrease) US\$ thousands
	Gold	Silver	Zinc	Lead	
2018	10% (10%)	15% (15%)	25% (20%)	20% (15%)	(8,703) 14,910
2017	10% (10%)	10% (10%)	20% (20%)	15% (15%)	(50,854) 31,725

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 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 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
2018	75 (75)	34 (34)
2017	90 (50)	1,200 (667)

EQUITY PRICE RISK

The Company has exposure to changes in the price of equity instruments that it holds as available-for-sale financial 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
2018	40% (40%)	- -	31,288 (31,288)
2017	40% (65%)	- -	28,972 (65,408)

(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 counter party. The Company's financial assets are with counterparties that the Company considers to have an appropriate credit rating. As disclosed in note 13, 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 Poors) 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 2 (b) for the maximum credit exposure for other financial assets, note 8 for cash and cash equivalents and note 13 for related party balances.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

17. FINANCIAL RISK MANAGEMENT CONTINUED

(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 2018					
Interest-bearing loans	46,267	92,534	92,534	800,000	1,031,335
Derivatives financial instruments – liabilities	3,660	-	-	-	3,660
Trade and other payables	3,807	-	-	-	3,807

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2017					
Interest-bearing loans	46,267	92,534	92,534	846,267	1,077,602
Derivatives financial instruments – liabilities	4,992	14,224	-	-	19,216
Trade and other payables	2,888	-	-	-	2,888

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 2018					
Inflows	12,608	4,310	-	-	16,918
Outflows	(12,688)	(4,290)	-	-	(16,978)
Net	(80)	20	-	-	(60)

	US\$ thousands				
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2017					
Inflows	15,174	-	-	-	15,174
Outflows	(14,884)	-	-	-	(14,884)
Net	290	-	-	-	290

The above liquidity tables include expected inflows and outflows from derivative financial instruments which the Company expects are going to be exercised during 2019 as at 31 December 2018 and during 2018 as at 31 December 2017, either by the Company or 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 other financial assets. In order to ensure an appropriate return for shareholder's 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 STATEMENT¹

Resource Category	Cut-off Grade ²	Quantity		Grade				Contained Metal			
		Tonnes (kt)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Pb (kt)	Zn (kt)	
Minera Fresnillo – Fresnillo/Proaño Mine – Underground											
Measured		12,742	0.91	557	1.05	1.81	371	228,164	133	230	
Indicated		24,713	0.84	261	1.78	3.94	669	207,342	440	974	
Measured & Indicated	131 g/t AgEq	37,455	0.86	362	1.53	3.22	1,040	435,506	573	1,205	
Inferred		37,141	0.66	315	1.22	2.29	789	376,438	454	849	
Minera Saucito – Saucito Mine – Underground											
Measured		6,937	2.31	366	1.36	2.23	515	81,733	95	155	
Indicated		14,383	1.58	265	1.54	2.83	731	122,314	222	407	
Measured & Indicated	141 g/t AgEq	21,319	1.82	298	1.48	2.63	1,246	204,046	316	562	
Inferred		27,755	0.71	251	1.11	1.97	637	224,111	309	547	
Minera Ciénega – Ciénega Complex – Underground											
Measured		5,518	2.67	185	1.04	1.72	474	32,826	57	95	
Indicated		11,250	1.76	187	0.73	1.12	638	67,709	82	126	
Measured & Indicated	Multiple ³	16,768	2.06	186	0.83	1.32	1,112	100,535	139	221	
Inferred		5,090	1.39	204	0.70	1.29	228	33,359	36	66	
Minera Fresnillo – San Julián Mine Underground: Veins											
Measured		961	2.24	166	-	-	69	5,134	-	-	
Indicated		7,902	1.46	112	-	-	372	28,468	-	-	
Measured & Indicated	110 g/t AgEq	8,864	1.55	118	-	-	441	33,603	-	-	
Inferred		5,375	1.23	101	-	-	212	17,454	-	-	
Minera Fresnillo – San Julián Mine Underground: Disseminated											
Measured		12,881	0.14	242	0.69	1.80	58	100,026	88	232	
Indicated		1,511	0.09	106	0.45	1.58	4	5,142	7	24	
Measured & Indicated	133 g/t AgEq	14,392	0.14	227	0.66	1.78	63	105,168	95	256	
Inferred		6	0.04	41	0.08	2.47	-	8	-	-	
Minera Penmont Underground: Centauro Profundo											
Measured		-	-	-	-	-	-	-	-	-	
Indicated		7,088	6.94	-	-	-	1,581	-	-	-	
Measured & Indicated	2.0 g/t Au	7,088	6.94	-	-	-	1,581	-	-	-	
Inferred		992	6.92	-	-	-	221	-	-	-	
Minera Penmont Open Pit: Mega Centauro^{4,5}											
Measured		210,358	0.80	-	-	-	5,433	-	-	-	
Indicated		165,574	0.79	-	-	-	4,223	-	-	-	
Measured & Indicated	Multiple ⁶	375,932	0.80	-	-	-	9,657	-	-	-	
Inferred		20,700	0.87	-	-	-	582	-	-	-	
Minera Penmont Open Pit: Soledad-Dipolos^{4,5,7}											
Measured		33,688	0.59	-	-	-	634	-	-	-	
Indicated		17,220	0.53	-	-	-	293	-	-	-	
Measured & Indicated	0.25 g/t Au	50,908	0.57	-	-	-	927	-	-	-	
Inferred		32	0.35	-	-	-	-	-	-	-	
Minera Penmont Open Pit: Noche Buena^{4,5}											
Measured		22,651	0.53	-	-	-	389	-	-	-	
Indicated		11,262	0.52	-	-	-	188	-	-	-	
Measured & Indicated	0.25 g/t Au	33,914	0.53	-	-	-	577	-	-	-	
Inferred		886	0.52	-	-	-	15	-	-	-	
Totals – Underground											
Measured & Indicated		105,885	1.61	258	1.06	2.12	5,484	878,858	1,124	2,243	
Inferred	Multiple	76,360	0.85	265	1.04	1.91	2,087	651,371	798	1,462	
Totals – Open Pit											
Measured & Indicated		460,753	0.75	-	-	-	11,161	-	-	-	
Inferred	Multiple	21,618	0.86	-	-	-	597	-	-	-	

- 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.
 - 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 variable cut-offs grades are calculated by dividing the applicable costs by a variable Ag net value factor which includes prices, recoveries, and payabilities.
 - The cut-off grade for Ciénega's mineral resources varies between 171 and 237 g/t AgEq.
 - The Mega Centauro, Soledad/Dipolos, and Noche Buena resources are reported within pit shells run at a US\$1,250/oz Au price.
 - The Mega Centauro, Soledad/Dipolos, Noche Buena open pit mines has produced silver at an average concentration of 0.3 g/t to 1.1 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, factored in situ silver in the open pit M & I resources is approximately in the range of 14 to 15 Moz.
 - Mega Centauro mineral reserves are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.25 g/t Au reports to the heap leach, transitional and sulfide material above 0.30 g/t Au reports to the heap leach, oxide material above 1.05 g/t Au reports to the mill, transitional and sulfide material above 0.54 g/t Au reports to the mill.
 - 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.
- * Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,250.00), Silver (US\$/oz 17.00), Lead (US\$/lb 0.90) and Zinc (US\$/lb 1.10)
- The resources were estimated by Fresnillo. Dr Bart Stryhas, CPG #11034, a Qualified Person, reviewed and audited the resource estimates for Minera Penmont. Matthew Hastings, M.Sc, P.Geo, MAusIMM #314693 of SRK, a Qualified Person, reviewed and audited the resource estimates for Ciénega. Benjamin Parsons, BSc, MSc Geology, MAusIMM (CP) #222568 of SRK, a Qualified Person, reviewed and audited the resource estimates for Fresnillo and Saucito. Giovanni Ortiz, MAusIMM #304612 of SRK Consulting (U.S.), Inc., a Qualified Person, reviewed and audited the resource estimates for San Julián.

FINANCIAL STATEMENTS

FRESNILLO PLC CONSOLIDATED AUDITED MINERAL RESOURCE STATEMENT OF EXPLORATION PROJECTS AND PROSPECTS¹

Deposit/Fresnillo Subsidiary	Cut-off Grade ²	Quantity		Grade				Contained Metal			
		Tonnes (kt)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Pb (kt)	Zn (kt)	
Measured Mineral Resource											
Orisyvo – disseminated Au ⁴	0.34 g/t Au	41,455	1.43	2	–	–	1,902	2,047	–	–	
Candameña – disseminated Au ⁴	–	–	–	–	–	–	–	–	–	–	
San Julián Sur – veins	–	–	–	–	–	–	–	–	–	–	
Leones – breccia ⁴	–	–	–	–	–	–	–	–	–	–	
Tajitos – disseminated Au	0.25 g/t Au	20,440	0.40	–	–	–	266	–	–	–	
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	–	–	–	–	–	–	–	–	–	–	
Guachichil – disseminated Au ⁴	–	–	–	–	–	–	–	–	–	–	
Opulencia – veins	–	–	–	–	–	–	–	–	–	–	
Guanajuato Centro – veins	–	–	–	–	–	–	–	–	–	–	
Guanajuato Sur – veins	–	–	–	–	–	–	–	–	–	–	
Cebadillas – veins	–	–	–	–	–	–	–	–	–	–	
La Yesca – veins	–	–	–	–	–	–	–	–	–	–	
San Nicolas – veins	–	–	–	–	–	–	–	–	–	–	
Pilarica – mantos	–	–	–	–	–	–	–	–	–	–	
Total Measured		61,970	1.10	1	–	–	2,185	2,363	–	–	
Indicated Mineral Resource											
Orisyvo – disseminated Au ⁴	0.36 g/t Au	201,152	1.05	1	–	–	6,793	8,666	–	–	
Candameña – disseminated Au ⁴	0.58 g/t Au-Eq	49,617	0.75	17	0.04	0.10	1,196	27,803	19	52	
Leones – breccia ⁴	–	–	–	–	–	–	–	–	–	–	
Tajitos – disseminated Au	0.25 g/t Au	7,748	0.39	–	–	–	98	–	–	–	
Lucerito – breccia/mantos ⁴	1.00 g/t Au-Eq	125,229	0.38	25	0.27	0.44	1,530	100,655	338	551	
Rodeo – disseminated Au	0.30 g/t Au	5,180	0.58	3	–	–	96	565	–	–	
San Juan – veins	US\$58.30/t	2,439	1.38	146	–	–	108	11,447	–	–	
Manzanillas – veins	US\$58.30/t	919	3.53	69	–	–	104	2,034	–	–	
Juanicipio – veins ³	US\$55.10/t	7,164	1.89	414	2.21	3.75	436	95,437	159	268	
Guachichil – disseminated Au ⁴	–	–	–	–	–	–	–	–	–	–	
Opulencia – veins	2.10 g/t Au-Eq	1,671	3.45	148	–	–	185	7,939	–	–	
Guanajuato Sur – veins	2.10 g/t Au-Eq	558	5.26	791	–	–	94	14,185	–	–	
Guanajuato Centro – veins	2.10 g/t Au-Eq	1,229	5.48	127	–	–	216	5,023	–	–	
Cebadillas – veins	–	–	–	–	–	–	–	–	–	–	
La Yesca – veins	–	–	–	–	–	–	–	–	–	–	
San Nicolas – veins	–	–	–	–	–	–	–	–	–	–	
Pilarica – mantos	11 g/t Ag-Eq	9,461.74	–	108.04	0.31	0.49	–	32,867	30	46	
San Julián Sur – veins	US\$52.10/t	2,629	1.48	121	–	–	125	10,208	–	–	
Total Indicated		414,996	0.82	24	0.13	0.22	10,983	316,829	545	918	
Inferred Mineral Resource											
Orisyvo – disseminated Au ⁴	0.35 g/t Au	46,682	0.61	1	–	–	914	1,625	–	–	
Candameña – disseminated Au ⁴	0.38 g/t Au-Eq	7,569	0.42	16	0.01	0.04	101	3,882	1	3	
Leones – breccia ⁴	60 g/t Ag	7,268	0.01	112	1.44	1.25	1	26,234	105	91	
Tajitos – disseminated Au	0.25 g/t Au	7,246	0.50	–	–	–	116	–	–	–	
Lucerito – breccia/mantos ⁴	1.00 g/t Au-Eq	55,168	0.40	33	0.22	0.38	709	58,532	121	210	
Rodeo – disseminated Au	0.30 g/t Au	72,353	0.48	5	–	–	1,118	10,900	–	–	
San Juan – veins	US\$58.30/t	8,803	1.56	140	–	–	442	39,618	–	–	
Manzanillas – veins	US\$58.30/t	317	2.03	46	–	–	21	474	–	–	
Juanicipio – veins ³	US\$55.10/t	8,791	1.51	194	2.67	5.28	426	54,771	235	464	
Guachichil – disseminated Au ⁴	0.46 g/t Au-Eq	56,028	0.65	10	0.10	0.16	1,180	18,085	55	88	
Opulencia – veins	2.10 g/t Au-Eq	2,080	2.72	114	–	–	182	7,604	–	–	
Guanajuato Sur – veins	2.10 g/t Au-Eq	2,613	1.73	335	–	–	145	28,157	–	–	
Guanajuato Centro – veins	2.10 g/t Au-Eq	4,422	2.72	119	–	–	386	16,873	–	–	
Cebadillas – veins	2.10 g/t Au-Eq	1,980	2.59	65	–	–	165	4,109	–	–	
La Yesca – veins	159 g/t Ag-Eq	1,116	0.76	141	–	–	27	5,073	–	–	
San Nicolas – veins	2.10 g/t Au-Eq	2,167	1.61	225	–	–	112	15,684	–	–	
Pilarica – mantos	20 g/t Ag-Eq OP, 125 g/t Ag-Eq UG	5,334	0.64	115	1.96	1.90	110	19,806	104	101	
San Julián Sur – veins	US\$52.10/t	10,008	1.40	134	–	–	452	43,128	–	–	
Total Inferred		299,945	0.69	37	0.21	0.32	6,609	354,553	622	957	

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, Pilarica, Lucerito, Candameña, Rodeo 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\$1,250 per ounce of gold, US\$17.00 per ounce of silver (US\$1,400 per ounce of gold, US\$17.50 per ounce of silver for the Orisyvo project), US\$1.10 per pound of zinc and US\$0.90 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.

FRESNILLO PLC AUDITED ORE RESERVE STATEMENT

Deposit	Cut-off Grade ¹	Quantity		Grade				Contained Metal			
		Tonnes (kt)	Au (g/t)	Ag (g/t)	Pb (%)	Zn (%)	Au (koz)	Ag (koz)	Pb (kt)	Zn (kt)	
Minera Fresnillo – Fresnillo/Proaño Mine – Underground²											
Proven		4,899	0.66	320	0.76	1.31	104	50,402	37	64	
Probable	212 g/t AgEq	17,673	0.81	222	1.80	3.91	463	126,254	317	691	
Proven and Probable		22,572	0.78	243	1.57	3.35	566	176,656	355	755	
Minera Saucito – Saucito Mine – Underground²											
Proven		3,901	1.63	307	1.05	1.72	204	38,465	41	67	
Probable	210 g/t AgEq	11,010	1.34	259	1.37	2.42	475	91,824	151	266	
Proven and Probable		14,910	1.42	272	1.29	2.24	679	130,289	192	333	
Minera Ciénega – Ciénega Complex – Underground²											
Proven		3,083	2.62	193	0.97	1.63	260	19,105	30	50	
Probable	Multiple ³	5,867	1.79	201	0.74	1.05	338	37,827	44	62	
Proven and Probable		8,950	2.08	198	0.82	1.25	598	56,932	74	112	
Minera Fresnillo – San Julián Mine Underground: Veins²											
Proven		692	1.82	139	-	-	40	3,099	-	-	
Probable	162 g/t AgEq	3,764	1.58	123	-	-	191	14,881	-	-	
Proven and Probable		4,456	1.62	126	-	-	231	17,980	-	-	
Minera Fresnillo – San Julián Underground: Disseminated²											
Proven		13,568	0.12	212	0.60	1.52	53	92,312	81	206	
Probable	170 g/t AgEq	430	0.11	132	0.38	1.04	2	1,823	2	4	
Proven and Probable		13,998	0.12	209	0.59	1.51	55	94,135	83	211	
Minera Penmont Open Pit: Mega Centauro⁴											
Proven		169,723	0.80	-	-	-	4,341	-	-	-	
Probable	Multiple ⁵	122,556	0.77	-	-	-	3,034	-	-	-	
Proven and Probable		292,279	0.78	-	-	-	7,375	-	-	-	
Minera Penmont Open Pit: Soledad-Dipolos^{4,6}											
Proven		33,688	0.59	-	-	-	634	-	-	-	
Probable	0.25 g/t Au	17,220	0.53	-	-	-	293	-	-	-	
Proven and Probable		50,908	0.57	-	-	-	927	-	-	-	
Minera Penmont Open Pit: Noche Buena⁴											
Proven		22,651	0.53	-	-	-	389	-	-	-	
Probable	0.25 g/t Au	11,262	0.52	-	-	-	188	-	-	-	
Proven and Probable		33,914	0.53	-	-	-	577	-	-	-	
Totals – Underground											
Proven		26,143	0.79	242	0.73	1.48	661	203,383	190	388	
Probable	Multiple	38,743	1.18	219	1.33	2.64	1,468	272,608	514	1,024	
Proven and Probable		64,886	1.02	228	1.08	2.18	2,129	475,991	703	1,412	
Totals – Open Pit											
Proven		226,062	0.74	-	-	-	5,364	-	-	-	
Probable	Multiple	151,038	0.72	-	-	-	3,515	-	-	-	
Proven and Probable		377,100	0.73	-	-	-	8,880	-	-	-	

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, sustaining capital costs, and variable NSR factors (NSR factors include smelting and transportation costs). Each AgEq cut-off is calculated by dividing the appropriate cost by the corresponding Ag net value factor which includes prices, recoveries, and payabilities.

2 Reserves include planned dilution to a minimum mining width and to minable outlines. Additionally, based on mining method, floor dilution is included and appropriate mining recovery factors are applied.

3 The cut-off grades for the Ciénega reserve vary between 171 and 359 g/t AgEq.

4 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.

5 Mega Centauro mineral reserves are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.25 g/t Au reports to the heap leach, transitional and sulfide material above 0.30 g/t Au reports to the heap leach, oxide material above 1.05 g/t Au reports to the mill, transitional and sulfide material above 0.54 g/t Au reports to the mill.

6 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.

* Metal price assumptions considered for the calculation of metal equivalent grades are: Gold (US\$/oz 1,250.00), Silver (US\$/oz 17.00), Lead (US\$/lb 0.90) and Zinc (US\$/lb 1.10)

• The reserves are valid as of 31 December 2018. All topography is valid as of 31 October 2018.

• The ore reserves were estimated by Fresnillo. Fernando Rodrigues, BS Mining, MBA, MMSAQP #01405, MAusIMM #304726 of SRK, a Qualified Person, reviewed and audited the open pit reserve and underground reserve estimates.

FINANCIAL STATEMENTS

OPERATING STATISTICS

	ORE PROCESSED (tonnes)						SILVER (grams/tonne)					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
Fresnillo	2,703,395	2,625,511	2,410,033	2,373,092	2,447,394	2,443,440	285.3	258.5	220.0	226.7	229.6	213.8
Ciénega	1,242,168	1,341,569	1,329,364	1,274,939	1,302,409	1,323,908	121.6	108.5	129.0	143.5	151.5	164.4
Herradura	14,363,315	22,305,133	22,875,421	25,158,600	26,027,466	22,156,792	1.1	1.2	1.2	1.2	0.9	2.7
Saucito	1,181,737	1,534,579	2,339,096	2,635,093	2,753,876	2,792,057	329.6	338.9	327.5	302.7	279.8	257.6
Soledad-Dipolos	6,701,841	-	-	-	-	-	0.4	-	-	-	-	-
Noche Buena	12,283,709	15,607,230	17,399,931	17,431,718	17,820,817	18,195,744	0.2	0.4	0.2	0.1	0.1	0.1
San Julián - Vetas	-	-	-	423,069	1,273,129	1,270,781	-	-	-	172.5	157.2	144.1
San Julián - JM	-	-	-	-	945,057	2,221,433	-	-	-	-	180.3	154.4
	ZINC CONCENTRATE (tonnes)						SILVER (grams/tonne)					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
Fresnillo	29,325	29,196	36,595	50,682	57,686	59,987	1,356	1,221	1,036	868	816	773
Ciénega	11,625	11,850	11,694	14,265	14,108	12,472	1,266	1,172	1,770	1,692	2,413	2,042
Herradura	-	-	-	-	-	-	-	-	-	-	-	-
Saucito	8,758	20,794	42,643	50,409	41,768	60,879	1,087	789	788	842	889	704
Soledad-Dipolos	-	-	-	-	-	-	-	-	-	-	-	-
Noche Buena	-	-	-	-	-	-	-	-	-	-	-	-
San Julián - JM	-	-	-	-	15,827	43,808	-	-	-	-	2,750	2,590
	LEAD CONCENTRATE (tonnes)						SILVER (grams/tonne)					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
Fresnillo	63,256	57,263	50,787	58,584	58,675	53,930	10,469	10,180	8,737	7,653	7,950	7,859
Ciénega	13,380	12,627	13,721	15,600	16,508	12,951	7,974	8,004	8,418	7,607	6,966	10,689
Herradura	-	-	-	-	-	-	-	-	-	-	-	-
Saucito	26,055	40,415	69,128	61,321	53,082	63,756	13,460	11,443	9,405	10,440	11,731	8,978
Soledad-Dipolos	-	-	-	-	-	-	-	-	-	-	-	-
Noche Buena	-	-	-	-	-	-	-	-	-	-	-	-
San Julián - JM	-	-	-	-	8,634	13,434	-	-	-	-	11,524	12,847
	DORÉ AND OTHER PRODUCTS (tonnes)						SILVER (grams/tonne)					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
Ciénega precipitates	55.7	67.4	68.2	59.4	67.5	70.5	187,928	175,026	204,790	282,650	277,557	321,707
Ciénega Gravimetric Concentrator	-	-	-	-	-	-	-	-	-	-	-	-
Herradura doré	18.2	31.1	33.6	46.8	44.3	79.1	474,052	650,999	480,633	417,271	393,103	604,868
Herradura slag	711.3	716.9	779.1	807.1	669.9	773.4	930	1,198	578	965	738	1,174
Soledad-Dipolos doré	2.3	-	-	-	-	-	292,473	-	-	-	-	-
Soledad-Dipolos slag	301.5	-	-	-	-	-	972	-	-	-	-	-
Fresnillo Concentrates from tailings dam	1,990.0	2,277.5	1,544.2	433.9	-	-	3,031.9	2,872.0	2,565.5	2,573.1	-	-
Noche Buena doré	4.8	7.6	8.0	7.1	6.7	7.7	261,005.1	333,260.8	213,687.2	69,443.6	31,252.3	24,479.9
Noche Buena slag	548.6	564.2	452.1	229.0	371.2	292.5	495.0	1,125.6	707.2	263.4	61.2	206.3
San Julián - Vetas precipitates	-	-	-	84.6	218.4	202.1	-	-	-	759,300	845,230	836,331
	METAL PRODUCED^{1,2} SILVER (ounces)						GOLD (ounces)					
	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
Fresnillo	22,764,018	20,098,245	15,612,175	15,864,614	16,511,937	15,117,156	33,079	35,676	34,120	42,421	38,784	42,290
Ciénega	4,240,245	4,075,181	4,827,864	5,130,870	5,394,037	5,998,987	112,053	108,211	85,662	72,851	71,947	66,869
Herradura	298,984	679,073	525,757	637,775	551,476	1,523,453	264,562	265,564	398,866	520,366	473,638	474,168
Saucito	11,581,014	15,396,754	21,983,852	21,946,059	21,215,072	19,780,721	45,177	57,227	84,884	86,198	69,948	86,092
Soledad-Dipolos	31,124	-	-	-	-	-	47,285	-	-	-	-	-
Noche Buena	49,217	102,357	72,868	32,631	31,324	51,616	108,729	129,242	158,179	182,280	172,282	167,208
San Julián - Vetas	-	-	-	2,065,536	5,935,507	5,433,526	-	-	-	31,397	82,782	79,218
San Julián - JM	-	-	-	-	4,598,421	9,196,272	-	-	-	-	1,750	3,125
Fresnillo total	38,964,601	40,351,611	43,022,515	45,677,485	54,237,774	57,101,731	610,884	595,920	761,712	935,513	911,132	918,971

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 (%)					
2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
0.50	0.53	0.57	0.73	0.64	0.70	0.94	0.97	1.18	1.56	1.72	1.75	0.63	0.59	0.75	0.99	0.92	0.90
2.90	2.59	2.07	1.84	1.82	1.65	0.75	0.73	0.80	1.00	0.98	0.83	0.56	0.53	0.61	0.68	0.74	0.60
0.61	0.72	0.73	0.71	0.64	0.76	-	-	-	-	-	-	-	-	-	-	-	-
1.41	1.40	1.42	1.39	1.09	1.25	0.87	1.32	1.70	1.49	1.21	1.61	0.55	0.75	1.01	0.93	0.77	0.94
0.54	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
0.54	0.51	0.50	0.51	0.51	0.52	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	2.47	2.10	2.01	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	0.12	0.09	-	-	-	-	1.18	1.35	-	-	-	-	0.52	0.43

GOLD (grams/tonne)						ZINC (%)						LEAD (%)					
2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
2.7	3.0	2.6	2.8	2.3	2.3	50.9	52.1	52.0	51.1	52.0	51.8	-	-	-	-	-	-
13.6	11.8	11.2	10.1	13.9	13.1	47.0	50.6	51.1	52.2	50.0	47.2	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5.4	3.5	3.0	3.8	3.8	2.8	51.5	50.5	49.3	46.6	48.7	48.5	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	0.9	0.8	-	-	-	-	49.6	50.3	-	-	-	-	-	-

GOLD (grams/tonne)						ZINC (%)						LEAD (%)					
2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
14.7	17.4	18.7	20.0	18.3	21.8	-	-	-	-	-	-	24.6	24.3	32.0	36.4	35.0	36.4
138.4	146.9	105.0	76.5	69.5	85.4	-	-	-	-	-	-	36.0	37.5	39.5	37.7	38.3	37.1
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
52.1	42.3	36.3	40.6	38.0	39.3	-	-	-	-	-	-	21.5	24.7	30.0	34.1	33.4	35.5
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	4.6	4.5	-	-	-	-	-	-	-	-	-	-	41.7	45.4

GOLD (grams/tonne)					
2013	2014	2015	2016	2017	2018
26,459	20,327	16,008	15,660	13,252	11,504
-	-	-	-	-	-
411,210	247,967	369,321	351,900	344,604	196,925
1,035	756	541	942	647	435
507,822	-	-	-	-	-
991	-	-	-	-	-
9.1	10.8	10.4	14.5	-	-
516,359	465,538	533,408	611,567	602,221	509,555
1,623	815	506	1,225	979	324
-	-	-	11,542	11,788	12,193

ZINC (tonne)						LEAD (tonne)					
2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
14,914	15,199	19,029	25,898	30,021	31,094	15,552	13,888	16,248	21,326	20,514	19,619
5,459	6,000	5,970	7,450	7,048	5,892	4,811	4,736	5,425	5,883	6,328	4,799
-	-	-	-	-	-	-	-	-	-	-	-
4,509	10,501	21,023	23,498	20,348	29,506	5,605	9,967	20,740	20,935	17,714	22,662
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	7,849	22,027	-	-	-	-	3,598	6,101
24,881	31,700	46,022	56,845	65,266	88,520	25,968	28,591	42,413	48,144	48,153	53,181

SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Preliminary Statement	26 February 2019
First Interim Management Statement	10 April 2019
Annual General Meeting	21 May 2019
Interim Statement	30 July 2019
Second Interim Management Statement	23 October 2019

DIVIDEND PAYMENT SCHEDULE

2018 Final Dividend Record Date	26 April 2019
2018 Final Dividend Payment Date	24 May 2019
2019 Interim Dividend Record Date	9 August 2019
2019 Interim Dividend Payment Date	6 September 2019

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United Kingdom

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Delegación Miguel Hidalgo
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25 Bank Street
London E14 5JP
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JOINT CORPORATE BROKER

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2 King Edward Street
London EC1A 1HQ
United Kingdom

AUDITOR

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

SOLICITOR

Travers Smith
10 Snow Hill
London EC1A 2AL
United Kingdom

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:

Fresnillo plc

Tel: +44(0)20 7399 2470

Gabriela Mayor, Head of Investor Relations

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.

NOTES





CONSOLIDANDO NUESTRO
CRECIMIENTO
FOMENTANDO NUESTROS
PROYECTOS

FRESNILLO PLC
INFORME ANUAL Y CUENTAS 2018

FRESNILLO PLC

ES EL PRODUCTOR DE PLATA MÁS GRANDE DEL MUNDO Y EL PRODUCTOR DE ORO MÁS GRANDE DE MÉXICO, ESTÁ INSCRITO EN LAS BOLSAS DE VALORES DE LONDRES Y MÉXICO.

LA SOCIEDAD HA SIDO UN MIEMBRO CONSTANTE Y CREÍBLE DEL FTSE 100 DESDE 2008.

[PÁGINA DE ÍNDICE]

Datos destacados de desempeño

ÉSTE HA SIDO OTRO AÑO DE CRECIMIENTO EN LA PRODUCCIÓN EN TODA LA CARTERA.

CON EL AVANCE DE NUESTRA CARTERA DE PROYECTOS Y NUMEROSAS ACTIVIDADES DE CONSOLIDACIÓN ACTUALMENTE EN CURSO, ESTAMOS EN BUENA POSICIÓN PARA APROVECHAR OPORTUNIDADES FUTURAS.

PRODUCCIÓN DE PLATA

61.8moz

+5.3%

PRODUCCIÓN DE ORO

922.5koz

+1.3%

TOTAL DE RECURSOS DE PLATA ATRIBUIBLES

2,204.0moz

-5.0%

TOTAL DE RECURSOS DE ORO ATRIBUIBLES

39.1moz

+1.5%

INGRESO AJUSTADO ¹

\$2,243.4m

+0.5%

UTILIDAD BRUTA

\$780.7m

-15.6%

EBITDA

\$915.1m

-13.7%

UTILIDAD DE OPERACIONES CONTINUAS

\$506.7m

-28.6%

DATOS DESTACADOS DE OPERACIÓN

- La cifra récord de producción de plata anual de 61.8 moz fue impulsada por el primer año de operaciones en San Julián (Yacimiento Mineral Diseminado), aunque ésta fue más baja que lo establecido en los lineamientos (que fueron actualizados en dos ocasiones durante el ejercicio) y el objetivo a largo plazo establecido al momento de la IPO.
- La producción de oro aumentó en 1.3% en comparación con 2017 y en línea con nuestro lineamiento actualizado a la alza, como resultado de una ley mineral y tasa de recuperación más altas en Saucito, la aportación de la nueva Planta de Piritas y la ley mineral más alta en Fresnillo.
- Se puso en marcha la planta de Piritas (fase I) dentro del presupuesto con una demora menor.
- Se finalizó la segunda línea de la planta de lixiviación dinámica de acuerdo a lo presupuestado; sin embargo, un período de prueba más largo tuvo como resultado que la producción comercial comenzara hasta 2019.
- Los recursos de oro aumentaron en 1.5%, en tanto que los recursos de plata disminuyeron en 5.0%. Las reservas de plata y oro disminuyeron en 5.1% y 6.0% respectivamente.
- Lamentamos informar que tuvieron lugar cinco fallecimientos durante 2018 y uno más a principios de 2019.

DATOS FINANCIEROS DESTACADOS

- El ingreso ajustado¹ de US\$2,243.4 millones aumentó en un 0.5% con respecto a 2017 debido a un aumento en los volúmenes de plata, plomo y zinc vendidos, lo cual fue [parcialmente] compensado por la disminución en los precios de estos metales.
- Disminución en la utilidad bruta y EBITDA del 15.6% y 13.7%, a US\$780.7 millones y US\$915.1 millones respectivamente.
- Utilidad de operaciones continuas de US\$506.7 millones, una disminución de 28.6%.
- Gastos de capital por US\$668.7 millones, un aumento del 10.3% y US\$298.1 millones en dividendos pagados, un aumento del 26.0%.

- Balance general sólido e índice de apalancamiento bajo; efectivo y otros fondos líquidos² por US\$560.8 millones, una disminución del 37.4%, principalmente debido a un menor flujo de efectivo de operaciones y aumento en los gastos de capital.

1 Los ingresos ajustados son los ingresos que aparecen en el estado de resultados ajustado para añadir tratamiento y costos de refinación y cobertura de oro, plomo y zinc. La Sociedad considera que ésta es una medida adicional útil para ayudar a entender los factores subyacentes que impulsan a los ingresos en términos de volúmenes vendidos y precios realizados.

2 El efectivo y otros fondos líquidos son divulgados en la nota 30(c) de los Estados Financieros.

Para saber más, visítenos en línea en:
www.fresnilloplc.com

Un vistazo a Fresnillo

NUESTRA META ES MANTENER LA POSICIÓN DEL GRUPO COMO LA EMPRESA DE PLATA PRIMARIA MÁS GRANDE DEL MUNDO Y EL PRODUCTOR DE ORO MÁS GRANDE DE MÉXICO.

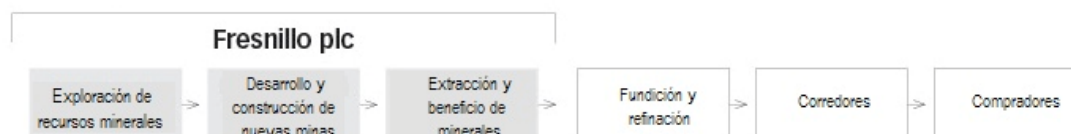
Tras una década de progreso consistente y exitoso, ahora nos concentramos en consolidar nuestro crecimiento y fomentar nuestras carteras de proyectos para ofrecer mayor crecimiento en los años por venir. Nuestro éxito continuo es un tributo a la naturaleza a largo plazo de nuestra estrategia, las habilidades y dedicación de nuestro personal y el apoyo permanente de nuestras partes interesadas.

PARA MAYOR INFORMACIÓN SOBRE NUESTRA ESTRATEGIA Y DESEMPEÑO
VÉANSE LAS PÁGINAS 24-33

QUÉ HACEMOS

BUSCAMOS CREAR VALOR PARA LAS PARTES INTERESADAS A LO LARGO DE LOS CICLOS DE LOS METALES PRECIOSOS, CONCENTRÁNDONOS EN PROYECTOS DE PLATA Y ORO DE ALTO POTENCIAL QUE PUEDEN DESARROLLARSE EN MINAS A BAJO COSTO DE CLASE MUNDIAL.

Cadena de valor de metales preciosos



1 EXPLORAR

La exploración continua y sostenida es el motor que impulsa nuestras operaciones. Invertimos a lo largo de todos los ciclos de precios, buscando depósitos minerales para ampliar nuestra base de recursos y reponer las reservas.

Si requiere más información sobre nuestros proyectos de exploración

Vea las páginas xx-xx

NUESTRA VENTAJA COMPETITIVA

Varias concesiones en México; un equipo de geólogos talentosos y dedicados; acercamiento riguroso a los prospectos, avanzando únicamente aquellos que demuestren un potencial mínimo de 150 moz de plata o 2 moz de oro; criterios estrictos sobre leyes minerales, recuperaciones metalúrgicas e impacto ambiental.

DESARROLLO

Antes de decidir desarrollar una nueva mina, verificamos su potencial contra una serie de estrictos criterios, incluyendo contenido mineral y costos asociados. Esto significa que únicamente aquellos proyectos con el potencial de crear valor a lo largo de los ciclos de precios de los metales preciosos son desarrollados en minas en operación.

Si requiere más información sobre nuestros proyectos de desarrollo

Véanse las páginas xx-xx

NUESTRA VENTAJA COMPETITIVA

Criterios de viabilidad estrictamente aplicados, incluyendo tasas de rendimiento y estrictas normas ambientales y de impacto social, una estrategia de consolidación de distritos que crea sinergias en todos nuestros prospectos y proyectos, reduciendo los requisitos de gastos de capital, además de beneficios sinérgicos derivados de nuestra calidad de miembros del Grupo Peñoles, con requisitos comunes en una variedad de áreas de servicio, creando oportunidades para compartir costos, equipos internos de ingeniería y construcción.

OPERAR

Actualmente tenemos siete minas en operación y seguimos invirtiendo en las mejoras de infraestructura, nuevas tecnologías y nuevas prácticas de trabajo para maximizar la eficiencia de cada uno.

Si requiere más información sobre nuestras minas en operación

Véanse las páginas xx-xx

NUESTRA VENTAJA COMPETITIVA

El desempeño de costos competitivo en comparación con nuestras contrapartes en la industria; costo de mantenimiento con todo incluido con base en vida de mina significativamente más bajo que los precios de mercado actuales y proyectados para el oro y la plata.

SUSTENTAR

Fresnillo es una empresa que se concentra en el largo plazo. Operamos responsablemente en todo momento y trabajamos duro para garantizar las más estrictas normas de salud y seguridad, protección y gobierno ambiental. Al mismo tiempo, respaldamos a nuestras comunidades locales y mantenemos una sólida cultura de comportamiento ético.

Para mayor información sobre nuestro programa de desarrollo sustentable

Véanse las páginas xx-xx

NUESTRA VENTAJA COMPETITIVA

Amplio entendimiento de la economía, cultura y comunidades en México; historial de adopción de las mejores prácticas a nivel nacional, que cumplen con nuestras más estrictas normas, así como aquellas de empresas internacionales.

NUESTRO CASO DE INVERSIÓN

Fresnillo ha establecido una reputación de un balance general sólido, activos de alta calidad, operaciones a bajo costo y flexibles, un acercamiento disciplinado al desarrollo y prácticas de negocios sustentables. Estas cualidades son los cimientos de nuestro historial a largo plazo de crear valor a través del crecimiento y rendimientos.

BALANCE GENERAL SÓLIDO

RESULTADO:

FLEXIBILIDAD OPERATIVA, INVERSIÓN EN CICLOS DE PRECIOS, RENDIMIENTOS DE ACCIONISTAS

Nuestra sana posición en efectivo y bajo índice de apalancamiento nos permiten invertir en crecimiento rentable, optimizar operaciones y ofrecer rendimientos sólidos a los accionistas. Nuestros gastos de capital en 2018 totalizaron US\$668.7 millones, en tanto que invertimos US\$172.8 millones en actividades de exploración y pagamos dividendos por US\$298.1 millones.

[LEA MÁS EN NUESTRA REVISIÓN FINANCIERA](#)
VÉANSE LAS PÁGINAS XX-XX

ACTIVOS DE ALTA CALIDAD

RESULTADO:

VISIBILIDAD A LARGO PLAZO OFRECIENDO RENDIMIENTOS A LARGO PLAZO

Con aproximadamente 1.8 millones de hectáreas de terrenos superficiales, buscamos una estrategia de consolidación de distritos que aproveche los conocimientos locales y la infraestructura compartida. Al final de 2018, nuestra cartera de oro y minas de plata de bajo costo, proyectos de desarrollo de alto potencial y prospectos de exploración avanzada comprendieron más de 2,204.0 moz de recursos de plata atribuibles y 39.1 moz de recursos de oro.

[LEA MÁS EN NUESTRA REVISIÓN DE OPERACIONES](#)
VÉANSE LAS PÁGINAS XX-XX

BAJO COSTO Y OPERACIONES FLEXIBLES

RESULTADO:

MÁRGENES SALUDABLES, AGILIDAD A LO LARGO DE LOS CICLOS DE PRECIOS

Nuestros activos de calidad nos permiten entregar utilidades a lo largo de los ciclos de precios de los metales. En cada mina, maximizamos el potencial personalizando los planes mineros, aprovechando la tecnología y compartiendo el personal, pericia y capacidad de plantas en nuestros distritos. Sin ser complacientes, siempre seguimos buscando y poniendo en práctica nuevas formas de mejorar la eficiencia, optimizar el consumo de materiales y energía, y mantener nuestra posición como un productor a bajo costo.

LEA MÁS EN NUESTRA ESTRATEGIA Y DESEMPEÑO
VÉANSE LAS PÁGINAS XX-XX

ENFOQUE DISCIPLINADO AL DESARROLLO

RESULTADO:

CRECIMIENTO RENTABLE A LARGO PLAZO

Todas las decisiones de proceder con un proyecto de desarrollo se basan en estrictos criterios de viabilidad que cubren áreas tales como tasas de rendimiento, y estrictas normas ambientales y de impacto social. Establecimos calendarios y presupuestos para cubrir los objetivos de producción en el contexto de las condiciones de mercado y mantener el control realizando nuestras actividades de ingeniería y construcción. Nuestro proyecto Juanicipio será aprobado para desarrollo a su debido tiempo y estamos deseosos de iniciar las actividades de construcción más adelante en 2019, comenzando las operaciones en el segundo semestre de 2020.

PRÁCTICAS DE OPERACIONES SUSTENTABLES

RESULTADO:

ADMINISTRACIÓN AMBIENTAL, LICENCIA SOCIAL PARA OPERAR, CULTURA ÉTICA

Nuestro compromiso con la sustentabilidad apuntala nuestra capacidad de crear valor para todas nuestras partes interesadas y garantizar la continuidad operativa. Nos esforzamos por entender y respetar las necesidades de las comunidades locales, dar prioridad a los bienes, servicios y empleados locales, mejorar nuestro historial de salud y seguridad a la luz de nuestro reciente desempeño inaceptable, y minimizar nuestro impacto en el medio ambiente.

Lea más en nuestra Revisión de Sustentabilidad.

VÉANSE LAS PÁGINAS XX-XX

Dónde operamos

ACTIVOS CLAVE

ACTIVO	TIPO	METAL PRINCIPAL	AÑO ¹	RESERVAS DE PLATA	RESERVAS DE ORO
DISTRITO DE FRESNILLO					
Fresnillo	Subterránea	Plata primaria	1554	176.7moz	566koz
Saucito	Subterránea	Plata primaria	2011	130.3moz	679koz
DISTRITO DE CIÉNEGA					
Ciénega	Subterránea	Oro/Plata	1992	56.9moz	598koz
San Ramón (mina satélite de Ciénega)	Subterránea	Oro/Plata	2012		
DISTRITO DE HERRADURA					
Herradura	A cielo abierto	Oro	1997		7,375koz
Soledad-Dípolos ¹	A cielo abierto	Oro	2010		927koz
Noche Buena	A cielo abierto	Oro	2012		577koz
DISTRITO SAN JULIÁN					
San Julián	Subterránea	Plata primaria	2016	112.1moz	286koz

¹ Representa el inicio de la producción comercial

1 Las operaciones en Soledad-Dipolos actualmente se encuentran suspendidas.

**PARA MAYOR INFORMACIÓN SOBRE NUESTRA REVISIÓN DE OPERACIONES
VÉANSE LAS PÁGINAS XX-XX**

MARCO DE ADMINISTRACIÓN DE RIESGOS

Identificamos, damos seguimiento a y mitigamos los riesgos principales que podrían afectar la capacidad de la Sociedad de entregar resultados con base en su modelo de operaciones y prioridades estratégicas.

**PARA MAYOR INFORMACIÓN SOBRE LOS RIESGOS PRINCIPALES
VÉANSE LAS PÁGINAS XX-XX**

PROYECTOS DE DESARROLLO

PLANTA DE TRATAMIENTO DE PIRITAS

Facilidad para procesar jales históricos y en curso desde las minas de Fresnillo y Saucito para aumentar las tasas de recuperación de metales.	Se espera que la producción anual promedie 3.5 moz de plata y 13 koz de oro una vez que opere a plena capacidad.
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**SI REQUIERE MAYOR INFORMACIÓN SOBRE NUESTRA REVISIÓN DE LOS PROYECTOS DE DESARROLLO
VÉASE LA PÁGINA 66**

PROYECTOS DE EXPLORACIÓN

DISTRITO DE FRESNILLO

Juancipio	Plata	RECURSOS DE PLATA	RECURSOS DE ORO
		150.2moz	862koz

DISTRITO DE CIÉNEGA

Las Casas, Clúster Cebollitas	Plata y oro	Reportado como parte de Ciénega
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DISTRITO HERRADURA

Centauro Profundo	Oro	RECURSOS DE ORO
		1,802koz
		Recursos de oro indicados e inferidos

Ampliación del Pozo Centauro como parte de Herradura	Oro	RECURSOS DE ORO
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<h1>10,239koz</h1> <p>Recursos de oro medidos, indicados e inferidos</p>			
CHIHUAHUA (GREENFIELD)			
Orisyvo	Oro	RECURSOS DE PLATA	RECURSOS DE ORO
		<h1>12.3moz</h1>	<h1>9.6moz</h1>
OTROS PROYECTOS Y PROSPECTOS EN ETAPAS TEMPRANAS, MÉXICO, PERÚ Y CHILE			

PARA MAYOR INFORMACIÓN SOBRE NUESTRA REVISIÓN DE LOS PROYECTOS DE EXPLORACIÓN
VÉANSE LAS **PÁGINAS** 67-71

CRECIMIENTO ESPERADO

[Tabla final con calendario y producción esperada a ser incluida]

1	2	PROYECTO	AÑO								
			2017	2018	2019	2020	2021	2022	2023	2024	
195	3.5 mox Ag y 13 kex Au	PLANTA DE PIRITAS (Proyecto de optimización)	PLANTA DE LIXIVIACIÓN	CONSTRUCCIÓN FLOTACIÓN DE JALES			PRODUCCIÓN				
30	3 mox Ag	FRESNELLO 9,000 TPD (Proyecto de optimización)	DESARROLLO Y CONSTRUCCIÓN				PRODUCCIÓN				
305	10 mox Ag y 30 kex Au	JUANCIPIO	DESARROLLO Y CONSTRUCCIÓN				PRODUCCIÓN				
55	15 kex Au y 1.3 mox Ag	CÉNEDA 1,000 TPD (Proyecto de optimización)	DESARROLLO Y CONSTRUCCIÓN				PRODUCCIÓN				
350	136 kex Au	ORIZIVO	OPTIMIZACIÓN - ESTUDIO DE PREVIABILIDAD - DESARROLLO Y CONSTRUCCIÓN					PRODUCCIÓN			
360	Poso Ampliado (legible) de 470 kex Au y UG 45 kex Au	AMPLIACIÓN DEL POZO CENTAURO / CENTAURO SUBTERRÁNEO	EXPLORACIÓN				CONSTRUCCIÓN PREVIA AL DESMORTE		PROD		
130								DESARROLLO DE CENTAURO SUBTERRÁNEO			

(1) Estimado (2) Producción anual promedio total (3) Inversión total (de la cual, 56% Fresnillo plc, 44% B2G Silver), de acuerdo con el FPE firmado en junio de 2012 (4) En espera

(estudio de caso # 1)

CONSOLIDACIÓN DE NUESTRO CRECIMIENTO

Nuestra primera década ha tenido como resultado un historial de logros significativos y constantes, creciendo la producción de plata equivalente a una tasa anual compuesta de 8%². Ahora es el momento de evaluar nuestros éxitos a la fecha... fortalecer nuestros procesos y base operativa... y concentrarnos en nuestra cartera de proyectos para preparar a Fresnillo para las oportunidades por venir.

Aunque nos faltó poco para cumplir nuestro ambicioso objetivo a largo plazo de producción de plata, los años transcurridos a partir de nuestra IPO en 2008 hasta 2018 han sido poco menos que dramáticos, ya que nos hemos establecido como la empresa productora de plata más grande del mundo.

El número de nuestras minas ha aumentado de tres a siete, nuestro personal de 2,964 personas a 17,601 al final de 2018, y nuestros ingresos de US\$720.5 millones en 2008, a US\$2.1 mil millones en 2018. Al mismo tiempo, hemos logrado un aumento del 80% en la producción de plata y un aumento del 230% en la producción de oro atribuible. A medida que ha crecido nuestro negocio, también han crecido nuestros retos, incluyendo aquellos relativos a producción, capacitación y mantenimiento en minas tales como Fresnillo y Saucito.

(añadir tabla de producción o ingresos)

Un negocio en maduración

Ahora, a medida que Fresnillo madura y hace la transición hacia un negocio bien establecido y demostrado, posicionado para el éxito a largo plazo, estamos consolidando nuestro crecimiento.

Esto significa invertir en todas nuestras operaciones para aumentar la productividad de las minas y plantas de procesamiento, tal como la introducción de las nuevas tecnologías de informática y operativas, así como las nuevas medidas que están siendo introducidas en la mina Fresnillo (véase el estudio de caso en la página x). Invertimos continuamente en los procesos para ayudar a garantizar la seguridad de todo nuestro personal y contratistas. Aunque un solo incidente importante es inaceptable, nuestro historial profundamente decepcionante en los últimos 12 meses es un área que constituye el foco de atención principal en los niveles más altos de nuestra Sociedad.

² La tasa de crecimiento anual compuesta de 2007-2018, usando una proporción de oro/plata de 65.

Al mismo tiempo, nos estamos concentrando firmemente en los años y décadas por venir. Un compromiso continuo con la exploración es la razón de ser de Fresnillo y el distintivo de nuestro éxito a la fecha.

(estudio de caso #2)

PROMOVIENDO NUESTRA CARTERA DE PROYECTOS

La exploración continua, a lo largo de los ciclos de precios y en todas las condiciones económicas, es una ventaja competitiva clave para Fresnillo y una de las características de nuestro enfoque a la minería que nos distingue de nuestras empresas afines. Ha sido el cimiento de nuestro desempeño anterior, al tiempo que constituye la plataforma de nuestros logros en los años por venir.

El ambiente económico puede cambiar, pero las oportunidades de calidad siempre perdurarán. Desde nuestros días más tempranos, hemos mantenido un compromiso estratégico con la exploración continua, independientemente de las fluctuaciones en los precios de los metales preciosos.

Este compromiso ha significado que hemos podido surtir nuestra cartera de proyectos con un flujo de proyectos constante. De acuerdo a la naturaleza de la industria minera, algunos de éstos no han procedido, inevitablemente, por varios motivos. Sin embargo, varios de ellos han sido desarrollados a partir de posibilidades geológicas en proyectos potenciales y, en algunos casos, en minas operativas que ofrecen una producción de alta calidad.

Por ejemplo, para el momento de la IPO, nuestros equipos habían identificado un potencial significativo en un sitio de la frontera entre Chihuahua y Durango. En julio de 2017, este sitio entró en operación completa como la mina de plata/oro San Julián. En el último año, contribuyó 23.7% de nuestra producción de plata total y representó 16.3% del ingreso Ajustado del Grupo.

Juanicipio: nuestro siguiente proyecto en la cartera de proyectos

El proyecto de Juanicipio es una asociación en participación³ con MAG Silver, de la cual somos propietarios del 56%. Este proyecto independiente, que está

³ No es una asociación en participación para objetos contables

ubicado en el Distrito de Fresnillo, a ocho kilómetros de nuestra mina Fresnillo, fue identificado en primer lugar como proyecto potencial de plata/oro desde hace más de diez años.

Actualmente estamos finalizando los planes los contratos de construcción y operativos, y esperamos anunciar los próximos pasos en el futuro cercano.

Juanicipio será el siguiente proyecto en emerger de nuestra red de exploración, pero ciertamente no será el último. Varios proyectos potenciales están actualmente en evaluación, no solo en México sino también en Perú y Chile.

DECLARACIÓN DEL PRESIDENTE

Celebrando los últimos diez años, al tiempo que nos preparamos para el futuro

En sus primeros diez años como plc, Fresnillo ha logrado un éxito notable. La empresa se posicionó como una de las más rentables en la Bolsa de Valores de Londres (LSE), generando beneficios significativos para los accionistas, las comunidades locales, y México en general.

Entre los principales logros e hitos a lo largo de este período se encuentran: un aumento del 80% en la producción de plata y un aumento del 230% en la producción de oro atribuible; cuatro operaciones mineras nuevas y una sólida cartera de proyectos basada en esfuerzos de exploración exitosos; un crecimiento del [149%] en el empleo; inversiones por más de [US\$135 millones] en salud, seguridad y capacitación; pagos directos cercanos a [US\$32 millones] en respaldo a las comunidades locales, incluyendo educación primaria para más de [8,000] niños en [66] escuelas; más de [US\$2.3 mil millones] en pagos de impuestos; US\$5.0 mil millones invertidos en operaciones nuevas y existentes; y más de US\$2.8 mil millones en dividendos pagados a los accionistas. A través del apoyo de nuestro personal y las comunidades locales, así como la introducción de nuevas tecnologías para mejorar las condiciones de trabajo, los impactos de seguridad y ambientales, somos reconocidos en todo el mundo como una sociedad pública limitada de primer orden y respetada.

Para mí ha sido un privilegio encabezar el desarrollo de Fresnillo desde su establecimiento inicial como una empresa inscrita en la LSE hasta la fecha. Durante estos diez años, hemos gozado de altos niveles de desarrollo y generado altos rendimientos de manera consistente a lo largo de los ciclos de precios y bajo una amplia gama de condiciones económicas. Al mismo tiempo, hemos aprendido de los retos que nos encontramos en el camino, incluyendo la escasez en la

producción en nuestra mina insignia de Fresnillo y el retraso de un par de proyectos, lo cual a su vez ha hecho que no alcancemos por un margen estrecho nuestro objetivo de plata a largo plazo de 65 moz, a pesar de inversiones considerables en nuevas minas exitosas. Por el lado positivo, superamos nuestro objetivo de oro a largo plazo en 2015 y hemos seguido desarrollando ese logro en los últimos tres años.

El Consejo y yo seguimos dando la mayor importancia a la existencia de condiciones de trabajo seguras y sanas para nuestro personal. Estamos extremadamente tristes por los cinco decesos ocurridos durante el año, además de uno a principios de 2019, y nuestros pensamientos están con las familias y amigos de los afectados. Nuestra respuesta ha consistido en fortalecer nuestros procedimientos y controles, con el respaldo continuo de un experimentado ingeniero a cargo de los asuntos de seguridad, salud y comunitarios.

Como podrán leer en la declaración del Director Ejecutivo y a lo largo de este informe, estamos considerando cuidadosamente las exigencias y retos de los años venideros e invertiremos en iniciativas que nos permitan seguir creciendo y lograr buenos rendimientos.

Logro de crecimiento de un año a otro permaneciendo fieles a nuestros principios

Nuestra práctica estrategia de eficacia comprobada permaneció sin cambios durante 2018. El enfoque en el crecimiento orgánico disciplinado y en nuestros cuatro pilares estratégicos de exploración, desarrollo, operaciones y sustentabilidad nos permitieron nuevamente lograr un crecimiento de un año a otro, a pesar de que la producción de plata no cubrió nuestro objetivo guía a largo plazo.

El Grupo generó más de US\$2.1 mil millones en ingresos ajustados durante el ejercicio, sin cambios de un año a otro. Las utilidades durante el ejercicio disminuyeron, en tanto que el efectivo y otros fondos líquidos fueron por US\$560.8 millones al final del ejercicio, una disminución de US\$335.2 millones con respecto a 2017. La deuda permaneció sin cambios por una cantidad de US\$800 millones.

Aspectos destacados de la operación

[Las páginas x a x] presentan los detalles completos de la producción del ejercicio. En resumen, la producción de oro tuvo que ser ajustada a la alza en dos ocasiones durante el ejercicio, debido a un desempeño mejor al esperado en Noche Buena y Saucito. Aunque la producción de plata se incrementó de un año al otro, no cubrió nuestros objetivos, a pesar de que las expectativas fueron disminuidas en dos ocasiones durante el período. Esto se debió a los retos continuos en nuestras

principales minas de plata subterráneas. La producción en las minas de Fresnillo y Saucito se vio afectada por las fallas en nuestros modelos geológicos y mal desempeño de los contratistas. Los modelos geológicos en ambas minas están siendo corregidos y se ha incrementado la perforación de relleno, en tanto que se han nombrado a nuevos contratistas en Fresnillo. En San Julián, aunque ambas fases han operado por arriba de la capacidad nominal, la producción se vio afectada temporalmente por la escasez de agua causada por el clima extremadamente seco. Este acceso limitado a ciertas áreas de producción incluidas en el plan minero llevó a la necesidad de procesar mineral de desarrollo de una ley más baja con las reservas existentes.

Habiendo sido protagonista de los 500 años de historia minera en México, queda claro que Fresnillo estará presente a largo plazo. Los aspectos fundamentales de nuestra longevidad consisten en una planeación cuidadosa, un amplio desarrollo y preparación, no solamente para los meses por venir sino también por muchas décadas en el futuro. Como lo estableció nuestro Director Ejecutivo en [la página x], las inversiones adicionales en infraestructura y tecnología mejorarán el ritmo de desarrollo y construcción de la infraestructura minera para apuntalar la producción en años futuros.

Al mismo tiempo, las inversiones hechas en años recientes están comenzando a rendir frutos, incluyendo los dos proyectos principales puestos en marcha durante 2018. La nueva planta de Piritas —para mejorar las recuperaciones de oro y plata en Fresnillo y Saucito— y la segunda línea de la Planta de Lixiviación Dinámica en Herradura han enfrentado muchos retos, pero ahora están contribuyendo a la producción.

El estudio de viabilidad para el proyecto Juanicipio, una asociación en participación con Mag Silver, fue finalizado en 2018, y se espera que el proyecto sea aprobado formalmente a su debido tiempo. Confiamos en que Juanicipio se convertirá en un proyecto fundamental, manteniendo nuestro historial de alto crecimiento y rendimientos.

San Julián y Juanicipio son prueba de que nuestro compromiso constante con la exploración a lo largo de los ciclos de nuestra industria rinde dividendos claros a largo plazo a nuestras partes interesadas. Aunque los resultados de este año fueron mixtos, en los últimos diez años ha habido un aumento considerable en las reservas y recursos. Durante 2018, las reservas de plata y oro disminuyeron en 5.1% y 6.0% respectivamente, debido a los motivos establecidos en la sección de exploración en las páginas [x]. Después de los programas de perforación de 2018, los recursos de plata totales se redujeron de 2.3 a 2.2 Boz, en tanto que los recursos totales de oro aumentaron de 38.5 a 39.1 Moz. Nuestras concesiones mineras de exploración ascienden a 1.8 millones de hectáreas en México, 655,000 hectáreas en Perú, y 10,000 hectáreas en dos opciones de exploración en Chile.

Un personal comprometido y talentoso...

Una gran empresa es construida por grandes personas, y me enorgullece decir que nuestros comprometidos equipos —desde aquellos que trabajan en las minas y proyectos hasta sus colegas que laboran en oficinas ubicadas en México, América del Sur y el Reino Unido— han demostrado nuevamente su experiencia, dedicación y talento. En representación del Consejo, quisiera agradecerles sinceramente sus esfuerzos.

Al igual que nuestros competidores en la industria y empresas de muchos otros sectores, nos enfrentamos a retos considerables para asegurarnos de contar con la categoría correcta de personas en los trabajos adecuados en el momento oportuno. Para este fin, en 2018 aumentamos el número y alcance de las asociaciones con destacadas universidades y las mejores instituciones dedicadas a las ciencias de la tierra en México con el fin de desarrollar nuevos programas de capacitación personalizados acorde a nuestros requisitos. Por consiguiente, hemos ofrecido a 194 estudiantes experiencia práctica de primera mano durante el ejercicio, y actualmente 173 de ellos se encuentran en capacitación de tiempo completo.

...encabezada por un equipo ejecutivo calificado y experimentado

Nuestro Director Ejecutivo, Octavio Alvírez, sigue dirigiendo al equipo administrativo ejecutivo con distinción, respaldado por el Director de Finanzas, Mario Arreguín y el Vicepresidente de Exploración, David Giles.

Nuestro Director Operativo, Roberto Díaz, se retiró a principios de 2019, tras ocho años de antigüedad, durante los cuales nuestras operaciones avanzaron significativamente y se pusieron en marcha con éxito importantes proyectos. En representación del Consejo, agradezco a Roberto por su sobresaliente contribución y me complace anunciarles que él ha acordado seguir trabajando con nosotros como asesor en proyectos especiales.

Recientemente hicimos tres nombramientos senior, dos de los cuales son funciones totalmente nuevas para Fresnillo. En conjunto, estos nombramientos respaldarán nuestro compromiso con mejorar nuestro registro de seguridad y preparar al Grupo para el futuro. En primer lugar, me gustaría dar la bienvenida a Andre Sougarret como nuevo Director Operativo. Él aporta una gran experiencia y conocimientos mineros a Fresnillo, después de una carrera notable en la industria minera, habiendo desempeñado anteriormente puestos importantes en Codelco y como Vicepresidente Ejecutivo en Empresa Nacional de Minería en Chile. Al mismo tiempo, hemos nombrado a un nuevo Director de Proyectos que es responsable de los proyectos de desarrollo, liberando a Andre para se enfoque más en el lado de operaciones de negocio. Finalmente, como mencioné, nuestro equipo ejecutivo también ha sido complementado por el nombramiento de un

asesor especialista permanente responsable de corregir nuestro historial de salud y seguridad, que fue inaceptable durante 2018.

Actividades del Consejo

El Consejo apoya al equipo ejecutivo teniendo un papel activo en la definición de la estrategia, revisando el avance de los planes y asegurándose de que la empresa tenga flexibilidad suficiente para responder a las condiciones siempre cambiantes del mercado. Como Grupo, trabajamos mucho para garantizar que la asignación de capital sea equilibrada con crecimiento, rendimientos para los accionistas, fortaleza y flexibilidad financiera, al mismo tiempo que mantenemos nuestro compromiso con la sustentabilidad y la administración de riesgos.

Entre las obligaciones del Consejo se encuentra el cumplimiento con las más estrictas normas de gobierno societario, como corresponde a un miembro del Índice FTSE100. Como informo en mi introducción a la sección de Gobierno en la [página x], actualmente estamos analizando las implicaciones de la nueva versión del Código de Gobierno Societario del Reino Unido, que entrará en vigor a partir del día 1 de enero de 2019.

En el primer semestre de 2018, nuestro Consejero Independiente Senior Charles Jacobs analizó con inversionistas institucionales y otras partes interesadas la composición e integración del Consejo. Nuevamente, si requiere más detalles acerca de los resultados de estas conversaciones, consulte la [página x], incluyendo nuestra expectativa de que los accionistas apoyen nuestra postura con respecto a este asunto en la Asamblea General Anual (AGA) de 2019.

Los miembros del consejo también supervisan nuestra cultura empresarial, y en las juntas del Consejo recibimos informes regularmente del Director Ejecutivo sobre nuestro programa de Ética y la forma en que nuestros valores de Responsabilidad, Integridad, Confianza y Lealtad siguen guiando nuestras acciones. Además, nuestro Jefe de Sustentabilidad hace una presentación anual que nos ofrece mayor minuciosidad y detalles sobre este tema.

Nuestra cultura está bien establecida y arraigada en todas las áreas de operaciones. Durante el ejercicio seguimos impartiendo clases magistrales, así como módulos de capacitación en línea, para asegurarnos de que todo nuestro personal, ya sea empleados con mayor antigüedad o más recientes, entiendan la importancia que damos a los valores del grupo. Sin embargo, reconocemos que todavía queda trabajo por hacer. Nuestro reciente registro de seguridad es inaceptable y, por lo tanto, estamos dando atención y recursos adicionales para impulsar las mejoras.

Cambios en el Consejo

Guy Wilson se retiró del Consejo en la AGA de 2018, tras diez años de antigüedad. Guy fue fundamental en el establecimiento y posteriormente la supervisión del trabajo del Comité de Auditoría, y le agradezco sin reservas su trabajo incansable, apoyo constante y buen humor. Él ha sido reemplazado como Presidente del Comité de Auditoría por Alberto Tiburcio, quien se unió al Consejo y Comité de Auditoría en 2016, trayendo extensa experiencia en auditoría e informe financiero.

Durante el ejercicio, el Consejo se vio fortalecido por el nombramiento de Georgina Kessel como Consejera No Ejecutiva Independiente. La Sra. Kessel trabajó en el gobierno mexicano, donde fungió como Secretaria de Estado de la Secretaría de Energía de 2006 a 2011. También fue presidente del Consejo Rector de la Comisión Federal de Electricidad y ha sido presidente y miembro del Consejo de Administración de Petróleos Mexicanos (PEMEX). Actualmente es consejera independiente de Scotiabank e Iberdrola, y es socia de Spectron. Actualmente, el Consejo cuenta con tres miembros femeninos, demostrando nuestro compromiso permanente con la diversidad de género, que existe en paralelo a nuestra insistencia en que todos los miembros del Consejo también deben tener experiencia de trabajo pertinente.

En vista de las exigencias de su reciente nombramiento como Presidente del Consejo de BBVA Bancomer, el señor Jaime Serra Puche renunció al Consejo el día 25 de febrero de 2019. El Comité de Nominaciones ha comenzado a buscar a un nuevo consejero no ejecutivo independiente de la Sociedad. Mis colegas del Consejo y yo valoramos ampliamente las contribuciones del señor Jaime Serra Puche a las juntas del consejo de Fresnillo en los últimos cinco años. Su visión política ha sido particularmente valiosa y estamos agradecidos de haber contado con alguien de su calibre y experiencia en nuestro Consejo. Extrañaremos enormemente sus aportes, pero le deseamos que le vaya bien en el futuro.

Continuación de nuestra política de dividendos

Nuestra política de dividendos está bien establecida, es consistente y coincide ampliamente con nuestro compromiso de creación de valor a través del crecimiento y rendimientos. En resumen, cada año tenemos el objetivo de pagar 33-50% de utilidades después de impuestos, al tiempo que hacemos algunos ajustes para excluir los efectos no monetarios en el estado de resultados. Pagamos dividendos en una proporción aproximada de un tercio como dividendo provisional y dos tercios como dividendo final.

Antes de declarar un dividendo, el Consejo hace un análisis detallado de la rentabilidad de las operaciones, ganancias subyacentes, requisitos de capital y flujos de efectivo. Nuestra meta es mantener una flexibilidad suficiente para tener

la capacidad de reaccionar a los movimientos en los precios de metales preciosos y aprovechar atractivas oportunidades de negocios.

Declaramos un dividendo provisional de 10.7 centavos de dólar por acción, con un dividendo final de 16.7 centavos de dólar estadounidense por acción, llevando el total durante el ejercicio a 27.4 centavos de dólar estadounidense por acción.

Perspectiva

A corto plazo, es probable que tengamos una tasa de crecimiento baja, a medida que consolidamos el avance realizado desde nuestra IPO y ponemos en marcha las inversiones e iniciativas necesarias que favorezcan nuestros proyectos y que apuntalarán nuestro crecimiento futuro a largo plazo.

También existen factores políticos y económicos en México y en todo el mundo que pueden afectar nuestro desempeño. Por ejemplo, la fortaleza de la economía nacional estadounidense está atrayendo algunas inversiones que, de no ser por su existencia, se habrían dirigido hacia nuestro sector, en tanto que la guerra comercial entre China y los Estados Unidos y los problemas en América del Sur y Europa están generando un grado de incertidumbre indeseable. En México tenemos una nueva administración, y aunque aún no hemos observado una indicación definitiva de su dirección, ya estamos trabajando de manera cercana con el Gobierno.

El Consejo y yo creemos que los acontecimientos actuales, y aquellos que surjan o continúen durante 2019, nos colocarán en una buena posición en los años por venir. En los meses siguientes, y para cumplir con el Código de Gobierno Societario del Reino Unido de 2018, seguiremos trabajando para definir el Objeto de nuestra Sociedad. Esta será una sucinta expresión de lo que Fresnillo es y lo que representamos - y enfocará más las mentes de todo nuestro personal en nuestra cultura y en las cosas que verdaderamente valoramos, tales como la seguridad.

Ahora contamos con un largo historial de crecimiento y rendimientos, y nuestro compromiso con el mantenimiento de esta reputación permanece inquebrantable. Fresnillo se enfrenta al futuro con confianza.

Alberto Baillères
Presidente no ejecutivo
Declaración del Director Ejecutivo

Consolidación de nuestro crecimiento favoreciendo nuestros proyectos

Desde la oferta pública inicial (IPO, por sus siglas en inglés) en 2008, hemos alcanzado excelentes logros y a lo largo de ese período hemos sentado un precedente de creación de valor a través del crecimiento y rendimientos. Ahora es momento de consolidar nuestra posición, aunque también debemos asegurarnos de seguir estimulando nuestros proyectos para ofrecer mayor crecimiento en los años por venir.

Aunque fue decepcionante no alcanzar nuestro objetivo de plata a largo plazo de 65 moz, recordamos con orgullo los logros alcanzados en la década pasada, incluyendo el hecho de que llegamos a nuestra meta a largo plazo de oro tres años antes del objetivo.

Hemos cumplido con la gran mayoría de los planes que planteamos al momento de la IPO en términos tanto financieros como no financieros. Ahora estamos firmemente establecidos como el mayor productor de plata del mundo, el mayor productor de oro de México y una empresa que se ha ganado el respeto de sus empleados y las comunidades locales, así como de sus accionistas.

Ahora, en los primeros meses de nuestra segunda década, es momento de seguir preparando a Fresnillo para los múltiples retos y oportunidades que se nos presentarán.

Puntos importantes

Una década de creación de valor a través de crecimiento y rendimientos

Aumento del 5.3% en la producción de plata para el ejercicio y del 1.3% en la producción de oro

Inversión continua para consolidar operaciones en los años próximos

Actividades de exploración significativas

Finalización de la segunda línea de la Planta de Piritas

Finalización de la planta de Lixiviación Dinámica

Disminución en los recursos de plata en un 5.0%, aumento en los recursos de oro en un 1.5%

Desempeño decepcionante en salud y seguridad, con cinco decesos en 2018 y uno más a principios de 2019.

Consistencia, consistencia, consistencia

Nuestra estrategia ha sido la misma en los últimos diez años y lo seguirá siendo. Aunque otras empresas mineras pueden cambiar su postura dependiendo de la dirección de los vientos económicos, en Fresnillo entendemos que únicamente puede lograrse un desempeño consistente siendo fieles a una estrategia conservadora, con vistas a largo plazo.

Esta estrategia ha alcanzado y seguirá alcanzando resultados a lo largo de los diversos ciclos de precios de los metales preciosos. Aunque Fresnillo plc sólo ha existido por una década, nuestra historia abarca más de 125 años. Los conocimientos y experiencia obtenidos a lo largo de este período forman parte del ADN de Fresnillo —y garantiza que siempre tendremos una visión a largo plazo, ejecutando nuestra estrategia con consistencia para hacer frente a las fluctuaciones de precios.

Aspectos destacados de la producción y revisión de precios

En 2008, nos pusimos la meta de duplicar la producción anual de plata a 65 moz y llegar la producción de oro de 750,000 onzas durante la década para el final de 2018. Logramos con éxito la producción de oro de 750,000 onzas y aunque estuvimos cerca de lograr esa ambiciosa meta para la plata, este período de consolidación mejorará nuestra eficiencia, fortalecerá nuestra base operativa y garantizará que sigamos ofreciendo crecimiento en los años y décadas por venir.

La producción de plata no alcanzó los niveles pronosticados al inicio del ejercicio, puesto que las leyes minerales fueron menores a lo esperado en las minas Fresnillo y Saucito, y también debido a una producción más baja en Fresnillo.

Sin embargo, la producción de plata de nuestras minas aumentó en un 7.1%, a 58.1 millones de onzas en 2018, principalmente como resultado del primer año de producción en el yacimiento mineral diseminado de San Julián, y de las aportaciones de la primera fase de la nueva planta de Piritas en Saucito, que fueron más que suficientes para compensar la disminución en la producción en las minas de Fresnillo y Saucito.

Alcanzamos resultados mejores a los previstos en cuanto al oro en 2018, aumentando ligeramente la producción en un 1.3%, a 922,527 onzas. Esto reflejó un buen desempeño en Saucito, el arranque de la planta de Piritas y una producción de oro más alta en Fresnillo.

Durante el ejercicio, los precios obtenidos promedio de la plata disminuyeron en 8.3%, y los precios del oro permanecieron sin cambios en términos generales (un aumento del 0.1%). Al mismo tiempo, los precios promedio del zinc y el plomo, que son productos derivados de nuestras operaciones de plata y oro, disminuyeron en 5.7% y 7.4%, respectivamente, y esto tuvo un impacto en nuestro desempeño financiero.

Consolidación de crecimiento, maximización del potencial

El primer pilar de nuestra estrategia consiste en maximizar el potencial de nuestras operaciones existentes, y nos complació observar que durante el ejercicio se lanzaron una serie de iniciativas de excelencia operativa que proporcionarán la plataforma para un mayor crecimiento en años futuros.

Por ejemplo, en la mina de Fresnillo, hemos invertido en tecnología innovadora para mejorar la productividad. Con un costo de US\$22.7 millones y con una capacidad de perforación de por lo menos 300 metros al mes, se tiene previsto que una nueva tuneladora con tecnología de punta sea puesta en funcionamiento en el segundo semestre de 2019. Junto con el transportador vertical que fue puesto en funcionamiento a fines de 2017, y la instalación de nuevas cribas vibratorias que ya han demostrado su valor en Saucito, la tuneladora respaldará nuestro impulso para extraer mayor valor de la consolidada mina Fresnillo. Por favor véase la página [x] si requiere más detalles.

Mientras tanto, en San Julián hemos abordado el problema de la escasez de agua que limitó la producción durante los primeros meses de 2018. A corto plazo, esto implicó cavar pozos, pero acorde con nuestro compromiso de tener siempre una visión a largo plazo, hemos finalizado con éxito la realización de consultas entre la población indígena en relación con la construcción de un nuevo tanque de agua, que garantizará que haya suficiente agua para cubrir el aumento de la producción en San Julián. Por favor vea la página [x] si requiere más detalles.

La tecnología de información (IT) es otro ejemplo de cómo estamos usando la innovación y nuevas formas de trabajo para mejorar la producción al tiempo que se reducen los costos. Por ejemplo, durante 2018 lanzamos o emprendimos una amplia variedad de proyectos que ya están comenzando a transformar la productividad. Por favor vea la página [x] si requiere más detalles.

Crecimiento a través de proyectos de desarrollo

Confío plenamente en que podré hacer un anuncio positivo sobre nuestro proyecto de desarrollo de Juancipio en su debido momento, tras una evaluación técnica muy detallada que demostró su viabilidad a largo plazo. A ocho kilómetros de distancia de la mina Fresnillo, se espera que Juancipio contribuya tanto a la

producción de plata como de oro, ofreciendo altos rendimientos por nuestras operaciones al tiempo que genera más empleos en el área. Teniéndose prevista su primera producción para el segundo semestre de 2020, Juanicipio confirma la clase mundial del distrito Fresnillo y evidencia la riqueza de recursos que ya se han descubierto allí, así como aquellos que aún están por descubrirse.

Además, la primera etapa de nuestra nueva planta de Piritas ha sido finalizada y puesta en funcionamiento respetando el presupuesto, únicamente con retrasos menores. Aunque la inicialización no se aceleró como se esperaba debido a problemas con las fresadoras verticales que ya han sido resueltos, la planta hará una contribución importante a la producción, extrayendo cantidades adicionales de oro y plata de los jales históricos y actuales en las minas Fresnillo y Saucito. La etapa dos se encuentra en marcha y se espera que se concluya en el segundo semestre de 2020.

También nos complace poner en funcionamiento la segunda línea de la Planta de Lixiviación Dinámica (DLP, por sus siglas en inglés) en Herradura durante el ejercicio. El período de prueba llevó más tiempo del esperado, y a pesar de la producción proveniente de la planta durante el ejercicio, la producción comercial inició hasta 2019. Ahora finalizada, la DLP está procesando 8,000 toneladas extra al día de mineral de alta ley del pozo, llevando la producción diaria de las dos plantas DLP a 16,000 toneladas. También en Herradura, las pruebas de las plataformas de lixiviación llevaron a un aumento de 98.9 mil onzas de oro en el inventario.

Ampliando los proyectos de crecimiento

Nuestra aproximación a la exploración es una de las cualidades que nos distinguen de nuestros competidores. Allí donde ellos pueden elegir recortar la exploración para enfrentar retos de precios a corto plazo, nuestro compromiso permanece inequívoco e inmutable, independientemente del clima económico prevaleciente. En vez de elegir impulsar nuestros proyectos a través de adquisiciones, seguimos determinados en alimentar dichos proyectos de manera orgánica —aprovechando las habilidades de más de 100 talentosos geólogos para explorar oportunidades y desarrollar nuestra base de recursos.

Entre los acontecimientos de exploración más significativos del año, seguimos teniendo un buen avance en Orisyvo y Guanajuato, en tanto que el proyecto de Rodeo está demostrando buen potencial. A finales de 2018, nuestros recursos de plata eran de 2.2 boz, una disminución del 5.0% con respecto al año previo, ascendiendo nuestras concesiones mineras de exploración a 1.5 millones de hectáreas en México. Nuestros recursos de oro aumentaron en 1.8% durante el ejercicio, a 39.1 moz.

Además, en 2018 tomamos medidas decisivas en la internacionalización de nuestra Sociedad, esperándose ahora la perforación en dos proyectos en Chile con buen potencial. También estamos trabajando mucho para obtener los permisos necesarios en Perú y seguimos explorando proyectos en Argentina.

Fomento y mejora de la sustentabilidad en nuestras operaciones

La seguridad de nuestros empleados y contratistas es nuestra mayor prioridad y estaremos vigilando continuamente nuestro desempeño, introduciendo nuevas iniciativas para solucionar cualquier laguna o falla en nuestros procesos. Es por ello que los cinco decesos que experimentamos durante el ejercicio y el otro a principios de 2019 fueron profundamente tristes y totalmente inaceptables. Aunque reconocemos que la seguridad de los contratistas es un reto particular para nuestra industria, este desempeño es claramente inaceptable. La seguridad de todos nuestros empleados y contratistas es la mayor prioridad de nuestra agenda de HSECR para 2019, y renovaremos nuestros esfuerzos para alinear a los empleados y contratistas con nuestro compromiso de seguridad.

Como destacué en el informe del ejercicio anterior, comenzamos a desarrollar un nuevo programa de seguridad durante 2018, después de los alentadores resultados de la fase piloto en nuestras minas Fresnillo y Saucito. Conocido como *Me Cuido, Nos Cuidamos*, este programa desarrolla y fortalece nuestros procesos existentes. El aspecto clave de *Me Cuido, Nos Cuidamos* es que anima al personal a reportar completamente todos los incidentes, sin importar qué tan menores sean, de modo que nuestro equipo de seguridad pueda identificar su causa raíz, desarrollar concientización de riesgo y poner en práctica medidas para impedir su repetición. Se espera que su despliegue finalice en 2019. Por favor, vea la página [X] si requiere mayores detalles.

En términos de sustentabilidad ambiental, rebasamos un hito importante en 2018. Más del 60% de la electricidad que consumimos es ahora suministrada por medio de energía eólica, y es nuestra intención aumentar este porcentaje al 75% para el segundo semestre de 2019. La disminución resultante en nuestras emisiones de carbono también será respaldada por una iniciativa para convertir varios camiones de nuestra flota de diesel a Gas Natural Líquido, lo cual beneficiará al medio ambiente al tiempo que reducirá nuestros costos.

Nuestras sólidas prácticas ambientales, sociales y de gobierno han sido reconocidas nuevamente por organizaciones externas. No solamente conservamos nuestro lugar en el FTSE4Good Index, sino que también nos unimos a los Líderes de STOXX Global ESG por primera vez. Además, recibimos o conservamos un gran número de premios y certificaciones nacionales e internacionales, incluyendo:

- Un premio de Ética y Valores de la Confederación de Cámaras Industriales (Concamin) en México
- El Premio de Responsabilidad Social de la Procuraduría Federal de Protección al Medio Ambiente (Profepa) en México
- Un Premio de la Profepa por Excelencia Ambiental en Saucito y Herradura
- Certificación de Industria Limpia nacional de la Profepa
- Certificaciones internacionales, entre las que se encuentran el Código de Cianuro en Herradura y Noche Buena; ISO 14,001 (Medio ambiente); y OHSAS 18,001 (Seguridad y Medio ambiente)

El año por venir

Tenemos previsto que 2019 será un año con mayores retos que 2018, debido a la existencia de una serie de variables en la industria que pueden afectarnos potencialmente. Mientras que es posible que la volatilidad de los precios de los metales preciosos disminuya, los precios mismos pueden disminuir, por ejemplo, y podríamos ver vientos desfavorables debido a una inflación más alta y posiblemente un empeoramiento del tipo de cambio US\$-Peso. Las inversiones significativas que hemos hecho en años recientes se traducirán inevitablemente en mayores costos de depreciación, y esto, a su vez, afectará nuestro desempeño financiero. Además, la producción de plata y oro puede reducirse temporalmente, a medida que invertimos tiempo y recursos en la consolidación de nuestros logros anteriores y preparamos el camino para un mayor crecimiento en años futuros, al tiempo que nos enfocamos en mejorar la seguridad.

Ninguno de estos posibles acontecimientos es poco común, ni nos plantea problemas a los que no nos hayamos enfrentado antes. El cambio forma parte del ciclo de negocios. Seguiremos firmes en nuestra estrategia, con el claro conocimiento de que ésta nos ha guiado a través de una amplia variedad de condiciones de mercado y políticas en el pasado y lo hará nuevamente en el futuro.

Aunque nos enfrentamos a presiones de corto plazo, los fundamentos de largo plazo siguen siendo sólidos. Nuestro modelo está demostrado, nuestro personal es calificado, experimentado y dedicado, y el historial de creación de valor a través del crecimiento y rendimiento seguirá siendo nuestra característica definitoria.

Octavio Alvírez
- Director Ejecutivo

NUESTROS MERCADOS

SIENDO UN IMPORTANTE PROTAGONISTA EN LA INDUSTRIA GLOBAL DE LOS METALES PRECIOSOS, NOS AFECTA LA DINÁMICA DE LOS MERCADOS DE LA PLATA Y EL ORO.

MÉXICO TIENE UN LARGO HISTORIAL MINERO QUE DATA DE MÁS DE 500 AÑOS, APUNTALADO POR SU VASTO POTENCIAL GEOLÓGICO, PERSONAL CALIFICADO, SÓLIDAS LEYES MINERAS Y MECANISMOS PARA CREAR VALOR COMPARTIDO.

AHORA ESTAMOS EXPLORANDO OPORTUNIDADES PARA APLICAR LA PERICIA Y CONOCIMIENTOS QUE HEMOS OBTENIDO CON LOS AÑOS A NUEVAS UBICACIONES EN MÉXICO Y EN OTRAS PARTES DE AMÉRICA LATINA.

	2018	2017	2016	2015
Grupo de empresas afines: productores de plata primaria producción en moz				
Fresnillo plc	61.8	58.7	50.0	47.0
Polymetal International plc	25.3	26.8	29.0	32.0
Hochschild Mining plc	19.7	19.1	17.0	15.0
Coeur Mining, Inc.	12.9	12.1	15.0	16.0
Hecla Mining Company	10.4	12.5	17.0	12.0
Silver Standard Resources Inc.	[]	5.0	10.0	10.0
Silver Corp Metals Inc.	6.0	6.4	6.0	4.0
	2018	2017	2016	2015
Grupo de empresas afines: productores de plata global (productos derivados y primaria) producción en moz				
Fresnillo plc	61.8	58.7	50.0	47.0
KGHM Polska Miedz S.A.	[39.2]	38.9	38.0	41.0
Goldcorp Inc.	25.0	28.6	28.0	40.0
Pan American Silver Corp.	24.8	25.0	25.0	26.0
BHP Billiton	15.0	10.8	13.0	11.0
South32 Limited	12.5	15.6	21.0	22.0
	2018	2017	2016	2015

**Grupo de empresas afines:
productores de oro medianos
producción en koz**

Agnico Eagle Mines Limited	1,627	1713	1663	1671
Randgold Resources Limited	1283	1315	1253	1211
Polymetal International plc	1216	1075	890	861
Fresnillo plc	923	911	935	762
OceanaGold Corporation	533	575	417	419
Petropavlovsk plc	422	440	416	504
Coeur Mining Inc.	368	383	358	328
Hochschild Mining plc	260	255	246	166

Fresnillo en contexto

Entre las empresas mineras de metales preciosos más importantes, Fresnillo es única en el sentido de que la plata y el oro hacen aportaciones significativas cada uno a los ingresos del Grupo, y también debido a que todas nuestras operaciones están ubicadas en México. Como tal, estamos expuestos a la dinámica del mercado de la industria global de los metales preciosos, así como la dinámica específica de las empresas que operan en México.

En la plata, consideramos que nuestro grupo de empresas afines son otras empresas mineras de plata primaria; no obstante el hecho de que casi dos tercios de la producción mundial se obtiene como producto derivado del oro, plomo, zinc y minas de cobre. Independientemente de lo anterior, Fresnillo ha sido por mucho tiempo el principal productor mundial de plata, tanto en productos derivados como producto primario, y nuestra meta es mantener esta posición de liderazgo a futuro.

También somos el productor de plata más grande de México, siendo nuestras empresas afines otras empresas de oro globales que tienen niveles similares de producción anual.

El mercado de los metales preciosos

Los precios de la plata operaron a su nivel más bajo, de US\$14.0/oz en noviembre, hasta su nivel más alto de US\$17.6/oz a principios de 2018, finalizando el año con una disminución del 8.5%. El precio realizado promedio también disminuyó en un 8.3%, de US\$16.9/oz en 2017, a US\$15.5/oz en 2018. Por otra parte, el oro finalizó el año con una disminución marginal (-1.6%), permaneciendo plano el precio realizado promedio en términos generales, en US\$1,269.1/oz (+0.1%), de un año a otro. Esta diferencia entre los precios de los dos metales es una continuación de la tendencia que ha sido evidente desde 2011, como se observa en la

proporción de oro y plata, superando la plata el desempeño del oro en general únicamente en ambientes vigorosos de metales preciosos.

2018 fue un año en el que tanto los precios del oro como de la plata permanecieron bajo presión con el fortalecimiento del dólar estadounidense, el aumento de las tasas de interés de la Reserva Federal Estadounidense tres veces durante el año, y una economía dinámica de los Estados Unidos, impulsada por los recortes fiscales en el primer semestre, todo ello alimentando un sentimiento positivo para los inversionistas.

Habiendo dicho esto, en el cuarto trimestre hubo un movimiento positivo en los precios de ambos metales, reforzado por la posibilidad de que la Reserva Federal estadounidense frene su ruta de contracciones monetarias entrando a 2019, impulsada por la posibilidad de un debilitamiento de la economía estadounidense.

Fresnillo plc no tiene una postura sobre la dirección que van a tomar los precios, la demanda o el sentimiento; sin embargo, damos seguimiento a los movimientos de los precios y dinámicas de mercado usando principalmente análisis y pronósticos de terceros para respaldar nuestras proyecciones financieras y estrategias de administración de efectivo, y los precios seguirán influyendo las consideraciones presupuestales en áreas tales como exploración y la temporalidad de ciertos gastos de capital.

Oferta y demanda

Plata

La producción minera proporciona la mayoría del suministro de plata, proviniendo el resto de reciclado y desechos. Este año, se prevé que la oferta total de plata alcance 998.4 moz⁴. De acuerdo al Instituto de la Plata, se espera que el mercado tenga un excedente físico en 2018 de 35.3 moz, impulsado por el regreso al crecimiento de la oferta minera después de dos años de disminución, y se espera que la demanda física se contraiga, impulsada por una menor demanda de lingotes y monedas.

El crecimiento en términos de oferta en la producción fue marginal, y muy por debajo del nivel más alto de 895.1 moz en 2015. Esto se debe parcialmente a que no se están encontrando nuevos depósitos grandes, después de una tendencia a un gasto de capital más bajo por parte de los mineros en años previos.

⁴ Revisión de Refinitiv Interim Silver Market, 15 de noviembre de 2018, Ciudad de Nueva York

Se espera que la demanda de plata, de la cual la demanda industrial representa aproximadamente el 60%, siga contrayéndose, impulsada por las disminuciones de un año a otro en la demanda de inversión. Esto es impulsado parcialmente por factores en los Estados Unidos, ya que los inversionistas han acudido a los mercados secundarios para las compras de barras y monedas, así como factores de otros lugares, tales como un clima de debilitamiento económico que ha perjudicado la demanda en China. Sin embargo, la demanda industrial siguió siendo vigorosa, reflejando las características únicas del metal. Estas incluyen conductividad eléctrica y térmica excepcionalmente alta, que hacen de la plata un componente importante para una amplia gama de productos, desde aparatos electrónicos hasta aplicaciones antibacteriales.

Viendo a futuro, dado que la disminución continua de la plata para usos fotográficos no está siendo compensada por un aumento en el uso fotovoltaico, como había ocurrido en años previos, se prevé que la oferta de plata siga en excedente, teniendo como resultado que el precio de la plata siga encontrándose bajo presión.

Oro

Como en el caso de la plata, la producción de la mina representa la mayoría del suministro de oro mundial, haciendo el material reciclado la diferencia. En 2018, la producción mundial de oro aumentó de manera marginal, produciéndose 4,490 toneladas⁵.

La demanda de oro ha sido impulsada tradicionalmente por su estatus como inversión de puerto seguro. Los consumidores e inversionistas adquieren el metal para proteger sus ahorros y poder adquisitivo en un ambiente de alta inflación y tasas de interés bajas y como medio para diversificarse del dólar estadounidense. En algunos mercados, el oro tiene un fuerte atractivo cultural, encabezando nuevamente China y la India la demanda de joyería de oro. En este año, los Bancos Centrales han vuelto a comprar oro, con niveles de actividad que no se han visto desde 2015. Los bancos están añadiendo a sus reservas extranjeras para equilibrar el riesgo de moneda plana, especialmente debido a que los bancos de mercados emergentes tienen la tendencia a tener altas asignaciones de las tesorerías estadounidenses.

Como se describió [anteriormente], el desempeño a corto plazo del oro es afectado fuertemente por la percepción del riesgo en la economía mundial, la fortaleza del dólar estadounidense y el impacto de la reforma económica. A un plazo más largo, el oro es respaldado por una creciente clase media en mercados

⁵ Consejo Mundial del Oro, Tendencias de Demanda del Oro Año completo y cuarto trimestre de 2018, 31 de enero de 2019

emergentes y la percepción permanente de la función del oro como reserva de riqueza.

Véanse los sitios de red del Instituto de la Plata y del Consejo Mundial del Oro si requiere información actualizada de la industria y los mercados.

Tendencias clave de la industria

La industria minera mundial está sujeta a una serie de tendencias subyacentes que afectan su competitividad y viabilidad. Dado que muchas de estas tendencias están alineadas con nuestros riesgos clave, incluimos un análisis detallado de sus implicaciones, así como nuestra respuesta y acciones de mitigación en las páginas XX-XX.

Inversión de capital y reemplazo de recursos

Dado que los precios de metales preciosos continúan bajo presión, muchas empresas mineras han seguido concentrándose en el fortalecimiento de sus balances generales, sostener sus niveles de producción actuales y aumentar sus reservas y recursos. Para muchos, estas últimas dos metas han resultado desafiantes, después de muchos años de inversión insuficiente en exploración. Como pudimos ver hacia finales de 2018 y principios de 2019, ha habido una consolidación de las empresas mineras a través de la adquisición.

La oportunidad para Fresnillo

Nuestra estrategia consistente siempre ha sido invertir en todos los ciclos de precios, manteniendo un sólido balance general. Este enfoque dual ha sido y sigue siendo un factor de diferenciación clave para Fresnillo – nos ha permitido construir un cimiento sólido a partir del cual seguiremos buscando crecer a través de la exploración, añadiendo únicamente onzas a bajo costo y de calidad, sin diluir nuestra base de recursos.

Mantenimiento de nuestra licencia de operación

Las empresas mineras deben navegar complejos problemas y regulaciones para mantener sus licencias de operación y desarrollar operaciones sustentables. Los factores ambientales y sociales son cada vez más importantes, afectando el nacionalismo de recursos en muchas jurisdicciones la regulación e imposición. Además, la presión de organizaciones no gubernamentales (ONGs) y comunidades tanto organizadas como ad hoc, pueden ocasionar paros en el trabajo, cierres de proyectos y mayor presión para los beneficios comunitarios tangibles y mecanismos de creación de valor compartidos.

La oportunidad para Fresnillo

Nos esforzamos por asegurarnos de que las comunidades cercanas a nuestras operaciones se beneficien del éxito de nuestras operaciones. Iniciativas tales como el programa de lectura Picando Letras, una amplia variedad de programas de salud y actividades compartidas, han resultado muy exitosos en la mejora de las vidas y prospectos de aquellos que dependen de nosotros o son afectados por nuestras operaciones. Para saber más de lo que hacemos para nuestras comunidades locales y cómo mantenemos nuestra licencia para operar, por favor vea nuestra sección de Sustentabilidad en las páginas XX-XX.

Un cambio a fuentes de energía renovables

Como en el caso de muchas industrias de extracción, las actividades mineras de metales preciosos contribuyen a las emisiones de gas de efecto invernadero, y por lo tanto, los mineros tienen un claro deber de ser ambientalmente responsables. El cambio hacia una mayor responsabilidad está trasladando la industria hacia un futuro más limpio, ya que hace activamente cambios operativos para reducir las emisiones de GHG y mejorar la eficiencia energética.

La oportunidad para Fresnillo.

Como se describe en las páginas [X], Fresnillo se ha comprometido a garantizar que los recursos renovables proporcionen el 75% de todas nuestras necesidades de electricidad para finales de 2019. Además, en conjunción con Caterpillar, hemos probado y actualmente estamos buscando desarrollar nuestro uso de Gas Natural Líquido, reduciendo la necesidad del uso de diésel en nuestra flota de camiones en nuestras operaciones a cielo abierto.

Nuestro modelo y estrategia de negocios han seguido constantes con el tiempo, manteniendo nuestro enfoque conservador al crecimiento y apalancamiento, combinado con un compromiso con la excelencia operativa, prácticas de negocios responsables y asignación de capital disciplinada. Juntos, estos factores se combinan para ofrecer valiosa protección contra inconvenientes, permitiéndonos ofrecer rendimientos a las partes interesadas año con año, incluso en el ambiente de los mercados actuales. Al mismo tiempo, el potencial aspecto positivo sigue siendo alto, dada nuestra inversión consistente en exploración.

El ambiente de negocios en México

México tiene la segunda economía más grande de América Latina y se caracteriza por un marco fiscal y legal maduro y relativamente estable. A pesar de la tradición minera de 500 años del país, su potencial geológico sigue siendo tan fuerte como siempre, con poco menos de 350 empresas realizando proyectos mineros en el

País⁶ La industria emplea directamente a más de 370,000 personas y representa el 2.5% del PIB nacional de México⁷. México sigue siendo el productor de plata más grande del mundo y uno de los principales productores mundiales de oro, cobre y zinc, entre otros minerales. Todas las operaciones actuales de Fresnillo se encuentran ubicadas en México y seguimos estando comprometidos con las oportunidades a largo plazo en el país.

En 2018 se celebraron elecciones presidenciales y del congreso, y una nueva administración entró en funciones el día 1 de diciembre de 2018.

RETOS EN EL PAÍS ESPECÍFICOS PARA FRESNILLO PLC

Obtener acceso a terrenos – Riesgo principal número X

VÉASE LA PÁGINA XX

Corrupción, parte de las acciones Potenciales por parte del Gobierno – Riesgo principal número X

VÉASE LA PÁGINA XX

Seguridad – Riesgo principal número X

VÉASE LA PÁGINA XX

“NUESTRA ESTRATEGIA SIEMPRE HA SIDO INVERTIR A LO LARGO DE TODOS LOS CICLOS DE PRECIOS, MANTENIENDO UN SÓLIDO BALANCE GENERAL.”

⁶ https://www.sgm.gob.mx/Web/SINEM/mining/mining_companies.html

⁷ <https://www.export.gov/article?id=Mexico-Mining-and-Minerals>

MODELO Y ESTRATEGIA DE NEGOCIOS

NUESTRO MODELO DE NEGOCIOS ABARCA LA CADENA DE VALOR MINERA COMPLETA, DESDE LA EXPLORACIÓN, DESARROLLO Y CONSTRUCCIÓN, HASTA LAS OPERACIONES MINERAS, RESPALDADA POR RECURSOS Y RELACIONES ESTRATÉGICOS ESENCIALES PARA LA EJECUCIÓN EFECTIVA DE LAS OPERACIONES.

QUÉ HACEMOS

LA MINERÍA DE ORO Y PLATA COMPRENDE EL NÚCLEO DE NUESTRO MODELO DE NEGOCIOS. GENERAMOS INGRESOS VENDIENDO LOS METALES CONTENIDOS EN EL MINERAL QUE EXTRAEMOS Y PROCESAMOS. NOS ASEGURAMOS DE LA LONGEVIDAD DE NUESTRAS OPERACIONES EXPLORANDO Y DESARROLLANDO NUEVOS PROYECTOS.

NUESTRA ESTRATEGIA

NUESTRA ESTRATEGIA ESTÁ INTRÍNSECAMENTE ENLAZADA A NUESTRO MODELO DE NEGOCIOS.

PARA MAYOR INFORMACIÓN SOBRE NUESTRA ESTRATEGIA Y DESEMPEÑO VÉANSE LAS PÁGINAS 74-103

APUNTALADA POR NUESTROS VALORES DE INTEGRIDAD, CONFIANZA, RESPONSABILIDAD Y LEALTAD QUE DEMUESTRAN NUESTRA CULTURA ÉTICA Y ESTÁN ARRAIGADOS EN NUESTROS COMPORTAMIENTOS.

[IMAGEN Y ESTRATEGIA DEL MODELO DE NEGOCIOS]

RECURSOS Y RELACIONES

PERSONAL

Confiamos en las habilidades, experiencia y compromiso de nuestro personal para cumplir con nuestras metas de negocios. La atracción, contratación y desarrollo del mejor talento son fundamentales para la ejecución de nuestro plan estratégico.

PARA MAYOR INFORMACIÓN VÉANSE LAS PÁGINAS XX-XX

Contamos con un personal calificado de 5,139 trabajadores y empleados sindicalizados y 12,462 contratistas, y un equipo de liderazgo con experiencia e impulsado por el valor.

RECURSOS NATURALES

Nuestras operaciones dependen de una variedad de recursos naturales, incluyendo agua superficial, terrenos, energía y combustible. La optimización de nuestro uso de estos recursos, la minimización del impacto de nuestras actividades y el ser transparente y responsable en relación con nuestra huella ambiental, son esenciales para mantener nuestra licencia para operar.

1.8 millones de hectáreas de terrenos superficiales en concesiones mineras

1,321 megalitros de agua reciclada en nuestros procesos (eficiencia del 80.16%)

26,000 toneladas de CO₂e evitadas a través del uso de energías renovables

PARA MAYOR INFORMACIÓN
VÉANSE LAS PÁGINAS XX-XX

RELACIONES CON PARTES INTERESADAS CLAVE

Nuestra licencia social para operar es nuestro activo intangible más valioso. La confianza sostenida de nuestras partes interesadas mitiga el riesgo de conflictos que comprometerían de otro modo nuestra capacidad de ejecutar nuestra estrategia de negocios.

PARA MAYOR INFORMACIÓN
VÉANSE LAS PÁGINAS XX-XX

Trabajamos con más de 230 proveedores locales

FORTALEZA Y CONTROL FINANCIERO

Mantenemos estrictos controles en el efectivo, costos y gastos, y cumplimos estrictamente con los presupuestos de gastos de capital. Nuestra sana posición relativa a efectivo y otros fondos líquidos⁸, equilibrados por nuestro bajo índice de apalancamiento, garantizan recursos suficientes para invertir en el fomento de nuestra cartera de proyectos y ofrecer rendimientos a los accionistas.

⁸ El efectivo y otros fondos líquidos se divulgan en la nota 30c de los Estados Financieros

Balance general sano e índice de apalancamiento bajo

Capital total de US\$3,128.3 millones

PARA MAYOR INFORMACIÓN
VÉANSE LAS PÁGINAS XX-XX

PROPIEDAD Y EQUIPO

Nuestros activos, que incluyen propiedades, infraestructura, plantas de procesamiento y equipo minero, nos dan la capacidad de cumplir con nuestros objetivos de producción. Operamos estos activos concentrándonos en una mejora continua en la productividad y una mayor eficiencia en el consumo de materiales y energía.

PARA MAYOR INFORMACIÓN
VÉANSE LAS PÁGINAS XX-XX

El valor neto en libros de la propiedad, planta y equipo de US\$2,693.1 millones.

TECNOLOGÍA

Aprovechamos los conocimientos de nuestros empleados para identificar y poner en práctica soluciones tecnológicas innovadoras y efectivas para apoyar la toma de decisiones y hacer frente a los retos relacionados con nuevos proyectos, minas maduras con leyes minerales en disminución y las crecientes expectativas sociales y ambientales. Nos aseguramos de que nuestras redes, sistemas y datos sean seguros, de conformidad con las mejores prácticas.

PARA MAYOR INFORMACIÓN
VÉANSE LAS PÁGINAS 50-51

Las inversiones permanentes en las soluciones inteligentes más recientes para mejorar la seguridad, productividad y toma de decisiones y para identificar y abordar las lagunas en ciberseguridad.

CREACIÓN DE VALOR

Nuestras actividades crean valor económico en las regiones donde operamos a través de sueldos y prestaciones, pagos a contratistas y proveedores locales e impuestos municipales, estatales y federales.

Los parámetros que consideramos al medir la creación de valor son identificados por los grupos de partes interesadas clave.

EMPLEADOS

Nuestra meta es proporcionar un ambiente de trabajo seguro con oportunidades de capacitación y desarrollo.

- US\$88.8 millones en prestaciones y pagos a empleados.
- 293 talleres “Me cuido, Nos cuidamos” impartidos a 9,991 empleados y contratistas.

COMUNIDADES

Invertimos en las comunidades locales donde operamos, y buscamos minimizar nuestros impactos ambientales.

- Inversión social a través de aportaciones directas a las comunidades locales: US\$3.1 millones.
- Programas de lectura que benefician a 8,500 niños en 72 escuelas.
- 1,321 megalitros de agua reciclada en nuestros procesos (eficiencia del 80.2%).

GOBIERNO

Cumplimos con todas las leyes aplicables y generamos valor económico a través de nuestras operaciones.

- Pagos a gobiernos locales: US\$3.6 millones.
- Pagos al gobierno federal: US\$225.6 millones.
- Obtención de permisos de exploración, derechos mineros y ambientales.
- Concesión minera pagada: US\$13.3 millones.

ACCIONISTAS

Generamos rendimientos financieros sustentables a largo plazo.

- EBITDA US\$915.1 millones
- Utilidad del ejercicio US\$350 millones
- Ganancias por acción 0.48 (US\$/acción).
- US\$298.1 millones pagados en dividendos.

PROVEEDORES

Ofrecemos precios justos y proporcionamos apoyo técnico a nuestros proveedores.

- Pagos a los proveedores (contratistas): US\$1,447.2 millones.

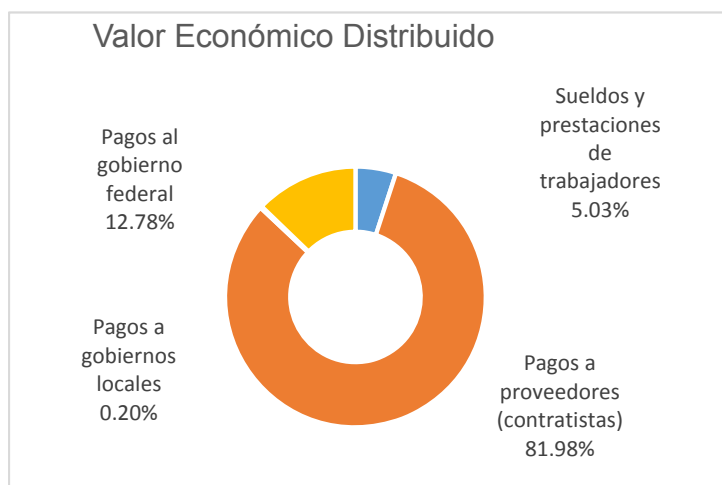
CLIENTES

- Cargos de tratamiento y refinación: US\$141.2 millones en 2018.

AFILIACIONES A ORGANIZACIONES

- Somos miembros activos de varias organizaciones y asociaciones mineras donde usamos nuestra influencia para promover un mayor reconocimiento de las ventajas que la minería aporta la sociedad.

VALOR ECONÓMICO DISTRIBUIDO



Véase la página XX para mayor información.

Relaciones con partes interesadas clave

DEPENDEMOS DE NUESTRAS SÓLIDAS RELACIONES CON NUESTRAS PARTES INTERESADAS CLAVE PARA OBTENER CONFIANZA Y ACEPTACIÓN SOCIAL PARA NUESTRAS OPERACIONES, PARA CONSERVAR NUESTRA LICENCIA DE OPERACIÓN Y PARA CREAR VALOR COMPARTIDO. CON ESTE OBJETO, NOS COMPROMETEMOS CON LAS COMUNIDADES DONDE OPERAMOS, ASÍ COMO CON LOS SINDICATOS, CONTRATISTAS, SOCIOS Y PROVEEDORES. TAMBIÉN TRABAJAMOS DE MANERA CERCANA CON EL GOBIERNO Y REGULADORES PARA GARANTIZAR COMUNICACIONES ABIERTAS CON LOS INVERSIONISTAS.

EMPLEADOS Y SINDICATOS

Estrategia de compromiso

- Comprometer a los representantes sindicales de manera constructiva sobre asuntos de contratos colectivos y salud y seguridad.
- Realizar encuestas sociales, éticas y de lugar de trabajo para identificar problemas que sean importantes para los empleados.
- Operar programas de Salud y Seguridad en cada unidad de operaciones para fomentar el diálogo directo entre los empleados y la administración.
- Operar la línea de denuncia de irregularidades “Fresnillo Juega Limpio”

Asuntos importantes para nuestras partes interesadas

- Remuneración.
- Condiciones de trabajo.
- Derechos laborales.
- Derechos humanos.
- Salud y Seguridad Laboral.
- Seguridad.

Cómo abordamos estos asuntos

- Remuneración competitiva, capacitación y oportunidades de desarrollo para conservar nuestro talento.
- Respetar nuestras normas laborales y respetar los derechos humanos para garantizar un ambiente de trabajo positivo.
- Operar un sistema de administración de Salud y Seguridad Laboral basado en las mejores prácticas para garantizar un lugar de trabajo seguro y sano.
- Capacitar a los empleados para arraigar la ética y seguridad en nuestra cultura.
- Dar seguimiento a situaciones de seguridad, manteniendo comunicaciones internas claras y relaciones cercanas con las autoridades a los niveles federal, estatal y local.

COMUNIDADES LOCALES Y SOCIEDAD CIVIL

Estrategia de compromiso

- Reunirse regularmente con las partes interesadas clave para entender y analizar sus preocupaciones.
- Realizar Evaluaciones de Impacto Ambiental para identificar los impactos negativos potenciales y estudios de Percepción para capturar las expectativas de las comunidades.
- Operar mecanismos de agravio para abordar las preocupaciones de las comunidades.
- Consultar a las comunidades indígenas sobre nuevos proyectos.

Asuntos importantes para nuestras partes interesadas

- Sus valores y tradiciones.
- Oportunidades de empleo y abastecimiento.
- Infraestructura y servicios públicos
- Adquisiciones de terrenos y reubicaciones.
- Transparencia en relación con cabildeo de pagos gubernamentales.
- Administración del cianuro, desechos minerales y materiales peligrosos.
- Administración del agua.
- Contaminación de suelos.
- Cambio climático.

Cómo abordamos estos problemas

- Garantizando que se dé prioridad al empleo y abastecimiento local.
- Fortaleciendo las cadenas de suministros regionales a través de la participación en centros mineros en Zacatecas, Sonora y Chihuahua.
- Trabajando con los líderes comunitarios para involucrar a los municipios en proyectos con el Fondo Minero.
- Administrando la cartera de inversión de la comunidad en alianza con ONGs.
- Siguiendo las mejores prácticas para la adquisición de terrenos, reubicaciones y consultas indígenas.
- Divulgando nuestras relaciones gubernamentales y actividades de cabildeo y nuestros programas gubernamentales.

GOBIERNO Y REGULADORES

Estrategia de involucramiento

- Involucramiento con las autoridades federales y reguladores sobre cuestiones de regulación a través de sindicatos tales como CAMIMEX, y de asociaciones de sustentabilidad tales como CESPEDES.
- Involucramiento directo con autoridades federales, estatales y locales en relación con derechos mineros, obtención de permisos ambientales, etc. en las regiones donde operamos.

Asuntos importantes para nuestras partes interesadas

- Administración del agua.

- Administración de desechos minerales y materiales peligrosos.
- Administración del Cianuro.
- Cambio Climático.
- Derechos laborales.
- Derechos humanos.
- Salud y Seguridad.

Cómo abordamos estos asuntos

- Realizar Evaluaciones de Impacto Ambiental para identificar los impactos potenciales y estrategias de mitigación.
- Fomentar la eficiencia energética y obtener suministros de fuentes renovables.
- Observar una administración del Agua Responsable para obtener acceso, el uso eficiente de recursos, protección de la contaminación y cooperación con comunidades.
- Administrar nuestras instalaciones de desechos minerales y peligrosos de manera responsable.
- Administrar el cianuro en cumplimiento con el Instituto Internacional de Administración del Cianuro (ICMI).
- Participar en las certificaciones de Salud, Seguridad y Ambientales de las autoridades mexicanas.

CONTRATISTAS Y PROVEEDORES

Estrategia de involucramiento

- Involucrar a los contratistas con el programa “Me cuido, nos cuidamos” para arraigar la seguridad laboral en nuestra cultura.
- Involucrar a los contratistas para certificar sus sistemas de administración de seguridad laboral y medio ambiente y participar en certificaciones gubernamentales.

Asuntos importantes para nuestras partes interesadas

- Condiciones de trabajo.
- Derechos laborales.
- Derechos humanos.
- Salud y Seguridad Laboral.
- Seguridad.

Cómo tratamos estos asuntos

- Respetar nuestros procedimientos de mano de obra, Salud y Seguridad Laboral y Ambientales.
- Procedimientos de Auditoría Legal para verificar el perfil ético de los nuevos contratistas.
- Proporcionar apoyo técnico para ayudar a los contratistas a cumplir con el programa de Seguridad de Autoadministración.

- Dar seguimiento a la seguridad, manteniendo comunicaciones claras con los contratistas.

ACCIONISTAS

Estrategia de compromiso

- Organizar conferencias telefónicas y giras de presentaciones
- Asistir a foros y conferencias de inversión.
- Asamblea General Anual

Asuntos importantes para nuestras partes interesadas

- Desempeño Operativo y financiero.
- Estrategia de crecimiento.
- Proyectos de Gastos de Capital.

Cómo abordamos estos asuntos

- Criterios de viabilidad estrictos para proyectos de desarrollo, incluyendo tasas de rendimiento para garantizar la adaptabilidad a lo largo de los ciclos de precios.
- Inversión fiscalizada y administración de efectivo disciplinada.

Nuestra estrategia y KPIS

NUESTRA ESTRATEGIA ESTÁ DISEÑADA PARA ASEGURARNOS DE QUE CUMPLAMOS CON NUESTRAS METAS ESTRATÉGICAS EN CADA ELEMENTO DEL MODELO DE NEGOCIOS.

PRIORIDAD ESTRATÉGICA



Ampliar y mantener una cartera de proyectos de crecimiento sólida

ASIGNAR FONDOS A LO LARGO DE LOS CICLOS DE PRECIOS DE METALES; FOMENTAR PROSPECTOS Y PROYECTOS A LO LARGO DE PROYECTOS DE EXPLORACIÓN, DESDE LA ETAPA TEMPRANA HASTA LA EXPLORACIÓN AVANZADA, A MEDIDA QUE SE CUMPLEN CON ERICTOS CRITERIOS; CONVERTIR RECURSOS A RESERVAS.

METAS DE 2018

- Desplegar de manera efectiva US\$200 millones en inversión de exploración.

PROGRESO EN 2018

- Se invirtieron US\$181.2 millones en exploración, con 579,000 metros y 346,455 metros perforados en nuestras minas en operación y proyectos de exploración, respectivamente.
- Las reservas de oro y plata disminuyeron en 6.0% y 5.1%, respectivamente, durante el ejercicio.
- Los recursos de plata disminuyeron en 5.0%, principalmente debido a una menor ley y tonelaje en Saucito.
- Los recursos de oro aumentaron en 1.5% como resultado de un aumento en los recursos en Centauro Profundo.
- Se continuaron las actividades de exploración en todas las minas, poniendo especial énfasis en la perforación de relleno en el Distrito Fresnillo.
- Se continuó la perforación profunda en Juanicipio.
- Se concluyó el estudio de viabilidad en Juanicipio y se llevó a cabo un estudio de Previabilidad en Centauro Profundo.

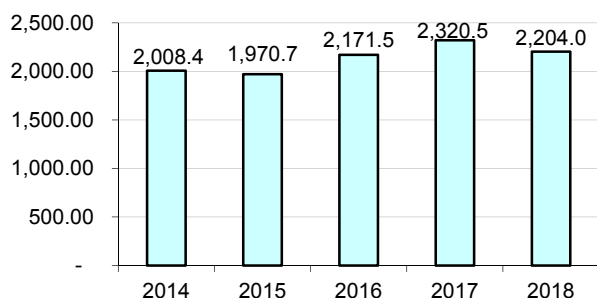
OBJETIVOS DE 2019

- Desplegar efectivamente US\$140 millones en inversión de exploración.
- Acelerar el programa de perforación de relleno en Saucito y San Julián para convertir recursos en reservas.
- Llevar a cabo evaluaciones económicas preliminares en Tajitos y San Juan.
- Continuar los estudios económicos preliminares en Guanajuato y Orisyvo.
- Poner en práctica la perforación paramétrica en dos proyectos en Chile y uno en Perú.
- Hacer pruebas de perforación de nuevos objetivos que han sido identificados en San Julián, Fresnillo y Guanajuato.

KPIS/DESEMPEÑO DEL GRUPO 2018

Cuantifica los recursos medidos, indicados e inferidos en todos nuestros activos como indicador del potencial de crecimiento del Grupo y la capacidad para descubrir y desarrollar nuevos yacimientos minerales.

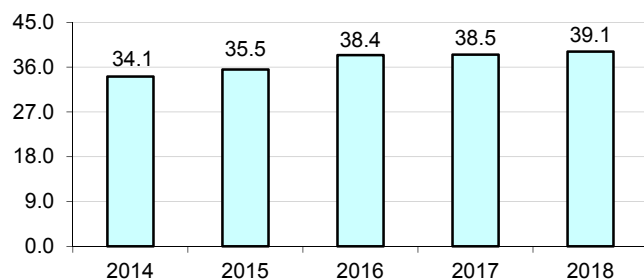
RECURSOS DE PLATA ATRIBUIBLES millones de onzas



2,204.0 moz

Disminución principalmente debido a los resultados en la perforación de relleno y una ley de corte más alta en Saucito, así como agotamiento en Ciénega y San Julián.

RECURSOS DE ORO ATRIBUIBLES millones de onzas



39.1 millones de onzas

Más alto debido a un aumento en Centauro Profundo, cuya compensación disminuye en Ciénega y Noche Buena.

RIESGOS

- Impacto de precios de metal y acontecimientos macroeconómicos mundiales.
- Acceso a terrenos.
- Acciones potenciales por parte del gobierno.
- Seguridad.

- Percepción pública contra la minería.
- Exploración.
- Recursos humanos.

PRIORIDAD ESTRATÉGICA



Ofrecer crecimiento a través de proyectos de desarrollo

Adherirse a plazos de entrega estrictos y presupuestos de gastos de capital.

METAS 2018

- Planta de Piritas: Poner en funcionamiento la planta de lixiviación para procesar los jales de la mina Saucito en el primer semestre de 2018. Continuar la construcción de la planta de flotación de jales en Fresnillo para procesar jales históricos y permanentes que deberán ser puestos en marcha para finales de 2019.
- Poner en funcionamiento la Segunda línea de la planta de Lixiviación Dinámica en Herradura en el segundo trimestre de 2018.
- Concluir el estudio de viabilidad de Juanicipio e iniciar la construcción sujeto a la aprobación del Consejo.

PROGRESO EN 2018

- La construcción de la planta de Piritas (fase I) fue finalizada respetando el presupuesto con una demora menor.
- La puesta en funcionamiento de la segunda línea de la planta de Lixiviación Dinámica fue demorada, ya que las pruebas tomaron más tiempo que el previsto.
- Se finalizó el estudio de viabilidad y se revisaron los contratos de construcción y operativos. Se espera que la construcción comience en 2019 con sujeción a la aprobación del Consejo.

OBJETIVOS DE 2019

- Planta de Piritas (fase II): Continuar la construcción de la planta de flotación de jales en Fresnillo para procesar jales históricos y continuos que deberán ser puestos en funcionamiento en el segundo semestre de 2020.
- Iniciar la construcción de Juanicipio con sujeción a la aprobación del Consejo.

KPIS/DESEMPEÑO DEL GRUPO 2018

Entrega de proyectos: Capacidad de cumplir con los calendarios y presupuestos previstos mide las capacidades de exactitud y ejecución de pronósticos de la administración.

PRESUPUESTO DE GASTOS DE CAPITAL Y GASTOS DE CAPITAL TOTALES A LA FECHA:

AMPLIACIÓN DE CENTAURO

US\$110m y US\$104.6m

PRESUPUESTO DE GASTOS DE CAPITAL Y GASTOS DE CAPITAL TOTALES A LA FECHA: PLANTA DE PIRITAS

US\$155m y US\$79.5m

RIESGOS

- Impacto de precios de metales y acontecimientos macroeconómicos mundiales.
- Acceso a terrenos.
- Acciones potenciales del gobierno.
- Seguridad.
- Percepción pública contra la minería.
- Proyectos (riesgo de desempeño).
- Relaciones con sindicatos.
- Recursos humanos.
- Ciberseguridad.

PRIORIDAD ESTRATÉGICA



OPERAR

Maximizar el potencial de las operaciones existentes al tiempo que se mantiene la posición como productor líder a bajo costo

Optimizar la capacidad y tasas de recuperación ajustando los métodos mineros y procesos de beneficio; generar mejoras continuas en la productividad y controles de costos; aprovechar oportunidades de expansión.

METAS DE 2018

- Producir entre 67-70 moz de plata (incluyendo Silverstream), 870-900 koz de oro.
- Continuar estabilizando las leyes minerales y producción de mineral en la mina Fresnillo.
- Mantener las tasas de desarrollo en nuestras minas subterráneas con el fin de aumentarlas paulatinamente a largo plazo.

PROGRESO DE 2018

- Se produjeron 61.8 moz de plata (incluyendo Silverstream), por debajo del lineamiento actualizado, y estuvo en línea con el lineamiento de oro revisado, produciendo 922.5 koz
- La ley mineral de plata disminuyó debido a diferencias con el modelo geológico y mayor dilución; la producción de mineral permaneció constante de un año a otro.
- Las tasas de desarrollo disminuyeron en el distrito Fresnillo (véanse las páginas XX y XX) y aumentaron en Ciénega.

OBJETIVOS DE 2019

- Producir entre 58-61 moz de plata, 910-930 koz de oro.
- [Mejorar el control administrativo en el distrito Fresnillo para mejorar las tasas de desarrollo y aumentar la productividad].
- [Mejora de la segunda línea de la planta de Lixiviación Dinámica].
- [Contener costos]

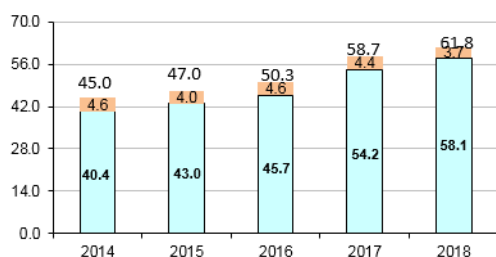
2018 KPIS DEL GRUPO/PRODUCCIÓN

PRODUCCIÓN

Suma de las onzas producidas más las onzas acumuladas a través del contrato de Silverstream. Este indicador da seguimiento a los niveles de producción total en nuestras minas y las contribuciones de los proyectos de desarrollo avanzados.

PRODUCCIÓN DE PLATA millones de onzas

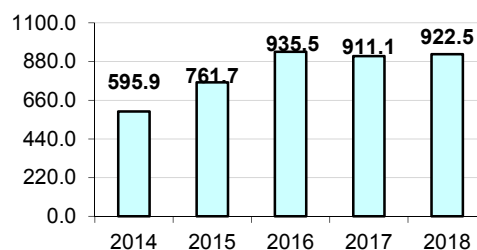
PRODUCCIÓN DE ORO miles de onzas



61.8moz

La gráfica ilustra la producción de plata de nuestras minas, representando la parte sombreada las onzas adicionales conforme al contrato de Silverstream.

Aumento en la producción de plata debido al primer año completo de San Julián (Yacimiento Mineral Diseminado)



922.5koz

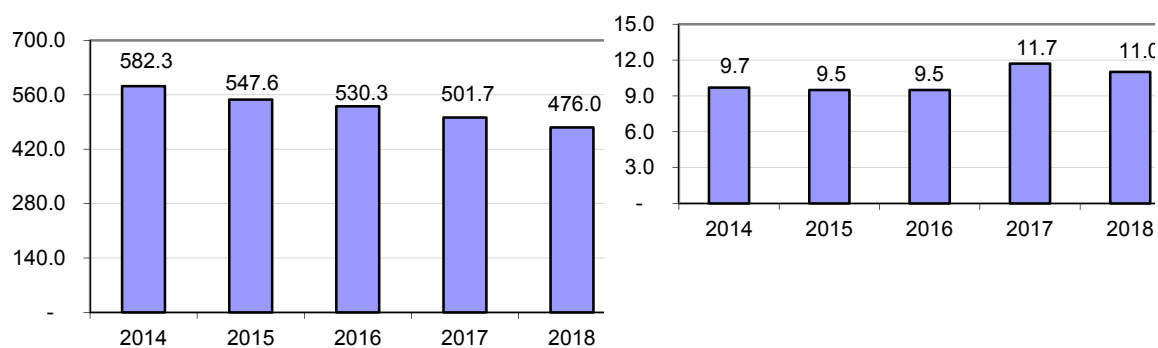
Aumento en la producción de oro debido a un aumento en la ley mineral y la tasa de recuperación en Saucito, la contribución de la nueva planta de Piritas y la ley más alta en Fresnillo.

RESERVAS DEMOSTRADAS Y PROBABLES

Una medida de la calidad de los activos operativos del Grupo y nuestra capacidad de ampliar la vida de las minas en operación a niveles rentables. Nuestra meta era contar con 650 millones de onzas de plata y 7.5 millones de onzas de oro en reservas para finales de 2018. A pesar de no haber cubierto nuestras metas a largo plazo para 2018, tenemos confianza en la calidad y potencial de avance de nuestras operaciones.

RESERVAS DE PLATA millones de onzas

RESERVAS DE ORO millones de onzas



476.0moz 11.0moz

Disminución principalmente debida al agotamiento en San Julián y tonelaje más bajo en Saucito.

Más bajo debido principalmente al agotamiento en Herradura, Noche Buena y las vetas de San Julián.

RIESGOS

- Impacto de los precios de metal y acontecimientos macroeconómicos mundiales.
- Acceso a terrenos.
- Acciones potenciales del gobierno.
- Seguridad.
- Relaciones sindicales.
- Recursos humanos.
- Ciberseguridad.
- Percepción pública contra la minería.

PRIORIDAD ESTRATÉGICA


Fomentar y mejorar la sustentabilidad de nuestras operaciones y mantener nuestra licencia de operación

Consideramos que la minería responsable es compatible con las altas expectativas de las partes interesadas en términos de desempeño ético, social y ambiental, y reconocemos que nuestra licencia social para operar depende de contar con la confianza de nuestras partes interesadas. Esto subraya la importancia de que se integren profundamente las prácticas de negocios responsables en nuestro modelo de negocios, y de que los factores que afecten a las partes interesadas sean considerados en todos los niveles críticos de toma de decisiones.

METAS DE 2018

- Se lanzó un programa para involucrar a nuestra organización en la definición de KPIS con respecto a los resultados que son significativos para nuestras partes interesadas e importantes para el negocio.

AVANCE DE 2018

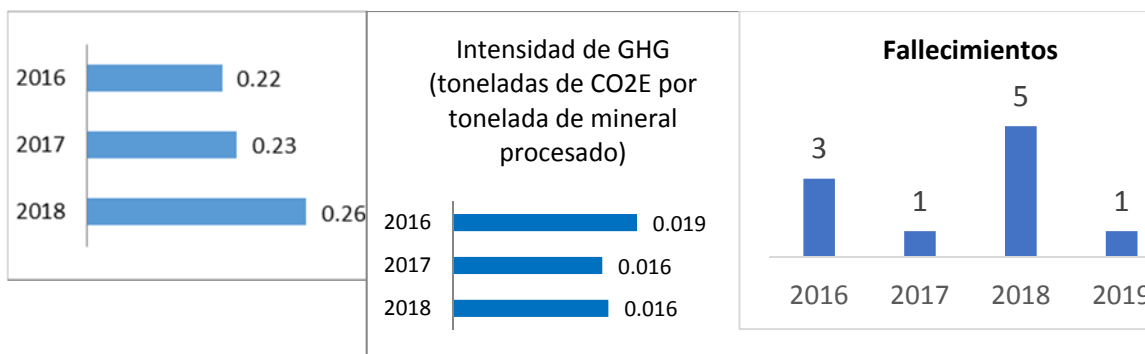
- [PENDIENTE]

OBJETIVOS DE 2019

- Seguir definiendo nuestro Objeto Social, expresar qué es Fresnillo y qué representamos.

2018 KPIS / DESEMPEÑO DEL GRUPO

<u>INTENSIDAD DEL AGUA M3 por tonelada de mineral procesado</u>	<u>INTENSIDAD DE GAS DE EFECTO DE INVERNADERO toneladas de CO2E por tonelada de mineral procesado</u>	<u>FALLECIMIENTOS Y LESIONES a empleados o contratistas</u>
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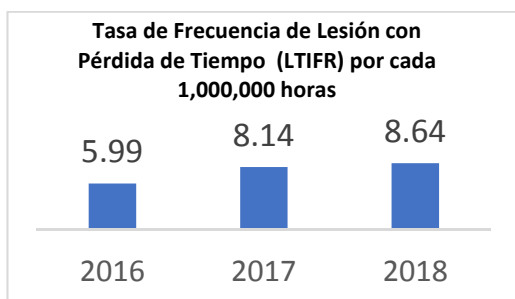
0.26 0.016 5

Entrada de agua por tonelada de mineral procesado

La reducción en nuestra huella de carbono fue impulsada por la compensación de nuestras mayores demandas de energía a través del uso de fuentes de energía renovables.

El aumento se debe a [PENDIENTE]

TASA DE FRECUENCIA DE LESIÓN CON PÉRDIDA DE TIEMPO (LTIFR) POR CADA 1,000,000 horas trabajadas



8.64

El número de lesiones y fallecimientos con pérdida de tiempo por cada 1,000,000 horas de trabajo. Las lesiones con pérdida de tiempo son lesiones de trabajo que hacen que cualquiera de los empleados del Grupo (de tiempo completo o de medio tiempo, directos o subcontratados, sindicalizados o de confianza) no puedan realizar sus labores ordinarias por un turno o más.

Aumentó como consecuencia del [crecimiento del personal y un número mayor de contratistas].

RIESGOS

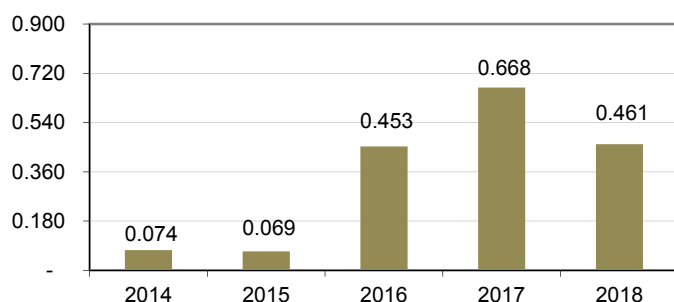
- Acciones potenciales del gobierno
- Seguridad
- Percepción pública contra la minería
- Protección en el trabajo
- Incidentes ambientales
- Recursos humanos

KPIS FINANCIEROS

GANANCIAS POR ACCIÓN EXCLUYENDO LOS EFECTOS DE LA REVALUACIÓN DESPUÉS DE IMPUESTOS DE SILVERSTREAM

La utilidad atribuible a disposición de los accionistas, excluyendo los efectos de la revaluación del contrato de Silverstream dividido entre el número promedio ponderado de acciones emitidas durante el período. Da seguimiento a los niveles de utilidad neta generados para los accionistas.

GANANCIAS POR ACCIÓN EXCLUYENDO LOS EFECTOS DE REVALUACIÓN DE SILVERSTREAM POSTERIORES A IMPUESTOS (US\$/acción)



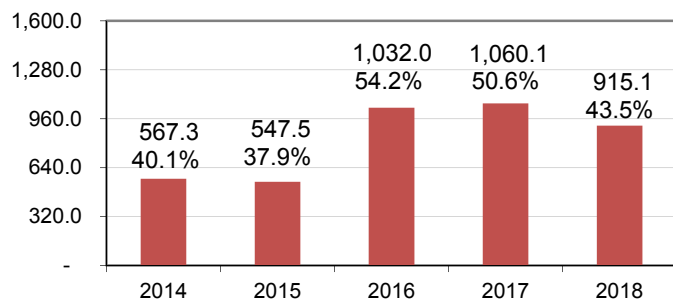
0.461 US\$/acción

Utilidades menores divididas entre un número promedio ponderado sin cambio de acciones emitidas.

EBITDA, MARGEN DE EBITDA Y FLUJO DE EFECTIVO DE ACTIVIDADES DE OPERACIÓN ANTES DE CAMBIOS EN EL CAPITAL DE TRABAJO

El EBITDA es la utilidad bruta más depreciación incluida dentro del costo de ventas, menos gastos administrativos, de venta y de exploración. El margen de EBITDA es el EBITDA dividido entre el ingreso total. Tanto el EBITDA como el flujo de efectivo de las actividades de operación antes de cambios en el capital de trabajo miden la capacidad del Grupo de generar efectivo de sus negocios principales.

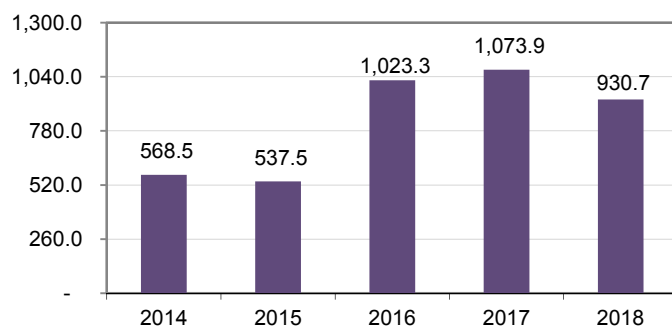
EBITDA Y MARGEN DE EBITDA US\$



US\$915.1m

Disminución como resultado de una menor utilidad bruta y gastos administrativos y de exploración más altos.

FLUJO DE EFECTIVO GENERADO DE OPERACIONES ANTES DE AJUSTES AL CAPITAL DE TRABAJO US\$



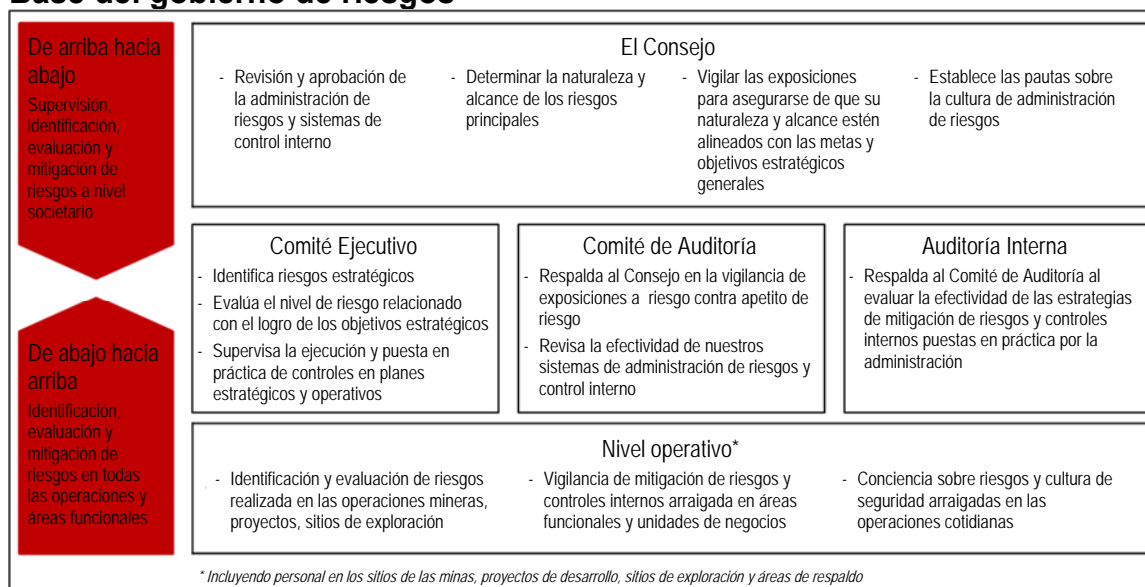
US\$930.7M

Disminución debida a menores utilidades.

ADMINISTRACIÓN DE NUESTROS RIESGOS

Nuestro marco de administración de riesgos se basa en nuestra creencia en la importancia de la conciencia de los riesgos en todo el Grupo. Este marco nos permite identificar, evaluar, priorizar y administrar riesgos para cumplir con los objetivos de creación de valor definidos en nuestro modelo de negocios.

Base del gobierno de riesgos



Sistema de administración de riesgos

Nuestro sistema de administración de riesgos se basa en los procesos de identificación, evaluación, priorización, mitigación y vigilancia de riesgos, que son evaluados, mejorados y enriquecidos continuamente de manera consistente con las mejores prácticas.

Además de nuestras actividades ya establecidas sobre la administración de riesgos, nuestros ejecutivos, incluyendo a los gerentes operativos, el grupo de contralores, los gerentes de HSECR y los gerentes de exploración participan regularmente en el fortalecimiento de la efectividad de nuestros controles actuales. Esto apoya a los ejecutivos y al Consejo en cada una de sus responsabilidades.

Dentro de la fase de identificación de nuestro sistema de administración de riesgos, la sociedad también captura riesgos emergentes que podrían surgir como resultado de nuevos acontecimientos que podrían afectar a Fresnillo, ya sea a nivel macro u operativo. Un ejemplo de lo anterior lo constituyen los nuevos requisitos impuestos por los cambios a la regulación, incluyendo reglas

ambientales más estrictas, la puesta en funcionamiento de un nuevo proyecto y el uso de tecnología subterránea de punta, entre otros.

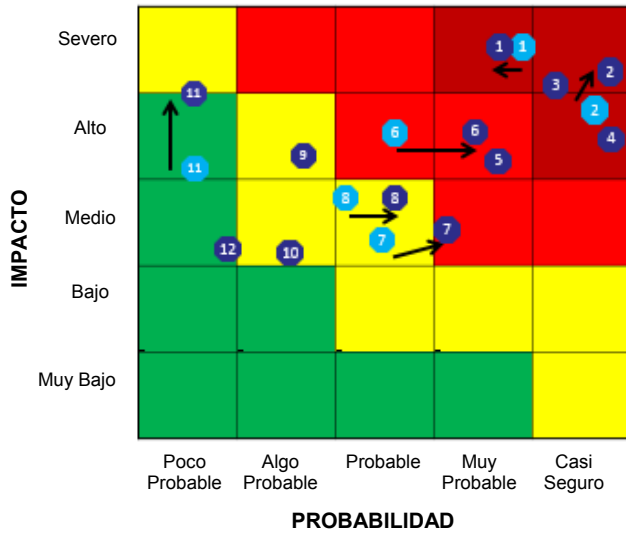
Evaluación de riesgos de 2018

Durante nuestro ejercicio de evaluación de riesgos de 2018, un equipo de 135 personas evaluó 109 riesgos en todas nuestras operaciones, proyectos avanzados, oficinas de exploración y áreas de respaldo y corporativas.

Delimitamos nuestros 109 riesgos en riesgos mayores, que son vigilados por la gerencia ejecutiva y el Comité de Auditoría. Posteriormente, consolidamos estos 109 riesgos en 12 riesgos principales, que son vigilados de manera cercana por el Consejo de Administración.

Como parte de nuestro proceso de abajo hacia arriba, cada jefe de unidad de operaciones determinó el nivel de riesgo percibido de su unidad individual. Posteriormente, la gerencia ejecutiva revisó y cuestionó cada nivel de riesgo percibido y lo comparó con el universo de riesgos de Fresnillo plc en su conjunto. Los resultados de este ejercicio fueron utilizados como un dato adicional para identificar los riesgos principales del Grupo. Realizamos el mismo análisis de riesgo en proyectos avanzados, detallando los riesgos específicos a los que se enfrenta cada proyecto de acuerdo a sus características y condiciones propias.

MAPA DE CALOR



Posición relativa 2018	Posición relativa 2017	Riesgo	
1	1	Impacto de los precios de metales y de acontecimientos macroeconómicos mundiales	(V)
2	3	Acciones potenciales del gobierno (por ejemplo: impuestos / regulaciones más estrictas)	(V)
3	2	Acceso a terrenos	(V)
4	4	Seguridad	
5	5	Percepción del público contra la minería	
6	6	Seguridad	
7	8	Relaciones sindicales	
8	9	Exploración	
9	7	Proyectos (riesgo de desempeño)	
10	10	Ciberseguridad	
11	12	Incidentes ambientales	(V)
12	11	Recursos Humanos	

● 2018 ● 2017
● Riesgo que cambió su posición en el mapa de calor durante 2018
 (V)

Respuesta / mitigación de nuestros riesgos

① Impacto de los precios de metales y acontecimientos macroeconómicos mundiales

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Los hechos macroeconómicos podrían crear un impacto adverso a nuestras ventas y utilidades y, potencialmente, la viabilidad económica de los proyectos. Por ejemplo:</p> <ul style="list-style-type: none"> • Una disminución en los precios de metales preciosos, que es el impulsor principal de este riesgo. El precio realizado promedio del oro permaneció sin cambios de un año al otro (+0.1% contra 2017), en tanto que la plata tuvo una disminución de 8.3%. • Revaluación del peso mexicano. En 2018, el peso mexicano se devaluó 1.6% contra el tipo de cambio spot promedio del dólar estadounidense. • Inflación general en México. Esta fue del 4.9% en términos de pesos mexicanos durante 2018. La inflación específica que afectó a la Sociedad fue de 2.6% en términos de dólares estadounidenses. • Una disminución en el precio de nuestros productos derivados. En 2018, los precios promedio realizados del plomo y el zinc disminuyeron en 7.4% y 5.7%, respectivamente, con respecto al ejercicio previo. 	<p>Nuestra política de cobertura sigue estando regida por el principio de ofrecer a los accionistas exposición completa a los precios del oro y de la plata. Sin embargo, tras la aprobación de los accionistas para la adquisición del 44% de Penmont (y sociedades asociadas) en 2014, iniciamos un programa de cobertura específico para proteger el valor de la inversión hecha en la adquisición, utilizando una estructura de collar para permitir la exposición continua parcial a los precios del oro. El volumen asociado con este programa de cobertura en fases se limitó estrictamente hasta un 44% de la producción asociada con los activos de Penmont y no se extenderá a otros activos del Grupo. El volumen total inicial cubierto fue de 1,559,689 oz, de las cuales 1,213,537 oz han expirado al final de 2018 (366,432 oz expiraron en 2018), sin un impacto en efectivo correspondiente en 2018.</p> <p>No se nos impide celebrar derivados para minimizar nuestra exposición a cambios en los precios del plomo y el zinc, que son nuestros productos derivados. En 2017, el Grupo cubrió una parte de nuestra producción de plomo y zinc con vencimientos a partir de 2018. La utilidad combinada durante 2018 fue de US\$1.6 millones. Véase la nota XX en la página</p>	<p>Alto para los precios de metal, Medio para todos los demás acontecimientos macroeconómicos</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Muy alto (1) 2017: Muy alto (1)</p> <p>Cambio en el nivel de riesgo: ←</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Según la mayoría de los analistas financieros especializados en plata y oro, se espera que la volatilidad en los precios de los metales siga reduciéndose. Es probable que las proyecciones a mediano plazo favorezcan precios más sólidos y estables debido a condiciones globales impredecibles, que incluyen la perspectiva de una desaceleración del crecimiento económico estadounidense y de que la economía china sufra los efectos negativos de cualquier guerra comercial. En resumen, es probable que el ambiente macroeconómico favorezca una rotación de vuelta a los activos de puerto seguro.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Minas en operación • Proyectos de desarrollo 		

-
- Proyectos de crecimiento XX de los Estados Financieros si requiere mayores detalles.

INDICADORES DE RIESGOS CLAVE

- Sensibilidad de las utilidades brutas al porcentaje de cambio en el precio de metales preciosos y al tipo de cambio del peso mexicano/dólar estadounidense.
- Sensibilidad del EBITDA al porcentaje de cambio en el precio de metales y al tipo de cambio del peso mexicano/dólar estadounidense

Además, tenemos pólizas de cobertura vigentes para riesgo de divisas, incluyendo riesgos asociados con gastos de capital relacionados con proyectos. En 2018, celebramos una serie de contratos a futuro de divisas denominados en euros, coronas suecas y dólares canadienses. Véase la nota XX en la página XX de los Estados Financieros.

En términos de inflación, sufrimos un aumento en uno de nuestros principales insumos de energía a lo largo del año previo, tras el incremento del costo promedio del diésel (US\$/lt) en 7.7%. Por otra parte, el KWH (USC\$) promedio ponderado disminuyó en 6.4%. Seguiremos identificando y manteniendo iniciativas de eficiencia para reducir nuestro consumo de energía.

② Acciones potenciales del gobierno, por ejemplo, imposición de regulaciones más estrictas para la obtención de permisos, etcétera

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Después del cambio en la administración en 2018, las acciones del nuevo Gobierno pueden afectarnos. Estas acciones pueden incluir regulaciones más estrictas relacionadas con el medio ambiente o el uso de explosivos, procesos más difíciles para la obtención de permisos, obligaciones de cumplimiento fiscal más onerosas para nosotros y nuestros contratistas, así como revisiones más frecuentes por parte de las autoridades fiscales. (Véanse las notas a los estados financieros si requiere mayores detalles, páginas XX-XX).</p> <p>El día 1 de enero de 2017, entró en vigor una nueva ley estatal (la “Ley Estatal”) en el estado de Zacatecas, al norte de México. Esta ley incluye un nuevo conjunto de “impuestos ambientales” relacionados con las siguientes actividades realizadas dentro del estado.</p> <ol style="list-style-type: none"> Extracción de materiales distintos a los minerales a los que se hace referencia en el Artículo 4 de la Ley Minera Mexicana (oro, plata, plomo, zinc, etcétera) del suelo y subsuelo a través de procesos a cielo abierto; Emisiones de ciertas sustancias a la atmósfera; Depósito de contaminantes en el suelo y agua; y Almacenamiento de desechos en rellenos 	<p>Después de un mandato judicial inicial y un fallo a nuestro favor, el Tribunal Superior ha permitido al estado de Zacatecas el derecho a imponer un “impuesto ambiental”. No obstante lo anterior, la metodología presentada para el cálculo de dicho “impuesto ambiental” aún debe ser analizada y aprobada. Considerando la metodología inicial, estimamos que el impacto neto potencial de estos nuevos impuestos en nuestro estado de resultados sería de alrededor de US\$5-8 millones anualmente. Esperamos que el tribunal resuelva la metodología de cálculo.</p> <p>Seguimos colaborando con otros miembros de la comunidad minera a través de la Cámara Minera Mexicana para cabildear contra éste y otros nuevos impuestos, regalías o regulaciones perjudiciales. También apoyamos los esfuerzos de cabildeo de la industria para mejorar el entendimiento del público en general de la Ley Minera.</p> <p>Seguimos en cumplimiento con todas las regulaciones ambientales aplicables y estamos totalmente comprometidos con el desarrollo de nuestras operaciones de manera sustentable. Nos comprometemos a mantener un diálogo con la comunidad a lo largo de la vida del proyecto minero, desde la etapa de</p>	<p>Bajo</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Muy alto (2) 2017: Muy alto (3) Cambio en el nivel de riesgo: ↓ Nota: en el mapa, el nivel de riesgo percibido sigue siendo muy alto, debiéndose el cambio en la calificación durante 2018 al cambio de administración. Sin embargo, el cambio en la calificación fue apenas marginal, ya que estaban previstos el posible impacto y probabilidad de un cambio en el gobierno y ya habían sido capturados dentro de la calificación de riesgo del ejercicio anterior.</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Seguimos percibiendo este nivel de riesgo como muy alto debido a la presión que el Gobierno o funcionarios gubernamentales (en cualquiera de dichos casos, a nivel tanto federal como local) podrían ejercer en la industria minera. Se puede observar la evidencia de esta influencia en nuestra industria en el aumento en la frecuencia a las revisiones por parte de las autoridades fiscales, la legislación emitida en 2017 que requiere que la administración se asegure de que los contratistas cumplan con sus propias obligaciones fiscales, la imposición de impuestos ambientales contenida en la nueva Ley</p>

<p>sanitarios públicos o privados.</p> <p>El derecho de las comunidades indígenas a ser consultadas y a otorgar su consentimiento previo e informado en relación con concesiones mineras puede afectar el otorgamiento de nuevas concesiones en México.</p>	<p>exploración más temprana hasta el eventual cierre, buscando crear relaciones y valor a largo plazo, al tiempo que se garantiza la continuidad operativa.</p>	<p>Estatal en Zacatecas y la consulta indígena para obtener concesiones mineras. Además, es evidente en el nivel percibido continuo de corrupción en todo México, que sigue siendo alto⁹ y que empeoró en comparación con el año previo. Como resultado de lo anterior, las demoras en la obtención de permisos para ciertas operaciones y/o proyectos sigue siendo un riesgo.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p>	<p>Procuramos mantenernos en pleno cumplimiento de los requisitos de las autoridades fiscales. Al hacerlo, seguimos cooperando con las inspecciones fiscales en curso.</p>	<p>México tiene una nueva administración y, aunque aún no hemos visto una indicación definitiva de su dirección, seguimos teniendo confianza en la perspectiva a largo plazo tanto de nuestra Empresa como del sector minero en general en México. Trabajaremos con el nuevo Gobierno, junto con organismos de comercio y la Cámara Minera Mexicana. Nuestro objetivo será defender a la industria y sus intereses, destacando al mismo tiempo el considerable impacto positivo que tiene la industria minera en la infraestructura, educación y salud en comunidades remotas y en México en general.</p>
<p>INDICADORES DE RIESGOS CLAVE</p>	<p>Aunque la Ley Minera de México aún no incorpora las consultas indígenas, este tema sigue siendo un problema. Algunos gobiernos estatales han comenzado a legislar sobre esta materia como requisito previo para que los proyectos mineros procedan en áreas específicas donde pueda haber poblaciones indígenas. Seguiremos trabajando junto con las autoridades.</p>	<p>México tiene una nueva administración y, aunque aún no hemos visto una indicación definitiva de su dirección, seguimos teniendo confianza en la perspectiva a largo plazo tanto de nuestra Empresa como del sector minero en general en México. Trabajaremos con el nuevo Gobierno, junto con organismos de comercio y la Cámara Minera Mexicana. Nuestro objetivo será defender a la industria y sus intereses, destacando al mismo tiempo el considerable impacto positivo que tiene la industria minera en la infraestructura, educación y salud en comunidades remotas y en México en general.</p>
<p>• Minas en operación</p> <p>• Proyectos de desarrollo</p> <p>• Proyectos de crecimiento</p> <p>• Desarrollo sustentable</p> <p>• Número de menciones en los medios relacionadas con las regulaciones mineras. Entre éstas, podría encontrarse la mención de los impuestos, regalías, la prohibición de actividades mineras en áreas protegidas y la jurisprudencia. El indicador también proporciona detalles sobre los medios mismos, tales como el perfil y alineación política del vocero.</p>	<p>Tenemos amplios programas de compromisos con las comunidades que pueden verse afectadas por nuestras actividades mineras. En la mina San Julián, por ejemplo, hemos trabajado recientemente en conjunción con el Gobierno Federal para concluir con éxito una consulta indígena para la construcción de un tanque de agua. Véase la subsección de Medio Ambiente en la sección de Sustentabilidad, páginas XX-XX para mayor información.</p>	<p>México tiene una nueva administración y, aunque aún no hemos visto una indicación definitiva de su dirección, seguimos teniendo confianza en la perspectiva a largo plazo tanto de nuestra Empresa como del sector minero en general en México. Trabajaremos con el nuevo Gobierno, junto con organismos de comercio y la Cámara Minera Mexicana. Nuestro objetivo será defender a la industria y sus intereses, destacando al mismo tiempo el considerable impacto positivo que tiene la industria minera en la infraestructura, educación y salud en comunidades remotas y en México en general.</p>

⁹ El Índice de Percepción de Corrupción de 2018, publicado por Transparency International, clasifica a México como el país 138 entre 180 países por niveles percibidos de corrupción en el sector público

③ Acceso a terrenos

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>La falta de acceso o demoras significativas en el acceso a terrenos superficiales ubicados sobre nuestras concesiones mineras y otros terrenos de interés constituye un riesgo permanente para nuestra estrategia y tiene un impacto potencialmente alto en nuestros objetivos. Entre las posibles barreras al acceso a terrenos se encuentran:</p> <ul style="list-style-type: none"> • Expectativas cada vez mayores de los propietarios de terrenos. • Rechazo al reconocimiento de términos y condiciones previos en la adquisición de terrenos por parte de los miembros de una comunidad. • Influencia de múltiples intereses especiales en negociaciones de terrenos. • Conflictos relativos a los límites de los terrenos, que conllevan un proceso de resolución que con frecuencia es arduo. • Problemas de sucesión entre los propietarios de los terrenos, lo cual ocasiona una falta de claridad con respecto al derecho legal a la posesión y venta de terrenos. • Riesgo de litigios, es decir, mayor activismo por parte de las comunidades agrarias y/o autoridades judiciales. • Presencia de comunidades indígenas en las cercanías de terrenos de interés, donde se puede requerir la consulta y consentimiento previo e informado de dichas comunidades. 	<p>El acceso exitoso a terrenos juega un papel fundamental en la administración de nuestros derechos mineros, concentrándose en áreas de interés o de valor estratégico. A finales de 2018, después de añadir áreas requeridas y desinvertir en áreas de menor interés, teníamos 1.8 millones de hectáreas de concesiones mineras, lo cual significa que no hubo cambios de un año a otro. Otras iniciativas incluyen:</p> <ul style="list-style-type: none"> • Cuidadosa planeación avanzada de los requisitos de terrenos y adquisiciones, previendo cualesquiera problemas con una compra potencial de terrenos antes de la exploración intensiva. En algunas áreas de interés, negociamos contratos de arrendamiento u ocupación con opciones de compra en cumplimiento con los requisitos legales y reguladores. • El fomento de relaciones comunitarias sólidas a través de la inversión en programas e infraestructura comunitarios. Dichas inversiones totalizaron US\$3.1 millones en 2018 (véanse las páginas XX de sustentabilidad). • Buscar siempre la cooperación tripartita entre el Gobierno, la comunidad y nosotros en la obtención de acceso a terrenos. • Participación temprana de nuestros equipos de relaciones comunitarias y de negociación durante los procesos de negociación y 	<p>Medio</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Muy alto (2) 2017: Muy alto (2) Cambio en el nivel de riesgo: =</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>La industria minera continúa enfrentándose a retos legales relacionados con el acceso a terrenos por parte de personas físicas y comunidades locales que pueden buscar desconocer previos contratos de terrenos. Esto ha sido un reto continuo en años recientes.</p> <p>Además, en áreas cercanas a los terrenos de interés, se puede requerir la consulta y consentimiento previo e informado de las comunidades indígenas, caso por caso.</p> <p>Como resultado de lo anterior, y a pesar de nuestras muchas acciones estratégicas, el nivel percibido de este riesgo sigue siendo muy alto.</p>

Además, la inseguridad en nuestras áreas de exploración y operativas, así como las acciones potenciales por parte del gobierno, aumentan la complejidad del riesgo de acceso a terrenos.

Ya que el asunto con el Ejido El Bajío aún no se resuelve, las operaciones en Soledad & Dipolos siguen estando suspendidas.

RELACIÓN CON LA ESTRATEGIA

- Minas en operación
- Proyectos de desarrollo
- Proyectos de crecimiento

INDICADORES DE RIESGOS CLAVE

- El porcentaje de terrenos requeridos para proyectos de exploración avanzados bajo ocupación u otros contratos distintos a propiedad total (en general y por proyecto).
- Cantidad total en dólares estadounidenses y porcentaje del presupuesto del proyecto invertido en actividades de HSECR, incluyendo relaciones comunitarias en proyectos y sitios de exploración).

adquisición, incluyendo la etapa de exploración.

- Trabajar con nuestros equipos de negociación de terrenos, que constan de especialistas contratados directamente por Fresnillo y también proporcionados por Peñoles como parte del contrato de prestación de servicios.

Como parte de una revisión permanente de la situación legal de nuestros derechos de terrenos, identificamos algunas áreas de oportunidad y seguimos poniendo en práctica medidas para administrar este riesgo caso por caso. Dichas medidas incluyen, cuando es posible, negociar con comunidades agrarias para la compra inmediata de terrenos. Usamos mecanismos previstos en la ley agraria y también utilizamos otros mecanismos legales conforme a la ley minera que otorgan mayor protección para la ocupación de terrenos. Estas actividades forman parte de nuestra vocación permanente de reducir la exposición a riesgos en relación con terrenos superficiales.

④ Seguridad

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Nuestro personal, contratistas y proveedores se enfrentan al riesgo de secuestro, extorsión o daños debido a las condiciones de inseguridad en algunas de las regiones donde operamos. Nos enfrentamos al riesgo de acceso restringido a las operaciones/proyectos y robo de activos.</p> <p>La influencia de los cárteles de la droga, otros elementos criminales y la anarquía generalizada en algunas de las regiones donde operamos, combinada con nuestras actividades de exploración y proyectos en algunas áreas de transferencia o cultivo de drogas, hace que nuestro trabajo en estas áreas constituya un riesgo particular para nosotros.</p> <p>Por ejemplo, las actividades en el prospecto San Nicolás del Oro fueron suspendidas debido al nivel de inseguridad en el estado de Guerrero.</p>	<p>Vigilamos de manera cercana la situación de seguridad, manteniendo comunicaciones internas claras y coordinando el trabajo en áreas de mayor inseguridad. Hemos adoptado las siguientes prácticas para administrar nuestros riesgos de seguridad e impedir y hacer frente a posibles incidentes:</p> <ul style="list-style-type: none"> • Mantenemos relaciones cercanas con autoridades a los niveles federal, estatal y local, incluyendo campamentos del ejército ubicados cerca de la mayoría de nuestras operaciones. • Hemos finalizado la implementación de una mayor seguridad tecnológica y física en nuestras plantas Merrill Crowe en Herradura y Noche Buena, incluyendo el uso de un proceso de vigilancia a distancia, también utilizado en la mina de San Julián. En las minas Saucito y Fresnillo, este programa se ha finalizado en un 90% y 40%, respectivamente; la puesta en práctica en estas dos minas ha tomado más tiempo del esperado debido a la extensión de los nuevos arreglos y el mayor alcance (vigilancia a distancia). Sin embargo, esperamos finalizar la puesta en funcionamiento total de nuestros requisitos estándar internos más estrictos en 	<p>Bajo</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Muy alto (4) 2017: Muy alto (4) Cambio en el nivel de riesgo:</p> <p>⊖</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Hemos seguido sufriendo un alto nivel de incidentes de seguridad, tanto en frecuencia como en gravedad; sin embargo, nuestras operaciones no se vieron afectadas significativamente. El nivel de riesgo percibido, por lo tanto, ha seguido siendo muy alto. En las regiones y proyectos donde operamos, no observamos una mejora en los índices de criminalidad durante 2018.</p> <p>Tras el cambio de administración, aún no hemos visto evidencia de una nueva estrategia nacional de seguridad. Esperamos que ésta incluya la creación de una Guardia Nacional, encabezada por el ejército.</p> <p>Nos remitimos al Índice de Paz Mundial,¹⁰ que indica una mayor probabilidad de manifestaciones violentas e inestabilidad política. Este índice utiliza tres temas generales: nivel de seguridad en la sociedad, el alcance del</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Minas en operación • Proyectos de desarrollo • Proyectos de crecimiento • Desarrollo sustentable 		
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • El número total de incidentes de seguridad que afectaron a nuestro personal (robos, secuestro, extorsión, etcétera). 		

¹⁰ Índice de Paz Mundial 2018 e Índice de Paz en México 2018, elaborados por el Instituto de Economía y Paz, <http://economicsandpenace.org/>

- El número de sitios afectados y días de trabajo perdidos, por región y por tipo de sitio.
 - Número de menciones en los medios relacionadas con problemas de seguridad que afectan a la industria minera donde operamos.
- todas las unidades de negocios durante 2019.
- Durante 2018, reemplazamos a la mayoría de nuestros contratistas de seguridad, todos los cuales cumplen ahora con nuestras normas operativas y refuerzan nuestras estrategias de seguridad.
 - Hemos mantenido nuestros controles de logística para reducir la probabilidad de robo de concentrados minerales. Estos controles incluyen: el uso de tecnología de rastreo en tiempo real; cámaras de vigilancia; pruebas para identificar alteraciones en el material transportado; servicios de vigilancia; retenes en un “corredor seguro” y un número reducido de paradas autorizadas para optimizar los tiempos de entrega y minimizar la exposición de los convoys.
 - Seguimos invirtiendo en programas comunitarios, mejoras a infraestructura e iniciativas gubernamentales para respaldar el desarrollo de las comunidades locales donde prevalezca el estado de derecho y disuadir los actos criminales.
 - Suspendimos el acceso a áreas con un inaceptablemente alto nivel de inseguridad.
 - Tanto a nivel interno como entre nuestros contratistas, seguimos promoviendo el reporte de actos criminales a las autoridades.
- conflicto nacional o internacional en curso y el grado de militarización. México ocupa el lugar 140 entre 163 países a nivel mundial (del mejor al peor) como país con un bajo nivel de paz, y ha caído dos lugares en la clasificación. Además, también usamos la clasificación del Índice de Paz en México ² como referencia. Éste es un índice global de los siguientes indicadores: homicidios, crímenes violentos, crímenes con armas, crimen organizado y detención sin sentencia. El índice clasifica los estados del 1 al 5, donde el número 1 representa el más pacífico. Zacatecas (3.3 del índice) tiende a ser uno de los estados menos pacíficos en México, en tanto que Chihuahua (2.9), Sonora (2.2) y Durango (2.0) se ubican en el nivel medio.

⑤ Percepción del público contra la minería

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>En todo el mundo, la opinión pública es recelosa de las potenciales consecuencias adversas a nivel social y ambiental de las operaciones mineras. Este sentimiento se manifiesta a través de un aumento en la regulación de las empresas mineras y un mayor activismo social por parte de comunidades y organizaciones de base.</p>	<p>Las comunidades son nuestros socios estratégicos. Para ganar y mantener su confianza, debemos demostrar un entendimiento y un compromiso efectivo y rendir cuentas de nuestro impacto. Nuestro ya afianzado programa de compromiso comunitario incluye:</p> <ul style="list-style-type: none"> • Mejorar nuestro entendimiento y rendición de cuentas: <ul style="list-style-type: none"> - Dando seguimiento a la opinión pública en medios locales e internacionales. - Manteniendo un diálogo continuo con nuestras partes interesadas locales más cruciales a través de juntas formales e informales. - Llevar a cabo estudios de punto de referencia social, derechos humanos y de percepción para tener un mejor entendimiento de nuestros impactos positivos y negativos. A partir de los estudios de percepción realizados en 2017 en cada unidad minera por un tercero especializado, se desarrollaron programas sociales para abordar sus preocupaciones principales. - Operando un mecanismo de quejas para abordar las preocupaciones de las partes interesadas. • Compromiso propositivo y aspiracional con las comunidades locales: <ul style="list-style-type: none"> - Manteniendo una Cartera de Inversión Social para crear valor a largo plazo, 	<p>Bajo</p> <p>CLASIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Alto (5) 2017: Alto (5) Cambio en el mapa de calor:</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Minas en operación • Proyectos de desarrollo • Proyectos de crecimiento • Desarrollo sustentable 		<p>DESCRIPCIÓN DEL CAMBIO DE RIESGO</p> <p>Hemos mantenido nuestra licencia social para operar en nuestras comunidades. El seguir manteniendo y protegiendo esta licencia exige una sólida colaboración con la comunidad y partes interesadas locales.</p>
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • El número de acciones locales por parte de organizaciones no gubernamentales (ONGs) u otros grupos sociales locales contra la minería, por región. • El número de acciones por parte de ONGs u otros grupos sociales locales contra la minería en América. • Número de menciones en los medios relacionadas con manifestaciones contra la industria minera. 	<p>Existen múltiples ejemplos de cómo los años de protestas y demandas han llevado a la cancelación de proyectos no solo en la industria minera, sino en México en general. Las objeciones provienen no solamente de comunidades locales, sino también de ONGs locales e internacionales, así como de reguladores que trabajan para cubrir las altas expectativas y presión de los gobiernos. Seguimos percibiendo este complejo problema como un alto riesgo.</p>	

alineada con las Metas Globales de desarrollo sustentable de las Naciones Unidas. Hemos identificado cuatro pilares donde podemos hacer una verdadera diferencia: Educación, Agua, Creación de Salud y Desarrollo de Capacidad.

- Asociándonos con ONGs en estos cuatro pilares de inversión social: Educación (IBBY, INNOVEC y First Robotics), Agua (Captar AC), Salud (National University Foundation) y Desarrollo de Capacidad (ProEmpleo).
- Comprometiéndonos con las autoridades municipales a invertir en los recursos del Fondo de Impuestos Mineros en proyectos de infraestructura que benefician a nuestras comunidades vecinas.
- Colaborando con nuestros homólogos en la comunidad minera internacional y mexicana para promover los beneficios de la industria minera y las prácticas mineras responsables.

Véase la subsección de Relaciones Comunitarias en la Sección de Sustentabilidad, páginas XX-XX si requiere más información.

⑥ Seguridad de Trabajo

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Es un riesgo inherente a nuestra industria que existan incidentes debidos a actos o condiciones poco seguros que ocasionen lesiones o fallecimientos.</p> <p>Nuestro personal se enfrenta a riesgos tales como incendio, explosión, electrocución, envenenamiento por monóxido de carbono, así como riesgos específicos de cada sitio minero y proyecto de desarrollo. Éstos incluyen caídas de rocas causadas por condiciones geológicas, contaminación por cianuro, colisiones de equipo pesado o ligero en las que se involucre maquinaria o personal.</p>	<p>Lamentablemente, sufrimos cinco accidentes fatales en 2018; tres de ellos en el último trimestre del año, lo cual significa que estamos muy lejos de lograr nuestra meta de cero decesos. La administración ha seguido tomando medidas serias para abordar e impedir las causas raíz de los accidentes fatales y ha fortalecido nuestras iniciativas de seguridad. Éstas incluyen:</p> <ul style="list-style-type: none"> • El despliegue continuo del programa “Me Cuido, Nos Cuidamos” en nuestras diferentes minas para mejorar el desempeño de seguridad y desarrollar competencias entre los supervisores. El programa tiene por objeto desarrollar la competencia en cuanto a riesgos educando a líderes, supervisores y el personal. Fomenta la orientación e incentivos positivos y una revisión y mejora global de nuestros Protocolos de Riesgo de Control Críticos y Equipos de Respuesta a Emergencias. • El nombramiento de un asesor especialista permanente en nuestro equipo principal a cargo de las cuestiones de seguridad, salud y comunitarias, que tiene la responsabilidad de solucionar nuestro inaceptable historial de seguridad. • La Tasa Total de Frecuencia de Lesiones Registrables disminuyó a 20.47 en 2018 (en comparación con 23.22 en 	<p>Bajo</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Alto (6) 2017: Alto (6) Cambio en el nivel de riesgo: →</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>El Consejo vigila continuamente la seguridad, a la cual siempre se le ha dado la mayor prioridad. El Consejo supervisa todas las investigaciones de accidentes, asegurándose de que se tomen las acciones debidas para mejorar los sistemas y prácticas de seguridad.</p> <p>Como resultado del inaceptable historial de seguridad en 2018, el Consejo y el equipo de la administración han decidido aumentar la probabilidad de este riesgo.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Desarrollo sustentable 		
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • Tasa de accidentes • Tasa de días perdidos • Frecuencia de los accidentes: <ul style="list-style-type: none"> - Sin tiempo perdido - Con tiempo perdido - Decesos 		

2017), en tanto que la Tasa de Frecuencia de Lesiones con Tiempo Perdido aumentó a 8.64 (en comparación con 8.14 en 2017).

- Seguimos impartiendo capacitación tanto para empleados como para contratistas. El personal recibió en promedio 94 horas de capacitación en 2018. 45 de estas 94 horas incluyeron capacitación sobre temas de HSECR.

Véase la sección “Seguridad” en las páginas XX-XX si requiere más detalles sobre nuestra estrategia y programas de seguridad.

⑦ Relaciones sindicales

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>El riesgo de una acción sindical o de deterioro en las relaciones sindicales en algunos sitios puede ser posible. La política interna de los sindicatos nos puede afectar, así como la presión de otros sindicatos mineros que quieran tomar el control de los contratos laborales de Fresnillo.</p>	<p>Nuestra estrategia consiste en integrar al personal sindicalizado en el equipo de cada Unidad de Operaciones (BU, por sus siglas en inglés). Esto se logra por medio de responsabilidades claramente asignadas y programas para mantener relaciones cercanas con los sindicatos en los sitios mineros y a nivel nacional. Mantenemos una comunicación estrecha con los líderes sindicales en varios niveles de la organización para crear conciencia sobre la situación económica de la industria, compartir nuestros resultados de producción y alentar la participación sindical en nuestras iniciativas de seguridad y otras mejoras operativas. Estas iniciativas incluyen el programa de guardianes de la seguridad, alianzas para obtener certificaciones, integración de equipos de alta productividad y actividades de integración familiar. Durante el ejercicio, celebramos seis talleres de liderazgo a los que asistieron 162 líderes sindicales clave en nuestras unidades de operaciones para mejorar sus capacidades de liderazgo en los comités sindicales locales.</p> <p>Somos proactivos y oportunos en nuestras respuestas a las necesidades de los sindicatos y no sufrimos paros laborales en 2018. De ser necesario, contamos con asesores legales con experiencia, tanto internos como externos, para apoyarnos en temas laborales. Seguiremos dando seguimiento cercano a los acontecimientos sindicales y laborales.</p>	<p>Bajo</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Medio alto (7) 2017: Medio bajo (8) Cambio en el nivel de riesgo: ↗</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Durante 2018, seguimos desarrollando nuestras buenas relaciones con los sindicatos a nivel nacional y local; sin embargo, los acontecimientos recientes nos llevaron a aumentar nuestro nivel percibido de riesgo debido a los cambios potenciales en las leyes laborales que pueden afectar la forma en que operan los sindicatos laborales. Al momento de la publicación de este informe, las revisiones contractuales de nuestras minas se realizaron sin problema alguno. Nuestra administración ejecutiva y el Consejo reconocen la importancia de las relaciones sindicales y siguen con interés cualquier acontecimiento.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Minas en operación • Proyectos de desarrollo 		
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • Nivel de satisfacción de los miembros de los sindicatos • Número de menciones en los medios de acontecimientos relacionados con los sindicatos mineros 		

⑧ Exploración

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Dependemos en gran medida del éxito del programa de exploración para cumplir nuestros objetivos estratégicos de creación de valor y nuestras metas de producción y reservas a largo plazo.</p> <p>Además del creciente nivel de inseguridad y acceso a terrenos que se detalla en los riesgos anteriores, otros riesgos que pueden afectar la exploración y convertir recursos inferidos incluyen: la falta de una cartera sólida de prospectos en nuestros proyectos con un potencial suficiente en términos de recursos indicados e inferidos, y cobertura insuficiente de concesiones en áreas objetivo.</p> <p>También nos enfrentamos al riesgo de pérdida de oportunidades de compra debido a una rapidez insuficiente en la toma de decisiones.</p> <p>A medida que nuestra producción se intensifica y más minas se acercan al final de sus vidas, el reabastecimiento de nuestras reservas se hace cada vez más difícil.</p>	<p>Durante 2018 invertimos un total de US\$181.2 millones en actividades de exploración. Nuestros objetivos de 2019 incluyen una inversión de capital de riesgo en exploración presupuestada de aproximadamente US\$140 millones. La repartición aproximada del gasto es de 43% para minas operativas, 19% para proyectos de exploración, 25% para prospectos y exploración regional y 13% para derechos mineros.</p> <p>Nuestra estrategia de exploración también incluye:</p> <ul style="list-style-type: none"> • Concentración en cada vez más programas de perforación de exploración regional para intensificar los esfuerzos en los distritos con alto potencial. • Para la exploración local, exploración agresiva en el campo para mejorar la categoría de recursos y convertir los recursos inferidos en reservas. • Un equipo de geólogos altamente capacitados y motivados, tanto empleados como contratistas a largo plazo. • Revisiones técnicas de asesoría por parte de peritos terceros internacionales, bases de datos de GIS actualizadas e integradas, tecnología de drones, imágenes de teledetección, y software para la identificación de cinturones metalogénicos 	<p>Medio</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Medio (8) 2017: Medio (9) Cambio en el nivel de riesgo: →</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>A través de los años, ha sido nuestra política mantener una inversión razonable en exploración, incluso cuando los precios de los metales sean bajos. Aunque la inversión continua siempre ha sido un sello distintivo de nuestra estrategia de exploración, el reabastecimiento de reservas explotadas y el aumento en nuestra cantidad total de recursos podría ser un reto en el futuro. Durante 2018 vimos una disminución en nuestros recursos de plata totales, especialmente en nuestras operaciones mineras.</p> <p>Además, estamos abordando algunos problemas con el modelo geológico en las minas de Fresnillo y Saucito.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Proyectos de crecimiento 		
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • Programas de perforación finalizados (en general y por proyecto) 		

-
- Cambio en el número de onzas en las reservas y recursos
 - Tasa de conversión de recursos a reservas.
- favorables y de distritos que serán objeto de verificaciones de campo por parte del equipo.
- Proyectos de alta prioridad listos para perforación.

Véase la sección "Exploración" en las páginas XX para mayores detalles sobre nuestros programas de exploración e inversión.

⑨ Proyectos (riesgo de desempeño)

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>La búsqueda de oportunidades de exploración avanzada y de desarrollo de proyectos es fundamental para el cumplimiento de nuestras metas estratégicas. Sin embargo, implica ciertos riesgos:</p> <ul style="list-style-type: none"> • Viabilidad económica: el impacto en el costo de capital del desarrollo y mantenimiento de la mina; precios futuros de los metales, y costos operativos a lo largo del ciclo de vida de la mina. • Incertidumbres asociadas con el desarrollo y operación de nuevas minas y proyectos de expansión: fluctuaciones en la ley y recuperación de minerales; complejidades imprevistas en el proceso minero; mala calidad de las rocas; presencia inesperada de aguas subterráneas o falta de las mismas; falta de apoyo comunitario; e incapacidad de obtener y mantener los permisos de operación requeridos. • Riesgo de entrega: los proyectos pueden exceder el presupuesto en términos de costo y tiempo; pueden no ser construidos de conformidad con las especificaciones requeridas, o puede haber un retraso en la construcción; y el equipo minero importante puede no ser entregado a tiempo. 	<p>Nuestro proceso de evaluación de inversiones determina la mejor forma para dirigir el capital disponible usando criterios técnicos, financieros y cualitativos.</p> <ul style="list-style-type: none"> • Criterios técnicos: evaluamos la estimación de recursos y recursos confirmados, la metalurgia de los yacimientos minerales, la inversión requerida en infraestructura general (por ejemplo, vialidades, energía, servicios generales, vivienda) y la infraestructura necesaria para la mina y planta. • Criterios financieros: analizamos el riesgo relativo al rendimiento de inversiones de capital propuestas. Establecemos tasas de rendimiento internas esperadas (IRR) por proyecto como umbrales para aprobar la asignación de capital con base en el valor actual de los flujos de efectivo esperados del capital de inversión, y llevamos a cabo análisis estocásticos y probabilísticos. • Aspecto cualitativo: la alineación de la inversión con nuestro plan estratégico y modelo de negocios; sinergias con otras inversiones y activos operativos; y las implicaciones en cuanto a seguridad personal, recursos y relaciones comunitarias. 	<p>Medio</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Medio (9) 2017: Medio (7) Cambio en el nivel de riesgo:</p> <p>⊖</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Nuestro proceso de gobierno de inversiones y sistema de controles de proyectos de capital permanecen vigentes, protegiendo nuestra capacidad de ofrecer crecimiento a través de proyectos de desarrollo. En 2018, pusimos en funcionamiento la segunda Planta de Lixiviación Dinámica, con algunos retrasos debido a que el periodo de pruebas se llevó más tiempo del esperado. Prevemos que la construcción de Juanicipio comience en 2019. Varios factores nos han llevado a percibir un nivel de riesgo más bajo para Juanicipio en comparación con San Julián, entre éstos se encuentra un menor nivel de inversión, acceso más fácil a la infraestructura y la proximidad del sitio a las operaciones en curso.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Proyectos de desarrollo 		

INDICADORES DE RIESGOS CLAVE

- Valor devengado (porcentaje de avance financiero contra avance físico)
- Porcentaje de equipo importante pedido y recibido de acuerdo al plan
- Porcentaje de finalización de desarrollo de la mina

Damos seguimiento cercano a los controles de los proyectos para asegurarnos de entregar los proyectos aprobados a tiempo, respetando el presupuesto, y en línea con las especificaciones definidas.


El equipo de gerencia ejecutiva y el Consejo de Administración reciben regularmente reportes sobre el avance. Cada proyecto de exploración avanzada y proyecto de desarrollo de capital importante tiene un registro de riesgos que contiene los riesgos identificados y evaluados específicos del proyecto.

Los proyectos de desarrollo previstos en 2018 incluyeron:

- Finalización de la primera etapa del proyecto de Planta de Piritas (planta de lixiviación en Saucito)
- La ampliación de Centauro, incluyendo una segunda línea de la planta de lixiviación dinámica en Herradura.
- La conclusión de un estudio de viabilidad en Juanicipio y el inicio de discusiones relativas a los contratos de construcción y de operación. La aprobación del proyecto se prevé a su debido tiempo.

Véase la sección de Proyectos de Desarrollo en las páginas XX si requiere mayor información.

10 Ciberseguridad

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Reconocemos la importancia de la confidencialidad, continuidad, integridad y seguridad de nuestros datos y sistemas de producción.</p> <p>Como empresa minera, podemos encontrarnos bajo amenaza de ciberataques por parte de una amplia variedad de grupos atacantes, desde “hacktivistas” y regímenes hostiles hasta el crimen organizado. Sus metas incluyen un deseo por aprovecharse del papel que tiene la minería en las cadenas de suministro regionales y mundiales, así como en las economías nacionales. Algunos grupos también pueden intentar explotar vulnerabilidades creadas por la fuerte dependencia de la industria en sistemas automatizados operativos. En nuestro caso, esto podría incluir iniciativas tales como Tecnología de Operaciones y Tecnología de Información (OTIT) Integración y Mina Digital (páginas XX).</p>	<p>En 2018 desarrollamos un conjunto de iniciativas bajo nuestro proyecto “Programa de Ciberseguridad y Evaluación de Amenazas”, respaldado por asesores externos. El objetivo del programa es identificar los riesgos de ciberseguridad a los que está expuesta nuestra Sociedad y alinearlos a nuestra misión y estrategia de negocios.</p> <p>En línea con las mejores prácticas, nuestro enfoque se basa en dos marcos principales:</p> <ul style="list-style-type: none"> • El Marco de Ciberseguridad el Instituto Nacional Estadounidense de Normas y Tecnología (CSF de NIST, por sus siglas en inglés) que establece cómo las sociedades pueden evaluar y mejorar su capacidad de prevenir, detectar y responder a ciberataques. • Objetivos de Control para Tecnologías de Información y Relacionadas (COBIT, por sus siglas en inglés) que fue creado por ISACA, la asociación profesional internacional para administración y gobierno de TI para proporcionar un conjunto de controles, procesos y facilitadores relacionados con TI. 	<p>Bajo</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Medio (10) 2017: Medio (10) Cambio en el nivel de riesgo:</p> <p></p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Ya que ciberseguridad constituye una amenaza cada vez mayor a la industria, el Comité de Auditoría sigue vigilando y supervisando este riesgo.</p> <p>Nuestro plan para 2019 comprende la concentración de nuestros esfuerzos en proyectos de mitigación de riesgos diseñados para proteger la información y activos clave de acuerdo al apetito de riesgo establecido por la administración.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Minas en operación • Proyectos de desarrollo 		
<p>INDICADORES DE RIESGO CLAVE</p> <ul style="list-style-type: none"> • Número total de incidentes de ciberseguridad que afectan a nuestra sociedad. • Número de menciones en los medios relacionadas con problemas de ciberseguridad que afectan a la industria minera. 	<p>Nuestro enfoque también se basará en el MITRE ATT&CK™ que se utiliza como cimiento para el desarrollo de modelos y metodologías de amenazas específicas en el sector privado, en el gobierno</p>	

y en la comunidad de productos y servicios de ciberseguridad. Un modelo de gobierno, evaluación de riesgos continua y políticas de Seguridad de Información constituirán la base de nuestra garantía operativa TI/TO que respaldará la transformación digital de Fresnillo en los próximos años.

⑪ Incidentes ambientales

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Los incidentes ambientales son un riesgo inherente a nuestra industria. Estos incidentes incluyen el posible desbordamiento o colapso de depósitos de jales, derrames de cianuro y emisiones de polvo, cualquiera de los cuales podría tener un alto impacto en nuestro personal, comunidades y negocios.</p>	<p>Nuestro sistema de administración ambiental garantiza el cumplimiento de las regulaciones mexicanas, ofrece transparencia y respalda iniciativas que reducen nuestra huella ambiental. Divulgamos nuestro desempeño en nuestra sección Medio Ambiente en las páginas XX-XX de este informe.</p>	<p>Bajo</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> • Desarrollo sustentable 	<p>Cuatro de nuestras cinco unidades mineras cuentan con la certificación ISO 14001 y con la certificación de Industria Limpia; nuestra mina San Julián actualmente se encuentra en progreso de obtener ambas.</p>	<p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Medio Bajo (11) 2017: Bajo (12) Cambio en el nivel de riesgo: →</p>
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> • Número de BU con certificación ISO 14001:2004 • Número de BU con certificación de Industria Limpia • Número de BU con certificación de Código Internacional de Cianuro • Número de permisos ambientales para todos los proyectos de exploración avanzada (de acuerdo al calendario) 	<p>Nuestras operaciones de lixiviación en Herradura y Noche Buena se encuentran en cumplimiento con el Código de Cianuro, emitido por el Instituto Internacional de Administración del Cianuro.</p> <p>El reciente desastre en Brasil ha llevado a enfocarse más en el asunto de las presas de jales en toda la industria minera mundial y nos han motivado a revisar nuestros controles para mitigar este riesgo.</p> <p>Nuestros controles incluyen llevar a cabo una serie de estudios para confirmar que un área es adecuada antes de la construcción de una presa. Estos estudios incluyen análisis geotécnico, geológico, geofísico, hidrológico y sísmico. Antes</p>	<p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Nuestro sistema de administración ambiental, junto con nuestra inversión en medidas preventivas y capacitación, son factores clave que reducen el riesgo de incidentes ambientales mayores. Con base en el nivel de riesgo percibido debido a los recientes acontecimientos graves y catastróficos, el Consejo ha decidido aumentar la gravedad de este riesgo.</p>

de la construcción, la Comisión Nacional del Agua (CNA) realiza varios estudios y sigue revisando periódicamente las presas en relación con los impactos ambientales, de manera continua. El hecho de que Fresno Plc cuenta con todos los permisos constituye prueba de que la Sociedad sigue cumpliendo con todos los parámetros de la CNA. Además, la administración realiza exhaustivas revisiones internas y de terceros de todas las presas de jales dentro del grupo. Además, la administración sigue tomando acciones para mitigar este riesgo, por ejemplo, contratando a un tercero para realizar una evaluación de estabilidad de diseño antes de que una presa de jales sea aprobada para un aumento en capacidad, y para llevar a cabo pruebas regulares a lo largo de toda la vida de la presa.

Cumplimos rigurosamente con los requisitos establecidos por el permiso ambiental de cada proyecto (Declaración de Impacto Ambiental emitida por la Secretaría del Medio Ambiente, SEMARNAT). También seguimos respaldando a los contratistas en sus esfuerzos por integrar sistemas de administración ambiental.

12 Recursos Humanos

DESCRIPCIÓN DEL RIESGO	RESPUESTA / MITIGACIÓN	APETITO DE RIESGO
<p>Nuestro personal es vital para cumplir nuestros objetivos. Nos enfrentamos a riesgos en la selección, reclutamiento, capacitación y contratación del personal que necesitamos.</p> <p>Una falta de contratistas confiables con suficiente infraestructura, maquinaria, historial de desempeño y personal calificado también constituye un riesgo que podría afectar nuestra capacidad de desarrollar y construir obras mineras.</p>	<p>Reclutamiento: Hemos evaluado nuestros requisitos de contratación para puestos clave para 2019 y nuestro objetivo es cubrirlos por medio de capacitación y promoción interna y por medio de reclutamiento a través de:</p> <ul style="list-style-type: none"> Nuestra relación cercana con universidades que ofrecen programas de ciencias de la tierra. Tenemos programas dedicados para identificar candidatos potenciales con base en su desempeño que pueden ser contratados como becarios y/o empleados al momento de su graduación. Recibimos a 137 practicantes profesionales, 57 becarios y 173 ingenieros en nuestro programa de entrenamiento. El CETEF (Centro de Estudios Técnicos Fresnillo) que enseña habilidades operativas mineras específicas. Los 10 estudiantes graduados en 2018 fueron contratados como empleados de tiempo completo. El CETLAR (Centro de Estudios Técnicos de Peñoles), que capacita a mecánicos y técnicos electricistas. Los ocho estudiantes graduados fueron contratados como empleados de tiempo completo en 2018 en las diferentes unidades de operaciones de Fresnillo. <p>Durante 2018, contratamos a 83 personas con experiencia para cubrir nuestros requisitos.</p>	<p>Medio</p> <p>CALIFICACIÓN DE RIESGO (posición relativa)</p> <p>2018: Bajo (12) 2017: Bajo (11) Cambio en el nivel de riesgo:</p> <p>⊖</p> <p>DESCRIPCIÓN DEL NIVEL DE RIESGO</p> <p>Nuestra meta es alinear cuidadosamente nuestros recursos humanos con nuestros requisitos operativos y de desarrollo. Consideramos que hemos logrado esta alineación debido al éxito de las actividades, incluyendo nuestro reclutamiento universitario y estrategias de empleados en curso.</p> <p>La asignación de contratistas sigue siendo un reto mayor. Contamos con una amplia base de contratistas para tener flexibilidad operativa y buscamos profesionalizarlos al mismo nivel que nuestros propios empleados.</p>
<p>RELACIÓN CON LA ESTRATEGIA</p> <ul style="list-style-type: none"> Minas en operación Proyectos en desarrollo Proyectos de crecimiento Desarrollo sustentable 		
<p>INDICADORES DE RIESGOS CLAVE</p> <ul style="list-style-type: none"> Número de puestos cubiertos por área de especialidad, para vacantes y puestos nuevos Tasa de entrada y salida de empleados Horas promedio de capacitación y desarrollo profesional por empleado Número de miembros del personal de contratistas en relación con el personal sindicalizado por Unidad de Operaciones 		

Contratación: Nuestra meta es ser el patrón preferido y reconocemos que para ser una empresa rentable y sustentable, tenemos que generar valor para nuestros empleados y sus familias. Esto lo logramos ofreciendo un ambiente de trabajo saludable, seguro, productivo y orientado al equipo, que no solamente alienta a nuestro personal a desarrollar su potencial, sino también respalda mejoras de proceso. Nos concentramos en la mejora continua, impulsada por la capacitación, desarrollo y oportunidades de crecimiento personal, en resumen, nos centramos en la contratación justa, remuneración y prestaciones justas y la igualdad de género, como se describe en la sección Nuestro Personal en las páginas XX. De nueva cuenta, recibimos el premio *Great Place to Work*, entre empresas con más de 5,000 empleados. Durante 2018, 143 empleados fueron promovidos (13% de nuestra estructura a nivel profesional) y hubo 58 transferencias entre unidades de operaciones. Como explicamos en la sección de Gobiernos Corporativo, actualmente estamos considerando la mejor manera para permitir la participación de los empleados a nivel del Consejo, lo que consideramos que ayudará a mejorar los índices de permanencia.

Desempeño: Hemos continuado con nuestro proceso de evaluación de desempeño, reforzando la retroalimentación formal. Promovemos la certificación de habilidades técnicas clave para el personal operativo y el programa de desarrollo de habilidades administrativas y

liderazgo para los puestos requeridos. Desarrollamos a nuestros gerentes medios con alto potencial a través del programa Líderes con Visión.

Contratistas: Tenemos contratos de perforación y extracción a largo plazo. Invertimos considerablemente en contratistas capacitadores, especialmente en las áreas de seguridad y ambiental. Hemos respaldado la inscripción de 80 de nuestras empresas contratistas en el Programa de Autoadministración sobre Salud y Seguridad en el Trabajo (PASST), promovido por la Secretaría del Trabajo y Previsión Social (STPS) mexicana. De estas empresas, 55% han sido certificadas, 45% se encuentran en proceso de certificación.

Nota para tabla de riesgo: Cambio en el nivel de riesgo: el movimiento vertical ↑ indica impacto y el movimiento horizontal → indica probabilidad.

DECLARACIÓN DE VIABILIDAD y Declaración de Negocio en Marcha

DECLARACIÓN DE VIABILIDAD

De acuerdo con la disposición C.2.2 del Código de Gobierno Corporativo del Reino Unido, y tomando en cuenta la posición actual del Grupo y sus riesgos principales por un período más largo a los 12 meses requerido por la declaración de negocio en marcha, la administración elaboró un análisis de viabilidad que fue evaluado por el Consejo para su aprobación.

Los Consejeros revisaron el período de viabilidad y confirmaron que un período de cinco años hasta diciembre de 2023 seguía siendo conveniente, en línea con la naturaleza de la planeación en la industria minera y el período de pronóstico de cinco años de la Sociedad usado normalmente para evaluar la liquidez y planes de contingencia. Nos permite modelar el gasto de capital y programas de desarrollo planeados durante el plazo, y refleja los flujos de efectivo generados por los proyectos actualmente en desarrollo. Debido a los largos ciclos de operaciones en nuestra industria, los Consejeros consideraron que un plazo más corto sería insuficiente.

Reportar sobre la viabilidad de la Sociedad requiere que los Consejeros consideren aquellos riesgos principales que afectarían la solvencia y liquidez de la Sociedad. Para determinar dichos riesgos, los Consejeros evaluaron energicamente los principales riesgos de todo el Grupo y los riesgos específicos de una operación realizando consultas con la administración ejecutiva, gerentes de minas y otro personal en todas nuestras operaciones. A través de estas conversaciones, los Consejeros también identificaron una baja probabilidad, escenarios de altas pérdidas —“hechos singulares”— con la magnitud potencial de tener un impacto severo en la solvencia y/o liquidez de Fresnillo.

Con el objeto de evaluar la viabilidad del Grupo, los Consejeros identificaron que, de los riesgos principales detallados en la página XX, los siguientes son los más importantes:

- “Impacto de los precios del metal y acontecimientos macroeconómicos mundiales”, específicamente volatilidad en los precios del oro y la plata a lo largo de un período
- Acceso a terrenos
- “Acciones potenciales por parte del gobierno”, que podrían incluir una demora en la obtención de permisos y/o nuevas regulaciones restrictivas
- Incidentes ambientales

Se determinó que ninguno de los riesgos individuales por sí solo comprometería la viabilidad del Grupo. Los Consejeros, por lo tanto, agruparon los riesgos principales en los siguientes escenarios severos pero plausibles, en cada caso determinando la proximidad del riesgo (qué tan pronto podría ocurrir el riesgo) y su velocidad (la velocidad a la cual podría sentirse el impacto del riesgo):

Escenario 1: Impacto de precios de metales y acontecimientos macroeconómicos a nivel mundial. A lo largo de un período de un año, los precios de metales preciosos caen y posteriormente permanecen a un nivel bajo por los primeros cuatro años siguientes del período de viabilidad, variando entre US\$1,179-1,292 por onza de oro y US\$14.7-18.2 por onza de plata. Para crear esta proyección imparcial para el ambiente de precios de metales bajos en el futuro, los Consejeros usaron un promedio de los tres pronósticos más bajos de cada año de la evaluación, con base en estimaciones de consenso publicadas por analistas financieros institucionales. Se consideró que este ambiente de precios de metal bajo era el riesgo más significativo y generalizado para la Sociedad. (Riesgo principal).

Escenario 2: Colapso de una mina a cielo abierto. Tiene lugar un deslave que cubre el pozo inferior de una de nuestras minas. Debido a la naturaleza inesperada del evento, tienen lugar fallecimientos. La producción es aumentada gradualmente y restablecida a su capacidad total. (Hecho único)

Escenario 3: Ruptura del depósito de jales en una mina. El depósito de jales se colapsa y los jales son liberados al área circundante, causando daño ambiental. La Sociedad crea un fondo a ser usado para remediar y compensar cualquier daño causado. La investigación sobre los daños del evento es prolongada y se requiere más tiempo para que se restablezcan todos los permisos ambientales. Como resultado de lo anterior, la mina permanece cerrada a lo largo del período de evaluación de viabilidad. (Riesgo principal)

Escenario 4: Inundación en una mina. Una falla imprevista que contiene agua es cortada, entrando el agua en la mina en exceso de la capacidad de bombeo, parando con ello la producción de una de las principales áreas de la mina. El regreso a los niveles de producción anteriores al evento comienza una vez que la administración determine que es seguro. (Hecho único)

Escenario 5: Acción por parte del Gobierno en una mina. Se han robado explosivos del sitio, haciendo que las autoridades suspendan el permiso de explosivos de la mina. La producción es detenida mientras se finaliza la investigación del asunto. Una vez que se restablecen los permisos, la producción aumenta gradualmente a los niveles previos al evento. (Riesgo principal)

Escenario 6: Acceso al terreno en una mina. Surgen conflictos con las comunidades locales, teniendo como resultado que la Sociedad tenga que cesar

sus operaciones hasta que las negociaciones puedan ser finalizadas y el terreno pueda ser ocupado nuevamente. (Riesgo principal)

Escenario 7: La eliminación de concesiones del Gobierno en una mina. El gobierno aprueba una nueva ley que permite a la Secretaría de Economía retirar una concesión. Se determina que tuvo lugar un impacto social negativo tras la ruptura de un tanque de cianuro, llevando al envenenamiento de la comunidad vecina. El Gobierno retira todos los permisos y las concesiones mineras para la mina San Julián, sin la intención de restablecerlas en el futuro. Esto lleva al cierre permanente de la mina mientras dure el período de viabilidad, mientras se toman acciones mitigantes. (Riesgo principal)

Los escenarios hipotéticos anteriores son extremadamente severos para crear resultados que tengan la capacidad de amenazar la viabilidad del Grupo. Sin embargo, existen múltiples medidas de control para prevenir y mitigar dichos hechos. Si tiene lugar cualquiera de estos escenarios, la Sociedad tiene varias opciones para mantener suficiente liquidez para continuar en operación. Al cuantificar el impacto financiero esperado y el tiempo de remedio requerido para cada uno de estos riesgos, la administración hace una evaluación comparativa contra la experiencia del Grupo y contra la información disponible públicamente sobre incidentes relevantes similares en la industria minera.

Actualmente, se prevé que la totalidad o una parte de los Pagarés Senior por US\$800 millones emitidos en 2013 serán refinanciados. Sin embargo, para tomar en cuenta la posibilidad de que las condiciones del mercado en ese momento no permitan el refinanciamiento en términos aceptables, todos los escenarios establecidos anteriormente, incluyendo aquellos que utilizaron precios de metal debilitados, asumen que los Pagarés Senior serán pagados en su totalidad en 2023, de conformidad con su vencimiento.

Todos los escenarios fueron evaluados por primera vez usando los precios promedio de los metales¹¹, no hubo mitigaciones necesarias. Se decidió que no había amenaza a la viabilidad de la Sociedad. Para crear una prueba más estricta y desafiar adicionalmente la resiliencia del Grupo, todos los escenarios fueron superpuestos con el escenario uno (precios bajos de los metales) y reevaluados.

Cuando estos escenarios fueron remodelados, surgieron problemas de liquidez, reflejando un saldo de efectivo negativo en algunos períodos. Sin embargo, mediante la aplicación de algunas acciones mitigantes que ha identificado la Sociedad, estos problemas fueron resueltos con éxito, permitiendo la continuidad de las operaciones de la Sociedad.

¹¹ El precio promedio de los metales se derivó de una variedad de análisis de Instituciones Financieras al mes de diciembre de 2018.

El nivel de saldo de efectivo más bajo fue identificado en el escenario número tres, en combinación con el escenario de precios bajos de los metales. Este escenario presenta un saldo en efectivo negativo a partir de 2020, con el saldo en efectivo más bajo en 2023 (US\$-283M). Si este escenario se materializa, la Sociedad puede tomar cualquiera de las siguientes acciones de mitigación: aplazamiento de inversiones en el proyecto Orisyvo durante el período de viabilidad y una reducción considerable en los gastos de exploración en 2020, lo cual tendría como resultado que este escenario mantenga un saldo en efectivo positivo a lo largo del período de viabilidad, con un saldo en efectivo mínimo de US\$7 M durante el segundo año.

Los sistemas de administración de riesgos y control interno están en funcionamiento (página XX) en todo el Grupo. A través de los sistemas de control internos, los Consejeros dan seguimiento a las variables clave que tienen la capacidad de afectar la liquidez y solvencia del Grupo, y estamos seguros de que la administración puede mitigar de manera suficiente cualquier situación a medida que tenga lugar.

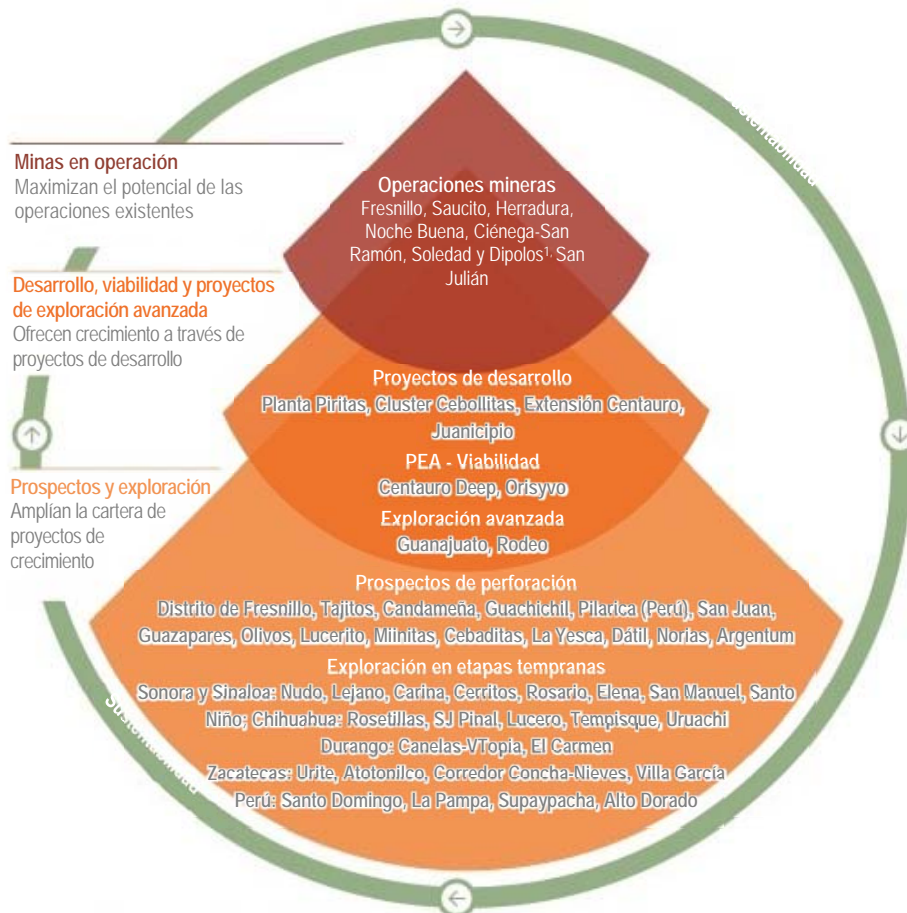
La mitigación de riesgos y medidas de control en funcionamiento incluyen a un Comité de Crisis, en tanto que el Consejo también sería informado y se reuniría según fuera necesario para responder a los hechos a medida que tienen lugar. El personal dedicado a la administración de medios, involucrándose con las autoridades y otras partes interesadas, es nombrado en cada nivel de la organización, dependiendo de la magnitud de la crisis.

Con base en los resultados de este análisis y habiendo considerado los controles establecidos para los riesgos y las acciones mitigantes disponibles, los Consejeros tienen una expectativa razonable de que el Grupo podrá seguir en operación y cumplir con sus responsabilidades a medida que llegan a su vencimiento a lo largo del período de cinco años de su evaluación detallada. Este proceso de evaluación a un plazo más largo respalda las declaraciones de los Consejeros sobre viabilidad, conforme a lo establecido anteriormente, y de negocio en marcha, hechas en la página XX.

Revisión de operaciones

Una Sólida Cartera de Proyectos de Crecimiento

Nuestra cartera de proyectos de crecimiento es fundamental para nuestra estrategia permanente de crecimiento orgánico. La tabla siguiente muestra todos nuestros proyectos y prospectos en todas las etapas.



¹ Las operaciones en Soledad y Dipolos están actualmente suspendidas

1 EXPLORACIÓN

La exploración constituye el núcleo de nuestro compromiso para promover nuestra cartera de proyectos con el fin de ofrecer una plataforma sólida para el éxito futuro.

A diferencia de la mayoría de las empresas mineras en México o en otros lugares, Fresnillo ha sido construida con base en un compromiso a largo plazo con la exploración. Al tiempo que otros buscan crecer principalmente a través de adquisiciones, nosotros nos concentramos en crear nuestra propia cartera de proyectos de reservas y recursos. Cuando los otros se doblegan ante los cambios de dirección de los vientos económicos, nosotros permanecemos firmes en nuestra creencia de que la inversión estable, consistente y significativa en exploración, en todos los ciclos de los precios de metales preciosos, es la mejor manera de cumplir con nuestras ambiciones de crecimiento.

Seguimos concentrándonos en América Latina, maximizando el potencial geológico en y alrededor de nuestras operaciones actuales, al tiempo que buscamos localizar y consolidar nuevos distritos en México, Chile y Perú que indiquen un potencial de oro-plata favorable.

UN EQUIPO MUY EXPERIMENTADO...

En términos de exploración, 2018 no fue diferente a ningún año desde la IPO, ya que aprovechamos nuevamente en gran medida todas las calificaciones y experiencia de nuestros especialistas. Este equipo de más de 100 geólogos en México, Perú y Chile —respaldado por 40 especialistas en manejo de demandas, negociación, relaciones comunitarias y control ambiental, así como 250 asistentes de las comunidades locales— tiene acceso a presupuestos realistas y es enormemente respetado en nuestra industria. El equipo consta de una mezcla bien equilibrada de profesionales jóvenes y experimentados, muchos de los cuales han estado con nosotros desde los inicios de sus carreras.

...RESPALDADO POR TECNOLOGÍA Y GUIADO POR CRITERIOS ESTRICTOS

Nos aseguramos de que nuestro equipo cuente con las herramientas para hacer su trabajo en todo momento invirtiendo en capacitación y tecnología a lo largo de los ciclos de precios. A través de un enfoque sistemático en la selección de objetivos, las más recientes tecnologías geoespaciales, geológicas, geoquímicas y geofísicas, incluyendo imágenes satelitales y estudios hiperespectrales, entre otros, constituyen los cimientos que aumentan las probabilidades de que nuestros geólogos hagan el siguiente descubrimiento.

Nuestro enfoque es evaluar oportunidades dentro de las minas existentes y en nuevas ubicaciones contra un conjunto de criterios estrictos —incluyendo un potencial mínimo de 150 moz de plata y 2 moz de oro para proyectos individuales— para asegurarnos de que cumplan con nuestros objetivos operativos y de ingresos. También evaluamos otros factores antes de comenzar las actividades, tales como leyes minerales, recuperaciones metalúrgicas, costos de extracción, impacto ambiental y costos comunitarios. Únicamente aquellos proyectos que tengan buenos puntajes contra estos requisitos reciben luz verde. Nuestro experimentado equipo de exploración ha sido responsable de nuestros avances más significativos, como, por ejemplo, en San Julián y Saucito, y cuenta con las calificaciones ideales para identificar y desarrollar minas futuras.

DESEMPEÑO EN 2018

MÉXICO

Durante 2018, nuestras actividades de exploración se concentraron en nuestras minas existentes, especialmente Herradura, Fresnillo, Ciénega y San Julián, dado que estas minas siguieron dando indicios de mayor potencial.

En términos de proyectos, se realizaron campañas de perforación en los proyectos San Julián Sur, San Juan, Guanajuato, Pilarica y Juanicipio. Estos proyectos tienen mayor potencial y seguirán siendo considerados por nuestros programas de exploración durante 2019. Además, nuestros procesos de mapeo han localizado nuevos objetivos en los Distritos de Fresnillo, Herradura, Ciénega y Guanajuato, en tanto que un estudio geofísico aéreo también encontró áreas para trabajos de seguimiento en San Julián.

PERÚ Y CHILE

Aunque aún se encuentra en sus etapas tempranas, nuestra estrategia de exploración para diversificarse fuera de México en otros países de América Latina continúa, con algunos avances interesantes durante 2018. En Chile, se evaluaron 30 propiedades y, de éstas, dos propiedades con oro-plata fueron adquiridas a finales del año y se realizarán pruebas de perforación en las mismas en 2019. También estamos explorando activamente el Cinturón de Oro-Plata Paleoceno Costero de Chile y se han evaluado varios distritos a la fecha entre Antofagasta y La Serena.

El reto principal de nuestro equipo de exploración durante el ejercicio fue nuevamente el acceso a terrenos —y seguimos trabajando de manera cercana con las comunidades de toda nuestra cartera. Por ejemplo, la tramitación de permisos para perforación en dos propiedades peruanas ha sido retrasada temporalmente por un proceso de consulta local.

RESERVAS Y RECURSOS

Para estimar recursos y calcular reservas, usamos la edición 2012 del código JORC. Seguimos usando un precio de oro de US\$1,250/oz en nuestras operaciones, inclusive en nuestras operaciones a cielo abierto, en tanto que el precio usado para los recursos y reservas de plata permaneció en US\$17.0 oz.

Las reservas de plata disminuyeron en 5.1% (501.7 moz en 2017 contra 476.0 moz en 2018) debido al agotamiento de material de ley más alta en San Julián y, en una menor medida, un tonelaje menor estimado en Saucito. Se acelerará un programa de perforación de relleno para convertir recursos en reservas en estas áreas. Las reservas de oro también disminuyeron, cayendo en un 6.0%, de 11.7 moz a 11.0 moz en 2018, únicamente debido al agotamiento en Noche Buena, Herradura y San Julián.

Los recursos de plata disminuyeron en 5.0%, de 2.3 Boz a 2.2 Boz, principalmente como resultado de una menor ley y tonelaje en Saucito. Los recursos de oro aumentaron en 1.5% (38.5 moz contra 39.1 moz) durante el ejercicio debido a un aumento en los recursos en Centauro Profundo, que fue más que suficiente para compensar las disminuciones en Ciénega, Noche Buena y Saucito.

La consolidación de los distritos mineros constituye una de nuestras estrategias clave y nos permite aprovechar los conocimientos locales e infraestructura compartida. La siguiente sección examina el potencial de exploración de cada uno de nuestros cuatro distritos principales, así como los proyectos de desarrollo clave en nuestra cartera.

DISTRITO DE FRESNILLO

Siendo un sobresaliente distrito minero de plata ubicado en el corazón de México, esta región es responsable en gran medida de nuestra posición como el productor de plata más grande del mundo. Entre las fortalezas de este distrito se encuentra un largo historial de actividades mineras, mano de obra calificada y una buena infraestructura. Nuestro equipo de geólogos ha aprovechado estas ventajas, al mismo tiempo que aprovecha sus propios conocimientos locales y regionales para maximizar el potencial a largo plazo del distrito. En 2018, se perforaron 196,651 metros en el área.

Juanicipio es un proyecto de asociación en participación autónomo, ubicado a apenas ocho kilómetros de la mina Fresnillo. Nuestra Sociedad es propietaria del 56%, y MAG Silver es propietaria del 44% restante.

El depósito consta de dos sistemas de vetas principales, el sistema de vetas Valdecañas y la veta Juanicipio, que son considerables estructuras epitérmicas

de plata-oro. El sistema de vetas Valdecañas muestra la transición de ley vertical, típica de las vetas principales en el distrito de Fresnillo, observada como un cambio desde las zonas ricas en plata y oro en la parte superior a mayores cantidades de plomo y zinc en las partes más profundas. La exploración en 2018 se concentró en la ampliación de la profundidad de la veta Valdecañas y de la veta Venados de tendencia al noreste.

DISTRITO HERRADURA

Ubicado al noroeste de México, el distrito Herradura es el hogar de las minas Herradura, Noche Buena y Soledad-Dipolos, así como Centauro Profundo, un proyecto estratégicamente importante ubicado debajo del pozo existente de Centauro en Herradura. El distrito representó poco menos del 70% de nuestra producción total de oro en 2018.

La exploración sigue concentrándose en objetivos baldíos, particularmente en Centauro Profundo, donde los recursos de oro aumentaron en 1.1 moz.

DISTRITO CIÉNEGA

Ubicado en la cadena montañosa de la Sierra Madre, este distrito contiene nuestra mina más polimetálica, Ciénega, además de las minas satelitales San Ramón y Taspana. Hemos realizado diversos programas globales de exploración en terrenos baldíos en el distrito y éstos han identificado varios objetivos. Los proyectos que han demostrado el mayor potencial ahora son objeto de análisis adicionales.

El año pasado, la campaña de exploración se intensificó en las vetas Taspana y Tajos, donde las obras de extracción y preparación avanzan a buen paso. En 2019, nuestros planes consisten en seguir explorando las vetas Taspana y Tajos, así como la ampliación este de la veta principal Ciénega.

DISTRITO SAN JULIÁN

Ubicado en la frontera entre Chihuahua y Durango, San Julián comenzó su vida como un proyecto en un terreno no urbanizado hace poco más de diez años. La mina fue puesta en marcha en su totalidad en julio de 2017 después de un programa de inversión de capital de US\$515m.

Nuestro equipo de exploración sigue explorando e identificando nuevos objetivos en el área a través de nuestra estrategia de consolidación de distritos. Tan sólo en 2018, al desplegar un enfoque integrado que combina las disciplinas de geofísica, geoquímica, geología y perforación, pudimos aumentar nuestros recursos de plata en poco menos de 20moz, confirmando nuestra opinión de que

San Julián tiene el potencial para establecerse como un distrito minero totalmente nuevo, apuntalando nuestras metas a largo plazo.

El programa de 2019 incluye el seguimiento de los objetivos geoquímicos y geofísicos en la parte norte del distrito, donde se están realizando obras de exploración superficial.

ASPECTOS DESTACADOS DE 2018

- Se continuó con las actividades de exploración en todas las minas existentes, poniendo especial énfasis en la perforación de relleno en el Distrito Fresnillo.
- Se continuó con las negociaciones para tener acceso a terrenos en proyectos avanzados.
- Se emprendieron nuestros programas de comunicación para explicar los beneficios de la minería en todas nuestras operaciones.
- Se continuó con la perforación profunda en Juanicipio.
- Se concluyó el estudio de viabilidad en Juanicipio y se realizó un estudio de Viabilidad Preliminar en Centauro Profundo.
- Se inició una evaluación económica preliminar en Orisyvo y Guanajuato.

PRIORIDADES PARA 2019

- Realizar evaluaciones económicas preliminares en Tajitos y San Juan.
- Continuar con los estudios económicos preliminares en Guanajuato y Orisyvo.
- Poner en marcha la perforación paramétrica en dos proyectos en Chile y uno en Perú.
- Hacer perforaciones de prueba en nuevos objetivos que han sido identificados en San Julián, Fresnillo y Guanajuato.

1 EXPLORACIÓN

Proyecto	Ubicación	Perforación en 2018 (metros)	Recursos Minerales (atribuibles)	Estatus
Guanajuato	Guanajuato	58,294	2018: 1,209 koz Au y 80 moz Ag Cambio en comparación con 2017: 219 koz Au; 11 moz Ag	En perforación, PEA ¹²
San Julián Sur	Chihuahua/ Durango	48,181	2018: 577 koz Au y 53 moz Ag Cambio en comparación con 2017: 147 koz Au; 20 moz Ag	En perforación, exploración integrada: geofísica, geoquímica y geología
San Juan	Durango	19,438	2018: 550 koz Au y 51 moz Ag Cambio en comparación con 2017: 71 koz Au; 13 moz Ag	En perforación
Candameña	Chihuahua	0	2018: 1,298 koz Au y 32 moz Ag Cambio en comparación con 2017: -4 koz Au; 0.13 moz Ag	En perforación, estudios metalúrgicos y PEA; actualización en los precios de metales ¹³
Tajitos	Sonora	28,898	2018: 479 koz Au Cambio en comparación con 2017: 63 koz Au	En perforación, PEA
Distrito de Fresnillo	Zacatecas	61,756	Veta Huizache (Recursos adicionales en perforación aun no estimados)	En perforación, expansión de recursos de Saucito
Centauro Profundo	Sonora	8,305	2018: 1,802 koz Au Cambio en comparación con 2017: 1,138 koz Au	En perforación, actualización de modelo
Orisyvo	Chihuahua	12,502	2018: 9,609 koz Au y 12 moz Ag Cambio en comparación con 2017: ninguno	En perforación, áreas de exploración cerca del recurso principal

¹² Evaluación Económica Preliminar

¹³ Ningún nuevo modelo de recursos; precios de metal actualizados únicamente

¹² Actualmente no es una prioridad principal

Lucerito	Durango	-	2018: 2,239 koz Au y 159 moz Ag Cambio en comparación con 2017: -60 koz Au; 4 moz Ag	En espera ¹² , actualización de metales preciosos
Rodeo	Durango	-	2018: 1,215 koz Au y 11 moz Ag Cambio en comparación con 2017: ninguno	Adquisición de terrenos
Juanicipio	Zacatecas	22,668	2018: 862 koz Au y 150 moz Ag Cambio en comparación con 2017: 86 koz Au; 11 moz Ag	En perforación, estudio de viabilidad
Guachichil	Zacatecas	-	2018: 1,180 koz Au y 18 moz Ag Cambio en comparación con 2017: -8 koz Au; 170 koz Ag	Permiso de acceso en proceso, actualización de precios de metal
Pilarica	Perú	16,227	2018: 110 koz Au y 53 moz Ag Cambio en comparación con 2017: 19 koz Au; -1.4 moz Ag	En perforación, PEA
Leones	Chihuahua	-	2018: 26 moz Ag Cambio en comparación con 2017: ninguno	En espera ¹²
Manzanillas	Durango	-	2018: 141 koz Au y 3 moz Ag Cambio en comparación con 2017: ninguno	En espera ¹²
Cebadillas	Nayarit	-	2018: 165 koz Au y 4 moz Ag Cambio en comparación con 2017: ninguno	En espera ¹²
La Yesca	Jalisco	-	2017: 27 koz Au y 5 moz Ag Cambio en comparación con 2016: ninguno	En espera ¹²
San Nicolás	Guerrero	-	2018: 112 koz Au y 16 moz Ag Cambio en comparación con 2017: ninguno	En espera ¹²
Guazaparez	Chihuahua	18,483	-	En perforación
Uruachic	Chihuahua	-	-	En perforación
Olivos	Sonora	18,138	-	En perforación
Las Pampas	Perú	-	-	En perforación

Otros	México y Perú	33,565	-	-
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“LA EXPLORACIÓN ES UNA VENTAJA COMPETITIVA CLAVE Y EL CIMIENTO DE NUESTRO FUTURO.”

2 PROYECTOS DE DESARROLLO: JUANICIPIO

Propiedad: **56% Fresnillo plc, 44% Mag Silver** Ubicación: **Zacatecas, Distrito de Fresnillo**

Instalaciones: **Mina subterránea y planta de flotación**

Producción comercial: **Segundo semestre de 2020**

Producción prevista: **Promedio anual de 10 moz de plata y 30 koz de oro¹⁴**

Gasto de capital total: **US\$305 millones¹⁵ (Fres: US\$230 millones)**

Acerca del proyecto

Juanicipio es un proyecto de asociación en participación, siendo el 56% propiedad de Fresnillo y el 44% restante propiedad de MAG Silver Corp. Este es un proyecto autónomo, ubicado a tan sólo ocho kilómetros de la mina Fresnillo, que se encuentra en construcción, desarrollado y operado por Fresnillo plc.

El depósito de Juanicipio consta de dos sistemas de vetas principales, el sistema de vetas Valdecañas y la veta Juanicipio, que son estructuras epitérmicas de plata-oro significativas. El sistema de vetas de Valdecañas muestra la transición de ley vertical típica de las vetas principales en el distrito de Fresnillo, observadas como cambio de las zonas ricas en plata y oro en la parte superior a mayores cantidades de plomo y zinc en las partes más profundas.

Acontecimientos importantes en el ejercicio

El nuevo estudio de viabilidad fue concluido en el segundo semestre de 2018, y éste, junto con los contratos de ingeniería, abastecimiento, construcción y de administración, fueron revisados por el Comité Técnico de Juanicipio. Se espera que el proyecto obtenga la aprobación del Consejo a su debido tiempo y la construcción comenzará a finales de 2019.

Durante el ejercicio, la exploración y desarrollo de la mina siguieron avanzando,

¹⁴ Estudio de viabilidad preliminar 2012

¹⁵ Representa el 100% de la inversión (56% Fresnillo plc, 44% Mag Silver) de acuerdo con EL Estudio de viabilidad preliminar 2012

finalizándose 6,636 metros de obras de desarrollo. Además, hacia el final del ejercicio, previendo la aprobación del proyecto, iniciamos pláticas con contratistas y proveedores de equipo con tiempos de entrega prolongados para reducir el riesgo de retrasos.

(estudio de caso)

AVANCE DE NUESTRA ESTRUCTURA

Las actividades de perforación en los últimos 12 meses nos han dado un mayor entendimiento del potencial en Juanicipio - ratificando el valor de nuestro fuerte y continuo compromiso a la exploración en todos los ciclos de precios y en todos los ambientes económicos.

La perforación adicional en Juanicipio durante el ejercicio ha mejorado el modelo geológico, generando un mejor entendimiento de la estructura del sistema de vetas. Esto nos ha dado extra confianza cuando se estiman los recursos y reservas en el proyecto.

Históricamente, la mayor parte de la actividad de perforación en esta área se ha dirigido a las vetas en dirección al noroeste, tales como San Carlos en Fresnillo o Jarillas en Saucito. En Juanicipio, sin embargo, nuestro equipo también ha identificado una veta que corre al noreste y que es perpendicular a todas las demás vetas en el distrito. Este descubrimiento ha abierto la posibilidad de vetas en direcciones similares cercanas, y buscaremos identificarlas en los próximos meses.

Además, un estudio hiper-espectral ha detectado que las vetas de Juanicipio se extienden más allá del límite de la pertenencia minera al norte y nuestro terreno en Fresnillo, de nuevo aprobando el potencial que confiamos que existe para nuestra Sociedad en esta área.

La mina en Juanicipio será aprobada para desarrollo en su debido curso y esperamos que las actividades de construcción comiencen a finales de 2019, comenzando las operaciones en el segundo semestre de 2020.

PRIORIDADES DE 2019

- Continuar con el desarrollo de la mina
- Presentar el proyecto para aprobación del Consejo
- Iniciar la construcción, con sujeción a la aprobación del Consejo

PROYECTOS EN DESARROLLO: **PLANTA DE PIRITAS**

Propiedad: **100% Fresnillo plc** Ubicación: **Zacatecas, Distrito de Fresnillo**

Instalaciones: **Planta de lixiviación en la mina de Saucito, planta de flotación en la mina de Fresnillo**

Producción comercial: **Segundo trimestre de 2018 (fase I), segundo semestre de 2020 (fase II)**

Producción prevista: **Promedio anual de 3.5 moz de plata y 13 koz de oro**

Gasto de Capital: **US\$155.0 millones**

GASTO DE CAPITAL PRESUPUESTADO PARA 2019: US\$

49m

Cronología: La Construcción de la planta de lixiviación de la planta de Piratas en Saucito (fase I) fue puesta en funcionamiento en el segundo trimestre de 2018 y comenzó sus operaciones inmediatamente después. Ahora se espera que la construcción de la planta de flotación en la mina Fresnillo (fase II) sea concluida para el segundo semestre de 2020, debido a retrasos menores a causa de procesos de obtención de permisos más largos que lo previsto.

GASTO DE CAPITAL TOTAL A LA FECHA: US\$

79.5m

Acerca del proyecto

La construcción de la planta de lixiviación dinámica de 2,000 tpd para procesar jales desde la mina Saucito fue finalizada en el segundo trimestre de 2018 y aportó 977 koz de plata y 3.6 koz de oro en 2018 (véase la página XX). Continuó la construcción de una planta de flotación de jales de 14,000 tpd para procesar los jales históricos y actuales de la mina Fresnillo, y se espera que esta instalación con un valor de US\$53.8 millones sea puesta en funcionamiento en el segundo semestre de 2020. Otras instalaciones consideradas dentro de los gastos de capital de este proyecto fueron las celdas de flotación en Saucito, [que fueron instaladas al construir Saucito II], un laboratorio central para el distrito Fresnillo y edificios auxiliares.

Se espera que la planta de Piratas mejore en general las recuperaciones de oro y plata, y con ello se maximice la producción en el distrito Fresnillo. Se espera que la producción totalice un promedio de 3.5 moz de plata y 13 koz de oro por año una vez que ambas fases operen a capacidad plena.

La segunda fase, un circuito de flotación, tratará los jales en curso e históricos de la mina Fresnillo para producir un concentrado de piratas que será enviado a una planta de filtración y después a la planta de lixiviación en Saucito, la parte final del proceso producirá los precipitados.

Acontecimientos importantes en el ejercicio

La planta de lixiviación en Saucito, la primera fase del proyecto, fue puesta en funcionamiento con un retraso de varios meses, únicamente tras una inversión de US\$54.6 millones [que respetó la cantidad presupuestada]. Las preparaciones para la segunda fase, una planta de flotación de jales en la mina Fresnillo avanzaron, concluyéndose la ingeniería detallada y el modelado de varias estructuras, en tanto que iniciaron las obras civiles y los cimientos de la planta.

PRIORIDADES DE 2019

- Continuar con la construcción de la planta de flotación de jales en Fresnillo.

NOS CONCENTRAMOS CONTINUAMENTE EN OFRECER UNA MAYOR EFICIENCIA EN NUESTROS ACTIVOS PARA OFRECER ALTOS NIVELES DE PRODUCCIÓN. LA SIGUIENTE SECCIÓN REVISAS EL AVANCE DEL GRUPO DURANTE EL EJERCICIO.

3 MINAS EN OPERACIÓN: FRESNILLO

FRESNILLO, UNA DE LAS MINAS CONTINUAMENTE OPERADAS MÁS ANTIGUAS DEL MUNDO, PRODUJO 24% DE LA PLATA TOTAL DEL GRUPO EN 2018 Y GENERÓ 16.9% EN INGRESOS AJUSTADOS TOTALES.

Propiedad: 100% Fresnillo plc	Ubicación: Zacatecas
En operación desde: 1554	Vida de la mina (años): 8.6 (2017: 8.8)
Instalaciones: Mina subterránea y planta de flotación	
Capacidad de molienda (2018): 8,000 tpd/2,640,000 tpa	
Personal: 1,122 empleados, 2,159 contratistas	

	2018	2017	% de cambio
PRODUCCIÓN DE LA MINA			
Mineral molido (kt)	2,443	2,447	(0.2)
Plata (koz)	15,117	16,512	(8.4)
Oro (oz)	42,290	38,784	9.0
Plomo (t)	19,619	20,514	(4.4)
Zinc (t)	31,094	30,021	3.6
Ley mineral de plata (g/t)	214	229	(6.6)
RESERVAS TOTALES			
Plata (moz)	176.7	179.7	(1.7)
Oro (koz)	566	590	(4.1)
LEY MINERAL PROMEDIO EN RESERVAS			
Plata (g/t)	243	240	1.3
Oro (g/t)	0.78	0.79	(1.3)
Ley de corte (g/t AgEq)	212	196	8.2
RECURSOS TOTALES			
Plata (moz)	812.0	812.8	(0.1)
Oro (moz)	1.83	1.85	(1.1)
LEY MINERAL PROMEDIO EN RECURSOS			
Plata (g/t)	339	320	5.9

Oro (g/t)	0.76	0.73	4.1
Ley de corte (g/t AgEq)	131	93	40.9

Acontecimientos importantes durante el ejercicio

La producción de plata disminuyó en 8.4% con respecto a 2017, debido principalmente a una disminución en la ley mineral como resultado del acceso limitado a ciertas vetas de ley alta en el área de San Carlos y Candelaria, así como algunos defectos en el modelo geológico. La producción de mineral permaneció estable en general, en 7,292 tpd, aunque aún por debajo de la capacidad nominal de 8,000 tpd, debido a retrasos en el desarrollo. La tasa de desarrollo promedio durante el ejercicio fue de 2,884 metros por mes (2017: 3,366 metros por mes), a causa de una menor productividad de los contratistas y fallas en el equipo de extracción, interrumpiendo las actividades de perforación.

Para solucionar esto, seguimos poniendo en práctica diversas iniciativas, entre las que se encuentran: la inversión en infraestructura y equipo para acelerar las obras de preparación y desarrollo; mejorar el programa de mantenimiento para incrementar la disponibilidad de equipo; y llevar a cabo un programa de perforación de relleno para mejorar la exactitud del modelo geológico y proporcionar mayor certidumbre a las estimaciones de producción. Contratamos a un contratista adicional en el tercer trimestre de 2018, que comenzó su contribución a la tasa de desarrollo en el último trimestre, que esperamos ayudará a aumentar las tasas a futuro.

En 2019, se espera que la ley mineral de la plata se encuentre dentro de un margen de 210-220 g/t, y que la ley mineral del oro sea de alrededor de 0.60-0.65 g/t, en tanto que se espera que las leyes minerales del plomo y zinc sigan aumentando y se encuentren dentro de la región de 1.15-1.25% y 2.35-2.40%, respectivamente.

La productividad, actualmente calculada como toneladas de mineral triturado por persona, disminuyó en comparación con 2017 debido principalmente a un aumento en el número de empleados sindicalizados y contratistas.

PROYECTO DE AMPLIACIÓN

Se continuó con el proyecto de ampliación de la capacidad de la planta a 9,000 toneladas por día, concentrando el avance en las obras civiles, la ingeniería detallada y la construcción de la infraestructura de acero para la planta. La segunda etapa de este proyecto continuará en 2019, incluyendo la instalación de celdas de flotación adicionales, siendo la etapa final la instalación de las cribas vibratorias en 2020. Este proyecto tendrá como resultado una capacidad de producción promedio anual adicional de tres millones de onzas de plata una vez que sea puesta en funcionamiento en el primer semestre de 2020.

Los recursos de plata permanecieron en general sin cambios como resultado de un aumento en la ley de la plata en recursos resultantes de la ley de corte más alta, lo cual fue compensado por una disminución en el tonelaje de los recursos medidos e indicados debido al agotamiento.

Las reservas de plata disminuyeron ligeramente debido principalmente a [la incapacidad de reemplazar onzas extraídas durante el ejercicio / agotamiento].

Gastos de capital

Los gastos de capital totales en 2018 fueron por US\$121.1 millones, principalmente por desarrollo de la mina, gastos de capital de mantenimiento, la profundización del pozo San Carlos, la construcción de la segunda fase de la planta de Piritas (véase la página X) y la [segunda etapa de la] ampliación de la planta de beneficio. Estos mismos proyectos de gastos de capital seguirán recibiendo la mayoría de la inversión en 2019, aunque las inversiones en tecnologías siguieron siendo revisadas y puestas en práctica durante el ejercicio. A la fecha, se han iniciado las obras para poner en funcionamiento Track plus (Rastrea eficientemente al personal y equipo de minería en tiempo real desde el Centro de Operaciones Mineras ubicado en la superficie), Ventilation Plus (Ventilación optimizada en todas las minas subterráneas, al tiempo que se mantienen los niveles de gases dentro de las normas internacionales) y MineOps Optimiser (da seguimiento y optimiza las tareas realizadas en nuestras minas y nos permite tomar decisiones correctas en tiempo real desde una sala de control), y esperándose que el programa MineOps aumente la eficiencia en la mina.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingresos ajustados (US\$m)	378.3	421.3	(10.2)
Costos de producción ajustados (US\$m)	120.7	116.2	3.9
Utilidad por segmento (US\$m)	211.5	252.2	(16.1)
Gasto de capital (US\$m)	121.1	111.7	8.4
Exploración (US\$m)	18.2	17.9	1.7
Costo por tonelada (US\$)	49.4	47.5	4.1
Costo en efectivo (\$/oz plata)	0.5	0.7	(35.2)
Margen (\$/oz)	15.1	16.3	(7.4)
Margen (expresado como % del precio de la plata)	97.1%	95.8%	

Los ingresos ajustados, excluyendo ventas intersegmentos, disminuyeron en 10.2% a US\$378.3 millones debido a la disminución del 8.3% en los volúmenes de plata vendidos.

El costo por tonelada aumentó en 4.1% a US\$49.4 en 2018 debido principalmente a: i) la inflación en el costo de esta mina, del 2.53% (relacionada en gran medida con los contratistas, personal y materiales de operación); y ii) un número mayor de contratistas de mantenimiento para resolver el problema relacionado con la disponibilidad de equipo.

El costo en efectivo por onza de plata disminuyó a US\$0.5 (2017: US\$0.7) debido a créditos de productos derivados más altos y cargos por tratamiento más bajos, lo cual fue compensado parcialmente por una menor ley mineral de la plata y un costo por tonelada más alto. El margen por onza disminuyó en 7.4% a US\$15.1; sin embargo, expresado como porcentaje del precio de la plata, aumentó a 97.1% (2017: 95.8%) (véase la página 110).

OBJETIVOS DE 2018

- Continuar estabilizando las leyes minerales y la producción de mineral.
- Mantener a corto plazo las tasas de desarrollo a los niveles actuales, al tiempo que se aumentan a mediano y largo plazo.
- Realizar actividades de perforación profunda de relleno intensiva para mejorar la certidumbre en la planeación operativa.
- Ampliar el área de flotación en la planta de beneficio.
- Continuar con la profundización del pozo San Carlos.

DESEMPEÑO DE 2018

- La ley mineral de plata disminuyó debido a diferencias con el modelo geológico y una mayor dilución; la producción mineral permaneció constante de un año al otro.
- Se contrató a un nuevo contratista; sin embargo, las tasas de desarrollo disminuyeron debido a una menor productividad de [algunos/otros] contratistas y fallas en el equipo.
- Se realizó una perforación de relleno a 70,322 metros.
- Se continuó con la preparación de la infraestructura para la ampliación de la planta de beneficio.
- Profundización de 247 metros del pozo San Carlos.

OBJETIVOS DE 2019

- Continuar con el programa de perforación de relleno para mejorar la exactitud del modelo geológico.
- [Mejorar los controles de administración]
- [Aumentar las tasas de desarrollo a más de 3,000 tpd a corto plazo y comenzar con la operación de la máquina de perforación de túneles.]
- Continuar con la profundización del pozo San Carlos.
- Continuar con la construcción de la planta de flotación de jales.
- Instalar celdas de flotación en la planta de beneficio.

(análisis de caso #3)

Puesta en práctica de los proyectos de Infraestructura de la Mina Fresnillo

Siendo una de las minas continuamente operadas más antiguas del mundo, Fresnillo ha producido plata por más de cinco siglos. Sin embargo, en años recientes, su producción se ha vuelto más difícil como consecuencia de la mayor profundidad de los niveles de trabajo, lo cual es una característica inevitable de una mina madura.

Nuestra respuesta ha consistido en poner en marcha una amplia variedad de proyectos para mejorar la infraestructura de la mina y permitimos trabajar más eficientemente, de manera más rentable y a niveles más profundos.

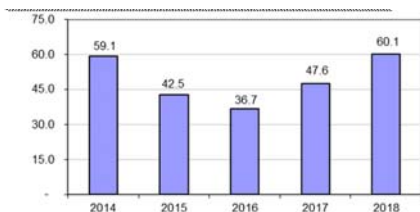
Por ejemplo, recientemente invertimos en un transportador vertical para reducir las distancias de transporte. Instalado con un costo de US\$12 millones, el transportador ha ayudado a recortar el costo por tonelada en 40 centavos de dólar, con base en 1,500 toneladas extraídas.

También estamos actualmente en proceso de instalar una máquina perforadora de túneles con un valor de US\$22.7 millones, que se espera aumente las tasas de desarrollo en al menos 300 metros al mes, y se logre una recuperación de la inversión en menos de cuatro años. Esta máquina con tecnología de punta ha sido diseñada de acuerdo a nuestras especificaciones exactas y se prevé que sea puesta en funcionamiento en el segundo semestre de 2019.

Además, estamos poniendo en funcionamiento una nueva solución de software de administración de flota y de control de minas que nos ofrecerá mayor visibilidad de las operaciones de la mina. Este software dará seguimiento al personal, equipo, mantenimiento, actividades de perforación y transporte en tiempo real y mejorará el desempeño de nuestros empleados y el de los contratistas. El programa piloto de esta solución será puesto en práctica en el área San Alberto de la mina durante 2019.

3 MINAS EN OPERACIÓN: SAUCITO

Saucito US\$/tonelada triturada



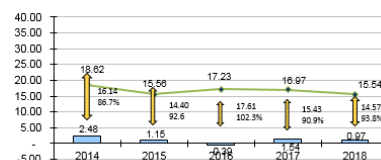
60.1

Saucito mineral triturado por persona - toneladas



849

COSTO EN EFECTIVO DE SAUCITO: PLATA US\$/onza



1.0

Saucito Siendo uno de nuestros activos más importantes, Saucito aportó el 32% de la producción total de plata en 2018 y generó el 21.9% de los ingresos totales ajustados.

Propiedad: **100% Fresnillo plc**Ubicación: **Zacatecas**En operación desde: **2011**Vida de la mina (años): **5.3 (2017: 5.8)**Instalaciones: **Mina subterránea y planta de flotación**Capacidad de extracción (2016): **7,800 tpd/2,600,000 tpa**Personal: **836 empleados, 2,452 contratistas**

	2018	2017	% de cambio
Producción de la mina			
Mineral molido (kt)	2,792	2,754	1.4
Plata (koz)	19,781	21,215	(6.8)
Oro (oz)	86,092	69,948	23.1
Plomo (t)	22,662	17,714	27.9
Zinc (t)	29,506	20,348	45.0
Ley de mineral de plata (g/t)	257	280	(8.0)
Ley mineral de oro (g/t)	1.25	1.09	14.7
Reservas totales			
Plata (moz)	130.3	133.2	(2.1)
Oro (koz)	679	708	(4.4)
Ley mineral promedio en las reservas			
Plata (g/t)	272	261	4.2
Oro (g/t)	1.42	1.39	2.2
Ley de corte (g/t AgEq)	210	215	(2.3)

Recursos totales			
Plata (moz)	428.2	513.6	(16.6)
Oro (moz)	1.9	2.1	(9.5)
Ley mineral promedio en recursos			
Plata (g/t)	271	280	(3.2)
Oro (g/t)	1.19	1.12	6.3
Ley de corte (g/t AgEq)	141	117	20.5
Planta de piratas			
Mineral procesado (t)	131,780	-	N/A
Producción			
Plata (koz)	977	-	N/A
Oro (oz)	3,556	-	N/A
Plata de grado mineral (g/t)	393	-	N/A
Oro de grado mineral (g/t)	2.8	-	N/A

Acontecimientos importantes durante el ejercicio

La producción anual de plata disminuyó en 6.8% en comparación con 2017 debido a una ley mineral más baja que la esperada en los escalones de leyes más altas en los niveles superiores de la mina, como resultado de las diferencias en el modelo geológico y una mayor dilución. [La producción de oro anual aumentó en 23.1% debido a un aumento de la ley mineral]. Se ha puesto en práctica un programa intensivo de perforación de relleno para mejorar la exactitud del modelo geológico y proporcionar mayor certidumbre a las estimaciones de producción a futuro.

Se prevé que continúe el agotamiento gradual de las áreas de ley mineral más alta en 2019, esperándose que la ley mineral de plata sea de entre 210-220 g/t, en tanto que la ley mineral de oro permanecerá estable en 1.3 g/t.

La productividad disminuyó en comparación con 2017 debido principalmente a un aumento en el número de empleados sindicalizados y contratistas.

[El programa de perforación de relleno, [que confirmó leyes minerales más bajas en ciertas áreas de la mina], junto con un aumento en la ley de corte en recursos, tuvieron un impacto adverso en las reservas y recursos de plata, que disminuyeron en 2.2% y 16.6%, respectivamente].

La profundización del pozo Jarillas de 630 metros a 1,000 metros, iniciada en 2018, progresó 26 metros, instalándose tolvas y elevadores durante el ejercicio. Este proyecto dará acceso a las reservas más profundas en la veta Jarillas y se espera que sea finalizado para fines de 2023.

Nuestra meta principal en Saucito seguirá siendo garantizar la disponibilidad de contratistas al tiempo que se mejora su productividad, aumentando paulatinamente las tasas de desarrollo de 2,825 metros, en 2018, a 3,600 metros [para finales de [en] 2019, en conjunción con la profundización de cinco rampas principales en la veta Jarillas. [Esto ayudará a mantener la producción de mineral en 8,000 tpd].

La primera fase de la planta de piratas produjo 977 koz de plata y 3.6 koz de oro en 2018.

Gastos de capital

Los gastos de capital en 2018 totalizaron US\$148.4 millones, asignados principalmente a gastos de capital de desarrollo y mantenimiento en mina, la construcción de la primera fase de la planta de Piratas (véase la página XX) y la profundización del proyecto del pozo Jarillas. En 2019, los gastos de capital serán asignados principalmente a un aumento en las tasas de desarrollo, gastos de capital de mantenimiento y la profundización del pozo Jarillas. Otras inversiones menores en

2019 incluirán la puesta en funcionamiento completa de Ventilation Plus, Track Plus y ProxAlarm (impide colisiones entre vehículos —y entre personas y vehículos— en las minas subterráneas), así como avanzar en la puesta en funcionamiento de MineOps Optimiser.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingresos ajustados (US\$m)	492.0	504.2	(2.4)
Costos de producción ajustados (US\$m)	167.7	131.1	27.9
Utilidad del segmento (US\$m)	274.5	315.2	(12.9)
Gasto de capital (US\$m)	148.4	133.7	11.0
Exploración (US\$m)	36.6	26.1	40.2
Costo por tonelada (US\$)	60.1	47.6	26.2
Costo de capital (\$/oz plata)	1.0	1.5	(35.3)
Margen (\$/oz)	14.6	15.5	(5.8)
Margen (expresado como % del precio de la plata)	93.8	91.1	

Los ingresos ajustados en Saucito disminuyeron en 2.4%, principalmente como resultado de los menores volúmenes de plata, vendidos a un precio más bajo. La aportación de la mina a los ingresos de plata Ajustados totales disminuyó a 35.5% en 2018 (2017: 39.7%), aunque Saucito siguió siendo el principal contribuyente a los ingresos de plata Ajustados totales. El oro aportó 19.7% de los ingresos Ajustados de Saucito (2017: 16.1%), representando 8.6% de los ingresos de oro Ajustados totales del Grupo.

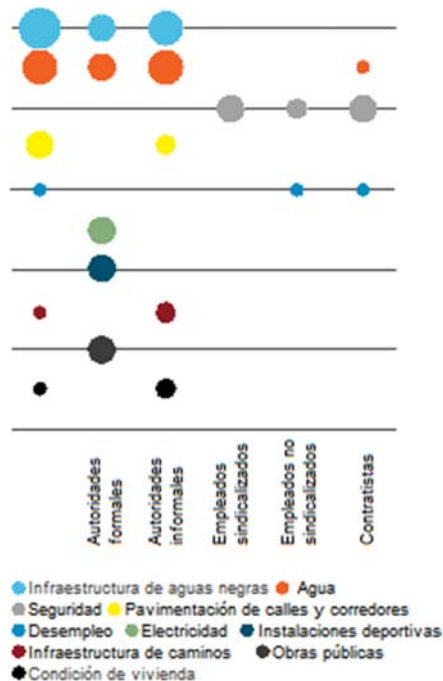
El costo por tonelada aumentó en 26.2% a US\$60.1, principalmente debido a: i) un mayor volumen de mineral procesado de las obras de desarrollo; ii) un aumento en el número de contratistas para obras de desarrollo; y iii) un mayor consumo de reactivos. La inflación de los costos en esta mina fue del 2.45%.

El costo en efectivo por onza de plata disminuyó a US\$1.0 por onza (2017: \$1.5 por onza de plata), principalmente como resultado del incremento en los créditos de productos derivados por onza de plata, como resultado de un mayor volumen de oro vendido, lo cual fue compensado parcialmente por el costo más alto por tonelada y la ley de plata más baja. El margen por onza disminuyó a US\$14.6 en 2018 (2017: US\$15.5). Sin embargo, expresado como porcentaje del precio de la plata, el margen aumentó de 91.1% a 83.8% (véase la página 110).

Evaluación de prioridad de la comunidad

Involucramos a las comunidades mediante estudios de casas, entrevistas con los líderes y grupos de enfoque para identificar los asuntos que les importan a fin de identificar riesgos y oportunidades.

Las esferas más grandes representan una mayor importancia para los grupos de partes interesadas individuales en Saucito.



OBJETIVOS DE 2018

- Mantener las tasas de desarrollo.
- Concluir la construcción de la planta de Piritas
- Iniciar la profundización del pozo Jarillas.
- Intensificar la exploración hacia el sur.

DESEMPEÑO DE 2018

- No se mantuvieron las tasas de desarrollo debido a mal desempeño de los contratistas.
- Se realizaron perforaciones de relleno de 107,111 metros
- La construcción de la planta de Piritas fue concluida con retrasos de varios meses, seguidos de ajustes menores al proceso de trituración en el segundo semestre de 2018.
- Se inició la profundización del pozo Jarillas.
- [La exploración fue intensificada en la veta Huizache, pero no tuvo los resultados esperados. DG ¿RESULTADOS?]

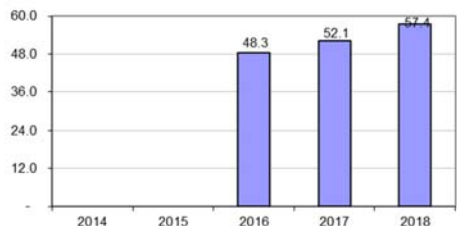
OBJETIVOS DE 2019

- Intensificar la perforación paramétrica y continuar con el programa de perforación de relleno.
- Aumentar las tasas de desarrollo.
- Continuar la profundización del pozo Jarillas

3 MINAS EN OPERACIÓN: SAN JULIÁN

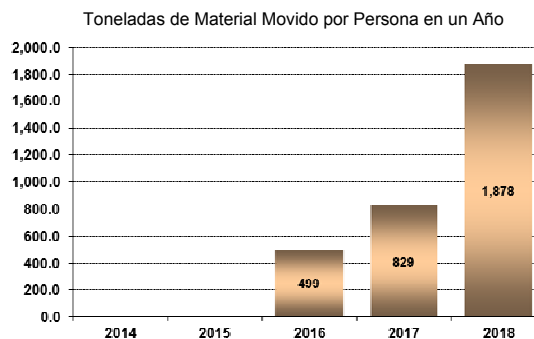
EL PROYECTO DE PLATA-ORO DE SAN JULIÁN ES UN PILAR DE NUESTRAS METAS DE PRODUCCIÓN ACTUALES Y FUTURAS. EN 2018, APORTÓ EL 24% DE LA PRODUCCIÓN TOTAL DE PLATA Y GENERÓ EL 16% DEL INGRESO AJUSTADO TOTAL.

SAN JULIÁN (VETAS) US\$/tonelada extraída

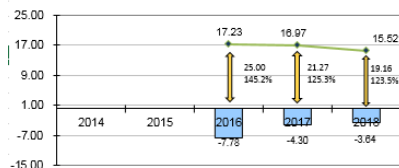


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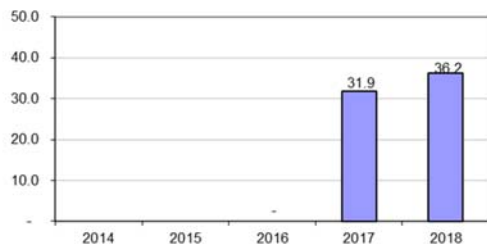
SAN JULIÁN (VETAS Y YACIMIENTOS MINERAL DISEMINADO) PRODUCTIVIDAD



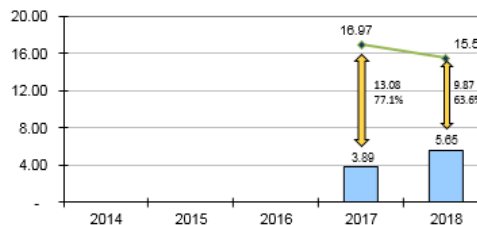
COSTO EN EFECTIVO DE SAN JULIÁN (VETAS): PLATA US\$/onza



SAN JULIÁN (YACIMIENTO MINERAL DISEMINADO) PLATA US\$/onza
US\$/tonelada molida



SAN JULIÁN (YACIMIENTO MINERAL DISEMINADO): COSTO EN EFECTIVO



Propiedad: 100% Fresnillo plc	Ubicación: Frontera de Chihuahua/Durango		
	Vida de la mina (años): 3.5 Vetas, 6.3		
En operación desde: Segundo semestre de 2016 (fase I) / Segundo trimestre de 2017 (fase II)	Yacimiento Mineral Diseminado (2017: 9.0)		
Instalaciones: Mina subterránea, planta de flotación y planta de lixiviación dinámica			
Personal: 143 empleados, 1,717 contratistas			

	2018	2017	% de cambio
Producción de la mina			
Producción Total			
Oro (oz)	82,344	84,533	(2.6)
Plata (koz)	14,630	10,534	38.9
Producción Vetas de San Julián			
Mineral molido (kt)	1,271	1,273	(0.2)
Plata (koz)	5,434	5,936	(8.5)
Oro (oz)	79,218	82,782	(4.3)
Ley mineral de plata (g/t)	144.1	157.2	(8.4)
Ley mineral de oro (g/t)	2.0	2.1	(4.8)
Producción Yacimiento Mineral Diseminado de San Julián			
Mineral molido (kt)	2,221	945	135.0
Plata (koz)	9,196	4,598	100.0
Oro (oz)	3,125	1,750	78.6
Plomo (t)	6,101	3,598	69.6
Zinc (t)	22,027	7,849	180.6
Ley mineral de plata (g/t)	154.4	180.3	(14.4)
Ley mineral de oro (g/t)	0.1	0.1	0.0
Ley mineral de plomo (%)	0.4	0.5	(20.0)
Ley mineral de zinc (%)	1.4	1.2	16.7
Reservas Vetas de San Julián			
Plata (moz)	18.0	30.3	(40.8)
Oro (koz)	231	362	(36.2)
Ley mineral promedio en reservas de las Vetas de San Julián			
Plata (g/t)	126	151	(16.6)
Oro (g/t)	1.62	1.79	(9.5)
Ley de corte (g/t AgEq)	162	171	(5.3)
Reservas Yacimiento Mineral Diseminado de San Julián			
Plata (moz)	94.1	104.5	(10.0)
Oro (koz)	55	54	1.9
Ley mineral promedio en reservas Yacimiento Mineral Diseminado de San Julián			
Plata (g/t)	209	199	5.0
Oro (g/t)	0.1	0.1	-
Ley de corte (g/t AgEq)	170	156	9.0
Recursos Vetas de San Julián			
Plata (moz)	51.1	69.5	(26.5)
Oro (koz)	653	871	(25.0)

Ley mineral promedio en recursos Vetas de San Julián			
Plata (g/t)	112	118	(5.1)
Oro (g/t)	1.43	1.47	(2.7)
Ley de corte (g/t AgEq)	110	95	15.8
Recursos Yacimiento Mineral Diseminado de San Julián			
Plata (moz)	105.2	121.8	(13.6)
Oro (koz)	63	68	(7.4)
Ley mineral promedio en recursos Yacimiento Mineral de San Julián			
Plata (g/t)	227	188	20.7
Oro (g/t)	0.1	0.1	-
Ley de corte (g/t AgEq)	133	117	13.7

Acontecimientos importantes durante el ejercicio

La producción de plata y oro en las vetas de San Julián disminuyó en 8.5% y 4.3% en comparación con 2017, respectivamente, debido principalmente a la baja en la ley mineral como resultado del agotamiento de las áreas de ley alta. En contraste, la producción de plata se duplicó en el Yacimiento Mineral Diseminado de San Julián y la producción de oro aumentó en un 78.6% con respecto a 2017 como resultado del primer año completo de operaciones tras su arranque en julio de 2017.

En 2018, el mineral procesado de la planta de lixiviación en las Vetas de San Julián permaneció estable en términos generales en comparación con 2017, en 3,793 tpd, en tanto que la producción de mineral en la planta de flotación en el Yacimiento Mineral Diseminado de San Julián alcanzó 6,631 tpd. Esto fue logrado aun cuando la menor disponibilidad de agua restringió la capacidad de procesamiento en San Julián (Vetas) y afectó temporalmente la secuencia minera en San Julián (Yacimiento Mineral Diseminado) en el primer semestre de 2018.

Se espera que la producción de mineral en ambas plantas disminuya ligeramente en 2019, de acuerdo con el plan de mina, pero que continúe por arriba de la capacidad nominal a mediano plazo.

En el segundo semestre de 2018, finalizamos una consulta indígena (véase la página xx). Siendo la primera de su clase en México, esta consulta fue necesaria para obtener los permisos de construcción de un tanque de agua que ofrecerá una fuente consistente de agua a futuro. La construcción de estas instalaciones comenzó en el cuarto trimestre de 2018 y se espera que sea finalizada en el segundo semestre de 2019, tras una inversión de US\$20 millones.

La segunda etapa de la ampliación de la presa de jales, una estructura descendente, fue concluida a finales de 2018. [En 2021 esperamos comenzar la tercera etapa de la ampliación, garantizando la capacidad de la presa de jales por cinco años más.]

En 2019, se espera que la ley mineral de la plata en las Vetas de San Julián sea de entre 155 y 165 g/t, y se espera que la ley mineral del oro promedie 1.6-1.7 g/t. [Se espera que ambas leyes permanezcan en general estables durante los siguientes tres años.]

Para el Yacimiento Mineral Diseminado de San Julián, se espera que la ley mineral de la plata se encuentre dentro de un margen de 160-170 g/t, promediando la ley mineral del oro alrededor de

0.09-0.10 g/t durante 2019.

Las reservas de oro y plata en las Vetas de San Julián disminuyeron debido al agotamiento de las áreas de mayor ley. Los recursos de oro y plata en las vetas de San Julián disminuyeron debido a un menor tonelaje.

Los recursos de plata y oro en el yacimiento Mineral Diseminado de San Julián disminuyeron debido a un menor tonelaje y a una ley de corte más alta. Las reservas de plata disminuyeron debido a los mismos factores explicados anteriormente.

Los gastos de capital en 2018 fueron por US\$83.1 millones, asignados principalmente a obras de extracción, gastos de capital de mantenimiento, construcción de la presa de jales y la puesta en funcionamiento de los sistemas Track Plus, ProxAlarm, Ventilation Plus y Mine Optimiser. El gasto de capital presupuestado para 2019 será asignado principalmente a obras de extracción, gastos de capital de mantenimiento y la construcción del tanque de agua con una inversión menor requerida para concluir la puesta en marcha de las iniciativas de TI.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingreso ajustado (US\$m)	366.5	287.2	27.6
Costos de producción ajustados (US\$m)	153.4	96.5	59.0
Utilidad por segmentos (US\$m)	176.5	174.7	1.0
Gasto de capital (US\$m)	83.1	79.1	5.1
Exploración (US\$m)	14.3	2.5	472.0
Costo por tonelada (US\$) (Vetas)	57.4	52.1	10.1
Costo de efectivo (\$/oz plata) (Vetas)	(3.6)	(4.3)	15.4
Margen (\$/oz) (Vetas)	19.2	21.3	(9.9)
Margen (expresado como % del precio de la plata) (Vetas)	123.4	125.3	N/A
Costo por tonelada (US\$) (Yacimiento Mineral Diseminado)	36.2	31.9	13.6
Costo en efectivo (\$/oz plata) (Yacimiento Mineral Diseminado)	5.7	3.9	45.1
Margen (\$/oz) (Yacimiento Mineral Diseminado)	9.9	13.1	(24.4)
Margen (expresado como % del precio de la plata) (Yacimiento Mineral Diseminado)	63.7	77.0	N/A

El ingreso ajustado y los costos de producción ajustados aumentaron, reflejando el primer año completo de operaciones en el (Yacimiento Mineral Diseminado) San Julián.

El costo por tonelada en las Vetas de San Julián aumentó a 10.1%, debido principalmente al aumento en el número de contratistas para obras de extracción.

El costo en efectivo en las Vetas de San Julián aumentó principalmente debido a la disminución en la ley mineral de la plata y al aumento en el costo por tonelada, lo cual fue mitigado por créditos de productos derivados más bajos debido a la disminución en el volumen de oro vendido. El margen por onza disminuyó a US\$19.2 (2017: US\$21.3), en tanto que el margen expresado como porcentaje del precio de la plata disminuyó de 125.3% en 2017 a 123.4% en 2018 (véase la página XX).

PRIORIDADES DE 2018

- Obtener permisos para construir un tanque de agua.
- Intensificar la exploración.
- Ampliar la presa de jales.

DESEMPEÑO DE 2018

- Se han obtenido los permisos y ha comenzado la construcción del tanque de agua.
- Los recursos dentro del área de influencia de San Julián aumentaron después de un programa de exploración intensivo.
- [Se finalizó la segunda etapa de la ampliación de la presa de jales.]

OBJETIVOS DE 2019

- Concluir la construcción del tanque de agua.
- [Aumentar la productividad por medio de la puesta en funcionamiento de un sistema de administración de flotas.]
- Continuar la exploración en el área de influencia.
- Continuar con la puesta en práctica del programa “Me Cuido, Nos Cuidamos”. Obtener certificación de industria limpia y del Código Internacional de Manejo de Cianuro.

(estudio de caso)

TRABAJANDO JUNTOS, COMPARTIENDO BENEFICIOS

Después de un detallado proceso de consulta con la comunidad local, estamos poniendo en práctica un proyecto que no solo proporcionará un suministro de agua confiable para nuestra mina San Julián, sino que también aumentará el acceso al agua para la población indígena Rarámuri que vive en las cercanías.

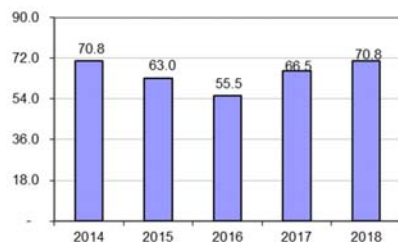
Durante el ejercicio, trabajamos en colaboración con la comunidad Rarámuri local para obtener su consentimiento para la construcción de una reserva de agua que dé servicio a nuestra mina San Julián.

En lo que fue el primer proceso formal de consulta indígena de la industria minera mexicana, después de la reciente legislación, desarrollamos un proceso de Consulta y Participación Informada basado en un sano entendimiento del contexto social, económico, cultural y ambiental. Este proceso incluye interacciones extensas y altamente sensibles para asegurarnos de que las características del proyecto y sus posibles impactos y las medidas de mitigación sean entendidos completamente por la población local antes de que comenzaran sus deliberaciones.

Después de este largo y detallado proceso, nos alegró obtener el consentimiento de los Rarámuri y actualmente estamos poniendo en marcha medidas para impedir o mitigar impactos adversos en el medio ambiente y sociales. Además, a la vez que creamos empleo local, estamos trabajando con la ONG Captur AG y la comunidad para construir 325 sistemas de recolección de aguas pluviales que proporcionarán agua a cada casa.

3 MINAS EN OPERACIÓN: CIÉNEGA

CIÉNEGA US\$/tonelada triturado



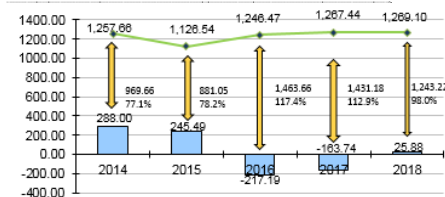
70.8

CIÉNEGA mineral triturado por persona - toneladas



1,252

COSTO EN EFECTIVO DE CIÉNEGA: ORO US\$/onza



25.9

CIÉNEGA ES UNA MINA DE ORO CON UN SÓLIDO PERFIL SECUNDARIO EN PLATA, APORTANDO APROXIMADAMENTE EL 10% DE LA PRODUCCIÓN DE PLATA TOTAL EN 2018 Y GENERANDO EL 8% DE LOS INGRESOS AJUSTADOS TOTALES

Propiedad: **100% Fresnillo plc**

Ubicación: **Durango**

En operación desde: **1992**

Vida de la mina (años): **6.8 (2017: 6.9)**

Instalaciones: **Mina subterránea, planta de flotación y lixiviación**

Capacidad de molienda (2016): **4,000 tpd/1,340,000 tpa**

Personal: **513 empleados, 544 contratistas**

	2018	2017	% de cambio
Producción de la mina			
Mineral molido (kt)	1,324	1,302	1.7
Plata (koz)	5,999	5,394	11.2
Oro (oz)	66,869	71,947	(7.1)
Plomo (t)	4,799	6,328	(24.2)
Zinc (t)	5,892	7,048	(16.4)
Ley mineral de plata (g/t)	164	151	8.6
Ley mineral de oro (g/t)	1.65	1.82	(9.3)
Reservas totales			
Plata (moz)	56.9	54.1	5.2
Oro (koz)	598	635	(5.8)
Ley mineral promedio en las reservas			
Plata (g/t)	198	189	4.8
Oro (g/t)	2.08	2.22	(6.3)
Ley de corte (g/t AgEq)	Múltiple	Múltiple	-

Recursos totales			
Plata (moz)	133.9	167.3	(20.0)
Oro (moz)	1.3	1.7	(23.5)
Ley mineral promedio en recursos			
Plata (g/t)	191	152	25.7
Oro (g/t)	1.91	1.56	22.4
Ley de corte (g/t AgEq)	Múltiple	Múltiple	–

Acontecimientos importantes en el ejercicio

La producción anual de oro disminuyó debido a una ley mineral más baja, como resultado del agotamiento de las áreas de ley mineral más alta. Esto fue compensado parcialmente por la tasa de recuperación más alta y un aumento en el mineral procesado como resultado de la reducción del tiempo de inactividad gracias a las eficiencias logradas en el programa de mantenimiento. La producción de plata aumentó de un año a otro debido a la ley mineral más alta en la mina satelital Taspana y a una menor dilución.

Como se tenía previsto, la contribución de Taspana aumentó de 15,000 a 30,000 toneladas por mes, contribuyendo así al aumento en la producción de plata.

En 2019, se espera que la ley mineral de oro promedio siga siendo de entre 1.6-1.7 g/t, y se espera que la ley mineral de plata sea en promedio de entre 150-160 g/t.

La construcción de la tercera presa de jales [, una estructura descendente,] continuó y se espera que sea finalizada a principios de 2019.

Nuestro programa de exploración continuó en 2018, identificando una mineralización adicional en la mina principal de Ciénega. Con base en estos resultados, estamos considerando una ampliación de 2,000 tpd de la planta de beneficio en Ciénega. Una evaluación económica preliminar concluida en el ejercicio destacó la necesidad de un mayor gasto de capital en este proyecto, y actualmente estamos evaluando maneras de mejorar su viabilidad económica. Mientras tanto, las actividades de exploración y obras mineras siguen avanzando en el área.

También concluimos un proyecto de capital relativamente menor en Ciénega: la instalación de un espesante compacto que ayudará a optimizar el consumo de agua y asegurarnos de que los jales enviados a la presa tengan un menor contenido de agua.

La productividad permaneció en líneas generales sin cambios en 2017 ya que la producción mineral más alta compensó el aumento en los trabajadores y contratistas.

[Las reservas de plata se incrementaron debido al aumento en la ley mineral, en tanto que las reservas de oro disminuyeron como resultado del agotamiento de áreas de leyes minerales más altas. Los recursos de oro y plata disminuyeron debido al agotamiento.]

Gastos de capital

Los gastos de capital en 2018 totalizaron US\$72.9 millones y fueron asignados al desarrollo de la mina, los gastos de capital de mantenimiento y la construcción de la tercera presa de jales [y el

espesador compacto de alta capacidad]. Los gastos de capital presupuestados para 2019 se asignarán principalmente a obras mineras y a gastos de capital de mantenimiento. Otras inversiones menores de capital durante el ejercicio seguirán fomentando el avance de las iniciativas de TI hacia su finalización, incluyendo Track Plus, ProxAlarm, Ventilation plus y MineOps Optimizer.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingresos ajustados (US\$m)	187.1	198.3	(5.6)
Costos de producción ajustados (US\$m)	93.8	86.7	8.2
Utilidad por segmentos (US\$m)	79.2	97.1	(18.4)
Gastos de capital (US\$m)	72.9	46.5	56.8
Exploración (US\$m)	22.9	16.5	38.8
Costo por tonelada (US\$)	70.8	66.5	6.5
Costo en efectivo (\$/oz oro)	25.9	(163.7)	N/A
Margen (\$/oz)	1,243.4	1,431.1	(13.1)
Margen (expresado como % del precio del oro)	98.0	112.9	

Los ingresos ajustados disminuyeron a US\$187.1 millones en 2018, debido principalmente a la venta de volúmenes de oro más bajos y volúmenes de plomo y zinc vendidos a precios más bajos. Ciénega es la mina más polimetálica del grupo, un hecho demostrado por la contribución significativa de la plata, el plomo y el zinc, de 57.5% en 2018 (2017: 57.2%).

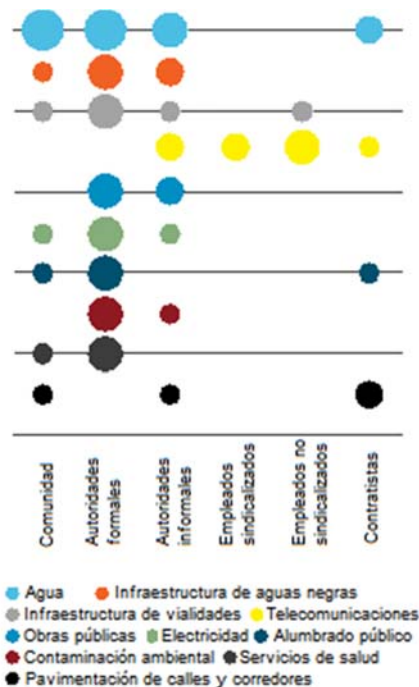
El costo por tonelada en Ciénega aumentó en un 6.5% a US\$70.8, principalmente debido al aumento en el número de contratistas para obras de desarrollo y civiles. La inflación de los costos en esta mina fue de 1.57%.

El costo en efectivo por onza de oro fue de US\$25.9, un aumento comparado con -US\$163.7 en 2017, como resultado de la disminución esperada en la ley mineral de oro, el costo más alto por tonelada y cargos de tratamiento y refinación más altos, mitigados parcialmente por créditos de productos derivados más altos por onza de oro. El margen por onza disminuyó a US\$1,243.4 en 2018 (2017: US\$1,431.2). Expresado como porcentaje de los precios del oro, el margen disminuyó a 98.0% (2017: 112.9%) (véase la página 110).

Evaluación de prioridad de la comunidad

Involucramos a las comunidades mediante estudios de casas, entrevistas con los líderes y grupos de enfoque para identificar los asuntos que les importan a fin de identificar riesgos y oportunidades.

Las esferas más grandes representan una mayor importancia para los grupos de partes interesadas individuales en Ciénega.



OBJETIVOS DE 2018

- Seguir desarrollando la veta Taspana.
- Intensificar la exploración en la veta Rosario y desarrollar la rampa de acceso.
- Continuar con la construcción de la tercera presa de jales.
- Comenzar la ingeniería básica para la ampliación de la planta a 5,000 tpd en Ciénega.

DESEMPEÑO EN 2018

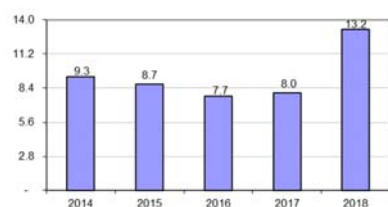
- Continuación del desarrollo en la veta Taspana y contribuyó al aumento en la producción de plata.
- Se continuó con la exploración y la rampa de acceso alcanzó 1,473 metros.
- Se avanzó en la construcción de la tercera presa de jales y será finalizada a principios de 2019.
- Se realizó una evaluación económica preliminar (PEA, por sus siglas en inglés), que llevó a una decisión de reevaluar la economía del proyecto.

OBJETIVOS DE 2019

- Realizar una evaluación económica actualizada para la ampliación de la planta de beneficio en la planta Ciénega.
- Intensificar la exploración en la falla Transversal Rosario y comenzar la exploración al oeste de la veta San Ramón.
- Obtener permisos y comenzar la ingeniería para la cuarta presa de jales.

3 MINAS EN OPERACIÓN: HERRADURA

HERRADURA US\$/tonelada depositada



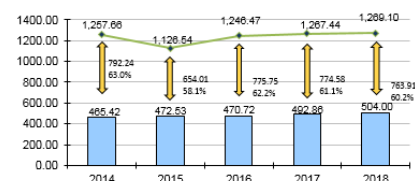
13.2

HERRADURA mineral/desperdicio movido por persona - toneladas



61,510

COSTO EN EFECTIVO DE HERRADURA: ORO US\$/onza



504.0

GASTO DE CAPITAL TOTAL: US\$

104.6m

Cronología: La puesta en funcionamiento de la segunda línea de la Planta de Lixiviación Dinámica en Herradura fue retrasada al tercer trimestre de 2018, debido a que las pruebas tomaron más tiempo que el previsto y la producción comercial no inició sino hasta 2019. Sin embargo, 21,266 onzas de oro fueron producidas en el cuarto trimestre de 2018. La Planta de Lixiviación Dinámica prolongará la vida de la mina en Herradura a 12 años, con una vida promedio de producción de oro anual de la mina de 390 koz. El proyecto permitirá que aparezcan sulfuros en partes más profundas del pozo para ser procesados con mayor eficiencia.

HERRADURA ES UNA DE LAS MINAS DE ORO A CIELO ABIERTO MÁS GRANDES DE MÉXICO. HERRADURA PRODUJO EL 51.4 % DEL ORO TOTAL DEL GRUPO EN 2018 Y GENERÓ EL 27.1% DE LOS INGRESOS TOTALES AJUSTADOS.

Propiedad: **Minera Penmont (100% Fresnillo plc)** Ubicación: **Sonora**

En operación desde: **1997**

Vida de la mina (años): **13.2** (2017: 11.6)

Instalaciones: **Mina a cielo abierto, lixiviación en pilas y plantas Merrill Crowe; planta de lixiviación dinámica (DLP)**

Personal: **1,500 empleados, 516 contratistas**

	2018	2017	% de cambio
Producción de la mina			
Mineral depositado (kt)	22,157	26,027	(14.9)
Volumen total transportado (kt)	124,024	130,025	(4.6)
Oro (oz)	474,168	473,638	0.1
Plata (koz)	1,523	551	176.4

Ley mineral de oro (g/t)	0.76	0.68	11.8
Reservas totales			
Oro (moz)	7.4	7.7	(3.9)
Ley mineral promedio en reservas			
Oro (g/t)	0.78	0.79	(1.3)
Ley de corte (g/t Au)	Múltiple	Múltiple	–
Recursos totales			
Oro (moz)	10.2	10.3	(1.0)
Ley mineral promedio en recursos			
Oro (g/t)	0.80	0.80	–
Ley de corte (g/t Au)	Múltiple	Múltiple	–

Acontecimientos importantes durante el ejercicio

La producción anual de oro permaneció estable en comparación con 2017, debido al aumento en la ley mineral procesada en la Planta de Lixiviación Dinámica y una tasa de recuperación más alta como resultado de un aumento en la irrigación de las plataformas de lixiviación, lo cual fue compensado por un menor volumen de mineral procesado debido a las fuertes lluvias ocurridas durante el segundo semestre de 2018.

Después de la construcción de un camino de acceso a través de una serie de plataformas de lixiviación para reducir los costos de transporte, tuvimos la oportunidad de hacer ensayos y verificar ciertas características del mineral que fue desplazado. Estas pruebas confirmaron contenido de oro adicional en las plataformas de lixiviación, lo cual tuvo como resultado un aumento de 98.9 mil onzas de oro al día 1 de enero de 2018.

Se espera que las leyes minerales de oro en 2019 sean de entre 0.70-0.75 g/t.

La productividad disminuyó en comparación con 2017 debido a un volumen más bajo de mineral y material de desperdicios acarreados por un aumento en el número de personal.

Después del aumento en las reservas en la mina Herradura en 2017 y la exploración adicional llevada a cabo en el primer semestre de 2018, llevamos a cabo el análisis anual para identificar los componentes separados de los yacimientos de minerales en Herradura. Éste concluyó que el número de componentes a los que se asignan costos de desmonte deben reducirse de dos a uno. Este cambio tuvo como resultado el reconocimiento de la totalidad del desmonte en el estado de resultados, en comparación con una capitalización parcial del mismo, aumentando con ello la proporción de desmonte gastada a 4.56 en el segundo semestre de 2018. La proporción de desmonte gastada en el primer semestre de 2018 fue de 2.33, habiendo considerado la misma como dos componentes.

[Seguimos trabajando en el fortalecimiento del proyecto para ampliar el pozo Centauro. Perforamos 102,592 metros adicionales en 2018 para optimizar la delimitación del pozo y mejorar los parámetros financieros de este proyecto. Sin embargo, dado que las reservas no aumentaron en la medida esperada, seguiremos perforando en 2019.]

Entre otros proyectos pequeños en curso en esta mina, se encuentra la construcción de la plataforma de lixiviación número 13 para garantizar continuidad operativa, que se espera sea concluida en el segundo semestre de 2019; un proyecto piloto para evaluar el uso de sistemas de combustible dobles (diésel y Gas Natural Líquido) para nuestro equipo de transporte, que reducirá el costo y nuestra huella de carbono (véase la página XX); y la instalación de cribas vibratorias en

la DLP (fase I) que aumentará la capacidad de molienda de 8,700 tpd a 9,200 tpd.

Las reservas de oro disminuyeron ligeramente como resultado del menor tonelaje, en tanto que los recursos de oro permanecieron estables en general.

Gastos de capital

Los gastos de capital en 2018 totalizaron US\$116.0 millones, que incluyeron preparación de la mina, gastos de capital de mantenimiento, la construcción de la segunda línea en la DLP y adquisición de terrenos. Los gastos de capital en 2019 se concentrarán principalmente en gastos de capital de mantenimiento y la construcción de una plataforma de lixiviación adicional. Las inversiones menores durante el ejercicio incluirán la puesta en funcionamiento total de ProxAlarm y el sistema Fatigue Monitoring (reduce los errores de operadores y mejora la seguridad causada por fatiga de los operadores), en tanto que se acerca la finalización del sistema MineOps Optimiser.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingresos ajustados (US\$m)	608.2	606.8	0.2
Costos de producción ajustados (US\$m)	292.7	207.4	41.1
Utilidad por segmentos (US\$m)	323.0	355.6	(9.2)
Gasto de capital (US\$m)	116.0	153.2	(24.3)
Exploración (US\$m)	33.0	27.1	21.8
Costo por tonelada (US\$)	13.2	8.0	65.8
Costo en efectivo (\$/oz oro)	504.0	492.9	2.3
Margen (\$/oz)	765.3	774.5	(1.2)
Margen (expresado como % del precio del oro)	60.3	61.1	

Los ingresos ajustados permanecieron en general sin cambios, en US\$608.2 millones. Esto fue resultado de un aumento en los volúmenes de plata vendidos, compensados parcialmente por el menor volumen de oro vendido.

El costo por tonelada del mineral depositado aumentó en 65.8% a US\$13.2, principalmente debido a: i) un mayor desmonte cargado a los costos de producción; ii) el cambio en los criterios de dos a un componente; y iii) ineficiencias debido a un menor volumen depositado (-14.9%). La inflación de los costos en esta mina fue del 4.0% (relacionada en gran medida con el aumento en el precio del diésel).

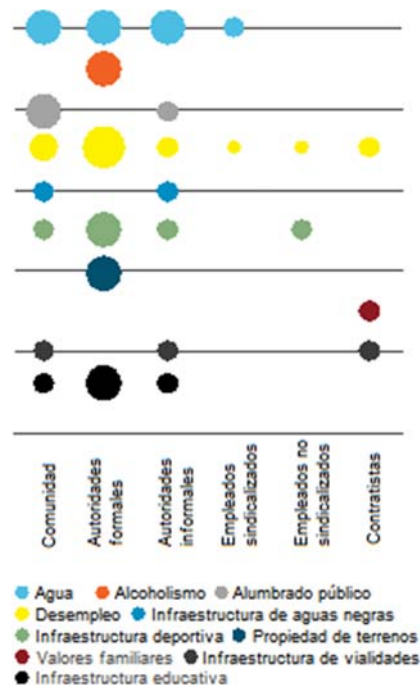
El costo en efectivo por onza de oro aumentó en 2.3% a US\$504.0, como resultado del aumento del costo por tonelada y el cambio en los criterios de dos componentes a uno, mitigado por la ley de oro más alta, un efecto favorable, debido a la reestimación de contenido de oro en las plataformas de lixiviación; y créditos de productos derivados más altos por onza de oro. El margen por onza y el margen expresado como porcentaje de los precios del oro disminuyó a US\$765.3 y 60.3%, respectivamente (véase la página XX).

Evaluación de prioridad de la comunidad para Penmont

Involucramos a las comunidades mediante estudios de casas, entrevistas con los líderes y grupos de enfoque para identificar los

asuntos que les importan a fin de identificar riesgos y oportunidades.

Las esferas más grandes representan la mayor importancia para los grupos de partes interesadas individuales en Penmont.



OBJETIVOS DE 2018

- Poner en funcionamiento la segunda línea en la DLP.
- Continuar con la exploración para fortalecer el proyecto de ampliación de Centauro.

DESEMPEÑO DE 2018

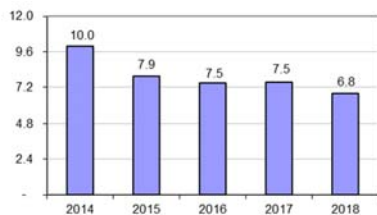
- La segunda línea en la DLP fue puesta en funcionamiento en el tercer trimestre de 2018, comenzando la producción comercial en 2019.
- Se llevó a cabo un programa de exploración intensivo, aunque las reservas no aumentaron de acuerdo a lo esperado.

OBJETIVOS DE 2019

- Inicialización de la segunda línea en la DLP.
- Continuar con la perforación de relleno para reevaluar la ampliación del pozo.
- Comenzar la [transformación/conversión] paulatina del equipo de transporte a un sistema de combustible doble.
- Concluir la construcción de la plataforma de lixiviación número 13.

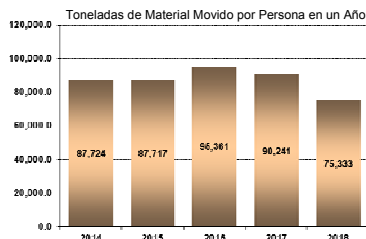
3 MINAS EN OPERACIÓN: NOCHE BUENA

NOCHE BUENA US\$/tonelada depositada



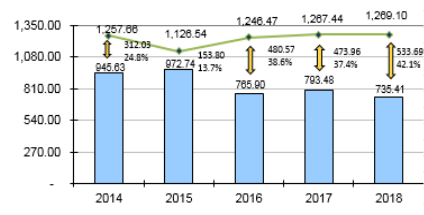
6.8

NOCHE BUENA mineral/desperdicio movido por persona - toneladas



75,333

COSTO EN EFECTIVO DE NOCHE BUENA: ORO US\$/onza



735.4

NOCHE BUENA SE ENCUENTRA UBICADA EN EL DISTRITO HERRADURA, A 23 KILÓMETROS DE LA MINA HERRADURA. NOCHE BUENA PRODUJO EL 18% DEL ORO TOTAL DEL GRUPO EN 2018 Y GENERÓ MÁS DEL 9% DE INGRESOS AJUSTADOS TOTALES.

Propiedad: **Minera Penmont (100% Fresnillo plc)** Ubicación: **Sonora**

En operación desde: **2012** Vida de la mina (años): **1.9 (2017: 2.8)**

Instalaciones: **Mina a cielo abierto, lixiviación en pilas y planta de Merrill Crowe**

Personal: **513 empleados, 553 contratistas**

	2018	2017	% de cambio
Producción de la mina			
Mineral depositado (kt)	18,196	17,821	2.1
Volumen total transportado (kt)	80,305	85,233	(5.8)
Oro (oz)	167,208	172,282	(2.9)
Plata (koz)	52	31	67.7
Ley mineral de oro (g/t)	0.52	0.52	0.0
Reservas totales			
Oro (moz)	577	819	(29.5)
Ley mineral promedio en reservas			
Oro (g/t)	0.53	0.51	3.9
Ley de corte (g/t Au)	0.25	0.25	–
Recursos totales			
Oro (moz)	592	837	(29.3)
Ley mineral promedio en recursos			
Oro (g/t)	0.53	0.51	3.9
Ley de corte (g/t Au)	0.25	0.25	–

Acontecimientos importantes durante el ejercicio

La producción anual de oro disminuyó en 2.9%, debido a una velocidad de recuperación en general más baja como resultado de las plataformas de lixiviación más altas, aumentando a su vez el tiempo de permanencia de la solución en las plataformas. Esto fue parcialmente compensado por el volumen más alto de mineral procesado.

Debido a que la mina tiene una vida restante limitada, nos concentramos en mejorar la eficiencia y reducir los costos. Se inició un proyecto para poner en funcionamiento un

proceso de Carbón en Columna (CIC, por sus siglas en inglés) durante el ejercicio con obras de ingeniería, preparación de sitio y entrega de equipo y materiales. Este proyecto contribuirá a mantener la eficiencia de la recuperación de oro en los años finales de la vida de la mina y en la etapa de neutralización, cuando se espera que el contenido de oro sea más bajo. Esperamos que este proyecto sea puesto en funcionamiento en 2019.

En 2019, se espera que la ley mineral promedio sea de alrededor de 0.55 g/t, a medida que extraemos las áreas más profundas del pozo.

La productividad disminuyó en comparación con 2017 debido a un volumen más bajo de mineral y material de desperdicios acarreado por el aumento en el número de personal.

Las reservas y recursos de oro continuaron disminuyendo como resultado del agotamiento natural del pozo.

Gastos de capital

Los gastos de capital en 2018 totalizaron US\$50.2 millones, concentrándose en las obras mineras y gastos de capital de mantenimiento, incluyendo la construcción de plataformas de lixiviación para garantizar la continuidad operativa. El gasto en 2019 será, de nueva cuenta, hecho principalmente en gastos de capital de mantenimiento y la construcción de la plataforma de lixiviación número 7.

Desempeño financiero

Datos financieros destacados	2018	2017	% de cambio
Ingreso ajustado (US\$m)	211.4	215.5	(1.9)
Costos de producción ajustados (US\$m)	122.8	132.7	(7.5)
Utilidad por segmentos (US\$m)	85.9	75.5	13.8
Gasto de capital (US\$m)	50.2	18.7	168.4
Exploración (US\$m)	3.0	5.7	(47.4)
Costo por tonelada (US\$)	6.8	7.5	(9.4)
Costo en efectivo (\$/oz oro)	735.4	793.5	(7.3)
Margen (\$/oz)	533.9	474.0	12.6
Margen (expresado como % del precio del oro)	42.1	37.4	

Los ingresos ajustados en Noche Buena disminuyeron ligeramente en 1.9% a US\$211.4 millones, reflejando la baja en los volúmenes de oro vendido.

El costo por tonelada en esta mina disminuyó en 9.4% a US\$6.8 en 2018, como resultado de

las distancias más cortas para transportar el mineral del pozo a las plataformas de lixiviación, a pesar de que la inflación de los costos en esta mina fue del 2.54% (relacionado principalmente con el precio unitario del diésel).

El costo en efectivo por onza de oro disminuyó en 7.3% a US\$735.4 debido a la baja en el costo por tonelada. El margen por onza aumentó a US\$533.9, en tanto que el margen expresado como porcentaje del precio del oro aumentó a 42.1% en 2018 (véase la página XX).

EVALUACIÓN DE PRIORIDAD social y de sustentabilidad

Véase Herradura para la evaluación de prioridad social y de sustentabilidad asociada con todas las minas de Penmont.

OBJETIVOS DE 2018

- Mantener un perfil de costos en efectivo comparativamente bajo.
- Maximizar la producción extrayendo mineral de las nuevas áreas.

DESEMPEÑO DE 2018

- Costos contenidos.
- La producción fue más alta que la prevista, [contribuyendo así al ajuste a la alza de los lineamientos de oro del Grupo].

OBJETIVOS DE 2019

- Mantener el perfil de costos en efectivo comparativamente bajo.
- Finalizar la construcción de la plataforma de lixiviación número 7.
- Poner en funcionamiento el proyecto de carbón activado.
- Preparar el plan de cierre de la mina.

“SEGUIMOS CONCENTRÁNDONOS EN MEJORAR LA EFICIENCIA Y REDUCIR LOS COSTOS.”

CARTA DEL PRESIDENTE DEL COMITÉ DE SALUD, SEGURIDAD, MEDIO
AMBIENTE Y RELACIONES COMUNITARIAS (HSECR, por sus siglas en inglés)

Estimado Accionista:

El éxito sustentable a largo plazo de la Sociedad depende de la construcción de confianza y relaciones mutuamente benéficas con sus parte interesadas. El Comité de Salud, Seguridad, Medio Ambiente y Relaciones Comunitarias (HSECR) evalúa, en representación del Consejo, la efectividad de la Sociedad en su respuesta a los intereses más amplios y en evolución de sus partes interesadas. Nuestro compromiso con la sustentabilidad se basa en una cultura ética, prácticas mineras responsables y en compartir los beneficios de la minería con la sociedad en general. Como Presidente del Comité de HSECR, me complace presentar las actividades del Comité de HSECR durante el ejercicio.

El Comité está consciente de su responsabilidad de asegurarse de que la dirección tenga políticas efectivas, procesos de auditoría y sistemas de administración en funcionamiento para abordar de manera proactiva los temas que son importantes para las operaciones y relevantes para sus partes interesadas. Hemos dado instrucciones a la administración para mejorar las prácticas de informe de la Sociedad a través de un conjunto de Indicadores de Desempeño Clave Estratégicos (KPI). El Comité también evaluó y recomendó al Consejo de Administración un conjunto específico de KPI para evaluar el desempeño de sustentabilidad de manera más estructurada.

Mantener un lugar de trabajo seguro y sano es nuestra más alta prioridad, por arriba de la producción y la rentabilidad. Lamento profundamente informar que hubo cinco accidentes fatales en 2018 y uno a principios de 2019. Independientemente de la causa raíz de los accidentes, consideramos que nuestra cultura de seguridad debe de estar profundamente arraigada dentro de la Sociedad a través del cambio de comportamiento. Con este fin, impulsamos la puesta en práctica del programa “Me cuido, nos cuidamos” que integra las mejores prácticas, sistemas, programas y comportamientos con la meta de trabajar de manera segura. Como parte de nuestra agenda de gobierno, evaluamos el Informe de Esclavitud Moderna de la Sociedad y dimos seguimiento al avance de la iniciativa de cultura de ética de “intensificación”.

Creemos fuertemente que la consulta y la participación son derechos fundamentales de los pueblos indígenas. La buena fe, transparencia y rendición de cuentas deben ser en todo momento la brújula que guíe nuestros esfuerzos de compromiso comunitario. A través del diálogo constructivo y la participación inclusiva, la Sociedad obtuvo el consentimiento libre, previo e informado del Pueblo Indígena Rarámuri para construir y operar un tanque de agua para nuestra mina San Julián.

FUNCIÓN DEL COMITÉ

La función y obligaciones del Comité de HSECR se establecen en sus términos de referencia, copia de los cuales pueden encontrarse en el sitio de red de la Sociedad en www.fresnilloplc.com. El Comité tiene responsabilidad sobre los siguientes asuntos de HSECR:

- Políticas y sistemas.
- Desempeño e impactos.
- Informe externo.

- Cultura ética.

MIEMBROS DEL COMITÉ DE HSECR

En 2018, dimos la bienvenida a Dame Judith Macgregor, una consejera no ejecutiva independiente, como miembro de nuestro Comité, y estoy seguro de que hará aportaciones valiosas a futuro.

ACTIVIDAD DEL COMITÉ DE HSECR

Durante el ejercicio, el Comité se reunió de conformidad con sus términos de referencia. Nuestras actividades principales durante el ejercicio fueron:

POLÍTICAS Y SISTEMAS

- Revisión de la estrategia y planes de puesta en práctica del programa “Me cuido, nos cuidamos”.
- Evaluación de la estrategia de relaciones comunitarias y proyectos insignia con las comunidades donde operamos, sobre temas tales como educación, salud, agua y construcción de capacidad.
- Evaluación y recomendación al Consejo de Administración de un conjunto de KPI de Sustentabilidad a Nivel Consejo.

EVALUACIÓN DE DESEMPEÑO

- Evaluación recomendada del desempeño de HSECR de la Sociedad con un nuevo conjunto de KPI.

INFORME EXTERNO

- Revisión de la Declaración de Esclavitud Moderna 2017.

CULTURA ÉTICA

- Seguimiento del avance del programa de cultura ética.

Seguimos fuertemente comprometidos con la promoción de un enfoque a largo plazo y análisis riguroso de la estrategia de sustentabilidad de la Sociedad. Me complace informar que nuestro desempeño de Medio Ambiente, Social y Gobierno (ESG) fue reconocido a través de la inclusión de Fresnillo plc en el Índice FTSE4Good.

Sin embargo, no hay espacio para la complacencia, y seguiremos totalmente comprometidos con las mejoras adicionales en los temas de ESG que sean importantes para la Sociedad y sus partes interesadas.

Atentamente,

Arturo Fernández Pérez

Presidente, Comité de Salud, Seguridad, Medio Ambiente y Relaciones Comunitarias

Revisión Social y de Sustentabilidad

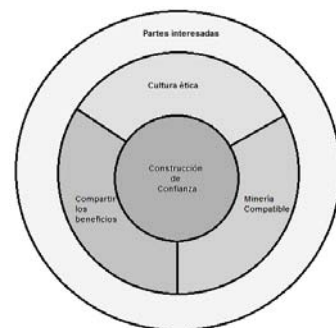
Estamos comprometidos con la operación responsable de nuestro negocio. Hacemos todo lo que podemos para garantizar las más altas normas de comportamiento ético, protección y gobierno de salud, seguridad y medio ambiente al tiempo que compartimos los beneficios de la minería con nuestras comunidades. En 2018, nuevamente estamos orgullosos de formar parte del Índice FTSE4Good. También fuimos reconocidos por otros organismos este año que incluyen: [un premio de] Ética y Valor en la Industria de la Confederación Mexicana de Cámaras Industriales (CONCAMIN); y el Premio de Empresa Socialmente Responsable del Centro Mexicano para la Filantropía (CEMEFI).

NUESTRO ACERCAMIENTO A LA SUSTENTABILIDAD

Consideramos que la minería responsable es compatible con las altas expectativas de las partes interesadas en términos de desempeño ético, social y ambiental y reconocemos que nuestra licencia social para operar depende de la confianza que tengan en nosotros nuestras partes interesadas. Esto subraya la importancia de que las prácticas de operaciones responsables estén profundamente integradas en nuestro modelo de negocios y de que se consideren los factores que afectan a las partes interesadas en cada nivel crítico de toma de decisiones.

METAS DE DESARROLLO SUSTENTABLE

Desde que adoptamos las Metas de Desarrollo Sustentable de las Naciones Unidas (SDG, por sus siglas en inglés), hemos alineado estratégicamente nuestra estrategia de sustentabilidad para lograr estas metas directamente como



parte de nuestros procesos fundamentales de negocios o indirectamente a través de colaboración y apalancamiento.

En colaboración con otros miembros del Instituto de la Plata, estamos trabajando en una iniciativa de sustentabilidad para comunicar cómo la plata, nuestro producto insignia, contribuye a un futuro sustentable. Por ejemplo, es un material clave usado en la energía renovable, vehículos eléctricos y aplicaciones antibacteriales tales como tratamiento del agua, aplicaciones médicas y ropa.



(Vea nuestro sitio de red si necesita más información sobre la alineación de nuestra Estrategia de Sustentabilidad y los SDG).

DERECHOS HUMANOS

Respetamos y apoyamos los derechos humanos y nunca seremos cómplices en su abuso. Hacemos frente a los agravios relacionados con nuestras actividades comerciales cuando es relevante y no toleramos violaciones a los derechos humanos cometidas por nuestros empleados, contratistas o proveedores de seguridad pública o privada actuando en nuestra representación.

Temas clave de recursos humanos para los negocios que operan en México	
Seguridad y Salud en el Trabajo (Véase la sección de nuestra minería compatible)	Esclavitud moderna
Condiciones de trabajo (Véase la sección de nuestro personal)	Mano de Obra infantil

Sindicatos: libertad de asociación (Véase la sección de nuestro personal)	Discriminación
Medio Ambiente (Véase la sección de nuestra minería compatible)	Derechos sobre terrenos (Véase la sección de nuestra minería compatible)
Corrupción: Transparencia en pagos gubernamentales (Véanse las secciones de nuestra minería compatible y riesgo)	Seguridad (Véase la sección de nuestro riesgo)

Fuente: *Guía de Derechos Humanos y Negocio en México* publicada por el Instituto Danés de Derechos Humanos

Esclavitud Moderna

La esclavitud moderna es una grave violación de los derechos humanos. Comprende todas las formas de esclavitud contemporánea tales como trabajo forzado, servidumbre, tráfico de personas y todas las formas de mano de obra infantil. Tenemos una política de cero tolerancia a la esclavitud moderna y exigimos que todos los empleados, proveedores y contratistas rechacen todas o cualesquiera de sus formas. [Enlace con el informe de esclavitud moderna. (Visítenos en línea para leer nuestro Informe de Esclavitud Moderna)]

Mano de Obra Infantil

La mano de obra infantil priva a los jóvenes de su infancia, dignidad y educación. Nuestra edad mínima de empleo es a los 18 años y requerimos que los contratistas en todos nuestros sitios cumplan con esta regla. Contribuimos a la erradicación de la mano de obra infantil en nuestras comunidades apoyando la infraestructura escolar, así como programas de lectura y de otro tipo que mejoran las oportunidades educativas para los niños.

Discriminación

Estamos comprometidos con asegurarnos de que nuestro personal sea tratado de manera justa y digna en el lugar de trabajo y no toleramos ninguna forma de acoso, intimidación o discriminación. Promovemos la igualdad de oportunidades, asegurándonos de que las decisiones de empleo y carrera se basen en el desempeño, calificaciones, habilidades, experiencia y comportamiento ético. Tenemos políticas que se basan en las escalas salariales para mitigar las brechas entre los géneros en el pago. En 2018, la brecha de pago entre géneros de empleados no sindicalizados no ejecutivos fue de 3.95%. Capacitamos a nuestros ejecutivos, gerentes y empleados no sindicalizados para crear conciencia del sesgo inconsciente y sus impactos en la toma de decisiones.

	Operaciones a pozo abierto	Operaciones Subterráneas	Proyectos	Exploraciones	Personal de apoyo y administrativo	Brecha Promedio por nivel jerárquico
Primer nivel "Ingeniero Senior"	-2.50%	-6.15%	-23.46%	-3.21%	-13.91%	-6.61%
Segundo nivel "Ingeniero Junior"	-0.85%	-4.63%	-5.16%	8.71%	5.39%	-1.04%
Tercer nivel "Asistente"	16.33%	-21.36%	-100.00%	-7.98%	51.86%	-9.28%

Brecha promedio en general	-3.95%
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Nuestro Personal

Buscamos atraer, desarrollar y contratar al mejor personal y conservarlos a largo plazo. Estamos comprometidos con la eliminación de condiciones y comportamientos inseguros en el lugar de trabajo y mantener a nuestro personal sano. Seguimos trabajando duro para desarrollar una cultura organizacional basada en la confianza y arraigar la ética y la integridad en esa cultura para crear un lugar de trabajo justo y respetuoso. Respetamos los derechos laborales y nos relacionamos de manera constructiva con los representantes sindicales. Involucramos a nuestro personal con encuestas sobre el clima de trabajo para entender mejor y responder a sus expectativas. Durante 2018, nos llenó de orgullo ser reconocido como uno de los Mejores Lugares para Trabajar en México.



Administración de talento

Buscamos reclutar, contratar y desarrollar al personal más talentoso para asegurarnos de que tengamos una red adecuada para cubrir las necesidades futuras de las operaciones. Atraemos y desarrollamos al talento con una mentalidad a largo plazo (véase el estudio de caso “Obtención de un personal de ingeniería talentoso y diverso”) y ponemos énfasis en el valor de la capacitación y mentoría. Creemos que la mejor estrategia de retención es dar oportunidades para que las personas aprendan y crezcan. Por ejemplo, entre nuestro personal de confianza promovimos a 143 empleados a puestos más altos y ofrecimos cambios de unidad de operaciones a otros 58. Además, revisamos nuestros incentivos para reconocer mejor el desempeño. Nuestro nuevo mecanismo de evaluación de desempeño alinea las necesidades de capacitación y nos ayuda a identificar a personal con alto potencial. Desarrollamos a nuestros gerentes medios con alto potencial a través del programa Líderes con Visión. Esto involucra la impartición de seminarios por parte de altos ejecutivos a lo largo del año como mecanismo para contratar y movilizar a nuestro personal. Los ejecutivos participan en un programa de capacitación organizado por el Instituto Tecnológico Autónomo de México (ITAM), una importante escuela de negocios.

Diversidad e Inclusión

Valuamos y respetamos a todo el personal con diversos antecedentes. Aspiramos a desarrollar una cultura incluyente donde nuestro personal se siente valorado e inspirado a contribuir su potencial completo. Con el apoyo de la Universidad de Arizona, seguimos capacitando a gerentes y ejecutivos sobre la forma de administración de personal diverso, la creación de conciencia sobre el sesgo inconsciente y sus consecuencias en

la toma de decisiones. También apoyamos a las Mujeres en los capítulos mineros en los Estados Mexicanos de Zacatecas y Sonora.

(Véase nuestro sitio de red para consultar nuestra Política de Diversidad e Inclusión).

Estudio de Caso:

Obtención de personal de ingeniería talentoso y diverso

Colaboramos con las principales instituciones educativas en México para atraer a talento joven y diverso en geología, metalurgia e ingeniería minera, ofreciendo a los estudiantes internados con duraciones variables. Reclutamos a graduados de nuestro grupo de internos a través del programa Ingenieros en Capacitación. Asignamos a un entrenador de nuestro equipo de operaciones a estos graduados, quien supervisa su desarrollo y proporciona evaluaciones de desempeño; y aquellos con buenas evaluaciones reciben oferta de trabajo permanente, garantizando la red de talento para nuestra estrategia de crecimiento. A través de este programa, contratamos estudiantes desde las etapas más tempranas de su educación universitaria y alentamos a más personas a participar en la minería.

Programa	Hombres	Mujeres	Total
Internados cortos	79	57	136
Internados largos	34	16	50
Ingenieros en capacitación	149	24	173
	72.98%	27.02%	100%

Relaciones laborales

Los sindicatos son nuestros socios estratégicos y actores clave en nuestro impulso para fomentar la productividad y desarrollar una cultura de seguridad. Respetamos los derechos de los empleados a la libertad de expresión, asociación y contratos colectivos. Involucramos a los sindicatos para crear confianza a través del diálogo continuo, programas de desarrollo de liderazgo, actividades de bienestar (deportes, cultura, etc.) y

proyectos de mejora continua. Hemos revisado con éxito nuestros contratos colectivos en nuestras minas Fresnillo, Saucito, Ciénega y Penmont. Durante 2018, no experimentamos ningún paro laboral o acción industrial como consecuencia de las disputas laborales.

Estilos de vida más sanos

Para impedir y controlar enfermedades relacionadas con la obesidad, nuestra campaña a largo plazo “Bienestar siempre” crea conciencia sobre estilos de vida sanos con base en buenos hábitos dietéticos y ejercicio.



Lanzamos el “reto de condición física” para involucrar y apoyar a nuestros empleados con dietistas y entrenadores en su trayectoria hacia la adopción de estilos de vida más sanos. Nuestros dietistas vigilan los comedores de nuestras operaciones mineras para asegurarse de que se ofrezcan opciones más sanas y también involucramos a las escuelas locales para promover hábitos dietéticos más sanos en nuestras comunidades.

Cultura ética

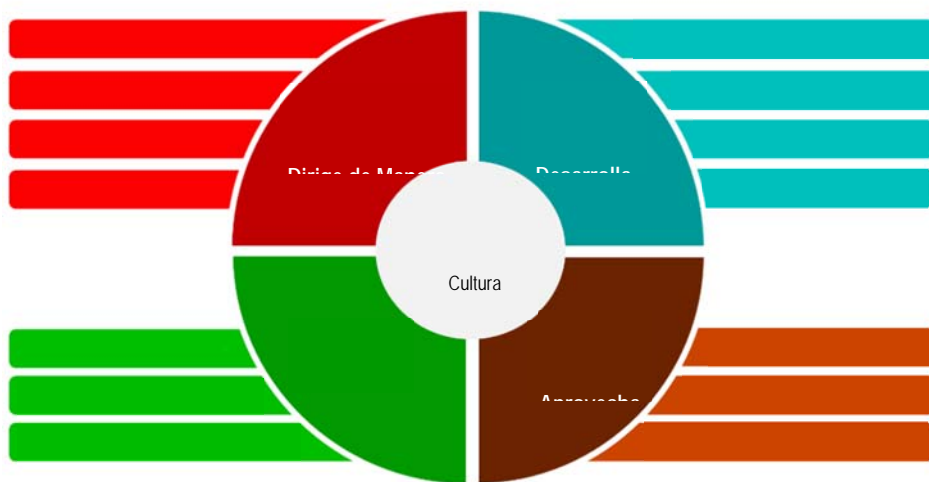
Nuestros comportamientos y acciones deben reflejar siempre nuestra cultura ética bien establecida. Hemos identificado los comportamientos ganadores de una cultura transformadora y una estrategia para arraigar la ética en todo Fresnillo.

CÓMO GANAREMOS

Comportamientos ganadores de nuestro Marco de Cultura Transformadora

Actividades clave:

- *Desarrollar confianza:* Alentamos a la gente a crear una cultura de sinceridad, rendir cuentas y encontrar soluciones a sus dilemas éticos y para tener el valor de ponerlos en práctica.
- *Dirigir de manera transformadora:* Esperamos que nuestro personal sean ejemplos a seguir, empáticos, estimulen la creatividad y sean inspiradores para su equipo.
- *Actuar de manera ética:* Cada empleado debe apoyar a los otros a decir lo que piensan, plantear preocupaciones éticas y tomar decisiones correctas.
- *Aprovechar la diversidad:* Alentamos a nuestro personal para que acepte la diversidad, aprenda cómo tratar y minimizar sesgos inconscientes y desafiar la cultura organizacional existente.



Evaluación, capacitación y apoyo de nuestra Cultura Transformadora

Actividades clave:



DESEMPEÑO

	2018	2017
Arreglos supuestamente inadecuados con proveedores	21	10
Supuesto acoso	18	5
Supuesto conflicto de intereses	6	-
Supuesta negligencia profesional	5	7
Supuesto robo	1	7
Supuesto abuso de autoridad	-	4
Supuesto mal uso de activos	-	3
Supuesto fraude	-	1
Otros	9	9
	60	46

El programa de cultura ética ha creado conciencia y ha alentado al personal a transformarse reportando asuntos contrarios a nuestro código de conducta.

> Si requiere más detalles, véase la Sección del Comité de Auditoría (páginas XX y XX).

> Visítenos en línea para leer el artículo escrito por el señor Alvírez, publicado por la Revista Ethisphere, en nuestra trayectoria hacia el arraigo de la ética en la cultura de la organización.

Estudio de Caso:

Embajadores de ética

Capacitados por la Universidad de Arizona, en 2018 nuestros embajadores de ética impartieron más de 40 talleres de cultura ética, alcanzando al 81% de nuestros empleados de confianza. Nuestros embajadores vienen de orígenes diversos y representan a todas nuestras unidades y departamentos de negocios, incluyendo operaciones, finanzas, exploraciones y sustentabilidad. Ya que nuestro personal ha sido capacitado en ética por sus propios colegas, estos deben ser más abiertos al debatir temas de ética. Nuestros embajadores de ética también capacitaron a alrededor de 80 contratistas de alto nivel como parte de nuestro programa de cultura “transformador”. En diciembre pasado, el duro trabajo de este grupo fue reconocido cuando se les entregó una onza de plata y un curso en Innovación impartido por la Universidad de Arizona.

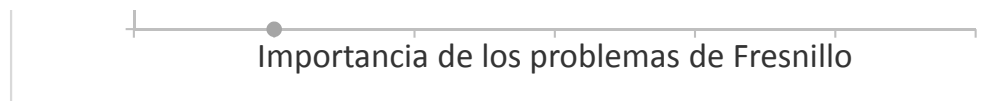


Minería Compatible

IMPORTANCIA

Nuestra evaluación de importancia no financiera nos ayuda a comprender mejor la importancia relativa de nuestros temas no financieros para nuestro negocio y nuestro

grupo diverso de partes interesadas a los niveles local, regional y mundial. Los resultados de la evaluación de importancia siguen guiando nuestra estrategia de sustentabilidad y facilitan nuestro informe.



#	Problema
1	Manejo del Cianuro
2	Manejo de desechos minerales (jales, roca de desecho y plataformas)
3	Seguridad
4	Ética e integridad
5	Transparencia de pagos gubernamentales
6	Adquisiciones de terrenos y reubicaciones
7	Transparencia y Rendición de cuentas
8	Salud en el trabajo
9	Protección del agua
10	Contaminación de suelos
<p><i>Otros problemas:</i></p> <p><i>Administración de desechos no minerales y materiales peligrosos, Relaciones y cabildeo gubernamental, Bienestar de los empleados, Remuneración justa, Respeto a la cultura y patrimonio de las comunidades locales, Energía, Drenaje de Minas Ácidas (AMD), Relación con sindicatos, Empleo local, Abastecimiento local (Pequeñas y Medianas Empresas), Derechos humanos de la comunidad, biodiversidad, derechos humanos en el lugar de trabajo, remuneración igual para mujeres y hombres, corrupción y soborno, emisiones al aire (SOx, NOx, materia en partículas, etc.), cumplimiento con normas laborales internacionales, reclutamiento, desarrollo y retención de empleados, protección contra mano de obra forzada u obligatoria, diversidad y no discriminación, efectividad del Fondo Minero Mexicano, cambio climático (riesgos físicos, de reputación, reguladores / financieros), Divulgación adecuada de información y consulta sobre nuevos proyectos, cierre de minas, derechos indígenas, número de horas de trabajo al día, equilibrio entre trabajo y familia.</i></p>	

Salud y Seguridad

SEGURIDAD

Nuestra meta es infundir una cultura de seguridad donde nuestros trabajadores y contratistas tengan los conocimientos, competencia y deseo de trabajar de manera segura.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre
	Mediano	Alto	Alto	Mediano

	Alto
	Mediano
	Bajo

Me cuido, nos cuidamos

Este programa global integra los mejores sistemas, proyectos y comportamientos en una iniciativa cohesiva para impulsar el trabajo seguro. Nos permite innovar continuamente en seguridad, evaluación de riesgos y preparación para emergencias, al tiempo que también desarrolla la rendición de cuentas a través de un mejor liderazgo y responsabilidades más claras. Una fortaleza clave del



programa consiste en su capacidad de involucrar a todos y cada uno de nosotros en la construcción de confianza y respeto. Destaca la importancia del trabajo seguro, reconoce comportamientos positivos y crea un ambiente de aprendizaje.

CÓMO GANAREMOS

Liderazgo: Liderazgo impulsado por valores.

Actividades clave:

- Cursos de educación de liderazgo de alto nivel
- Cursos de educación a supervisores
- Entrenamiento de nuestro personal

Rendición de cuentas: Integración de sistemas de administración de seguridad y operativos.

Actividades clave:

- La seguridad es responsabilidad de la administración de línea
- Participación de la alta gerencia en procesos, sistemas, operaciones e informes

Competencias de Riesgos – Comportamiento: Una cultura de seguridad madura y “resiliente”.

Actividades clave:

- Retroceder y Pensar en ALTO +
- Reconocimiento positivo.

Competencias de Riesgo – Sistemas: Establecer un sistema de administración basado en riesgos

Actividades clave:

- Documentos internos alineados con las normas ISO
- Protocolos de riesgo de control crítico y puesta en práctica organizacional

Ambiente de aprendizaje: Reducir riesgos a través de ingeniería, sistemas, comportamientos y lecciones aprendidas

Actividades clave:

- Comunicar y poner en práctica mejoras y acciones correctivas
- Investigación – Ojo en el Riesgo

Certificaciones

	Fresnillo	Saucito	Ciénega	Penmont	San Julián
OHSAS 18001 Establece criterios para las mejores prácticas internacionales en administración de salud y seguridad en el trabajo.	Certificado	Certificado	Certificado	Certificado	-

DESEMPEÑO

Lamentamos reportar cinco lesiones fatales en 2018 y una lesión fatal a principios de 2019. Estamos comprometidos con la puesta en práctica de las medidas necesarias para revertir la tendencia negativa en nuestro historial de seguridad.



SALUD EN EL TRABAJO

Nos esforzamos por mantener a nuestro personal sano y prevenir enfermedades de trabajo. Nuestro enfoque tiene como objetivo identificar previamente y manejar los riesgos de salud a los que está expuesto nuestro personal. El cuidado preventivo y la promoción de estilos de vida más sanos pueden limitar ciertas enfermedades crónicas y mejorar el bienestar y aptitud para el trabajo en general. Aunque nos concentramos en la prevención, la respuesta a emergencias es una competencia fundamental de todos nuestros equipos de salud.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre						
					<table border="1"> <tr> <td style="background-color: #008000;"></td> <td>Alto</td> </tr> <tr> <td style="background-color: #90EE90;"></td> <td>Mediano</td> </tr> <tr> <td style="background-color: #E0F0E0;"></td> <td>Bajo</td> </tr> </table>		Alto		Mediano	
	Alto									
	Mediano									
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CÓMO GANAREMOS

Actividades clave:

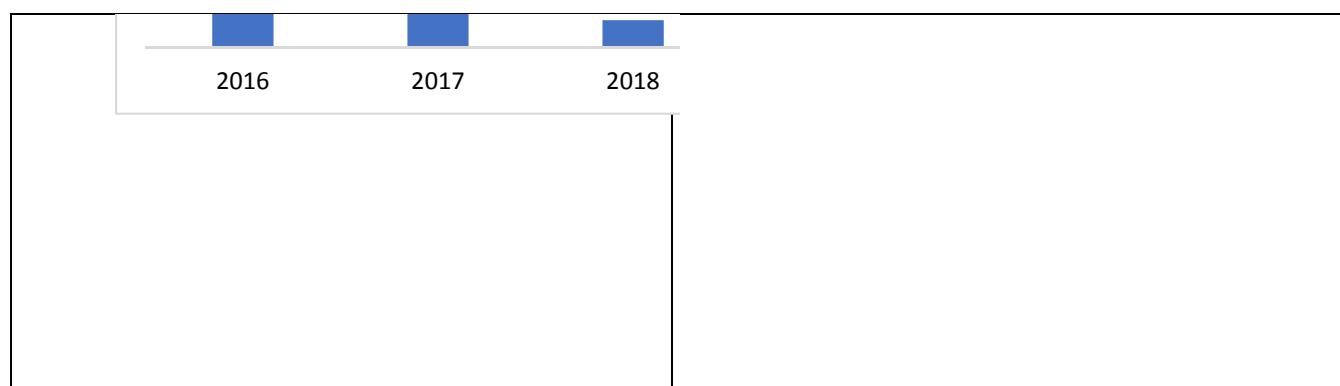
- Dar seguimiento al nivel de exposición a riesgos físicos y químicos a la salud de nuestro personal (ruido, polvo, vibración, contaminación por metales pesados, temperaturas extremas, etc.).
- Determinar procedimientos operativos, equipo, capacitación y controles.
- Contratar a equipos de Seguridad y Operaciones para eliminar condiciones poco sanas.
- Asegurarse de que cada empleado que se una al personal se someta a un chequeo médico, incluyendo evaluaciones físicas y psicosociales.
- Realizar chequeos regulares para detectar enfermedades de trabajo y aconsejar sobre cuidados preventivos.
- Administrar nuestras instalaciones de rehabilitación para acelerar la recuperación de lesiones.

Certificaciones

	Fresnillo	Saucito	Ciénega	Penmont	San Julián
Empresa Sana Certificación de las autoridades de salud mexicanas de la aplicación de las mejores prácticas en salud de trabajo y cuidados preventivos, incluyendo la promoción de estilos de vida más sanos.	Certificado	Certificado	Certificado	Certificado	-
Empresa Libre de Humo Un prerrequisito para la certificación de Empresa Sana.	Certificado	Certificado	Certificado	Certificado	Certificado

DESEMPEÑO

Hemos revisado nuestros criterios en relación con la forma en que reportamos nuevos casos de enfermedades de trabajo. Hemos hecho la transición del reporte de enfermedades de trabajo determinadas por el Instituto Mexicano del Seguro Social (IMSS) para objetos de indemnización a reportar nuevos casos identificados durante los chequeos anuales para vigilancia, rehabilitación o reasignación especial.



Medio Ambiente

Aunque la minería y el procesamiento de metales preciosos son industrias esenciales, reconocemos que nuestras operaciones tienen el potencial de consumir agua, perturbar

los terrenos y producir desechos y gases de efecto invernadero. La optimización en el uso de nuestros recursos, la disminución del impacto negativo de nuestras actividades y el ser transparente y rendir cuentas en relación con nuestra huella ambiental son elementos cruciales de la minería sustentable y nos ayudan a conservar nuestra licencia social para operar.

Las tecnologías limpias juegan un papel fundamental en la mejora, el desempeño ambiental y refuerzo de la aceptabilidad social de la industria minera. Respaldamos el *Colorado Cleantech Challenge*, una exposición de innovación que contacta a las empresas mineras con los proveedores de soluciones de tecnologías limpias, con la meta mutuamente benéfica de enfrentar los retos ambientales de nuestra industria. Además, nuestro Director Ejecutivo, Octavio Alvídrez, es miembro del Lowell Institute of Mineral Resources de la Universidad de Arizona. Este importante instituto de investigación tiene la suficiente pericia para enfrentar los retos que son críticos para la minería moderna. Somos parte del World Environment Centre (WEC), un grupo de expertos que fomenta el desarrollo sustentable a través de las prácticas de negocios de las empresas miembro y en la asociación con gobiernos, organizaciones no gubernamentales y otras partes interesadas.

EVALUACIONES DE IMPACTO AMBIENTAL

Antes de desarrollar cualquier proyecto minero, realizamos Evaluaciones de Impacto Ambiental (EIA) que identifican los impactos potenciales y las acciones requeridas para administrarlos. Los EIA abordan muchos problemas, tales como recursos superficiales y de aguas subterráneas, calidad del agua, calidad del aire, suelos, biodiversidad (incluyendo especies amenazadas o en peligro), condiciones del paisaje y

socioeconómicas. Presentamos nuestro informe de EIA, conocido como Declaración de Impacto Ambiental (EIS) a las autoridades ambientales para su evaluación.

Estudio de Caso:

Administración de biodiversidad – construcción de una presa de agua para San Julián

Como parte de nuestros esfuerzos para mitigar los efectos en la biodiversidad de la construcción de nuestra presa de agua en San Julián, hemos puesto en práctica las siguientes medidas:

- Reubicación de 9,844 plantas de pinos, robles y biznagas, en 7.5 hectáreas.
- 12,000 plantas de invernadero reforestadas con pinos en 9.2 hectáreas.
- 29 capturas y liberaciones de fauna, incluyendo zorros, zorrillos, ardillas y serpientes, entre otros.
- 25,554 metros de obras de conservación de suelos.
- 7 presas de filtrado bajo construcción para aumentar la filtración natural de agua y proteger la calidad del arroyo.
- 77 capturas de fotos (trampas de foto) para seguimiento de la flora y fauna.
- Seguimiento comunitario de la calidad del agua con la participación del Gobierno Estatal.



CERTIFICACIONES Y PREMIOS

	Exploraciones	Fresnillo	Saucito	Ciénega	Herradura	Nocera
--	---------------	-----------	---------	---------	-----------	--------

ISO 14001	C	C	C	C	C	C
Marco y criterio para un sistema de administración ambiental efectivo.	certificado	certificado	certificado	certificado	certificado	certificado
	ad	ad	ad	ad	ad	ad
	o	o	o	o	o	o

Industria Limpia	N	C	C	C	C	C
Certificado otorgado por la	o	certificado	certificado	certificado	certificado	certificado

Autoridad Ambiental	Di	ific	ific	ific	ific	ific
Mexicana para promover	sp	ad	ad	ad	ad	ad
auditorías ambientales,	on	o	o	o	o	o
cumplimiento de	ibl	Ni	Ni	Ni	Ni	Ni
regulaciones y adopción de	e	ve	ve	ve	ve	ve
mejores prácticas.		l 1	l 2	l 1	l 2	l 1

Premio a la Excelencia Ambiental	-	-	Pr	-	Pr	-
Premio entregado por la			e		e	
Autoridad Ambiental			mi		mi	
Mexicana para reconocer el			o		o	
liderazgo en la adopción de						
las mejores prácticas y						
mejora continua del						
desempeño ambiental.						

Código Internacional de Manejo de Cianuro	N	N	N	E	C	C
Establece los criterios para la	o	o	o	n	ert	ert
industria minera del oro	Di	Di	Di	es	ific	ific
mundial sobre prácticas de	sp	sp	sp	pe	ad	ad
	on	on	on	ra*	o	o

manejo de cianuro.	ibl	ibl	ibl
	e	e	e

ENERGÍA Y CLIMA

Nuestra meta es mejorar la eficiencia energética e integrar progresivamente energías renovables y tecnologías limpias en nuestra mezcla de energía para mitigar los riesgos físicos, reguladores y de reputación del cambio climático. La minería requiere el uso intensivo de energía. Usamos la energía en todas las etapas de la cadena de valor y esto representa una parte significativa de nuestros costos en general. Utilizamos combustibles fósiles en la extracción y transporte de mineral y remoción de roca de desecho, en tanto que la electricidad es usada en nuestras plantas de procesamiento. A medida que las operaciones mineras se realizan a niveles más profundos en respuesta a la disminución en las leyes minerales, esperamos que nuestra demanda de energía aumente.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo

CÓMO GANAREMOS

Integrar energías renovables y tecnologías limpias

Actividades clave:

- Aumentar el uso de energías renovables en nuestra mezcla de suministro de energía.
- Dar seguimiento al desarrollo de tecnologías limpias, tales como sistemas de ventilación y vehículos subterráneos eléctricos.

Excelencia operativa y eficiencia energética.

Actividades clave:

- Aumentar la eficiencia energética de nuestras plantas de procesamiento y establecer objetivos para nuestras minas.
- Optimizar el desempeño de la flota de camiones y probar aditivos de diésel para mejorar la combustión de combustible en nuestras operaciones a cielo abierto y localizar vertederos de basura para reducir las distancias de acarreo.
- Optimizar la ventilación, desagüe y dilución de mineral en nuestras operaciones subterráneas.

Política pública y preparación para el impacto físico del cambio climático.

Actividades clave:

- Involucrar a los creadores de políticas públicas y otras partes interesadas a través del Capítulo Mexicano del Consejo Mundial de Negocios para el Desarrollo Sustentable (CESPEDES). Véanse las páginas XY (sección de agua) y nuestro sitio de red para un análisis más detallado.
- Reconocer que los impactos físicos más significativos del cambio climático para nuestra sociedad se relacionan con el agua. Véanse las páginas XY (relaciones gubernamentales) y nuestro sitio de red para un análisis más detallado.

Aprenda más sobre nuestra evaluación de riesgos, gobierno en nuestro informe al programa de cambio climático de CDP.

DESEMPEÑO

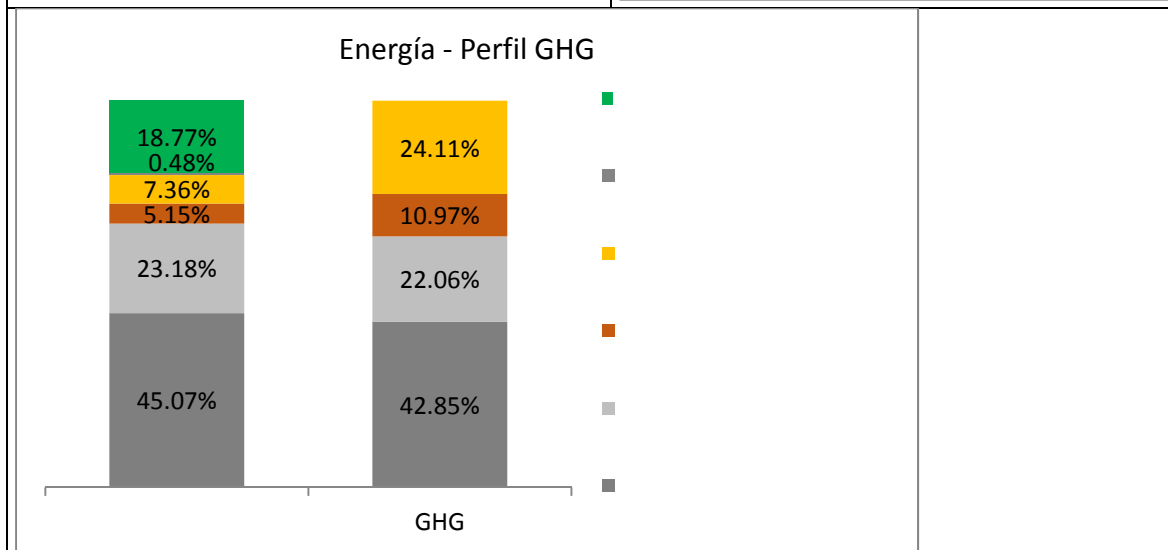
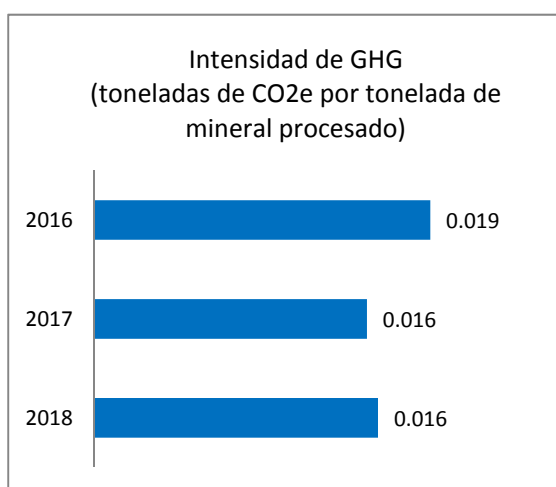
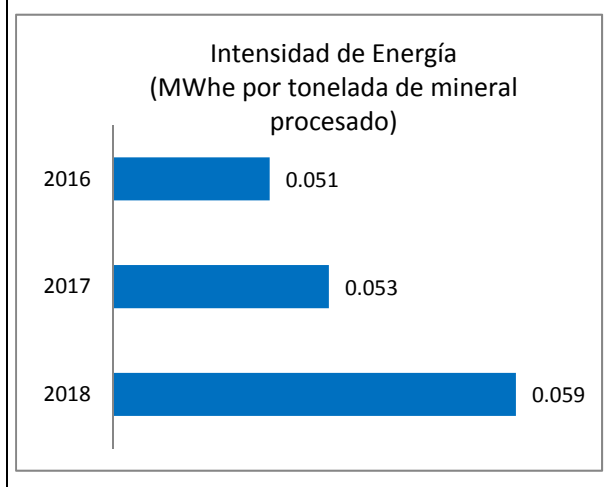
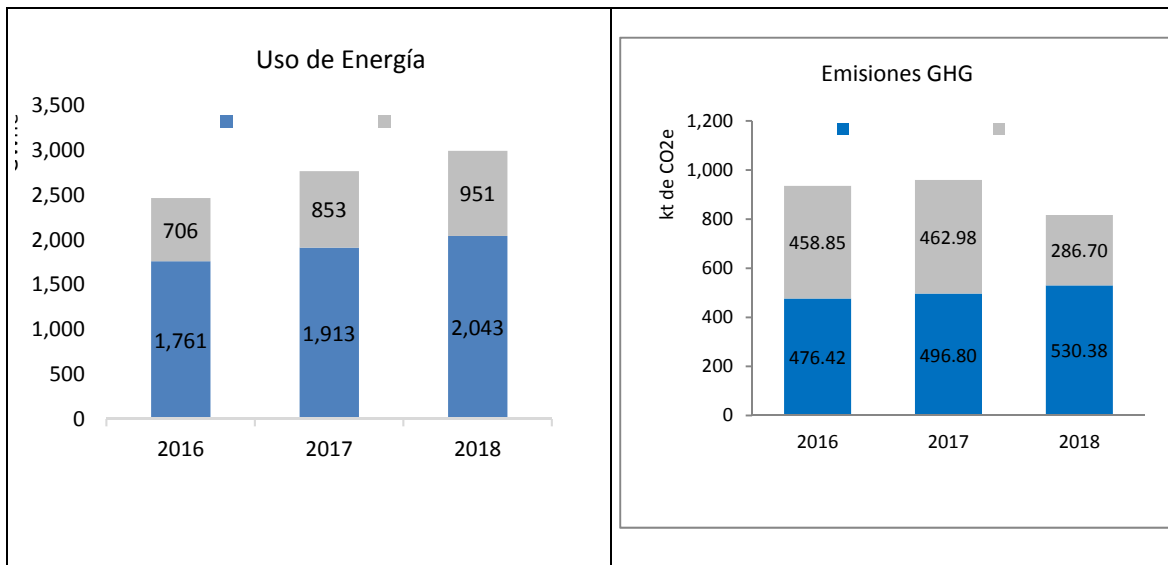
A pesar del aumento en la demanda de energía, redujimos nuestras emisiones de gases de efecto invernadero. Esta reducción fue impulsada por un aumento de los bienes renovables en nuestra mezcla de energía, yendo de 9.09% en 2017 a 19.24% en 2018. Esto impide la emisión de 26,000 toneladas de CO₂e.

Emisiones globales de GHG para el período del día 1 de enero de 2018 al día 31 de diciembre de 2018				
	Emisiones de GHG (toneladas de CO ₂ e)		Energía (MWhe)	
	Año del informe	Año de comparación	Año del informe	Año de comparación
	2018	2012	2018	2012
Alcance 1 (emisiones directas): Combustión de combustible (fuentes móviles y estacionarias).	530,377	375,121	2,042,982	1,385,448
Alcance 2 (emisiones indirectas): Electricidad comprada del Sistema Eléctrico Mexicano (CFE), WindForce Peñoles (FEISA) y Thermoelectric Peñoles (TEP).	286,697	329,245	950,547	420,615
Medición de intensidad: Las emisiones y energía reportadas arriba por tonelada de mineral procesado.	0.016	0.013	0.059	0.034

Metodología: Hemos reportado todas las fuentes de emisiones requeridas conforme al Reglamento 2013 de la Ley de Sociedades de 2006 (Informe Estratégico e Informes de los Consejeros). Estas fuentes caen dentro de nuestro control operativo. No somos responsables de ninguna fuente de emisión que no esté incluida en nuestra Declaración Consolidada. Hemos usado el Protocolo The WRI / WBCSD de gas de efecto de invernadero: Una Norma Contable y de Reporte Empresarial (Edición Revisada).

Alcance 1: Todas las emisiones de GHG directas.

Alcance 2: Emisiones de GHG indirectas por consumo de electricidad comprada.



Estudio de Caso:**Ventilación a pedido**

Los sistemas de ventilación inteligente de nuestras minas subterráneas nos permiten vigilar las concentraciones de gas y ventilar según se requiera para proteger la salud de nuestro personal. La optimización de la ventilación también nos permite reducir nuestra intensidad energética, costos de operación y huella de carbono.

En 2018, el sistema nos permitió ahorrar 4,051 MWh, lo cual representa una reducción estimada de 2,358 toneladas de CO₂e.

(estudio de caso #4)

REDUCCIÓN DE COSTOS, CORTE DE EMISIONES

Estamos haciendo buenos avances hacia el cumplimiento de nuestro compromiso anunciado en la AGM de 2018: mejorar la eficiencia energética al tiempo que Fresnillo avanza rápidamente hacia fuentes de energía más limpias y más verdes.

En los últimos 12 meses, hemos seguido respaldando las innovaciones energéticas y cumpliendo con nuestro compromiso de integrar más energías renovables y tecnologías de energía limpia en nuestra mezcla de energía. Por ejemplo, el porcentaje de nuestro uso de electricidad derivado de energía eólica aumentó de [60% a mediados de 2018 a x% a fin de año – y estamos en camino para alcanzar nuestro objetivo del 75% para el cierre del próximo ejercicio social.]

Actualmente se está haciendo un programa piloto de un nuevo sistema de combustible en nuestra mina Herradura, que también ayuda a subrayar nuestras credenciales ambientales cada vez más positivas, reduciendo costos y recortando emisiones.

Actualmente en su etapa piloto, las nuevas turbinas de combustible dobles en la flota del camión de transporte de Herradura pueden cambiar automáticamente entre diésel y gas natural líquido limpio (LNG), dependiendo del terreno. Las primeras pruebas revelan que el diésel representa apenas 30% del uso, y que el LNG menos costoso y más verde que impulsa los camiones representa el resto de sus viajes. Esto ha dado como resultado ahorros de combustible de alrededor del 20%, ha reducido el número de fallas de los motores y se espera que tenga como resultado una caída del 5% en las emisiones de GHG de la flota.

MANEJO DEL CIANURO

Nuestra meta es proteger la salud humana y el medio ambiente manejando responsablemente las soluciones y desechos de cianuro de sodio (jales y plataformas usadas).

Las medidas de protección ambiental son vitales para los sistemas de lixiviación de cianuro. Cumplimos con las mejores prácticas internacionales promovidas por el Instituto Internacional de Manejo del Cianuro (ICHI) y la Norma Mexicana NOM-155 SEMARNAT-2007, que establece los requisitos ambientales para sistemas de lixiviación de oro y plata. Como parte de nuestro compromiso con un manejo seguro del cianuro, nos coordinamos con las autoridades locales y colaboramos con los departamentos de bomberos y hospitales para construir capacidades de respuesta de emergencia. Tenemos a

disposición de nuestras partes interesadas información operativa y ambiental relativa al manejo del cianuro.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo

CÓMO GANAREMOS

Diseñar y operar nuestras instalaciones orientadas al oro en cumplimiento con el Instituto Internacional de Manejo del Cianuro (ICMI)

Actividades clave:

- Compra de cianuro de sodio de fabricantes certificados.
- Proteger el medio ambiente y las comunidades durante el transporte a nuestras instalaciones.
- Proteger a nuestro personal y al medio ambiente durante el manejo y almacenamiento.
- Seguir las prácticas de trabajo que impidan impactos en la salud y ecosistemas.
- Optimizar el procesamiento de minerales para minimizar el cianuro residual en los jales.
- Administrar y dar seguimiento a filtraciones para impedir impactos en el agua subterránea.
- Proporcionar a nuestro personal capacitación en respuesta a emergencias y cómo involucrar a las autoridades y comunidades.
- Cerrar las instalaciones de manera responsable para impedir problemas de legado.

(Visítenos en línea para saber más acerca de nuestras prácticas de manejo responsable del cianuro)

DESEMPEÑO

Nuestras operaciones en Herradura y Noche Buena han sido certificadas por el Código de Cianuro. Durante 2018, no reportamos incidentes relacionados con el manejo del cianuro.

	2018	2017
Cianuro de sodio (NaCN) (tonelada)	13,497	11,653

MANEJO DE DESECHOS MINERALES

Nuestra meta es proteger a las comunidades locales y al medio ambiente manejando los desechos minerales de manera responsable.

Nuestras operaciones producen desechos minerales y, en cantidades mucho menores, desechos peligrosos no minerales. La tendencia global hacia leyes minerales más bajas aumentará los desechos minerales con el tiempo, especialmente en minería a cielo abierto. Los desechos minerales incluyen rocas de desperdicio, plataformas y jales usados, siendo el manejo de estos últimos una preocupación importante para la industria. Aunque son muy poco comunes, los recientes incidentes con los jales en la industria han servido como recordatorio de la naturaleza vital de estas estructuras.

Relevancia y riesgo en el	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo



CÓMO GANAREMOS

Administrar nuestros desechos de manera responsable para proteger la salud y seguridad de comunidades, la calidad del medio ambiente y nuestra reputación.

Actividades clave:

- Diseñar, construir, operar y dar seguimiento a todas las presas de jales de conformidad con nuestras propias normas estrictas y en línea con los requisitos de las autoridades mexicanas (véase el estudio de caso siguiente para más detalles).

Administrar el cierre de manera responsable para impedir problemas de legado.

Actividades clave:

- Cerrar el almacén de desechos de manera compatible con el ambiente circundante.
- Incluir el cierre de dichas instalaciones como parte de los planes de cierre de proyecto generales.

(Visítenos en línea para saber más acerca de la forma en que administramos los desechos minerales)

DESEMPEÑO

Nuestra instalación de jales históricos en Fresnillo ha sido transformada en un parque ecológico para la comunidad y su calidad ambiental ha sido certificada por la Secretaría del Medio Ambiente Mexicana.

		Unidad	2018	2017
Desechos de la mina	Rocas de desperdicio	Tonelada	164,490,105	164,431,521
Desechos de procesamiento	Jales	Tonelada	8,795,869	8,062,207
	Jales	Tonelada	3,560,486	3,049,216
Desechos metalúrgicos	Plataformas	Tonelada	39,912,814	42,448,200

Estudio de Caso:

Administración responsable de las Instalaciones de Almacenamiento de Jales (TSF)

El manejo de los jales es una preocupación clave para la industria minera. Aunque muy poco comunes, los incidentes recientes involucrando jales en la industria han servido como un recordatorio de la naturaleza crítica de estas estructuras. Estamos totalmente comprometidos con abordar las expectativas de nuestras partes interesadas para construir y operar los TSF de manera responsable. Nuestras presas de jales están diseñadas y construidas para resistir climas extremos y eventos sísmicos en línea con los requisitos hidrológicos, geotécnicos y estructurales de las autoridades mexicanas. Ponemos particular atención en la estabilidad química de los jales, de modo que cualquier filtración no represente un peligro para la salud humana o el medio ambiente. Mantenemos un control estricto sobre el equilibrio del agua para impedir fallas de rebase y prohibir el uso de presas de jales como tanques de agua. Los canales de desviación son incorporados para impedir el escurrimiento de agua desde la entrada del tanque de la presa, en tanto que los sistemas de recolección de filtración protegen el medio ambiente corriente abajo. Además de los requisitos de ley, tales como inspecciones diarias y auditorías internas, realizamos revisiones de estabilidad de terceros de los diques de nuestras presas de jales en operación y cerradas.

Nuestra meta es aumentar el acceso al agua segura minimizando nuestra huella de agua y cooperando con nuestras partes interesadas, especialmente las comunidades, autoridades y ONG.

Aunque operamos en diversas regiones áridas, la extracción y procesamiento del mineral requiere de grandes volúmenes de agua, y esto es con frecuencia un problema relevante para las comunidades locales. Reconocemos que el agua es un derecho humano y cooperamos con las comunidades para aumentar el acceso al agua.

La obtención de acceso y la responsabilidad como administradores del agua son factores de éxito vitales y la prevención de impactos ambientales en los recursos de agua y ecosistemas relacionados es fundamental para que operen nuestras licencias sociales y ambientales.

Antes de comenzar cualquier proyecto, realizamos EIA para obtener conocimientos de los recursos de agua y su vulnerabilidad a escala local y regional. Respondiendo a las expectativas de nuestras partes interesadas, evaluamos el riesgo del agua usando la herramienta de Acueducto del Instituto de Recursos Mundiales (WRI). (Visítenos en línea para saber más sobre nuestra evaluación de riesgos, así como nuestro reporte al programa de Agua del CDP).

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo

CÓMO GANAREMOS

Excelencia operativa para reducir nuestra huella de agua

Actividades clave:

- Poner en práctica circuitos cerrados de agua, eliminando la necesidad de descargar agua procesada en corrientes de agua.
- Reutilizar aguas negras de municipios y de nuestras propias operaciones y campamentos.
- Rendir cuentas del uso del agua utilizando el Marco Contable de Agua propuesto por el Consejo de Minerales de Australia.

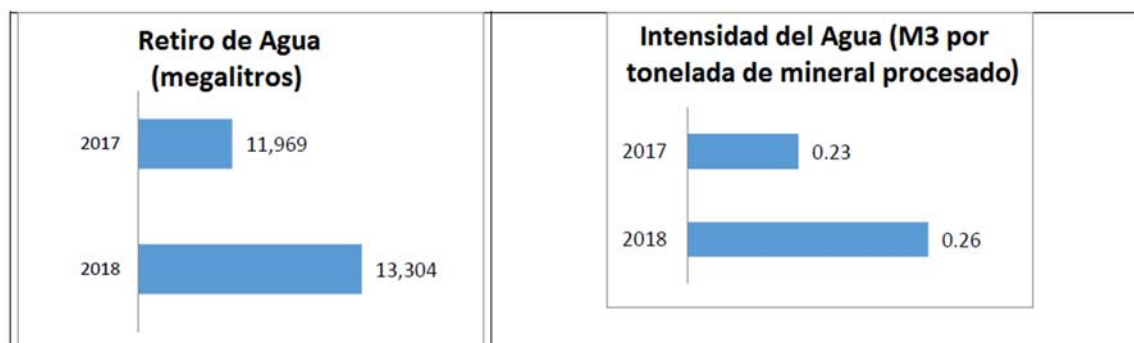
Cumplimiento ambiental y cooperación con partes interesadas locales

Actividades clave:

- Obtener derechos de agua de las autoridades antes de usar cualquier agua en la minería y procesamiento de minerales.
- Enviar agua no usada de desagüe a estanques de asentamiento para controlar los sólidos suspendidos, antes de descargar el agua limpiada corriente abajo.
- Respetar nuestras cuotas de agua, vigilando nuestras descargas y tomando acción para asegurarnos de que cumplan con las reglamentaciones de calidad del agua.
- Cooperar con las autoridades del agua y otras partes interesadas, incluyendo comunidades, para aumentar el acceso al agua. Véase la sección de relaciones comunitarias (páginas 96-103).

DESEMPEÑO

Durante el ejercicio, no detectamos impactos negativos corriente abajo en ecosistemas o cuerpos de agua debido a nuestro consumo de aguas subterráneas o descargas de agua.



	Unidad	2018	2017	2016	2015	2014
Eficiencia de reuso	%	80.16%	83.13%	80.92%	81.36%	82.14%
Volumen total del agua reciclada	megalitro	1,321	2,039	1,891	1,210	1,240

(Visítenos en línea para saber más acerca de nuestras actividades de Protección del Agua)

CONTAMINACIÓN DEL SUELO

Nuestra meta es impedir la contaminación del suelo administrando nuestras operaciones de manera responsable, protegiendo con ello el medio ambiente y la salud de las comunidades locales.

Las operaciones mineras requieren el uso de aceites de motor, combustibles y compuestos químicos, así como la administración de jales que pueden contaminar el suelo si son derramados accidentalmente. El suelo también puede ser contaminado por polvo soplado por el viento de los almacenes de jales. Nuestro sistema de administración tiene procedimientos para impedir la contaminación de los suelos.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo

CÓMO GANAREMOS

Administrar nuestros procesos de manera responsable para impedir impactos en el suelo.

Actividades clave:

- Manejar de manera responsable aceites de motor, combustibles, productos químicos y desechos peligrosos.
- Remediar derrames y reportarlos a las autoridades ambientales, en cumplimiento con las regulaciones mexicanas.
- Vigilar regularmente las características químicas del suelo en nuestras operaciones para verificar el cumplimiento con las regulaciones mexicanas.
- Administrar nuestras plantas de jales para impedir polvo soplado por el viento.

Comunidades

Nuestras comunidades son nuestros socios estratégicos. Ganamos y mantenemos su confianza a través del compromiso efectivo y siendo responsables de nuestros impactos, y reconocemos que ésta es la única forma de obtener y conservar nuestra licencia social para operar. Nuestra estrategia comunitaria, que acepta todas las fases del ciclo de vida minero, pretende construir un entendimiento mutuo entre nuestras operaciones y las comunidades locales, asegurándose de que nos comprometamos, desarrollemos y crezcamos juntos.

CÓMO GANAREMOS

Involucrando a las comunidades efectivamente en el ciclo de vida minero.

Actividades clave:

- **Exploración:** Nuestros equipos de exploración son los primeros en establecer contacto con una comunidad local. Identificamos a las partes interesadas relevantes y concentramos nuestros esfuerzos de compromiso en obtener acceso temporal a terrenos para explorar y evaluar riesgos sociales.
- **Desarrollo:** Nuestras relaciones con partes interesadas se profundizan en esta fase del ciclo a medida que desarrollamos confianza a través de las actividades, incluyendo contratación local, contratos e inversión social. Para nuestros proyectos avanzados de viabilidad y desarrollo, realizamos evaluaciones de riesgo social para ayudarnos a identificar los problemas que más importan a la comunidad.
- **Operación:** Regularmente nos comprometemos con la comunidad a través de juntas formales e informales para administrar las expectativas y detectar riesgos y oportunidades. También realizamos estudios de percepción global que nos ayudan a vigilar cómo se perciben los beneficios y evaluar nuestro impacto en los problemas clave a los que se enfrenta la comunidad.

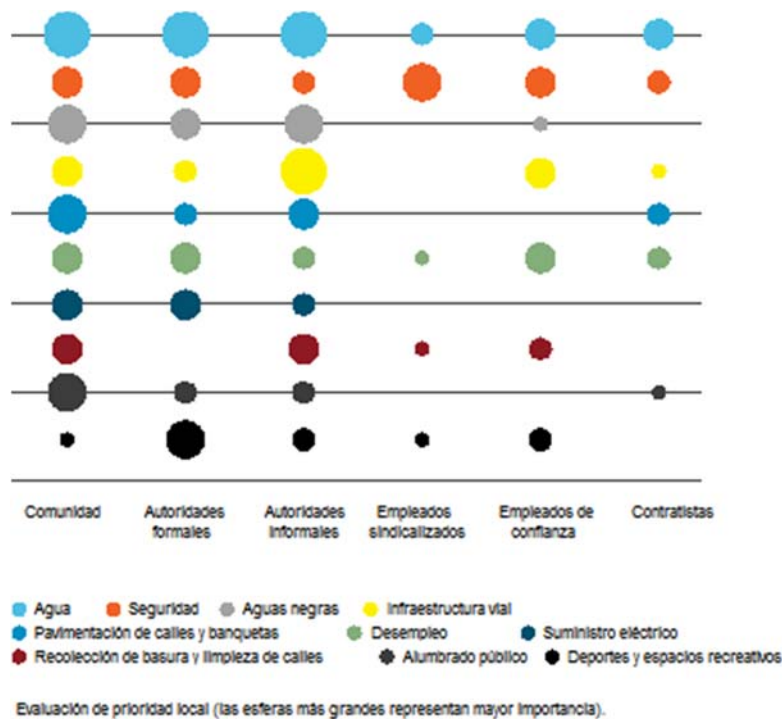
Evitar o mitigar impactos negativos en la cultura y patrimonio de las comunidades

Actividades clave:

- Realizar estudios de base social en nuestros proyectos de desarrollo para construir un mayor entendimiento de la cultura y tradiciones locales.
- Colaborar con las comunidades en las celebraciones locales.
- Elaborar estudios de percepción de manera regular para dar seguimiento a los impactos y percepciones positivos y negativos.
- Respetar el marco regulador para consulta con comunidades indígenas.

ESTRATEGIA DE INVOLUCRAMIENTO DE LA COMUNIDAD





Estudio de caso:

Consulta con pueblos indígenas

Estamos comprometidos con la interacción con los pueblos indígenas, respetando sus valores, cultura y tradiciones. Reconocemos que la consulta es un derecho fundamental de las comunidades indígenas y un mecanismo para desarrollar confianza. La consulta nos permite entender sus perspectivas sobre nuestros proyectos y abordar sus preocupaciones. Antes de la consulta, evaluamos los impactos y beneficios potenciales de nuestros proyectos y desarrollamos las capacidades de las comunidades para ejercer totalmente su derecho de consulta. Para consultar, consideramos su método de compromiso preferido, información presente de una manera culturalmente apropiada y llegar a acuerdos con base en beneficios compartidos. La buena fe, transparencia y rendición de cuentas son los valores clave que guían nuestro enfoque de consultas.



ADQUISICIONES DE TERRENOS Y REUBICACIONES

Nuestra meta es administrar la reubicación de manera responsable, respetando las leyes locales y conforme a las mejores prácticas internacionales.

El desarrollo de un proyecto minero involucra la adquisición de terrenos y, en algunos casos, la reubicación de hogares. Reconocemos que estos son problemas complejos y que cambian la vida de las comunidades. Cuando se planea y maneja de mala manera, la adquisición de terrenos y reubicación puede afectar los modos de vida y estructura social de las comunidades, dañar nuestras relaciones o incluso causar conflictos. Reconocemos que el derecho a un nivel de vida adecuado después de la adquisición de terrenos y proyectos de reubicación es un derecho humano básico.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre
	Mediano	Alto	Mediano	Bajo

Alto
Mediano
Bajo

CÓMO GANAREMOS

Actividades clave:

- Evitar reubicaciones cuando sea posible explorando opciones alternativas.
- Si las reubicaciones son inevitables, trabajar en conjunto con los hogares, comunidades y gobiernos afectados para minimizar los impactos adversos, restablecer o mejorar los medios de subsistencia y condiciones de vida.
- Desarrollar nuestras competencias y procesos internos para administrar las reubicaciones, incluyendo estudios de base social y activos, un marco de derechos y compensaciones, negociación, restablecimiento de medios de subsistencia y seguimiento y evaluación continuos.

DESEMPEÑO

No tuvieron lugar reubicaciones de comunidades en nuestras operaciones o proyectos de desarrollo durante 2018.

TRANSPARENCIA DE PAGOS GUBERNAMENTALES

Nuestra meta es divulgar de manera transparente nuestros pagos a gobiernos.

La minería responsable puede ser un impulsor del desarrollo económico y social. Sin embargo, la corrupción y el mal gobierno disminuyen los beneficios que la sociedad debe obtener de los ingresos generados por los recursos mineros. Creemos que la transparencia en relación con los pagos al gobierno desarrolla confianza y empodera a la sociedad. (Visítenos en línea para consultar nuestro informe sobre pagos a gobiernos).

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre

	Alto
	Mediano
	Bajo

TRANSPARENCIA Y RENDICIÓN DE CUENTAS

Nuestra meta es dar acceso a información no financiera para facilitar los procesos de toma de decisiones de nuestros inversionistas y partes interesadas.

Ser transparente y responsable de nuestro desempeño social y ambiental son factores esenciales en la construcción de confianza. Al divulgar información no financiera importante, podemos ayudar a nuestros inversionistas a tomar decisiones de inversión más efectivas. La administración de nuestros impactos negativos es vital para garantizar que nuestro modelo de operaciones sea socialmente aceptable.

Relevancia y riesgo en el ciclo de vida minero	Exploración	Desarrollo	Operación	Cierre
	Alto	Alto	Alto	Alto

	Alto
	Mediano
	Bajo

CÓMO GANAREMOS

Divulgación de Información Ambiental, Social y de Gobierno (ESG) utilizando los canales adecuados

Actividades clave

- Informe anual.
- Sitio de red.
- Índice de Sustentabilidad Dow Jones (DJSI).
- Proyecto de Divulgación de Carbono.
- Informe de Esclavitud Moderna.
- Juntas y medios tradicionales para informar a nuestras partes interesadas a nivel local.

Rendición de cuentas y sensibilidad en relación con nuestros impactos positivos y negativos

Actividades clave:

- Elaborar estudios de percepción en las comunidades donde operamos para identificar percepciones e impactos positivos y negativos.

- Dar seguimiento a medios.
- Celebrar juntas regulares con nuestras partes interesadas.
- Operar mecanismos de quejas para involucrar a las personas que puedan verse afectadas por nuestras actividades.

Compartir los beneficios

Además de un compromiso efectivo de las partes interesadas, compartir los beneficios de la minería es esencial para la aceptación social de los proyectos mineros. Creamos valor en las regiones donde operamos en forma de empleo, abastecimiento, desarrollo de talentos, inversión comunitaria estratégica y pago de nuestra parte de impuestos.

IMPACTO ECONÓMICO

	Millones de dólares estadounidenses (2018)
Salarios y prestaciones a trabajadores	\$88.83
Pagos a proveedores (contratistas)	\$1,447.20
Pagos a gobiernos locales	\$3.57
Pagos al gobierno federal	\$225.62
Impacto Económico Total	\$1,765.23



FONDO MINERO

En 2014, México introdujo un impuesto especial para crear un fondo para el desarrollo sustentable de las regiones mineras. Los fondos son asignados a gobiernos federales, estatales y municipales. Aunque el objeto de este fondo es desarrollar la infraestructura de las comunidades que rodean a las operaciones mineras, en realidad las autoridades estatales y municipales invierten grandes cantidades del mismo en otras partes. Nos asociamos con nuestras comunidades para involucrar a las autoridades y nuestra intención es alentarlos a financiar proyectos de infraestructura que beneficien a las comunidades mineras.

La aportación de Fresnillo al Fondo para el Desarrollo Sustentable de Estados y Municipios Mineros (Millones de Dólares Estadounidenses)

2018	2017
\$ 18.96	\$26.5

EMPLEO Y ABASTECIMIENTO LOCAL

El empleo local es un impulsor clave de la aceptabilidad social y desarrollo comunitario. Promovemos el empleo local desde los primeros días de la exploración en adelante. En las fases de desarrollo y operativas, por ejemplo, ofrecemos oportunidades de empleo directamente o a través de nuestros contratistas mineros. Nuestra mano de obra local y regional como porcentaje del personal total es de 73.39%. Nuestro Centro de Estudios

Técnicos (CETEF) capacita a técnicos mineros que cumplen con nuestras necesidades específicas. Los candidatos del CETEF son elegidos entre las comunidades que rodean a nuestras operaciones, obteniendo así el talento y fortaleciendo nuestra licencia social para operar. Participamos en los centros mineros de Zacatecas, Sonora y Chihuahua. Los centros contribuyen al desarrollo de los proveedores regionales, fortaleciendo su participación en la cadena de valor de las empresas mineras.

INVERSIÓN SOCIAL

Trabajamos con nuestras comunidades para desarrollar una cartera de inversión social determinada alineada con las Metas de Desarrollo Sustentable de la ONU. Con los años, hemos aumentado nuestras asociaciones con organizaciones de la sociedad civil para desarrollar capacidad en las comunidades donde operamos.

Prioridades clave de inversión social:

- **Educación:** En línea con la SDG 4, buscamos respaldar la educación incluyente y de calidad como una palanca clave para reducir la pobreza y desigualdad. Colaboramos en programas que alientan a los niños a leer, comunicarse, apreciar la música y aprender sobre las rocas y minerales y robótica.
- **Salud:** En línea con la SDG-3, buscamos garantizar vidas sanas y promover el bienestar. Trabajamos de cerca con las ONG, autoridades y comunidades para ofrecer asistencia médica y promover los deportes y la resiliencia.
- **Agua:** En línea con la SDG 6, nos comprometemos a garantizar la disponibilidad y manejo sustentable del agua y sanidad para todos. Colaboramos con las comunidades indígenas en sistemas de recolección de agua de lluvia e involucramos a las autoridades para desarrollar infraestructura de agua y sanidad con el Fondo Minero.
- **Desarrollo de capacidad:** En línea con la SDG 8, promovemos un crecimiento económico sostenido, incluyente y sustentable, empleo completo y productivo y trabajo decente para todos. Ofrecemos capacitación de emprendedores locales además de nuestras oportunidades de empleo y abastecimiento locales.



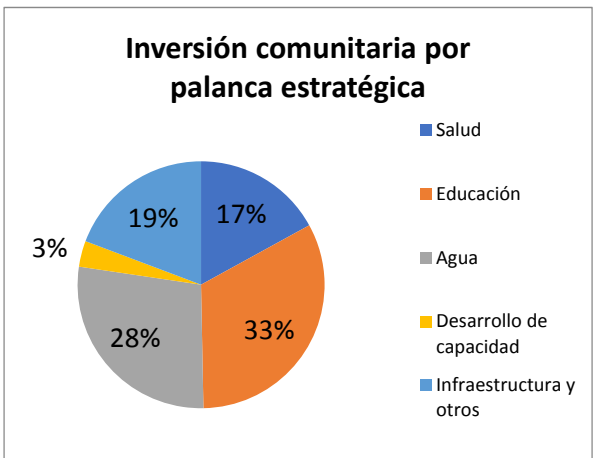
DESEMPEÑO

DATOS DESTACADOS DE 2018

<p style="text-align: center;">Educación</p> <ul style="list-style-type: none"> • Programa Picando Letras - con el apoyo de la ONG International Board on Books for Young People (IBBY), juntamos a los libros y a los niños. Este proyecto beneficia a alrededor de 8,500 niños en 72 escuelas (véase estudio de caso). • Junto con la ONG INNOVEC y el Gobierno del Estado de Zacatecas, lanzamos un programa piloto para enseñar “Rocas y Minerales” en nuestro distrito de Fresnillo, que benefició a más de 1,000 niños en 9 escuelas. • Nos asociamos con secundarias en Fresnillo, Caborca (Penmont) y Turuachi (San Julián), inscribiendo a cuatro equipos en la competencia de Robótica FIRST (For Inspiration and Recognition of Science and Technology) (véase estudio de caso). En asociación con la Universidad LaSalle Laguna, ofrecimos 4 becas de excelencia para educación universitaria en Torreón. • Nos asociamos con la Maestra Elena Durán y su iniciativa de “Flautas sin fronteras” para ofrecer dos conciertos para 600 personas desde nuestro proyecto Rodeo, así como 300 personas desde nuestra mina Ciénega. 	<p style="text-align: center;">Salud</p> <ul style="list-style-type: none"> • En asociación con la Fundación de la Universidad Nacional, organizamos Semanas de Salud en Fresnillo, Ciénega, Penmont y San Julián, beneficiando a cerca de 8,000 personas durante el año. • Comprendiendo pozos de jales reclamados y un zológico, nuestros parques recibieron un promedio de 2,000 visitantes por mes. • Nuestra escuela de fútbol, en asociación con el Club de Fútbol Santos, tienen una capacidad para 300 niños en nuestro Distrito de Fresnillo.
<p style="text-align: center;">Agua e infraestructura</p> <ul style="list-style-type: none"> • Con el apoyo de Captar AC, estamos instalando 325 sistemas de recolección de agua de lluvia para casas, beneficiando a 15 comunidades cercanas a nuestra mina San Julián. • Seguimos involucrándonos con los municipios, haciendo campañas para los niveles 	<p style="text-align: center;">Desarrollo de capacidad</p> <ul style="list-style-type: none"> • Para diversificar las economías locales, proporcionamos capacitación y seguimiento para emprendedores en las comunidades de

de inversión más altos por parte del Fondo Minero en las comunidades que rodean a nuestras operaciones.

Fresnillo, Uruachi, Rodeo y Guanajuato.



Estudio de Caso 1:

Competencia de Robótica

Nos asociamos con escuelas locales en las comunidades vecinas a nuestras minas Fresnillo, Caborca (Penmont) y Turuachi (San Julián) para competir en la competencia de Robótica FIRST (For Inspiration and Recognition of Science and Technology). Con el apoyo de mentores de nuestra Empresa, niños de entre 15 y 18 años aprendieron cómo desarrollar su pericia en robótica, así como la importancia del trabajo en equipo y el voluntariado para sus comunidades. Estamos preparando a un cuarto equipo de la Ciénega para que compita en 2019.



Los resultados vieron a los Potrobots del Cecytech de la comunidad Turuachi convertirse en el primer equipo de la comunidad rarámuri en competir en una competencia de robótica internacional, demostrando que con el apoyo y aliento correctos todo es posible. Los Cabots del Conalep de Caborca, Sonora, avanzaron a los cuartos de final, en tanto que los Jeunes d'Argent (Jóvenes de Plata) del Cbetis 1 de Fresnillo ganaron el Premio al Espíritu por el equipo más dinámico y entusiasta.

Estudio de Caso 2:

Medición del impacto social: beneficios de las lecturas

La medición del impacto en las comunidades es un elemento importante de los programas sociales. Nuestro programa de lecturas "Picando Letras" pretende crear un espacio donde los profesores, padres, jóvenes y niños

interactúen, creen conciencia y reflexionen como resultado de la lectura de manera disfrutable, libre y significativa. Esto fortalece los lazos comunitarios, educa a las personas para que puedan reflexionar, expresar sus sentimientos y pensamientos y escuchar realmente a otros en un ambiente tolerante y respetuoso. Hicimos evaluaciones previas y posteriores al programa en las comunidades remotas de Ciénega y San Julián, con los siguientes resultados:



Un aumento del **8%** en el número de niños que deciden leer por sí solos en su casa.



Un aumento del **12%** en el número de niños que mencionaron espontáneamente que la lectura era una de sus cosas favoritas que hacer en casa.



En promedio, las colecciones de libros en las escuelas aumentaron en **69%**.



Un aumento del **14%** en el número de niños que dicen que les encanta leer y un **12%** en el número de niños que disfrutaban que alguien les lea.



28% de los niños mejoraron sus habilidades de comprensión y entendimiento de la lectura.



7% mejoraron sus habilidades narrativas al contarles a otras personas acerca de la lectura que escucharon.

Revisión financiera

LOS ESTADOS FINANCIEROS CONSOLIDADOS DE FRESNILLO SON ELABORADOS DE CONFORMIDAD CON LAS NORMAS INTERNACIONALES DE INFORME FINANCIERO (IFRS, POR SUS SIGLAS EN INGLÉS) ADOPTADAS POR LA UNIÓN EUROPEA. ESTA REVISIÓN FINANCIERA TIENE POR OBJETO DAR A CONOCER LOS FACTORES PRINCIPALES QUE AFECTAN EL DESEMPEÑO Y OFRECER UN ANÁLISIS DETALLADO DE LOS RESULTADOS FINANCIEROS PARA UN MEJOR ENTENDIMIENTO DE LOS ESTADOS FINANCIEROS DEL GRUPO. TODAS LAS COMPARACIONES HACEN REFERENCIA A CIFRAS DE 2018 COMPARADAS CON 2017, A MENOS QUE SE ESTABLEZCA OTRA COSA. LA INFORMACIÓN FINANCIERA Y LAS VARIACIONES DE UN AÑO A OTRO SON PRESENTADAS EN DÓLARES ESTADOUNIDENSES, EXCEPTO DONDE SE INDICA.

Al respetar controles estrictos sobre efectivo, costos y gastos, y al tiempo que respetamos nuestros presupuestos de gastos de capital, hemos mantenido una posición sana de efectivo y otros fondos líquidos¹ y un índice de apalancamiento bajo. Esto nos ha permitido invertir en un crecimiento rentable y ofrecer rendimientos sólidos a los accionistas.

El siguiente informe presenta la manera en que hemos administrado nuestros recursos financieros.

COMENTARIOS SOBRE EL DESEMPEÑO FINANCIERO

2018 fue un año de retos y oportunidades para el Grupo. Esto también se reflejó en el desempeño financiero del ejercicio, al disminuir la utilidad bruta y EBITDA con respecto a 2017 en 15.6% y 13.7% respectivamente, en tanto que, sin embargo, obtuvimos márgenes de utilidad sanos. Mantuvimos una posición financiera sólida con US\$560.8 millones en efectivo y otros fondos líquidos¹ al día 31 de diciembre de 2018; no obstante el pago de dividendos por US\$298.1 millones de conformidad con nuestra política, invirtiendo US\$668.7 millones en gastos de capital, y gastando US\$172.8 millones en exploración para apuntalar nuestro crecimiento futuro.

Los ingresos ajustados aumentaron ligeramente de un año a otro debido a mayores volúmenes de plata, plomo y zinc vendidos, principalmente del (Yacimiento Mineral Diseminado) San Julián, lo cual fue compensado por precios más bajos. Este aumento, en conjunto con el efecto positivo de la reevaluación de los contenidos de oro en las

plataformas de lixiviación y el aumento de la ley mineral en Herradura fue, sin embargo, compensado de manera más que suficiente por el alto índice de descapote en Herradura y una mayor depreciación. Como resultado de lo anterior, la utilidad bruta disminuyó en 15.6% con respecto a 2017 y junto con los gastos de exploración más altos, esto contribuyó a la disminución del 13.7% en el EBITDA.

ESTADO DE RESULTADOS

	2018	2017	Cantidad	Porcentaje
	millones de dólares estadounidenses	millones de dólares estadounidenses	millones de dólares estadounidenses	de cambio
Ingreso ajustado ²	2,243.4	2,233.2	10.2	0.5
Ingreso total	2,103.8	2,093.3	10.5	0.5
Costo de ventas	(1,323.1)	(1,167.9)	(155.2)	13.3
Utilidad bruta	780.7	925.4	(144.7)	(15.6)
Gastos de exploración	172.8	141.1	31.7	22.5
Utilidad operativa	506.7	709.3	(202.6)	(28.6)
EBITDA ³	915.1	1,060.1	(145.0)	(13.7)
Gasto de impuesto sobre la renta incluyendo derechos mineros	134.0	180.7	(46.7)	(25.8)
Utilidad del ejercicio	350.0	560.8	(210.8)	(37.6)
Utilidad del ejercicio, excluyendo efectos de Silverstream posteriores a impuestos	339.5	481.2	(141.7)	(29.4)

Ganancias básicas y diluidas por acción (US\$/acción) ⁴	0.475	0.761	(0.286)	(37.6)
Ganancias básicas y diluidas por acción, excluyendo efectos de Silverstream después de impuestos (US\$/acción)	0.461	0.653	(0.192)	(29.4)

- 1 El efectivo y otros fondos líquidos se divulgan en la nota 30 (c) de los estados financieros.
- 2 Los ingresos ajustados son ingresos divulgados en el estado de resultados ajustados para excluir cargos de tratamiento y refinación y cobertura de oro, plomo y zinc.
- 3 Las ganancias antes de intereses, impuestos, depreciación y amortización (EBITDA) son calculadas como utilidad bruta más depreciación menos gastos administrativos, de venta y exploración.
- 4 El número promedio ponderado de acciones ordinarias fue de 736,893,589 en 2018 y 2017. Véase la nota 17 de los estados financieros consolidados.

El desempeño financiero del Grupo es determinado en gran medida por la calidad de nuestros activos, las calificaciones de nuestro personal y las capacidades de ejecución de la administración para lograr nuestras metas estratégicas. Sin embargo, existe una serie de variables macroeconómicas que están fuera de nuestro alcance y que afectan a los resultados financieros. Entre estas variables se encuentran las siguientes:

PRECIOS DE METALES PRECIOSOS

En 2018, el precio realizado promedio de la plata disminuyó en 8.3%, de US\$16.9 por onza en 2017 a US\$15.5 por onza en 2018. Además, los precios promedio realizados del plomo y el zinc disminuyeron en 7.4% y 5.7% de un año a otro, a US\$0.99 y US\$1.28 por libra, respectivamente. El precio promedio realizado permaneció estable en términos generales en US\$1,269.1 por onza (2017: US\$1,267.4).

Cobertura

En el Segundo semestre de 2014, Fresnillo plc inició un programa de cobertura único para proteger el valor de la inversión hecha en la adquisición de Penmont. El programa de cobertura fue celebrado por un volumen total de 1,559,689 onzas de oro con liquidaciones mensuales hasta diciembre de 2019.

La siguiente tabla ilustra las estructuras vencidas y la posición cubierta en circulación al día

31 de diciembre de 2018.

Concepto	2018	2017	2016	2015	2014	Al día 31 de diciembre de 2018*
Piso ponderado (US\$/oz)	1,100	1,100	1,100	1,100	1,100	1,100
Tope ponderado (US\$/oz)	1,423	1,424	1,438	1,431	1,440	1,424
Volumen vencido (oz)	366,432	324,780	220,152	266,760	35,413	
Ganancia reconocida en volumen	--	--	48,158	1,023,580	--	
Volumen total insoluto (oz)						346,152

*Liquidaciones mensuales hasta diciembre de 2019

La póliza de cobertura de Fresnillo plc permaneció sin cambios para el resto de la cartera, ofreciendo a los accionistas exposición total a los precios del oro y la plata.

TIPO DE CAMBIO MX\$/US\$

El tipo de cambio spot promedio del peso mexicano/dólar estadounidense se devaluó en 1.6%, de \$18.94 por dólar estadounidense en 2017 a \$19.24 por dólar estadounidense en 2018. Esto tuvo un efecto favorable estimado de US\$6.7 millones en los costos de producción del Grupo, ya que los costos denominados en pesos mexicanos (aproximadamente 45% de los costos totales) fueron más bajos al convertirse a dólares estadounidenses.

Cobertura

Como se informó previamente, en 2016, Fresnillo plc decidió suspender su programa de cobertura de tipo de cambio de pesos mexicanos para cubrir el pago de algunos costos de producción denominados en pesos. Sin embargo, el Grupo ha seguido entrando a ciertos instrumentos derivados de tipo de cambio como parte de un programa para administrar su exposición al riesgo de divisas asociado con la compra de equipo

denominado en euros (EUR), coronas suecas (SEK) y dólares canadienses (CAD). El efecto agregado en la utilidad fue una pérdida de US-4321,873.

INFLACIÓN DE LOS COSTOS

En 2018, hubo un costo de inflación de 2.6% neto de los 1.6% de la devaluación promedio del peso mexicano vs. el dólar estadounidense.

Los principales componentes de nuestra canasta de costo de inflación se mencionan a continuación:

MANO DE OBRA

Los empleados sindicalizados recibieron en promedio un aumento del 7.0% en salarios en pesos mexicanos, y los empleados administrativos en las minas recibieron un aumento del 5.5%; al convertirse a dólares estadounidenses, la inflación de mano de obra promedio ponderado fue de 4.5%.

ENERGÍA

ELECTRICIDAD

El costo promedio ponderado de la electricidad del Grupo disminuyó en 6.4%, de US\$7.6 centavos por kW en 2017 a US\$7.1 centavos por kW en 2018. Esta disminución se debió principalmente al menor costo promedio de generación de la Comisión Federal de Electricidad (CFE), la empresa de energía eléctrica nacional.

DIÉSEL

El costo promedio ponderado del diésel en dólares estadounidenses aumentó en 7.7% a US\$82.4 centavos por litro en 2018, en comparación con US\$76.5 centavos por litro en 2017.

MATERIALES OPERATIVOS

	Cambio de un año a otro en % de precio unitario
Bolas de acero para molienda	5.5
Otros reactivos	5.2
Cianuro de sodio	1.1
Lubricantes	0.9
Explosivos	0.2
Llantas	(0.6)
Acero para perforación	(1.1)
Promedio ponderado de todos los materiales operativos	1.4

Los precios unitarios de la mayoría de los materiales operativos permanecieron estables en gran medida en términos de dólares estadounidenses, siendo la excepción las bolas de acero para molienda y otros reactivos, que sufrieron una inflación de un año a otro de más del 5%. Sin embargo, esto fue parcialmente compensado por la disminución en el precio unitario de llantas y acero para perforación. Por consiguiente, los precios unitarios promedio ponderado de todos los materiales operativos aumentaron en 1.4% a lo largo del ejercicio. No ha habido un impacto significativo en el costo unitario de materiales de operación a causa de la devaluación del tipo de cambio del peso mexicano/dólar estadounidense, ya que la mayoría de estas partidas están denominadas en dólares.

CONTRATISTAS

Se firman contratos individuales con cada empresa contratista, y éstos incluyen términos y condiciones específicos que cubren no solamente la mano de obra, sino también materiales operativos, equipo y mantenimiento, entre otros aspectos. Los costos de los contratistas se denominan principalmente en pesos mexicanos y constituyen un importante componente de nuestros costos de producción totales. En 2018, los aumentos otorgados a los contratistas cuyos contratos serían sujetos a revisión durante el período tuvieron un aumento promedio ponderado de 2.9% en dólares estadounidenses.

MANTENIMIENTO

Los precios unitarios de las refacciones para mantenimiento permanecieron sin cambios en términos generales en promedio en términos de dólares estadounidenses (aumento del 0.7%).

OTROS

Otros componentes de costos incluyen los fletes, cuyo aumento estimado fue del 7.7% en dólares estadounidenses, lo cual fue parcialmente compensado por una disminución de 2.7% en los costos de seguros. Los componentes restantes de la inflación del costo sufrieron una inflación promedio de 1.8% en dólares estadounidenses con respecto a 2017.

Los efectos de los factores externos anteriores, combinados con las variables internas del Grupo, se describen en mayor detalle a continuación a través de las partidas de línea principal del estado de resultados.

INGRESOS

INGRESOS CONSOLIDADOS (MILLONES DE DÓLARES ESTADOUNIDENSES)

	2018 Millones de dólares estadounidenses	2017 Millones de dólares estadounidenses	Cantidad Millones de dólares estadounidenses	% de cambio
Ingreso ajustado ¹	2,243.4	2,233.2	10.2	0.5
Cobertura de oro, plomo y cobre	1.6	0.0	1.6	100
Cargos de tratamiento y refinación	(141.2)	(139.9)	(1.3)	0.9
Ingresos totales	2,103.8	2,093.3	10.5	0.5

Los ingresos ajustados aumentaron en US\$10.5 millones como resultado del aumento en

los volúmenes de plata, plomo y zinc vendidos, lo cual fue parcialmente compensado por los precios más bajos de estos mismos metales. Los ingresos totales permanecieron sin cambios en términos generales, en US\$2,103.8 millones.

INGRESO AJUSTADO ¹ POR METAL (MILLONES DE US\$)

	2018		2017		Variación de volumen Millones de dólares	Variación de precios Millones de dólares	Total Millones de dólares estadounidenses	%
	Millones de dólares estadounidenses	% estadounidenses	Millones de dólares estadounidenses	%				
Plata	815.5	36.3	844.7	37.8	51.8	(81.0)	(29.2)	(3.5)
Oro	1,118.5	49.9	1,125.3	50.4	(8.2)	1.4	(6.8)	(0.6)
Plomo	105.6	4.7	101.8	4.6	11.7	(7.9)	3.8	3.7
Zinc	203.9	9.1	161.4	7.2	53.1	(10.6)	42.5	26.3
Ingreso total ajustado	2,243.4	100.0	2,233.2	100.0	108.3	(98.2)	10.2	0.5

Los mayores volúmenes de plata vendidos que fueron resultado del primer año completo del (Yacimiento Mineral Diseminado) San Julián y el aumento en la producción en Herradura y Ciénega, en tanto que las mayores ventas de plomo y zinc fueron impulsadas principalmente por la contribución del (Yacimiento Mineral Diseminado) San Julián y mayores volúmenes de metales base a profundidad en la mina de Saucito. Estos efectos favorables, neto del volumen más bajo de oro vendido, tuvieron como resultado un impacto positivo en los ingresos por US\$108.3 millones. Esto fue compensado por un efecto negativo de US\$98.2 millones, principalmente como resultado de la baja en los precios de la plata, plomo y zinc.

La contribución del oro al ingreso ajustado disminuyó ligeramente de 50.4% en 2017 a 49.9% en 2018, reflejando los volúmenes más bajos esperados de oro producido y vendido, en tanto que la contribución de la plata al Ingreso ajustado disminuyó a 36.3%, ya que los mayores volúmenes de plata vendidos fueron compensados de manera más que suficiente por el precio más bajo. Como se esperaba, el contenido más alto de metales de base en ciertas minas está cambiando la proporción relativa del Ingreso ajustado, aumentando el zinc su contribución de 7.2% en 2017 a 9.1% en 2018, y representando el plomo 4.7%.

Herradura siguió siendo el principal contribuyente al Ingreso ajustado, debido principalmente a los volúmenes de plata más altos vendidos durante el ejercicio. La contribución de Saucito y Fresnillo disminuyó de 22.6% y 18.9% en 2017 a 21.9% y 16.9%, respectivamente, en 2018, reflejando la disminución en la ley mineral de plata y un precio de plata más bajo. La mina de San Julián siguió aumentando su contribución al Ingreso ajustado del Grupo de 12.9% en 2017 a 16.4% en 2018. La contribución de Noche Buena disminuyó a 9.4%, en línea con la disminución de 1.9% en el Ingreso ajustado, en tanto que Ciénega mantuvo su contribución al Ingreso ajustado del Grupo en 8.3%.

La contribución relativa al Ingreso ajustado de plata siguió cambiando en 2018, representando la mina de San Julián el 24.8% (2017: 18.6%), y disminuyendo las contribuciones de Saucito y Fresnillo como se esperaba, debido a una base ampliada de activos de plata.

El arranque del (Yacimiento Mineral Diseminado) de San Julián también afectó la contribución relativa a los ingresos ajustados de zinc. Esta nueva mina representó el 25.7% de los ingresos ajustados de zinc en 2018, ayudando a aumentar la contribución relativa del zinc a los ingresos ajustados del Grupo.

Se espera que la contribución por metal y por mina a los ingresos ajustados cambie en mayor grado en el futuro, a medida que se incorporan nuevos proyectos en las operaciones del Grupo y fluctúan los precios de los metales preciosos.

INGRESO AJUSTADO POR METAL

	2018	2017
Oro	49.9%	50.4%
Plata	36.3%	37.8%
Zinc	9.1%	7.2%
Plomo	4.7%	4.6%
TOTAL	100%	100%

1 El ingreso ajustado es ingreso divulgado en el estado de resultados, ajustado para excluir cargos de tratamiento y refinación y cobertura de oro, plomo y zinc.

INGRESO AJUSTADO POR MINA

	2018		2017	
Herradura	608.2	27.1%	606.8	27.2%
Saucito	492.0	21.9%	504.2	22.6%
Fresnillo	378.3	16.9%	421.3	18.9%
Noche Buena	211.4	9.4%	215.5	9.6%
San Julián (Yacimiento Mineral Diseminado)	187.4	8.4%	84.8	3.8%
Ciénega	187.1	8.3%	198.3	8.9%
San Julián (Vetas)	179.1	8.0%	202.3	9.1%
TOTAL	2,243.4	100%	2,045.0	100.0%

VOLÚMENES DE METAL VENDIDO

	2018	% de participación de cada mina	2017	% de participación de cada mina	% de cambio
Plata (koz)					
Saucito	17,968	34.6	19,608	39.4	(8.4)
Fresnillo	13,890	26.8	15,145	30.4	(8.3)
San Julián (Vetas)	5,255	10.1	5,777	11.6	(9.0)
San Julián (Yacimiento Mineral Diseminado)	7,806	15.0	3,853	7.7	102.6
Ciénega	5,459	10.5	4,815	9.7	13.4
Herradura	1,503	2.9	570	1.1	163.7
Noche Buena	7	0.0	7	0.0	-
TOTAL PLATA (koz)	51,888	100	49,775	100	4.2
Oro (koz)					
Herradura	460	52.3	471	53.0	(2.3)
Noche Buena	167	19.0	170	19.1	(1.8)
San Julián (Vetas)	77	8.8	81	9.2	(4.9)
Saucito	74	8.4	64	7.2	15.6
Ciénega	63	7.2	67	7.5	(6.0)
Fresnillo	37	4.2	33	3.8	12.1
San Julián (Yacimiento Mineral Diseminado)	1	0.1	1	0.1	-
TOTAL ORO (koz)	879	100	888	100	(1.0)
Plomo (t)					
Fresnillo	18,097	37.2	18,743	42.8	(3.4)
Saucito	20,362	41.9	16,081	36.7	26.6
Ciénega	4,385	9.0	5,828	13.3	(24.7)
San Julián (Yacimiento Mineral Diseminado)	5,770	11.9	3,183	7.3	81.3
TOTAL PLOMO (t)	48,614	100	43,834	100	10.9
Zinc (t)					
Fresnillo	26,248	36.3	25,442	46.6	3.2
Saucito	22,599	31.3	16,815	30.8	34.4
San Julián (Yacimiento Mineral Diseminado)	18,538	25.6	6,386	11.7	190.3
Ciénega	4,887	6.8	5,950	10.9	(17.9)
TOTAL ZINC (t)	72,272	100	54,594	100	32.4

COBERTURA

En 2018, celebramos una serie de contratos de derivados para cubrir parte de nuestra producción de productos derivados que incluyen plomo y zinc a través de estructuras de collar. La siguiente tabla ilustra las estructuras de cobertura vencidas, su impacto en la utilidad en 2018 y la posición cubierta en circulación al día 31 de diciembre:

Concepto	Al día 31 de diciembre de 2018	
	Zinc	Plomo
Piso Ponderado (US\$/tonelada)	2,591	2,370
Tope Ponderado (US\$/tonelada)	3,716	2,735
Volumen Vencido (ton)	21,168	5,760
Utilidad/Pérdida (US\$)	602,101	980,141
Volumen en circulación total (tonelada)	0	0

CARGOS DE TRATAMIENTO Y REFINACIÓN

Los cargos de tratamiento y refinación³ son revisados anualmente utilizando las referencias internacionales. Los cargos de tratamiento por tonelada de plomo y concentrado de zinc disminuyeron en términos de dólares en 13.3% y 7.5%, respectivamente, en comparación con 2017, en tanto que los cargos por refinación de plata disminuyeron en 7.4% durante el ejercicio. Este menor cargo por tonelada fue compensado por el aumento en los volúmenes de plomo y concentrados de zinc con altos contenidos de plata enviados principalmente desde Saucito y el (Yacimiento Mineral Diseminado) de San Julián a Met-Mex, así como los volúmenes de precipitados vendidos en la planta de Piritas. Como resultado de lo anterior, los cargos de tratamiento y refinación establecidos en el estado de resultados en términos absolutos aumentaron en únicamente 0.9% a lo largo de 2017.

COSTO DE LAS VENTAS

Concepto	2018 Millones de dólares estadounidenses	2017 Millones de dólares estadounidenses	Cantidad Millones de dólares estadounidenses	% de cambio
Costos de producción ajustados ⁴	952.0	769.2	182.8	23.8
Depreciación	411.8	367.6	44.2	12.0
Reparto de utilidades	12.5	16.5	(4.0)	(24.1)

Cambio en trabajo en proceso y otros	(53.6)	16.9	(70.4)	N/A
Otros	0.4	(2.3)	2.7	N/A
Costo de ventas	1,323.1	1,167.9	155.2	13.3

- 3 Los cargos de tratamiento y refinación incluyen el costo de tratamiento y refinación, así como el margen cobrado por el refinador.
- 4 Los costos de producción ajustados son calculados como los costos de producción totales menos depreciación, reparto de utilidades y los efectos de la cobertura de tipo de cambio.

El costo de las ventas aumentó en 13.3% a US\$1,323.1 millones en 2018. El aumento de US\$155.2 millones se explica por la siguiente combinación de factores:

- Un aumento en los costos de producción ajustados (+US\$182.8 millones). Esto se debió principalmente a: i) costos de descapote más altos en Herradura (+US\$82.6 millones); ii) los costos de producción ajustados adicionales relacionados con el primer año completo de operaciones en el (Yacimiento Mineral Diseminado) San Julián (+US\$49.6 millones); iii) la disminución en el volumen de mineral procesado de las obras de desarrollo en Saucito que fue capitalizado (+US\$31.2 millones); iv) inflación en los costos (+US\$26.4 millones); v) la reevaluación en el año del número de componentes mineros en Herradura de dos a uno, efectivo desde Julio 2019 el cual incrementó los costos de descapote (+US\$21.9 millones). El aumento fue parcialmente compensado por el menor volumen de mineral procesado principalmente en Herradura (-US\$19.6 millones); y el efecto favorable de la devaluación del peso mexicano contra el dólar estadounidense y otros (-US\$9.3 millones).
- Depreciación (+US\$44.2 millones). Esto se debe principalmente al año completo de operación en San Julián y al aumento en la depreciación en la mina Saucito como resultado del arranque de la planta de Piritas y la amortización de las obras de extracción capitalizadas.

Estos efectos negativos fueron parcialmente compensados por:

- El aumento en el cambio en las obras en proceso (-US\$70.4 millones). El cambio en las obras en proceso fue de -US\$53.6 millones en 2018 como resultado de la reevaluación de los contenidos de oro en las plataformas de lixiviación en Herradura (véanse las notas 2c y 5 de la información financiera). Esto se comparó favorablemente con los costos por US\$16.9 millones registrados en 2017 como resultado de la disminución en los inventarios en las plataformas de lixiviación en Herradura.
- Otros -US\$1.3 millones.

COSTO POR TONELADA, COSTO DE EFECTIVO POR ONZA Y COSTO DE MANTENIMIENTO TODO INCLUIDO (AISC, por sus siglas en inglés)

El costo por tonelada es un indicador clave para medir los efectos de la inflación minera y el desempeño del control de costos en cada mina. Este indicador es calculado como los costos de producción totales, más derechos mineros ordinarios, menos depreciación, reparto de utilidades y efectos de cobertura del tipo de cambio, dividido entre el tonelaje total procesado. Hemos incluido el costo por tonelada trasladada/movida, ya que consideramos que constituye un indicador útil para analizar exhaustivamente el desempeño

de costos para las minas a cielo abierto.

Costo per tonelada		2018	2017	% de cambio
Fresnillo	US\$/tonelada molida	49.4	47.5	4.1
Saucito	US\$/tonelada molida	60.1	47.6	26.1
Ciénega	US\$/tonelada molida	70.8	66.5	6.5
San Julián (Vetas)	US\$/tonelada molida	57.4	52.1	10.1
(Yacimiento Mineral Diseminado) San Julián ⁵	US\$/tonelada molida	36.2	31.9	13.6
Herradura	US\$/tonelada depositada	13.2	8.0	65.8
Herradura	US\$/tonelada transportada	3.1	2.6	17.0
Noche Buena	US\$/tonelada depositada	6.8	7.5	(9.4)
Noche Buena	US\$/tonelada transportada	2.1	1.7	24.2

⁵ El indicador puede no ser representativo, ya que corresponde al período de arranque, cuando se procesa un volumen significativo de mineral de las reservas.

Fresnillo

El costo por tonelada incrementó 4.1% a US\$49.4 en 2018 debido principalmente a: i) la inflación de los costos de esta mina 2.53% (en gran parte relacionada a contratistas, personal y material de operación); y ii) al mayor número de contratistas para mantenimiento para resolver el problema relacionado con la disponibilidad del equipo.

Saucito

El costo por tonelada incrementó 26.2% a US\$60.1 debido principalmente a: i) menor volumen de mineral procesado de los trabajos de desarrollo; ii) incremento en el número de contratistas para los trabajos de desarrollo; y iii) mayor consumo de reactivos. El costo de la inflación en esta mina fue de 3.45%.

Ciénega

El costo por tonelada incrementó 6.5% a US\$70.8 debido principalmente al incremento en los contratistas de desarrollo y obra civil. El costo de la inflación en esta mina fue de 1.57%.

Herradura

El costo por tonelada del mineral depositado incrementó 65.8% a US\$13.2 debido principalmente por: i) mayor cuota de descapote llevada a los costos de producción; ii) el cambio de criterio de dos a un componente; y iii) ineficiencias debido al menor volumen depositado (-14.9%). El costo de la inflación en esta mina fue 4.0% (en mayor parte relacionado con el incremento del precio del diésel).

Noche Buena

El costo por tonelada de esta mina disminuyó 9.4% a US\$6.8 en 2018 como resultado de las menores distancias de acarreo desde el tajo a los patios de lixiviación a pesar de que el costo de la inflación fue de 2.54% (principalmente relacionado con el precio unitario del diésel).

San Julián (Vetas)

El costo por tonelada en San Julián (Vetas) incremento 10.1% debido principalmente al incremento del número de contratistas para obra minera.

El costo en efectivo por onza, calculado como el costo en efectivo total (costo de venta más cargos de tratamiento y refinación, menos depreciación) menos los ingresos de productos derivados divididos entre las onzas de plata u oro vendidas, al compararse con el precio del metal correspondiente, es un indicador de la capacidad de la mina de cubrir sus costos de producción.

Costo en efectivo por onza		2018	2017	% de cambio
Fresnillo	Dólar estadounidense por onza de plata	0.5	0.7	(35.2)
Saucito	Dólar estadounidense por onza de plata	1.0	1.5	(35.6)
Ciénega	Dólar estadounidense por onza de oro	25.9	(163.7)	N/A
San Julián (Vetas)	Dólar estadounidense por onza de plata	(3.6)	(4.3)	(15.4)
(Yacimiento Mineral Diseminado) San Julián	Dólar estadounidense por onza de plata	5.7	3.9	45.1
Herradura	Dólar estadounidense por onza de oro	504.0	492.9	2.3
Noche Buena	Dólar estadounidense por onza de oro	735.4	793.5	(7.3)

6 El indicador puede no ser representativo, ya que corresponde al período de arranque, cuando se procesa un volumen significativo de mineral de las reservas.

Las variaciones particulares en el costo para cada mina se explican a continuación:

FRESNILLO: US\$0.46/OZ (2018) CONTRA US\$0.71/OZ (2017), (-35.2%)

El costo en efectivo por onza disminuyó debido principalmente a mayores créditos de productos derivados (-US\$0.97/oz) y cargos de tratamiento más bajos (-US\$0.24/oz), lo cual fue parcialmente compensado por la ley mineral de plata más baja (+US\$0.71/oz) y el aumento en el costo por tonelada (+US\$0.28/oz).

SAUCITO: US\$0.97/OZ (2018) CONTRA US\$1.50/OZ (2017), (-35.6%)

La disminución fue impulsada por créditos de productos derivados más altos por onza de plata, teniendo como resultado un mayor volumen de oro vendido (-US\$2.29/oz), lo cual fue parcialmente compensado por el aumento en el costo por tonelada (+US\$1.21/oz) y la disminución en la ley de la plata (+US\$0.55/oz).

CIÉNEGA: US\$25.88/OZ (2018) CONTRA -US\$163.74/OZ (2017), (N/A)

El aumento en el costo en efectivo se debió principalmente a: la disminución esperada en la ley del oro (+US\$115.01/oz), el aumento en el costo por tonelada (+US\$42.32/oz) y el aumento en los cargos de tratamiento y refinación (+US\$6.78/oz). Estos factores desfavorables fueron mitigados por créditos más altos de productos derivados por onza de oro debido a la disminución en el volumen de oro producido (-US\$19.26/oz); y otros (-US\$3.96/oz).

HERRADURA: US\$504.00/OZ (2018) CONTRA US\$492.86/OZ (2017), (+2.3%)

El aumento en el costo en efectivo fue resultado del aumento en el costo por tonelada (+US\$261.13/oz) y el cambio en los criterios de dos componentes mineros a uno durante el año (+US\$60.68/oz); mitigado por el aumento en la ley de oro (-US\$247.39/oz); un efecto de evaluación de inventario favorable, debido al aumento en los inventarios de oro en las plataformas de lixiviación (-US\$34.32/oz); y el aumento en los créditos de productos derivados por onza de oro debido al mayor volumen de plata vendido, aunque a un precio más bajo (-US\$29.75/oz).

NOCHE BUENA: US\$735.41/OZ (2018) CONTRA US\$793.48/OZ (2017), (-7.3%)

La disminución en el costo en efectivo por onza se debió principalmente a la disminución del costo por tonelada (-69.41/oz).

VETAS SAN JULIÁN: -US\$3.64/OZ (2018) CONTRA -US\$4.30/OZ (2017), (+15.4%)

El aumento en el costo en efectivo se explicó principalmente por la disminución de la ley mineral de la plata (+US\$1.29/oz) y el mayor costo por tonelada (+US\$0.04/oz), lo cual fue mitigado por menores créditos de productos derivados debido a la disminución en el volumen del oro vendido (-0.67/oz).

YACIMIENTO MINERAL DISEMINADO SAN JULIÁN: Ya que las operaciones comenzaron en julio de 2017, no hay cifras comparables de un año a otro.

Además del costo en efectivo tradicional descrito anteriormente, el Grupo está reportando los costos de mantenimiento todo incluido (AISC) de conformidad con los lineamientos emitidos por el Consejo Mundial del Oro.

Este parámetro de costo es calculado como el costo en efectivo tradicional más costos generales, empresariales y administrativos en el sitio, costos comunitarios relacionados con operaciones en curso, desmonte capitalizado y desarrollo de minas subterráneas, gastos de capital de mantenimiento y gastos de remedio.

Consideramos que los costos de mantenimiento todo incluido constituyen un indicador razonable de la capacidad de una mina de generar un flujo de efectivo libre al compararse con el precio del metal correspondiente. También creemos que constituye un medio para dar seguimiento no solamente a los costos de producción vigentes, sino también a los costos de mantenimiento, ya que incluye costos de desarrollo de minas asumidos para preparar la mina para producción futura, así como los gastos de capital de mantenimiento.

COSTOS DE MANTENIMIENTO TODO INCLUIDO

Costos de mantenimiento todo incluido por onza		2018	2017	% de cambio
Fresnillo	Dólares estadounidenses por onza de plata	8.92	8.20	8.7
Saucito	Dólares estadounidenses por onza de plata	8.64	7.09	21.9
Ciénega	Dólares estadounidenses por onza de oro	1,413.87	691.43	104.5
San Julián (Vetas)	Dólares estadounidenses por onza de plata	5.05	0.83	N/A
San Julián (Yacimiento Mineral Diseminado)	Dólares estadounidenses por onza de plata	10.01	7.88	26.9
Herradura	Dólares estadounidenses por onza de oro	806.73	807.66	(0.1)
Noche Buena	Dólares estadounidenses por onza de oro	1,029.68	870.05	18.3

1 El indicador puede no ser representativo, ya que corresponde al período de arranque, cuando se procesó un volumen significativo de mineral de las reservas

Fresnillo: Más alto, debido principalmente al desarrollo capitalizado de la mina mitigado por el gasto de capital de mantenimiento más bajo.

Saucito: Más alto, como resultado del desarrollo más alto de la mina capitalizada y un aumento en el gasto de capital de mantenimiento.

Ciénega: Más alto, principalmente debido a un aumento en el gasto de capital de mantenimiento, desarrollo de mina capitalizado más alto y costo de efectivo más alto.

Herradura: Estable en términos generales, debido principalmente a la disminución en los costos de descapote capitalizados tras la reevaluación de los componentes mineros de dos a uno; compensado por el costo de efectivo más alto detallado anteriormente.

Noche Buena: Más alto, impulsado por el aumento en el desmonte capitalizado, mitigado por el costo de efectivo más bajo detallado anteriormente.

San Julián:

San Julián (Vetas): Más alto, debido principalmente al aumento en los gastos de capital de mantenimiento y al aumento en el desarrollo de la mina capitalizado.

San Julián (Yacimiento Mineral Diseminado): Dado que las operaciones comenzaron en julio de 2017, no hay cifras comparables de un año a otro.

UTILIDAD BRUTA

La utilidad bruta, excluyendo ganancias y pérdidas de cobertura, constituye un indicador financiero clave de rentabilidad en cada unidad de operaciones y el Grupo Fresnillo en su totalidad.

La utilidad bruta total, neto de ganancias y pérdidas de cobertura, disminuyó en 15.6% a US\$780.7 millones en 2018.

La disminución de US\$144.7 millones en la utilidad bruta fue explicada principalmente por: i) un precio más bajo de la plata, plomo y zinc (-US\$97.8 millones); ii) el aumento de la tasa de descapote en Herradura (-US\$82.6 millones); iii) la disminución del 17.5% en el volumen de mineral depositado en la lixiviación por pila de Herradura (-US\$64.8 millones); iv) una mayor depreciación (-US\$44.2 millones); v) la disminución en el volumen de mineral procesado del desarrollo en Saucito en 2018 que es capitalizado (-US\$31.2 millones); vi) inflación de los costos (-US\$26.4 millones); vii) el efecto adverso del reconocimiento de la totalidad del descapote en el estado de resultados en el segundo semestre 2019 después del cambio de dos componentes a uno en Herradura, en comparación con la capitalización parcial del mismo (-US\$21.8 millones); viii) baja en la producción de San Julián (Vetas) (-US\$19.5 millones); y ix) otros (-US\$7.0 millones). Estos factores fueron parcialmente mitigados por: i) la reevaluación en los inventarios de oro en las plataformas de lixiviación en Herradura (+US\$94.4 millones); ii) la mayor ley de los inventarios y la mejor velocidad de recuperación en Herradura (+US\$68.4 millones); iii) el aumento de la producción en el (Yacimiento Mineral Diseminado) San Julián, teniendo como resultado de su primer año de operaciones (+US\$67.1 millones); y iv) la tasa de recuperación más alta en Saucito (+US\$20.7 millones).

Como se muestra en la tabla siguiente. Herradura siguió siendo el mayor contribuyente a la utilidad bruta consolidada del Grupo, aunque con una ligera disminución en su utilidad bruta al compararse con 2017. La utilidad bruta en Saucito y Fresnillo disminuyó en 22.1% y 24.5% con respecto a 2017, respectivamente, disminuyendo su contribución a la utilidad. San Julián siguió siendo el cuarto contribuyente más importante. La utilidad bruta en Noche Buena aumentó en 18.1% de un año a otro, proporcionando 8.7% de la utilidad bruta total, en tanto que la participación de Ciénega en la utilidad bruta total del Grupo disminuyó a 4.1%.

APORTACIÓN POR MINA A LA UTILIDAD BRUTA CONSOLIDADA, EXCLUYENDO GANANCIAS Y PÉRDIDAS DE COBERTURA

	2018		2017		Cambio	
	Millones de dólares estadounidenses	%	Millones de dólares estadounidenses	%	Cantidad Millones de dólares estadounidenses	%
Herradura	278.4	36.2	292.8	32.0	(14.4)	(4.9)
Saucito	177.8	23.1	228.2	24.9	(50.4)	(22.1)
Fresnillo	144.9	18.9	191.6	20.9	(46.7)	(24.4)
San Julián	68.4	8.9	93.1	10.1	(24.7)	(26.5)

Noche Buena	67.2	8.7	56.9	6.2	10.3	18.1
Ciénega	31.9	4.2	53.8	5.9	(21.9)	(40.7)
Total para las minas en operación	768.6	100	916.4	100	(147.8)	(16.1)
Cobertura de metales y otras subsidiarias	12.1		9.0		(3.1)	(34.4)
Total Fresnillo plc	780.7		925.4		144.7	(15.6)

GASTOS ADMINISTRATIVOS Y CORPORATIVOS

Los gastos administrativos aumentaron en 21.0%, de US\$42.3 millones a US\$51.2 millones, debido principalmente a un aumento en los servicios prestados por consultores (legal, seguridad, impuestos, geológicos, consultas comunitarias indígenas, entre otros).

Los gastos corporativos incrementaron 5.7% en comparación con 2017 a US\$32.1 millones principalmente como resultado del aumento en los servicios administrativos prestados por Servicios Industriales Peñoles, S.A.B de C.V., debido al gran número de minas y proyectos y en menor medida a un 2.0% de inflación.

GASTOS DE EXPLORACIÓN

Unidad de operaciones/proyecto (millones de dólares estadounidenses)	Gastos de exploración 2018	Gastos de exploración 2017	Gastos capitalizados 2018	Gastos capitalizados 2017
Ciénega	9.9	10.8	–	–
Fresnillo	15.6	15.8	–	–
Herradura	14.9	19.1	–	–
Saucito	16.3	11.7	–	–
Noche Buena	2.0	6.1	–	–
San Ramón	2.4	4.4	–	–
San Julián	12.2	8.4	–	–

Orisyvo	5.2	1.9	–	–
Centauro Profundo	5.4	2.7	1.7	0.1
Guanajuato	16.9	7.9	1.1	0.8
Juanicipio	0.0	0.0	4.8	2.3
Otros	72.0	52.3	0.8	1.0
TOTAL	172.8	141.1	8.4	4.2

Los gastos de exploración aumentaron conforme a lo planeado en un 22.5%, de US\$141.1 millones en 2017 a US\$172.8 en 2018, debido a las actividades de exploración intensificadas, principalmente alrededor de nuestros distritos mineros y proyectos de exploración avanzados. Adicionalmente, se capitalizaron US\$8.4 millones, principalmente en relación con gastos de exploración en el proyecto Juanicipio, Centauro Profundo y Guanajuato. Como resultado de lo anterior, el capital de riesgo invertido en exploración totalizó US\$181.2 millones en 2018, un aumento del 24.7% con respecto a 2017. En 2019, se espera que la inversión total en exploración sea de aproximadamente US\$140 millones, de los cuales se espera que se capitalizarán US\$10 millones.

EBITDA

	2018	2017	Cantidad	
	millones de dólares estadounidenses	millones de dólares estadounidenses	millones de dólares estadounidenses	Porcentaje de cambio
Utilidad bruta	780.7	925.4	(144.7)	(15.6)
+ Depreciación	411.8	367.6	44.2	12.0
– Gastos administrativos	(83.3)	(72.7)	(10.6)	14.6

– Gastos de exploración	(172.8)	(141.1)	(31.7)	22.5
– Gastos de venta	(21.2)	(19.1)	(2.1)	11.1
EBITDA	915.1	1,060.1	(145.0)	(13.7)
Margen de EBITDA	43.5	50.6		

El EBITDA es una medición del desempeño financiero del Grupo y un indicador clave para medir la capacidad de deuda. Es calculado como utilidad bruta más depreciación, menos gastos administrativos, de venta y exploración. En 2018, el EBITDA disminuyó en 13.7% a US\$915.1 millones principalmente debido a una menor utilidad bruta. Como resultado de lo anterior, el margen de EBITDA expresado como porcentaje de los ingresos disminuyó de 50.6% en 2017 a 43.5% en 2018.

OTRAS GANANCIAS Y PERDIDAS OPERATIVAS

En 2018, se reconoció una ganancia neta por US\$3.3 millones en el estado de resultados. Lo anterior se compara de manera desfavorable a los US\$16.8 millones netos de ganancia reconocida en 2017 principalmente como resultado de la venta de los fondos no estratégicos para la minería a Argonaut Gold Inc.

EFFECTOS DE SILVERSTREAM

El contrato de Silverstream es contabilizado como un instrumento financiero derivado registrado a valor justo. El efecto total de la revaluación del contrato de Silverstream registrado en el estado de resultados de 2018 fue una ganancia de US\$15.0 millones. Esto incluye un efecto negativo de US\$22.5 millones que no fue en efectivo, principalmente como resultado del menor precio a futuro de la plata y una tasa de descuento más alta utilizada, lo cual fue mitigado por la actualización del plan de producción de Sabinas, que fue resultado de la actualización del estimado de reservas y recursos. Esto fue más que compensado por una ganancia que no fue en efectivo de US\$37.5 millones generada principalmente por la liberación de los valores descontados. En 2017, una ganancia de US\$113.7 millones fue registrada principalmente como resultado de convertir recursos en reservas en la mina de Sabinas.

Desde la IPO, el efectivo acumulativo recibido ha sido por US\$629.3 millones. El Grupo espera que se tomen ganancias o pérdidas no realizadas adicionales al estado de resultados de acuerdo con la ciclicidad del precio de la plata o los cambios en las variables considerados al valuar este contrato. Se proporciona mayor información relacionada con el contrato de Silverstream en la sección del balance general y en las notas 13 y 29 de los

estados financieros consolidados.

COSTOS FINANCIEROS

Los costos financieros reflejaron los intereses sobre la suerte principal de US\$800 millones de los Pagarés Senior al 5.5%, neto de los intereses recibidos. En 2018, los costos financieros disminuyeron en 21.8%, de US\$34.0 millones a US\$29.6 millones, debido principalmente a la disminución en los costos de desembolso capitalizados en 2018 en comparación con 2017.

En 2018, después de la adopción de la IFRS 9, Instrumentos Financieros, los efectos del tiempo valor de mercado del programa de cobertura de oro vigente son reconocidos en otros ingresos globales, en vez de en los ingresos como en 2017 (véase la nota 2c en la información financiera). Esto causó un efecto favorable, ya que se reconoció una pérdida de US\$41.1 millones en 2017.

TIPO DE CAMBIO

Se registró una pérdida cambiaria de US\$8.1 millones como resultado de las transacciones realizadas en el ejercicio. Esto se comparó negativamente contra la pérdida cambiaria por US\$6.4 millones reconocida en 2017.

El Grupo también celebra ciertos instrumentos derivados de tipo de cambio como parte de un programa para administrar su exposición al riesgo cambiario asociado con la compra de equipo denominado en Euros (EUR), coronas suecas (SEK) y dólares canadienses (CAD). Al final de 2018, la posición a futuro neta vigente total en EUROS, SEK Y CAD fue de EUR 12.67 millones, CAD 0.0 y SEK 13.29 millones, con fechas de vencimiento de marzo a septiembre de 2019. Los volúmenes que vencieron durante 2018 fueron por EUR 26.41 millones, con un precio promedio ponderado de 1.2024 USD/EUR, CAD 1.10 millones, con un precio promedio ponderado de 1.2847 CAD/USD, y SEK 69.70 millones, con un precio promedio ponderado de 8.5762 SEK/USD. El efecto agregado en los resultados en el año fue de una pérdida de -US\$321,873.

IMPUESTOS

El gasto de impuesto sobre la renta empresarial disminuyó en un 21.4%, de US\$153.5 millones en 2017 a US\$120.6 millones en 2018, reflejando la disminución en la utilidad antes de impuestos.

La tasa fiscal efectiva, excluyendo los derechos mineros especiales, fue del 24.9%, por debajo de la tasa fiscal de ley del 30%. Esto se debió principalmente al crédito fiscal relacionado con el impuesto especial sobre diésel, junto con la alza inflacionaria de la base fiscal de activos y pasivos en conjunto con los impuestos relacionados con los impuestos especiales de diésel. Incluyendo el efecto de los derechos mineros especiales, la tasa fiscal

efectiva fue del 27.7% en 2018.

La tasa fiscal efectiva en 2017 fue menor (20.7% en 2017 contra 24.9% en 2018), debido principalmente a que en 2017 hubo una revaluación del 4.5% del peso mexicano, que tuvo un impacto importante en el valor fiscal de los activos y pasivos denominados en pesos mexicanos, junto con una tasa de inflación más alta, que afectó al alza inflacionaria de la base fiscal de activos y pasivos. (Ver Nota 10 de los estados financieros)

UTILIDAD DEL EJERCICIO

La utilidad del ejercicio disminuyó de US\$560.8 millones a US\$350.0 millones en 2018, una disminución del 37.6% de un año a otro como resultado de los factores descritos anteriormente.

Excluyendo los efectos del contrato de Silverstream Contract, la utilidad del ejercicio disminuyó de US\$481.2 millones a US\$339.5 millones.

FLUJO DE EFECTIVO

El siguiente es un resumen de las partidas clave de la declaración de flujos de efectivo:

	2018	2017	Cantidad	Cambio
	millones de dólares estadounidenses	millones de dólares estadounidenses	millones de dólares estadounidenses	%
Efectivo generado por operaciones antes de cambios en el capital de trabajo	930.7	1,073.7	(143.0)	(13.3)
(Aumento)/Disminución en el capital de trabajo	(127.9)	(2.9)	(125.0)	>100
Impuestos y reparto de utilidades a empleados pagados	(214.4)	(309.3)	94.9	(30.7)
Efectivo neto de actividades de operación	588.4	761.5	(173.2)	(22.7)
Contrato de Silverstream	36.3	43.3	(7.0)	(16.3)

Compra de propiedad, planta y equipo	(668.7)	(604.8)	(63.9)	10.6
Dividendos pagados a los accionistas de la Sociedad	(298.1)	(236.6)	(61.5)	26.0
Intereses netos (pagados)	(15.7)	(21.0)	5.3	(25.2)
Aumento neto en efectivo durante el período después de diferencias cambiarias	(335.2)	(16.0)	(319.4)	>100
Efectivo y otros fondos líquidos al día 31 de diciembre ¹	560.8	896.0	(335.3)	(37.4)

1 El efectivo y otros fondos líquidos son divulgados en la nota 31(c) de los estados financieros.

El efectivo generado por operaciones antes de cambios en el capital de trabajo disminuyó en 13.3% a US\$930.7 millones, principalmente como resultado de las menores utilidades generadas en el ejercicio. El capital de trabajo aumentó en US\$127.9 millones, debido principalmente a un aumento en los inventarios minerales en las plataformas de lixiviación en Herradura (US\$63.9 millones); un aumento en las cuentas por cobrar a clientes y de otro tipo, que son resultado de un aumento en las cuentas por cobrar de IVA (US\$60.4 millones); y un aumento en los pagos anticipados y otros activos (US\$11.8 millones). Este aumento en el capital de trabajo fue compensado parcialmente por un aumento en las cuentas por pagar a proveedores y de otro tipo (US\$8.2 millones).

Los impuestos y reparto de utilidades a empleados pagados disminuyeron en un 30.7% en 2017, a US\$214.4 millones.

Como resultado de los factores anteriores, el efectivo neto de actividades de operación disminuyó en un 22.7%, de US\$761.5 millones en 2017 a US\$588.4 millones en 2018.

Otras fuentes de efectivo fueron los productos del Contrato Silverstream de US\$36.3 millones y aportaciones de capital de accionistas minoritarios en subsidiarias por US\$23.6 millones.

Los fondos anteriores fueron usados principalmente para comprar propiedad, planta y equipo por un total de US\$668.7 millones, un aumento de 10.6% con respecto a 2017. Los gastos de capital durante 2018 se describen en mayor detalle a continuación

COMPRA DE PROPIEDAD, PLANTA Y EQUIPO

2018		
millones de dólares estadounidenses		
Mina Fresnillo	121.1	Desarrollo de la mina y compra de equipo en la mina, profundización del pozo San Carlos y construcción de la segunda fase de la planta de Piritas
Mina Saucito	148.4	Desarrollo, reemplazo del equipo en la mina, construcción de la planta de Piritas y profundización del pozo de Jarillas
Mina Herradura	116.0	Actividades de desmonte, gastos de capital de mantenimiento, construcción de la segunda línea de la DLP y adquisición de terrenos
San Julián	83.1	Desarrollo de minas, compra de equipo en mina y construcción de la tercera presa de jales
Mina Ciénega	72.9	Desarrollo, reemplazo de equipo en la mina, construcción de la presa de jales e instalación de espesado compacto
Noche Buena	50.2	Obras de minería y gastos de capital de mantenimiento
Proyecto Juanicipio	46.9	Gastos de exploración y construcción de rampas
Otros	30.1	
Compra total de propiedad, planta y equipo	668.7	

Los dividendos pagados a los accionistas del Grupo en 2018 totalizaron US\$298.1 millones, un aumento del 26.0% con respecto a 2017, en línea con nuestra política de dividendos, que incluye una consideración de utilidades generadas en el período. El pago de 2018 incluyó el dividendo final de 2017 por US\$219.4 millones y el dividendo provisional de 2018 pagado en septiembre, por US\$78.8 millones.

Se pagaron intereses netos por US\$15.7 millones, reflejando principalmente los intereses

pagados en relación con la emisión de la suerte principal de US\$800 millones de los Pagarés Senior al 5.500%.

Las fuentes y usos de fondos descritos anteriormente tuvieron como resultado una disminución en el efectivo neto de US\$335.2 millones (disminución neta en el efectivo y otros activos líquidos), que, combinados con el saldo por US\$896.0 millones al inicio del ejercicio, tuvo como resultado efectivo y otros activos líquidos por US\$560.8 millones al final de 2018.

BALANCE GENERAL

Fresnillo plc siguió manteniendo una posición financiera sólida con efectivo y otros fondos líquidos¹ de US\$560.8 millones al día 31 de diciembre de 2018, aunque disminuyendo 37.4% contra diciembre de 2017, como se explica anteriormente.

Los inventarios aumentaron en 23.6% a US\$335.0 millones, principalmente como resultado del aumento en inventarios de oro en las plataformas de lixiviación en Herradura.

Las cuentas por cobrar a clientes y de otro tipo aumentaron en 14.9%, a US\$462.0 millones principalmente como resultado del aumento en el impuesto al valor agregado recuperable.

El cambio en el valor del derivado de Silverstream de US\$538.9 millones al inicio del ejercicio a US\$519.1 millones al día 31 de diciembre de 2018 refleja productos por US\$34.8 millones correspondientes a 2018 (US\$31.4 millones en efectivo y US\$3.4 millones en cuentas por cobrar) y el efecto de revaluación de Silverstream en el estado de resultados por US\$15.0 millones.

El valor neto en libros de la propiedad, planta y equipo fue de US\$2,693.1 millones al final del ejercicio, representando un aumento del 10.0% con respecto a 2017. El aumento por US\$244.5 millones se debió principalmente al avance en los proyectos de desarrollo, obras de desarrollo capitalizadas, compra de equipo adicional en mina y la construcción de plataformas de lixiviación en Herradura y Noche Buena.

El capital total del Grupo era de US\$3,128.3 millones al día 31 de diciembre de 2018, un aumento del 2.0% con respecto a 2017. Esto se explica principalmente por el aumento en las ganancias retenidas, reflejando la utilidad de 2017 y las ganancias netas no realizadas en coberturas de flujo de efectivo.

DIVIDENDOS

Con base en el desempeño del Grupo en 2018, los Consejeros han recomendado un

dividendo final de US\$16.7 centavos por acción ordinaria, que será pagado el día 24 de Mayo de 2019 a los accionistas registrados al día 26 de abril de 2018. El dividendo será pagado en libras esterlinas del Reino Unido, a menos que los accionistas elijan recibir su pago en dólares estadounidenses. Esto es adicional al dividendo provisional de US\$10.7 centavos por acción, por un total de US\$78.8 millones.

La reforma de los impuestos corporativos introducida en 2014 en México creó una retención de impuestos obligatoria del 10% relacionada con el pago de los dividendos, incluyendo ciudadanos extranjeros.

Históricamente la Compañía ha hecho pagos de dividendos de las utilidades retenidas antes de la reforma fiscal y ninguna retención de impuestos ha sido aplicada. Esperamos que los pagos de dividendos relacionados con 2019 y años futuros capturen la obligación de la retención de impuestos. Sin embargo, los ciudadanos extranjeros podrán recuperar el impuesto dependiendo de su residencia fiscal y la existencia de acuerdos de doble tributación.

GOBIERNO SÓLIDO

LA FORMA EN QUE FRESNILLO ABORDA EL GOBIERNO

El Consejo toma en serio el gobierno corporativo y considera sus responsabilidades conforme al Código de Gobierno Corporativo del Reino Unido (el 'Código') con cuidado. Siendo casi el 75% de su capital social propiedad de Peñoles, es importante entender el gobierno corporativo de Fresnillo en el contexto de la relación de la Sociedad con su matriz. El Consejo considera que lo anterior constituye una fortaleza más que una amenaza ya que lleva la perspectiva de los accionistas al consejo y crea un nivel adicional de rendición de cuentas para el equipo ejecutivo en comparación con las otras sociedades operadas en bolsa.

Por lo tanto, el marco del gobierno corporativo dentro de Fresnillo plc tiene tres características que son relativamente poco comunes para las sociedades operadas en bolsa del Reino Unido; en particular:

1. Un Consejo totalmente No ejecutivo: No hay Consejeros Ejecutivos en el Consejo; sin embargo, el Consejo de Fresnillo opera de manera diferente a los consejos tradicionales del Reino Unido que normalmente tienen consejeros tanto ejecutivos como no ejecutivos. Los Consejeros no independientes e independientes en el Consejo tratan los asuntos del Consejo desde dos perspectivas diferentes, lo cual permite que se apliquen dos niveles de escrutinio a la toma de decisiones en el Consejo.

2. Un Comité de Remuneración apto para su objetivo: El Comité de Remuneración consta de Consejeros No ejecutivos (la mayoría de los cuales son no independientes) con la capacidad de aportar las siguientes perspectivas al trabajo del Comité de Remuneración:

- un entendimiento de las expectativas de los accionistas;
- un entendimiento de las expectativas de remuneración en evolución de los inversionistas en la Bolsa de Valores de Londres; y
- un entendimiento de los enfoques generales a la remuneración dentro del mercado mexicano.

El contar con el Presidente de la Sociedad, que es un consejero no ejecutivo pero no independiente, como miembro del Comité de Remuneración, enriquece la capacidad colectiva del Comité de tomar en cuenta estas perspectivas en sus análisis.

3. Gobierno sólido sobre asuntos de partes relacionadas: Fresnillo plc obtiene beneficios de sinergia de los servicios prestados por Peñoles. Ser parte de un grupo que

tiene requisitos en común en una variedad de áreas de servicios, ofrece oportunidades para compartir eficientemente los recursos desde el punto de vista del costo. Los elementos fundamentales del enfoque del Consejo para asegurarse de que la relación comercial de la Sociedad con su matriz y otras partes relacionadas sean independientes y se mantengan entre iguales se describen más adelante en esta sección. El Comité de Auditoría revisa con regularidad estos arreglos para asegurarse de que ofrezcan los beneficios pretendidos a la Sociedad de manera transparente y controlada.

ACONTECIMIENTOS DESTACADOS DE GOBIERNO EN 2018

Partes interesadas

El Consejo ha comenzado a considerar su compromiso con las partes interesadas más importantes del Grupo.

Se puede encontrar información adicional en las páginas xx-xx.

Código de Gobierno Corporativo del Reino Unido de 2018

En 2018 el Consejo tomó medidas para cumplir con la versión de 2018 del Código.

Se puede encontrar información adicional en las páginas xx-xx.

Diversidad

Se nombró a un tercer miembro del sexo femenino en el Consejo en 2018.

Se puede encontrar información adicional en las páginas xx-xx.

Sobrecarga

El Consejo y la administración han conversado con los accionistas acerca de las preocupaciones relativas a sobrecarga en 2018.

Se puede encontrar información adicional en las páginas xx-xx.

Independencia

Se tomaron medidas durante el ejercicio para mejorar la representación independiente en el Consejo.

Se puede encontrar información adicional en las páginas xx-xx.

Evaluación del Consejo

El Consejo realizó una revisión de efectividad interna en 2018.

Se puede encontrar información adicional en las páginas xx-xx.

CARTA DE GOBIERNO DEL PRESIDENTE

ESTIMADO ACCIONISTA

Cumplimos el décimo año de la inscripción de Fresnillo en la Bolsa de Valores de Londres este año y seguimos reflexionando sobre las normas de gobierno que son necesarias y adecuadas para una sociedad del tamaño y la naturaleza de Fresnillo. Continuamos el diálogo con nuestros más grandes accionistas independientes con respecto a las normas de gobierno corporativo más adecuadas para nuestro Grupo. Seguimos estando tan atentos a este tema como siempre y quisiera reiterar que estamos realmente comprometidos con la aplicación de las normas de gobierno corporativo más estrictas considerando la naturaleza de Fresnillo.

En la AGM de 2018, Guy Wilson, que era Consejero No Ejecutivo independiente y Presidente de nuestro Comité de Auditoría, se retiró del Consejo, habiendo sido miembro del mismo por diez años. Quiero expresar mi agradecimiento a Guy por el loable trabajo que realizó en el establecimiento del Comité de Auditoría como un supervisor exhaustivo e independiente de nuestros marcos de reporte financiero, control de riesgos y control interno. Alberto Tiburcio ha asumido el cargo de Presidente del Comité de Auditoría y está haciendo un excelente trabajo asegurándose de que el Comité de Auditoría siga avanzando en su importante función.

Nos complace dar la bienvenida a Georgina Kessel como Consejera No Ejecutiva independiente del consejo tras su elección en la AGM de 2018. Por segundo año consecutivo, pudimos nombrar a un nuevo miembro del sexo femenino con excelentes credenciales en el Consejo, manteniendo nuestra política de hacer nombramientos en el Consejo con base en los méritos, al mismo tiempo que seguimos ampliando la diversidad de género en el Consejo.

En el primer semestre de 2018, nuestro Consejero Independiente Senior, Charles Jacobs, apoyado por miembros de nuestro equipo de alta gerencia, encabezó una serie de conversaciones con inversionistas institucionales y sus organismos representativos en relación con la composición y miembros de nuestro Consejo, concentrándose especialmente en el tiempo y compromiso de los miembros de nuestro Consejo. No obstante este diálogo, es decepcionante que algunos inversionistas no compartan nuestra evaluación y eligieron votar en contra de los renombramientos de algunos consejeros. Cabe destacar que estas instituciones representaban una minoría de nuestros accionistas independientes. Hemos comentado en cierta medida en la página xx de este Informe de Gobierno Corporativo la base en que el Comité de Nominaciones y el Consejo han evaluado la composición actual, la independencia y compromiso de tiempo de los Consejeros, y espero que los accionistas respalden la postura del Consejo a este respecto. No está claro en este momento, después del reciente cambio del Gobierno Mexicano, cómo afectará a Fresnillo la situación política de México. Sin embargo, está claro que el Consejo se beneficiará de contar con una amplia y experimentada variedad y habilidades y aportaciones en la mesa del Consejo,

permitiéndole evaluar el contexto actual y guiar al equipo administrativo. Por consiguiente, mantenemos nuestra convicción de que la composición actual del Consejo es la mejor y, por lo tanto, seguiremos insistiendo para que nuestros accionistas apoyen el nombramiento de todos nuestros Consejeros en la AGM de 2019.

En julio de 2018, el FRC publicó una nueva versión del Código de Gobierno Corporativo del Reino Unido que entrará en vigor a partir del día 1 de enero de 2019. Hemos comenzado a considerar las implicaciones de este nuevo Código para nuestros arreglos de gobierno corporativo y comentaremos esto en mayor detalle en nuestro informe anual de 2019. En este momento, cuando podemos comentar las disposiciones del nuevo Código, lo hemos hecho en este informe anual.

Como siempre, mis colegas y yo estamos dispuestos a comentar nuestros arreglos de gobierno corporativo con cualquier accionista que desee platicar con nosotros sobre el tema. Si hay cualquier asunto relativo al gobierno que los accionistas deseen tratar deben ponerse en contacto con nuestra oficina en Londres (los detalles de contacto se establecen en la página x).

Atentamente,

Sr. Alberto Baillères

Presidente del Consejo

ENFOQUE DE FRESNILLO AL GOBIERNO CORPORATIVO

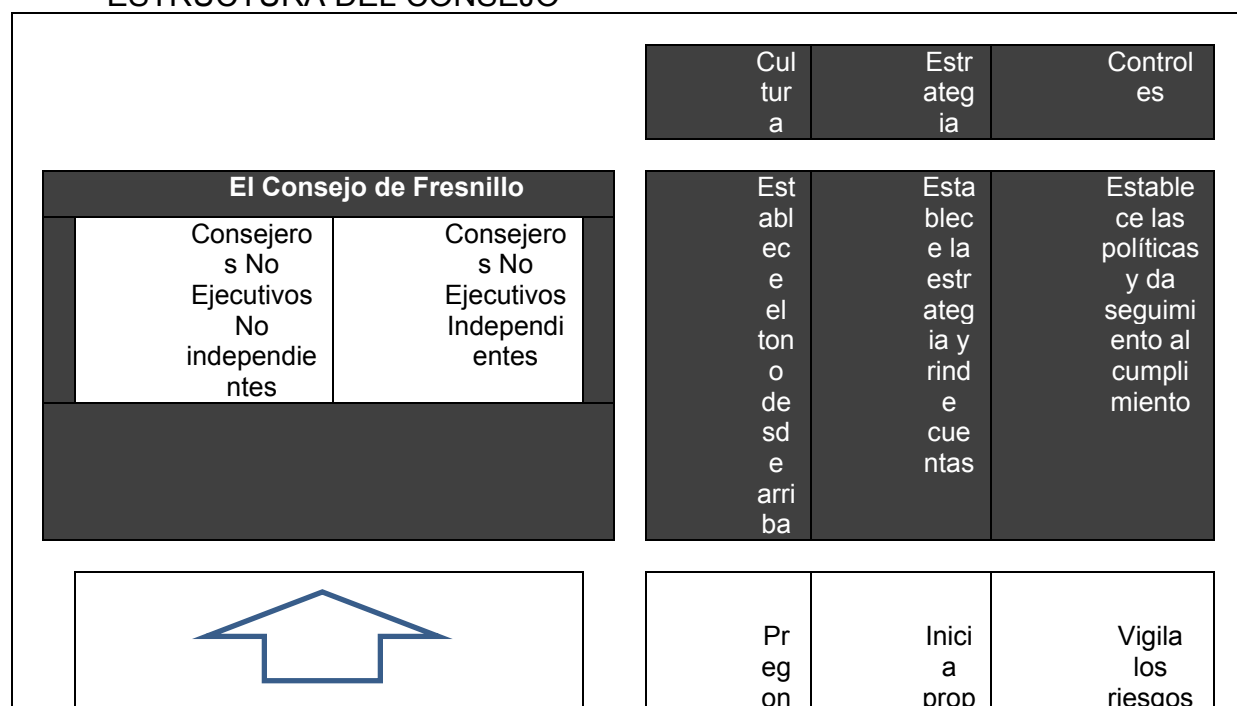
PAPEL DEL LIDERAZGO DEL CONSEJO

El Consejo ofrece liderazgo al Grupo Fresnillo estableciendo los valores fundamentales que apuntalan la cultura conforme a la cual el Grupo seguirá operando. El Consejo supervisa la administración de las actividades del Grupo, incluyendo la puesta en práctica de los planes a largo plazo y estrategia comercial del Grupo.

EL CONSEJO Y LA CULTURA

El Código de Conducta Empresarial es aprobado por el Consejo y establece sus expectativas culturales para las actividades de todos los Consejeros, ejecutivos, empleados y terceros relacionados (incluyendo a clientes, proveedores y la comunidad) en la realización de las operaciones de la Sociedad. El Código de Conducta Empresarial ayuda a garantizar una base de valores y establece las normas de comportamiento que fomentan un ambiente ético y responsable para beneficio de las partes interesadas de la Sociedad. Sirve para complementar las reglamentaciones internas y externas que ya se encuentran en vigor y también para establecer medidas correctivas para cualquiera que incumpla las disposiciones del Código de Conducta Empresarial. También establece el marco de referencia para el cumplimiento por parte de la Sociedad de la Ley Antisoborno del Reino Unido y la legislación antisoborno y contra la corrupción de México.

ESTRUCTURA DEL CONSEJO



Comité Ejecutivo	a co n el eje mp lo y co mu nic a	uest as y repo rta de vuel ta	y pone en práctica controle s
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ESCRUTINIO Y PROCESO DEL CONSEJO

El Consejo tiene un calendario formal de asuntos reservados para su aprobación que incluye aprobaciones de gastos mayores, inversiones y políticas clave. El calendario es revisado regularmente para mantenerlo actualizado con cualquier acontecimiento de regulación. La última revisión fue hecha en octubre de 2017.

Los requisitos de los cargos de Presidente y del Director Ejecutivo han sido acordados por el Consejo y se establecen en una Declaración de Responsabilidades escrita. La composición del Consejo ha sido estructurada para asegurarse de que ninguna persona por sí sola domine los procesos de toma de decisiones del Consejo.

Los Consejeros no independientes e independientes del Consejo se involucran en los asuntos del Consejo desde dos perspectivas diferentes, lo cual permite que se apliquen dos niveles de escrutinio a la toma de decisiones del Consejo.

1^{er} Nivel de Escrutinio: El Comité Ejecutivo se reúne con Consejeros No Ejecutivos no independientes para asegurarse de que cualquier informe y propuesta sea evaluado correctamente antes de que sea presentado ante el Consejo en pleno para su análisis y, cuando corresponda, su aprobación.

2^o Nivel de Escrutinio: Los Consejeros No Ejecutivos Independientes aportan una perspectiva externa al evaluar las propuestas y realizar las operaciones del Consejo.

Los diferentes participantes contribuyen, por lo tanto, a los trabajos del Consejo a través de sus juntas de la siguiente manera:

Antes de la Junta		Durante las Juntas		Después de la Junta
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Preparación del orden del día		Presentación de documentos e informes		Elaboración de Actas
- Director Ejecutivo / Director de Finanzas / Secretario de la Sociedad		- Miembros del Comité Ejecutivo		- Secretario de la Sociedad
Elaboración de documentos		Informes del Comité		
- Miembros del Comité Ejecutivo		- Presidentes de los Comités		
Revisión interna		Aprobaciones:		Puesta en Práctica de las decisiones del Consejo
- Miembros del Comité Ejecutivo - Consejeros No Ejecutivos no independientes		<i>Conforme al Calendario de Asuntos reservados al Consejo</i>		- Miembros del Comité Ejecutivo
Circulación		- Consejo Completo		Reporte de vuelta al Consejo
Director Ejecutivo / Director de Finanzas (cinco días antes de la junta)		<i>Conforme al Contrato de Relaciones</i>		- Miembros del Comité Ejecutivo
		- Consejeros No Ejecutivos Independientes		

COMITÉS DEL CONSEJO

Comité de Auditoría	
Composición: Consejeros No Ejecutivos independientes en su totalidad	Contribuyentes Principales: Director de Finanzas, Auditoría Interna, Gerente de Riesgos, Secretario de la Sociedad, Auditor Externo
Comité de Remuneración	
Composición: Mayoría de Consejeros No Ejecutivos independientes	Contribuyentes Importantes: Director Ejecutivo, Consultores de Remuneración, Secretario de la Sociedad
Comité de Nominaciones	

Composición: Mayoría de Consejeros No Ejecutivos independientes	Contribuyentes Presidente, Director Ejecutivo, Secretario de la Sociedad	Importantes: Director Ejecutivo, Jefe de Sustentabilidad, Gerentes de Línea, Director Jurídico
Comité de HSECR		
Composición: Mayoría de Consejeros no independientes No Ejecutivos	Contribuyentes Director Ejecutivo, Jefe de Sustentabilidad, Gerentes de Línea, Director Jurídico	Importantes: Director Ejecutivo, Jefe de Sustentabilidad, Gerentes de Línea, Director Jurídico

DECLARACIÓN DE CUMPLIMIENTO CON EL CÓDIGO DE GOBIERNO CORPORATIVO DEL REINO UNIDO

Siendo una empresa con una inscripción de carácter superior en la Bolsa de Valores de Londres, Fresnillo está obligada conforme a las Reglas de Inscripción de la FCA a cumplir con las Disposiciones del Código (copia de las cuales se puede encontrar en el sitio de red del Consejo de Informe Financiero www.frc.org.uk), o a explicar de otro modo los motivos de su incumplimiento.

La siguiente declaración es hecha, por lo tanto, con respecto al ejercicio terminado el día 31 de diciembre de 2018, en cumplimiento con dicho requisito.

En el ejercicio terminado el día 31 de diciembre de 2018, la Sociedad ha cumplido con las disposiciones del Código en todas las áreas, salvo con respecto a la Disposición D.2.1 del Código, que estipula que el Consejo debe establecer un Comité de Remuneración de por lo menos tres Consejeros No Ejecutivos independientes. La composición del Comité de Remuneración de Fresnillo consta de tres miembros, incluyendo dos consejeros No Ejecutivos independientes, uno de los cuales, Charles Jacobs, es Presidente del Comité. El Presidente de la Sociedad, Alberto Baillères, quien no era independiente al momento de su nombramiento, también es miembro. El Consejo considera que la experiencia y conocimientos del señor Baillères del Grupo y el mercado mexicano y su considerable contribución a las deliberaciones del Comité de Remuneración, justifican su calidad de miembro del Comité de Remuneración. El señor Baillères no está involucrado en asuntos relativos a su propia remuneración.

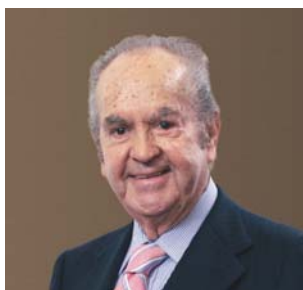
Las siguientes secciones de este informe explican cómo se aplicaron los principios del Código y ofrecen referencias cruzadas a otras secciones del informe y/o al sitio de red de la Sociedad (www.fresnilloplc.com) donde hay descripciones más detalladas.

CONSEJO DE ADMINISTRACIÓN

CONSEJEROS NO EJECUTIVOS NO INDEPENDIENTES

[El siguiente párrafo será incorporado en el diseño sobre la difusión del Consejero No Independiente No Ejecutivo]

Los Consejeros No independientes tienen un acceso cotidiano más regular a la administración ejecutiva de Fresnillo plc y, por lo tanto, pueden desarrollar propuestas presentadas por el Comité Ejecutivo a medida que son desarrolladas.



ALBERTO BAILLÈRES

PRESIDENTE

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de Nominaciones (Presidente)

Comité de Remuneración

CONSEJERO DE LAS SIGUIENTES SOCIEDADES EXTERNAS OPERADAS EN BOLSA

Las cuatro Entidades Operadas en Bolsa de BAL (según se define más adelante), Fomento Económico Mexicano, S.A.B. de C.V., Grupo Televisa, S.A.B. Grupo Kuo, S.A.B. de C.V. y Dine, S.A.B. de C.V.

OTROS NOMBRAMIENTOS IMPORTANTES VIGENTES

El señor Baillères es Presidente de Grupo BAL. También es miembro del consejo de administración de Grupo Financiero BBVA Bancomer S.A. de C.V. y BBVA Bancomer, S.A. y miembro de la junta directiva del Instituto Tecnológico Autónomo de México, A.C.

FORTALEZAS CLAVE Y EXPERIENCIA

- Conocimiento y entendimiento a largo plazo del ambiente comercial mexicano.
- Relaciones dentro de las comunidades de negocios mexicana e internacional.

A lo largo de un período de 50 años, el señor Ballères ha desarrollado una experiencia y conocimientos sin precedentes tanto del Grupo como de los mercados mexicanos donde opera desde las perspectivas de los inversionistas y de supervisión.

ASISTENCIA A LAS JUNTAS DEL CONSEJO Y DE COMITÉS

Consejo: 4/4

Comité de Nominaciones 3/3

Comité de remuneración 3/3

Algunos Consejeros ocupan puestos de consejeros de algunas o todas las sociedades enlistadas a continuación, que forman parte del consejo como conocido Grupo BAL (junto con Fresnillo plc, véase también la página xx): Industrias Peñoles, S.A.B. de C.V., Grupo Palacio de Hierro, S.A.B de C.V., Grupo Nacional Provincial, S.A.B y Grupo Profuturo, S.A.B. de C.V. En esta sección, estas sociedades son denominadas conjunta o individualmente las Entidades Operadas en Bolsa de BAL.



ALEJANDRO BAILLÈRES

CONSEJERO NO EJECUTIVO Y PRESIDENTE ADJUNTO

FECHA DE NOMBRAMIENTO

16 de abril de 2012

MIEMBRO DE LOS SIGUIENTES COMITÉS

Ninguno

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Las cuatro Entidades Operadas en Bolsa de BAL, Coca-Cola FEMSA, S.A.B. de C.V. (Consejero Adjunto).

OTROS NOMBRAMIENTOS CLAVE VIGENTES

El señor Baillères es Presidente Adjunto de Grupo BAL y miembro de la junta directiva del Instituto Tecnológico Autónomo de México, A.C. Es miembro del consejo internacional del Foro Económico Mundial.

FORTALEZAS Y EXPERIENCIA CLAVE

- Seguros y servicios financieros relacionados en México.
- Amplia experiencia comercial en consejos de administración en México.

Como Presidente Adjunto de Grupo BAL y ex Director Ejecutivo de Grupo Nacional Provincial (una importante aseguradora en México), el señor Baillères aporta conocimientos y experiencia relativos a los negocios mexicanos e internacionales.

ASISTENCIA AL CONSEJO

Consejo: 4/4



ARTURO FERNÁNDEZ

CONSEJERO NO EJECUTIVO

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de HSECR (Presidente)

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Las cuatro Entidades Operadas en Bolsa de BAL, Grupo Bimbo, S.A.B. de C.V. y Fomento Económico Mexicano, S.A.B. de C.V. (Consejero Suplente).

OTROS NOMBRAMIENTOS CLAVE VIGENTES

El señor Fernández es rector y miembro de la junta directiva del Instituto Tecnológico Autónomo de México, A.C. y miembro del consejo de administración de Grupo BBVA Bancomer, S.A. de C.V. y BBVA Bancomer, S.A.

FORTALEZAS Y EXPERIENCIA CLAVE

- Economía y política pública internacional.
- Consejero de diversas empresas mexicanas.

La carrera del señor Fernández aporta una sólida formación económica académica, muchos años de experiencia dentro de la política pública mexicana y amplia experiencia comercial (siendo miembro de los consejos de administración de varias empresas importantes en diversos sectores en México).

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo 4/4

Comité de HSECR: 2/2



JUAN BORDES

CONSEJERO NO EJECUTIVO

FECHA DE NOMBRAMIENTO

10 de enero de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

Ninguno

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Las cuatro Entidades Operadas en Bolsa de BAL y Bolsa Mexicana de Valores, S.A.B. de C.V.

OTROS NOMBRAMIENTOS CLAVE VIGENTES

El señor Bordes es miembro de la junta directiva del Instituto Tecnológico Autónomo de México, A.C.

FORTALEZAS Y EXPERIENCIA CLAVE

- Responsabilidades como alto ejecutivo (a nivel de Director Ejecutivo) a lo largo de varios años.
- Miembro de los consejos de empresas que abarcan una amplia variedad de sectores e industrias.

En su carrera, el señor Bordes ha desarrollado funciones de alta gerencia ejecutiva y responsabilidades en los consejos de administración de empresas que abarcan una variedad de sectores diferentes, particularmente dentro de México.

ASISTENCIA AL CONSEJO

Consejo: 4/4



JAIME LOMELÍN

CONSEJERO NO EJECUTIVO

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de HSECR

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

El señor Lomelín es consejero de las siguientes Entidades Operadas en Bolsa de BAL: Industrias Peñoles, S.A.B. de C.V., Grupo Nacional Provincial S.A.B., Grupo Palacio de Hierro, S.A.B. de C.V. (Consejero Suplente) y Grupo Profuturo, S.A.B. de C.V. (Consejero Suplente).

OTROS NOMBRAMIENTOS CLAVE VIGENTES

El señor Lomelín es miembro del consejo de administración de la Cámara Minera de México y miembro de la junta directiva del Instituto Tecnológico Autónomo de México, A.C.

FORTALEZAS Y EXPERIENCIA CLAVE

- Minería e ingeniería.
- Experiencia operativa de alto nivel en México.

Tras una carrera en la industria metalúrgica y minera, el señor Lomelín fue Director Ejecutivo de Fresnillo plc de abril de 2008 al día 15 de agosto de 2012, cuando asumió el cargo de Consejero No Ejecutivo, aportando así gran experiencia en la administración, minería e ingeniería a las deliberaciones del Consejo.

ASISTENCIA A LAS JUNTAS DEL CONSEJO Y DEL COMITÉ

Consejo: 4/4

Comité de HSECR: 2/2



FERNANDO RUIZ

CONSEJERO NO EJECUTIVO

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de HSECR

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Kimberly Clark de México, S.A.B de C.V., Mexichem, S.A.B. de C.V., Grupo Cementos de Chihuahua, S.A.B. de C.V., Grupo México, S.A.B. de C.V., Rassini, S.A.B. de C.V., Grupo Financiero Santander México, S.A.B de C.V., Grupo Pochteca, S.A.B. de C.V., Bolsa Mexicana de Valores, S.A.B. de C.V. y dos Entidades Operadas en Bolsa de BAL (Grupo Nacional Provincial, S.A.B y Grupo Palacio de Hierro, S.A.B. de C.V.)

OTROS NOMBRAMIENTOS CLAVE ACTUALES

Ninguno

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia en impuestos y contabilidad mexicanos.
- Experiencia en consejos y comités de auditoría internacionales.

El señor Ruiz fue, hasta 2006, socio director de Chevez, Ruiz, Zamarripa y Cía, S.C., asesores y consultores fiscales en México, y actualmente es miembro del consejo y de los comités de auditoría de varias sociedades mexicanas e internacionales. Tiene amplios conocimientos en temas de impuestos y contabilidad en México.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 4/4

Comité de HSECR: 2/2

CONSEJEROS NO EJECUTIVOS INDEPENDIENTES

Los Consejeros No Ejecutivos independientes aportan una perspectiva externa a ser tenida en cuenta al evaluar las propuestas y realizar las operaciones del Consejo.



CHARLES JACOBS

CONSEJERO NO EJECUTIVO INDEPENDIENTE SENIOR

FECHA DE NOMBRAMIENTO

16 de mayo de 2014

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de Remuneración (Presidente)

Comité de Auditoría

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Investec Plc/Investec Limited.

OTROS NOMBRAMIENTOS CLAVE ACTUALES

El señor Jacobs es socio senior y presidente de Linklaters LLP.

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia en consejos y gobierno corporativo.

- Profesionista legal con especialidad en mercados de capital, minería y metalurgia.

El señor Jacobs aporta sus cargos de consejero no ejecutivos en Investec y sus 28 años de experiencia en cuestiones de gobierno corporativo, legales y reguladoras al consejo.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 4/4

Comité de Auditoría 3/3

Comité de Remuneración 3/3

Como Consejero Independiente Senior, Charles Jacobs está a disposición de los accionistas si tienen cualquier preocupación que no haya sido resuelta a través de los canales normales del Presidente, Director Ejecutivo, Director de Finanzas o Jefe de Relaciones con Inversionistas.



BÁRBARA GARZA LAGÜERA

CONSEJERA NO EJECUTIVA INDEPENDIENTE

FECHA DE NOMBRAMIENTO

16 de mayo de 2014

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de Nominaciones

CONSEJERA DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Coca-Cola FEMSA, S.A.B. de C.V., Fomento Económico Mexicano, S.A.B. de C.V., Promecap Acquisition Company, S.A.B. de C.V.

OTROS NOMBRAMIENTOS CLAVE ACTUALES

La señora Garza Lagüera es consejera no ejecutiva de Soluciones Financieras SOLFI.

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia comercial e industrial en México.
- Experiencia en Consejos Internacionales.

Siendo una consejera experimentada, particularmente a través de su carrera en Coca-Cola FEMSA y Fomento Económico Mexicano, el embotellador franquiciatario más grande de productos Coca-Cola en el mundo, la señora Garza Lagüera aporta una amplia experiencia de negocios comerciales e internacionales en México.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 4/4

Comité de Nominaciones 3/3



GEORGINA KESSEL

CONSEJERA NO EJECUTIVA INDEPENDIENTE

FECHA DE NOMBRAMIENTO

30 de mayo de 2018

MIEMBRO DE LOS SIGUIENTES COMITÉS

Ninguno

CONSEJERA DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Iberdrola S.A. (Consejera No Ejecutiva Independiente y Presidente del Comité de Auditoría y Riesgos)

OTROS NOMBRAMIENTOS CLAVE ACTUALES

La señora Kessel es consejera no ejecutiva de Grupo Financiero Scotia Inverlat, S.A. de C.V. (subsidiaria de The Bank of Nova Scotia) que presta sus servicios como Presidente del Comité de Auditoría y miembro de los Comités de Riesgos y Gobierno Corporativo) y socia de Spectron E&I, una firma de asesoría energética.

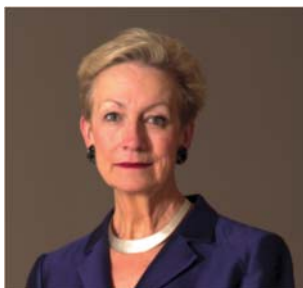
FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia con secretarías del gobierno mexicano.
- Conocimiento del sector energético mexicano.

La señora Kessel fue Secretaria de Energía en México de 2006 a 2011. También fue presidente de la Junta Directiva de la Comisión Federal de Electricidad y ha sido presidente y miembro del Consejo de Petróleos Mexicanos (PEMEX). Previamente fue Directora General del Banco Nacional de Obras Públicas (BANOBRAS), miembro de los organismos rectores de Nacional Financiera (NAFIN) y el Banco Nacional de Comercio Exterior (BANCOMEXT), asesora del Presidente de la Comisión Federal de Competencia Económica (CFC) y Directora de la Unidad de Inversión de la Secretaría de Hacienda y Crédito Público de México.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 2/2



DAME JUDITH MACGREGOR, DCMG LVO

CONSEJERA NO EJECUTIVA INDEPENDIENTE

FECHA DE NOMBRAMIENTO

23 de mayo de 2017

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de HSECR

CONSEJERA DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

Ninguna

OTROS INTERESES CLAVE ACTUALES

Dame Judith es miembro del Consejo Rector de la Universidad de Southampton, miembro del Consejo de Investigación de Artes y Humanidades del Reino Unido, el Consejo de VisitBritain y Administradora de la Universidad de Ciudad del Cabo en el Fideicomiso de Sudáfrica.

FORTALEZAS Y NOMBRAMIENTOS CLAVE

- Experiencia diplomática internacional.
- Relaciones gubernamentales con países ricos en recursos.

La distinguida carrera de Dame Judith como diplomática británica aporta una gran experiencia internacional a su cargo. Ha trabajado de manera cercana con y promovido los intereses y perfil de empresas del Reino Unido en una amplia

variedad de sectores, incluyendo el sector minero en una variedad de países, incluyendo a México.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 4/4

Comité de HSECR 2/2



ALBERTO TIBURCIO

CONSEJERO INDEPENDIENTE NO EJECUTIVO

FECHA DE NOMBRAMIENTO

4 de mayo de 2016

MIEMBRO DE LOS SIGUIENTES COMITÉS

Comité de Auditoría (Presidente)

Comité de Nominaciones

CONSEJERO DE LAS SIGUIENTES EMPRESAS EXTERNAS OPERADAS EN BOLSA

El señor Tiburcio es consejero no ejecutivo independiente de FEMSA, S.A.B. de C.V., Coca-Cola FEMSA, S.A.B. de C.V., Grupo Nacional Provincial, S.A.B y Grupo Palacio de Hierro, S.A.B. de C.V.

OTROS NOMBRAMIENTOS CLAVE ACTUALES

El señor Tiburcio es consejero no ejecutivo independiente de Grupo Financiero Scotia Inverlat, S.A. de C.V. (subsidiaria mexicana de The Bank of Nova Scotia), Profuturo Afore, S.A. de C.V., Transparencia Mexicana e Instituto Tecnológico Autónomo de México, A.C.

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia en auditoría, contabilidad e impuestos a nivel internacional y en México.
- Experiencia en consejos y comités de auditoría mexicanos e internacionales.

El señor Tiburcio fue Presidente y Director Ejecutivo de Mancera S.C. (el despacho mexicano de Ernst & Young LLP) de enero de 2001 hasta su retiro en junio de 2013, habiendo sido socio por más de 30 años. Ha sido comisario y asesor de varias empresas mexicanas prestigiosas y actualmente es miembro de los consejos y comités de auditoría de importantes empresas e instituciones mexicanas, aportando considerable experiencia en impuestos mexicanos, así como en temas de auditoría y contabilidad en México y a nivel internacional al Consejo.

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 4/4

Comité de Nominaciones 3/3

Comité de Auditoría 5/5



El señor Jaime Serra fue Consejero hasta 2018, pero renunció al cargo de Consejero el día 25 de febrero de 2019. Su asistencia a las juntas del Consejo y Comités durante 2018 fue la siguiente:

ASISTENCIA A JUNTAS DEL CONSEJO Y COMITÉS

Consejo: 3/4

Comité de Auditoría 4/5

Comité de Remuneración 2/3

Todos los Consejeros enlistados anteriormente buscarán la elección o reelección por parte de los accionistas en la siguiente Asamblea General Anual.

COMITÉ EJECUTIVO

El Comité Ejecutivo consta de los ejecutivos de jerarquía más alta dentro del Grupo Fresnillo.



OCTAVIO ALVÍDREZ

DIRECTOR EJECUTIVO

FECHA DE NOMBRAMIENTO

15 de agosto de 2012

MIEMBRO DE LOS SIGUIENTES COMITÉS

El señor Alvírez está invitado a asistir a las juntas del Consejo, del Comité de Auditoría, del Comité de HSECR y del Comité de Remuneración.

FORTALEZAS Y EXPERIENCIA CLAVE

- Administración de minas dentro de México.
- Relaciones con inversionistas del Reino Unido.

El señor Alvírez tiene amplia experiencia dentro de la industria minera, habiendo sido previamente Director General de la mina Madero operada por Peñoles, que es una de las minas más grandes de México. El señor Alvírez se unió al Grupo Peñoles en agosto de 1988, desde entonces ha tenido una serie de cargos operativos y financieros de alto nivel en Peñoles (Tesorero y Jefe de Abastecimiento) y Fresnillo (Jefe de Relaciones con Inversionistas en Londres).

El señor Alvírez es actualmente Presidente de The Silver Institute, consejero del Lowell Institute for Mineral Resources de la Universidad de Arizona, miembro de

la Cámara Minera Mexicana y Vicepresidente del Consejo de Asesoría de la Escuela de Minas de la Universidad de Guanajuato, México.



MARIO ARREGUÍN

DIRECTOR DE FINANZAS

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

El señor Arreguín está invitado a asistir a las juntas del Consejo y del Comité de Auditoría.

FORTALEZAS Y EXPERIENCIA CLAVE

- Contabilidad y tesorería.
- Banca de inversión.

El señor Arreguín fue empleado de Peñoles previamente, ocupando el cargo de Director de Finanzas por 11 años y habiendo sido Tesorero del Grupo por 6 años antes de esto. El señor Arreguín tiene experiencia en banca de inversión y administración de proyectos.



DAVID GILES

VICEPRESIDENTE, EXPLORACIÓN

FECHA DE NOMBRAMIENTO

15 de abril de 2008

MIEMBRO DE LOS SIGUIENTES COMITÉS

El señor Giles está invitado a asistir a las juntas del Consejo.

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia en exploración a alto nivel dentro de México.
- Experiencia en ingeniería y geología.

A lo largo de una carrera de 30 años en Peñoles, el señor Giles ha desempeñado varios cargos administrativos de alto nivel, incluyendo Vicepresidente de Exploración. Anteriormente, trabajó para AMAX Inc. y Corona Gold Corp. y Toromex. Es funcionario de la Sociedad de Geólogos Económicos y la Asociación Mexicana de Ingenieros Mineros Metalúrgicos y Geólogos.



ANDRÉ SOUGARRET

DIRECTOR OPERATIVO

FECHA DE NOMBRAMIENTO

2 de enero de 2019

MIEMBRO DE LOS SIGUIENTES COMITÉS

El señor Sougarret está invitado a asistir a las juntas del Consejo y a las juntas del Comité de Auditoría ocasionalmente.

FORTALEZAS Y EXPERIENCIA CLAVE

- Experiencia de alto nivel en proyectos y a nivel operativo.
- Sólido historial en minería e ingeniería.

El cargo más reciente del señor Sougarret fue como Vicepresidente Ejecutivo en la Empresa Nacional Minera (ENAMI), una organización responsable del crecimiento de la industria minera en Chile. Antes de unirse a ENAMI, el señor Sougarret Larroquete tuvo varios cargos en la División Teniente de Codelco, poniendo en práctica métodos de mejores prácticas en toda la división. Entre sus cargos previos se encuentra Director General de las Minas Centinela y Esperanza en Antofagasta plc. Se graduó como Ingeniero en Minería de la Universidad de Chile y cuenta con una Maestría en Administración de Empresas de Loyola College.

Roberto Díaz fue Director Operativo hasta su retiro a principios de 2019.

EFFECTIVIDAD

INDEPENDENCIA DEL PRESIDENTE

El Presidente, el señor Alberto Baillères, tiene una participación usufructuaria de más del 50% del capital social de la Sociedad a través de su participación en Industrias Peñoles, S.A.B. de C.V., el accionista mayoritario de la Sociedad. El señor Baillères también es Presidente de Peñoles y otras sociedades dentro del Grupo BAL. El señor Baillères ha sido presidente de la Sociedad desde su IPO en 2008.

El señor Baillères fue nombrado miembro del Consejo de Peñoles conforme al Contrato de Relaciones; por lo tanto, al momento de su nombramiento, no era independiente. Habiendo sido responsable de supervisar el desarrollo exitoso del Grupo a lo largo de muchos años, el Consejo considera que su participación como Presidente No Ejecutivo es muy importante para continuar con el éxito de la Sociedad. El Consejo considera que la supervisión continua de la integridad estratégica y operativa por ser miembro del Grupo Peñoles enriquece la calidad de su gobierno corporativo, más que perjudicarla (como se explica en mayor detalle en las páginas xx a xx) y, por lo tanto, el Consejo sigue valorando y apoyando la presidencia de la Sociedad por parte del señor Baillères. Dada la experiencia y entendimiento del señor Baillères de los negocios mexicanos y su contexto regulador, esta evaluación es más válida dentro del ambiente político y social actual en México. No obstante las expectativas del Código de Gobierno

Corporativo del Reino Unido de 2018, el Consejo no espera cambiar su evaluación en el futuro previsible.

El desempeño del Presidente ha sido evaluado por los Consejeros No Ejecutivos independientes, encabezados por el Consejero Independiente Senior cada año desde 2008, y el Presidente proporciona retroalimentación de esa revisión al Consejero Independiente Senior.

El Contrato de Relaciones sigue proporcionando un cimiento para un sistema de gobierno transparente que garantiza que la Sociedad se beneficie del liderazgo y experiencia del señor Baillères, al tiempo que es capaz de demostrar a los otros accionistas que el Grupo Fresnillo es capaz de llevar a cabo sus operaciones independientemente de otras sociedades con las que él está relacionado. En particular, el Contrato de Relaciones garantiza que las transacciones y relaciones entre el Grupo Fresnillo y su accionista mayoritario sean entre iguales y en términos comerciales competitivos. Se puede encontrar mayor información relativa al Contrato de Relaciones en las páginas xx y xx.

INDEPENDENCIA DE LOS CONSEJEROS

El Consejo considera a los Consejeros enlistados como independientes en las páginas xx y xx, independientes en carácter y juicio. Para cada uno de estos Consejeros, sus circunstancias son evaluadas mediante referencia a la Disposición B.1.1. del Código y el Consejo sigue estando convencido de que son cada uno independientes cuando se toman en cuenta las normas establecidas en la Disposición B.1.1 del Código. Para la señora Bárbara Garza Lagüera, el señor Charles Jacobs, la señora Georgina Kessel, Dame Judith Macgregor y el señor Jaime Serra Puche, no es aplicable ninguna de las situaciones establecidas en la Disposición B.1.1 del Código. Al hacer esta evaluación para el señor Alberto Tiburcio, el Consejo hace notar que el señor Tiburcio se retiró del cargo de Presidente y Director Ejecutivo de Mancera S.C., el despacho mexicano de EY, auditores de la Sociedad, en junio de 2013. El señor Tiburcio no participó en la prestación de servicios de auditoría o de otro tipo a la Sociedad por parte de Ernst & Young LLP antes de su retiro. El señor Tiburcio es consejero no ejecutivo independiente de Grupo Nacional Provincial, S.A.B. y Grupo Palacio de Hierro, S.A.B. de C.V., que son sociedades dentro del Grupo BAL. Debido a que no está involucrado en los deberes ejecutivos de ninguna de estas sociedades, y a que tiene la obligación similar de ser independiente para estas dos sociedades como en el caso de Fresnillo, el Consejo no considera que el cargo del señor Tiburcio como Consejero No Ejecutivo independiente de la Sociedad se vea afectado por estos dos nombramientos. El Consejo considera que la experiencia del señor Tiburcio en negocios mexicanos e internacionales, y su experiencia y conocimientos de las prácticas contables y de auditoría y gobierno corporativo a

nivel mexicano e internacional, son particularmente valiosos para el Consejo y el Comité de Auditoría, haciendo que se encuentre eminentemente calificado para ser Presidente del Comité de Auditoría.

COMPROMISO DE TIEMPO Y SOBRECARGA DE TRABAJO

El Consejo está muy consciente de que los inversionistas están preocupados sobre el hecho de que todos los miembros del Consejo puedan dedicar suficiente tiempo y atención a los negocios de la Sociedad y esta preocupación será desencadenada (a) cuando el historial de asistencia de un consejero a las juntas del Consejo y Comités caiga por debajo de los niveles esperados sin una justificación suficiente; y/o (b) cuando un consejero tenga sobrecarga de trabajo, en particular, cuando un Consejero No Ejecutivo tenga más de cinco cargos de consejero en empresas operadas en bolsa. El Comité de Nominaciones revisa anualmente los compromisos de tiempo de los Consejeros No Ejecutivos al Consejo de Fresnillo plc, y dedicó tiempo y reflexión considerables a este ejercicio en 2018. Al hacer esto, su filosofía fue considerar (1) la carga de trabajo total de cada Consejero No Ejecutivo y (2) el valor particular que cada consejero aporta al Consejo.

Al evaluar los compromisos de tiempo de cada uno de los Consejeros, el Comité de Nominaciones toma en cuenta los siguientes factores:

1. Las expectativas de las sociedades operadas en bolsa varían considerablemente con respecto a sus consejeros no ejecutivos. Considera que una sociedad global con varias líneas de operaciones en diversos países no debe contar igual que una sociedad que produce un solo producto con operaciones principalmente en un solo país. Fresnillo plc cae en la última categoría y, debido a las cosas en común relativas de sus actividades, el Consejo no considera que requiera más de cuatro juntas del Consejo programadas por año, un factor que se refleja en los honorarios relativamente bajos que la Sociedad paga a sus Consejeros No Ejecutivos.

2. Este número relativamente bajo de juntas es justificado, además, por el grado de supervisión de gobierno de la Sociedad. Esto se debe también a ser miembro del Grupo BAL, cinco de cuyos Consejeros son miembros a nivel primario y dos de los Consejeros están involucrados en un carácter no ejecutivo independiente. El calendario de las juntas del Consejo y los Comités está programado para alinearse con otras juntas de sociedades, incluyendo sociedades operadas en bolsa dentro de la estructura de propiedad del Grupo BAL. Esto garantiza que los Consejeros de Fresnillo plc que son miembros de los consejos de otras sociedades dentro del Grupo BAL no tengan conflictos de tiempo con sus otros compromisos en los consejos de las Entidades Operadas en Bolsa de BAL.

Los Consejeros No Ejecutivos están obligados, conforme a sus cartas de nombramiento, a pasar 14 días por año tratando asuntos de la Sociedad. Los Consejeros del Grupo BAL se reúnen habitualmente con la administración antes de cada junta del Consejo para revisar ampliamente el orden del día y papeles para la junta a ser celebrada con los mismos. También supervisan las respuestas de la administración a las acciones derivadas de las juntas del Consejo. Este compromiso de tiempo, así como el plazo requerido para viajar al Reino Unido para la asamblea general anual cada año excede por mucho el compromiso de tiempo especificado en sus cartas de nombramiento. Los registros de asistencia a las juntas del Consejo de los consejeros nombrados de BAL en los últimos diez años han sido ejemplares.

Los Consejeros independientes tienen responsabilidades con los comités que, en conjunción con sus deberes en el Consejo, toman más tiempo que el requerido por sus cartas de nombramiento. Además, los Consejeros establecidos en el Reino Unido viajan a y desde México para las juntas del Consejo y los Comités, lo cual aumenta también significativamente el tiempo que invierten en sus deberes del Consejo.

Los otros cargos de consejeros en sociedades operadas en bolsa de los consejeros de Fresnillo plc se establecen en las páginas xx a xx de este informe. El historial de asistencia a juntas del Consejo y de los Comités de cada uno de los Consejeros durante 2018 se establece en la página xx de este informe.

Además, durante 2018, el Comité de Nominaciones consideró específicamente el problema de sobrecarga de trabajo y compromiso de tiempo en relación con dos consejeros: Fernando Ruiz y Jaime Serra. Su evaluación fue la siguiente:

Fernando
Ruiz

Durante todo el tiempo que ha formado parte del consejo de Fresnillo, el señor Ruiz ha sido consejero en otras sociedades operadas en bolsa. Estos cargos de consejero son principalmente con sociedades mexicanas operadas en bolsa y, como se explica anteriormente, el Consejo considera que estos cargos de consejero consumen menos tiempo y son menos onerosos en su demanda que las sociedades operadas en bolsa en el Reino Unido debido al tamaño de sus consejos y la frecuencia de sus juntas. El historial de asistencia del señor Ruiz a las juntas del Consejo y de Comités ha sido sólido y nunca ha sido un tema de preocupación para el Comité de Nominaciones o el Consejo.

De mayor importancia para el Comité de Nominaciones es el valor que representa para el Consejo la asesoría y experiencia del señor Ruiz, particularmente en el área de impuestos y política fiscal gubernamental. El Consejo está entusiasmado de que el señor Ruiz siga siendo miembro del Consejo aunque, dada su antigüedad en el Consejo, ya no es considerado Consejero Independiente.

Jaime Serra

El señor Jaime Serra tuvo seis cargos de consejero en sociedades operadas en bolsa, uno más que los permitidos por las políticas de inversionistas, y faltó a una junta del consejo y dos juntas del comité en 2018. El señor Serra fue un actor clave en el lanzamiento original del Tratado de Libre Comercio (NAFTA) cuando aún trabajaba en el gobierno, y sus conocimientos y experiencia han tenido mucha demanda, incluyendo en carácter no remunerado ad hoc a nivel gubernamental durante la negociación del Tratado Estados Unidos de América - México - Canadá ("T-MEC"), el convenio sucesor del TLC durante 2018. El Consejo consideró que es muy benéfico para Fresnillo tener a alguien del calibre del señor Serra en el Consejo, dada su participación y aportaciones en el mundo político.

No obstante lo anterior, dadas las preocupaciones de sobrecarga de trabajo y las exigencias de su reciente nombramiento como Presidente de BBVA Bancomer, el señor Serra y el Consejo acordaron que no sería candidato a reelección en la AGM de 2019 y renunció al Consejo el día 25 de febrero de 2019.

EL GOBIERNO DE LOS ARREGLOS CON PARTES RELACIONADAS DE FRESNILLO

CONTRATO DE RELACIONES

Peñoles ha celebrado un contrato de relaciones con la Sociedad (el "Contrato de Relaciones") para asegurarse de que las relaciones entre el Grupo Fresnillo y el Grupo Peñoles sean realizadas entre iguales y en términos comerciales normales. Los Consejeros No Independientes enlistados previamente han sido nombrados miembros del Consejo de Peñoles conforme al Contrato de Relaciones.



El Contrato de Relaciones cumple con las disposiciones de independencia establecidas en la Regla de Inscripción en Bolsa 6.1.4DR para sociedades controladas. La Sociedad ha cumplido con las disposiciones de independencia incluidas en el Contrato de Relaciones durante el ejercicio social terminado el día 31 de diciembre de 2018. Al saber y entender de la Sociedad, se ha cumplido con dichas disposiciones durante el ejercicio social terminado el día 31 de diciembre de 2018 por parte de Peñoles y/o cualquiera de sus asociados.


Peñoles también se ha comprometido a no ejercer sus derechos de voto para reformar la Escritura Constitutiva de manera que fuera inconsistente con las disposiciones del contrato. También ha acordado abstenerse de votar con respecto a cualquier resolución que apruebe una “transacción con partes relacionadas” (según se define en el párrafo 11.1.5 R de las Reglas de Inscripción en Bolsa) que involucre a cualquier miembro del Grupo Peñoles.

El siguiente diagrama resume el enfoque tomado para identificar y manejar las transacciones con partes relacionadas:

IDENTIFICACIÓN DE LOS INTERESES DE LOS CONSEJEROS		
PROCESO	CÓMO SE MANEJA	RESPONSABILIDAD
Seguimiento de los intereses de los Consejeros	Si un Consejero está interesado en una sociedad que potencialmente podría celebrar transacciones con una sociedad del Grupo Fresnillo plc, el Consejo considerará normalmente dicho interés conforme a sus arreglos para autorizar conflictos de interés conforme al Artículo s175 de la Ley de Sociedades.	Consejeros

ADMINISTRACIÓN DE UNA TRANSACCIÓN CON PARTES RELACIONADAS

<p>TRANSACCIÓN PROPUESTA</p> 	<p>El seguimiento continuo de los intereses de los Consejeros y partes relacionadas de la Sociedad proporciona la información para determinar si se requiere la aprobación de una parte relacionada para una transacción propuesta.</p>	
<p>PROCESO</p>	<p>CÓMO SE ADMINISTRA</p>	<p>RESPONSABILIDAD</p>
<p>Negociación y verificación del Contrato</p> 	<p>El Comité Ejecutivo buscará asegurarse de que se logren los mejores términos posibles para una transacción propuesta y que sean verificados por los informes de parámetros de la industria o evaluación independiente, cuando sea posible.</p>	<p>Administración y Comité Ejecutivo de Fresnillo</p>
<p>Escrutinio financiero</p>	<p>El Comité de Auditoría revisa los términos clave</p>	<p>Comité de Auditoría</p>

	<p>de transacciones importantes que son verificadas cuando es posible en cuanto a su precio y calidad con consultores externos o referencias independientes.</p>	
<p>Aprobación del Consejero Independiente</p>	<p>Conforme al Contrato de Relaciones y las Reglas de Inscripción en Bolsa, los Consejeros Independientes deben aprobar cualquier transacción con el Grupo Peñoles y sus asociados sin que haya una votación de los Consejeros no independientes.</p>	<p>Consejeros Independientes</p>

CONFLICTOS DE INTERÉS

El Grupo requiere que los Consejeros realicen una “Lista de Consejeros”. Esta lista establece los detalles de situaciones en las que los intereses de cada Consejero puedan estar en conflicto con los de la Sociedad (conflictos de situación). Cada Consejero ha entregado nuevamente su lista al día 31 de diciembre de 2018 al Consejo para su consideración y autorizará cualquier nuevo conflicto de situación identificado en las listas entregadas nuevamente.

Al inicio de cada junta del Consejo, el Secretario de la Sociedad recuerda a los Consejeros sus obligaciones conforme a las secciones 175, 177 y 182 de la Ley de Sociedades, que se relacionan con la divulgación de cualquier conflicto de interés antes de cualquier asunto que pueda ser tratado por el Consejo. El Informe del Comité de Auditoría establece información adicional acerca de los asuntos con partes relacionadas considerados por el Consejo durante el ejercicio en la página [].

OPERACIONES Y ACTIVIDADES DEL CONSEJO

Todas las juntas del Consejo son celebradas en México. El Consejo tiene un programa de juntas bien establecido. Los miembros del Consejo normalmente reciben los documentos del Consejo cinco días antes de las juntas para dar a los Consejeros tiempo suficiente para estudiar y considerar los documentos. Los miembros del Comité Ejecutivo, encabezados por el Director Ejecutivo, están presentes en todas las juntas del Consejo y presentan todos los documentos sobre asuntos operativos, de partes interesadas y financieros. La siguiente tabla establece las operaciones clave del Consejo durante 2018.

Actualizaciones Estratégicas	Gobierno y Ética	Informes	Financiero y Controles
<ul style="list-style-type: none"> • Estrategia de exploración • Actualización sobre el desarrollo de San Julián • Actualización sobre la ampliación de Ciénega • Estrategia de CSR • Actualización del Nuevo Tratado Comercial entre los Estados Unidos-México-Canadá • Lanzamiento de la 	<ul style="list-style-type: none"> • Recibo de los informes de evaluación y plan de acción del Consejo • Junta de Consejeros independientes • Nombramientos del Consejo y Comités • Aprobación del Contrato de Servicios Compartidos • Aprobación de las tarifas de contratos de Met-Mex • Revisión de cambios al Código de Gobierno Corporativo del Reino Unido 	<ul style="list-style-type: none"> • Aprobación del Informe Anual y Estados Financieros de 2017 • Aprobación del Anuncio Preliminar • Revisión y aprobación de la Declaración de Viabilidad • Aprobación del Informe Provisional • Aprobación de la Declaración de Esclavitud Moderna 	<ul style="list-style-type: none"> • Aprobación del presupuesto y plan de operaciones de 2019 • Revisión y aprobación de la política de dividendos y propuestas de dividendos • Revisión y aprobación de los Principales Riesgos e Incertidumbres

estrategia anual			
Informes Regulares y puntos del orden del día			
<ul style="list-style-type: none"> • Informe del Director Ejecutivo (incluyendo Informes de Proyectos, Exploración, HSCER y Cultura) • Informe Financiero • Informes del Consejo y Comités • Informe de Riesgos y Control Interno • Actualizaciones de Medidas Antisoborno y Corrupción • Actualización de Relaciones con Inversionistas y Comunicaciones Empresariales • Informe Legal y Secretarial de la Sociedad (incluyendo actualización de litigios) 			

Los Consejeros tienen derecho a presentar sus preocupaciones en las juntas del Consejo y pueden pedir que esas preocupaciones sean registradas en las actas del Consejo. La asesoría y servicios del Secretario de la Sociedad (cuyo nombramiento y destitución son asuntos reservados para el Consejo) también están a disposición de los Consejeros. El Grupo también ha establecido un procedimiento que permite a los Consejeros, en circunstancias relevantes, obtener asesoría profesional independiente a costo de la Sociedad.

EVALUACIÓN DE DESEMPEÑO DEL CONSEJO

Para evaluar su propia efectividad, el Consejo realiza evaluaciones anuales utilizando una combinación de evaluaciones facilitadas externamente y realizadas internamente a lo largo de un ciclo de tres años. El ciclo de evaluaciones del Consejo se resume de la siguiente manera:

AÑO 1	AÑO 2	AÑO 3
Evaluación del Consejo realizada externamente utilizando cuestionarios y/o entrevistas	Plan de acción de seguimiento elaborado en respuesta a la evaluación del año 1 usando cuestionarios facilitados a nivel interno	Enfoque en asuntos pendientes y emergentes derivados del plan de acción utilizando cuestionarios facilitados a nivel interno

EVALUACIÓN DEL CONSEJO 2018

2018 fue el segundo año del ciclo de evaluación de tres años y, por lo tanto, la Sociedad utilizó una evaluación facilitada a nivel interno para dar seguimiento a la evaluación externa realizada por Linstock en 2017.

La evaluación de 2018 fue realizada por el Secretario de la Sociedad por medio de un cuestionario confidencial. La meta de la evaluación fue dar seguimiento a los puntos planteados por Linstock, revisar el avance del Consejo a la fecha e identificar medidas adicionales para el Consejo.

El cuestionario fue consistente con el enfoque de 2017, buscando las opiniones de los Consejeros sobre la interacción del Consejo con la estrategia y cuestiones operativas y los procesos e interacciones del Consejo.

Las conclusiones de la evaluación fueron presentadas al Consejo en la junta del Consejo de octubre. Los temas destacados de análisis derivados del proceso de evaluación de 2018 y las acciones principales tomadas en respuesta a ello se concentraron en las áreas siguientes:

- el proceso para acordar la estrategia futura,
- la asignación de tiempo a las pláticas relativas a riesgo,
- información adicional para respaldar los parámetros Indicadores de Desempeño Clave presentados al Consejo,
- reporte de relaciones comunitarias,

- el formato de los documentos del Consejo, y
- acontecimientos adicionales en el proceso para revisiones posteriores a la inversión.

REVISIONES DE DESEMPEÑO INDIVIDUAL

Los Consejeros No Ejecutivos se reúnen ocasionalmente con el Presidente sin que haya ejecutivos presentes. Los Consejeros No Ejecutivos Independientes se reúnen anualmente para evaluar el desempeño del Presidente. Después de esta junta, el Consejero Independiente Senior analiza las opiniones de los Consejeros Independientes con el Presidente. Los Consejeros Independientes celebraron esta junta en 2018 después de la junta de febrero y tomaron en cuenta la revisión de Evaluación del Consejo de 2017 en sus pláticas y retroalimentación al Presidente.

DESARROLLO E INDUCCIÓN DEL CONSEJO

La alta gerencia presente en las iniciativas estratégicas del Grupo para proporcionar a los Consejeros No Ejecutivos más información acerca del contexto más amplio de las actividades de la Sociedad. Además, hay una distribución regular de informes de la industria sobre cuestiones técnicas, del mercado y de sectores.

Se insta a los Consejeros a visitar las minas de la Sociedad para que se familiaricen con las operaciones del Grupo Fresnillo, a partir de las visitas a las minas en años recientes. En 2018, varios Consejeros No Ejecutivos visitaron las minas, incluyendo Fresnillo, Saucito, Juanicipio, Herradura y Noche Buena.

Los asesores legales de la Sociedad organizaron sesiones informativas para todos los Consejeros. Éstas incluyeron presentaciones hechas con el objetivo de familiarizar a los Consejeros con las obligaciones y responsabilidades de los Consejeros de sociedades operadas en bolsa en el Reino Unido y los cambios al Código de Gobierno Corporativo del Reino Unido. Además, el Presidente se reúne con los Consejeros para analizar cualquier necesidad de capacitación o desarrollo.

ESTUDIO DE CASO – JUDITH MACGREGOR

Poniéndose al Corriente con Fresnillo



Habiendo sido Embajadora Británica de México de 2009 a 2013, conocía bien las exitosas actividades de Fresnillo como sociedad operada en bolsa en el Reino Unido y un importante productor de oro y plata — un actor significativo en nuestro trabajo para fortalecer el comercio y negocios bilaterales.

Sin embargo, en 2017, como nueva Consejera Independiente del Consejo, tenía frente a mí un nuevo aprendizaje. Esto comenzó en Londres con una exhaustiva inducción sobre el gobierno corporativo en el Reino Unido y mi papel en esto, realizada por los abogados de Fresnillo en Londres, la Jefa del Departamento Jurídico en México y la Secretaria de la Sociedad —con un apoyo invaluable del Consejero Senior Independiente.

Esta teoría cobró vida y me brindó un entendimiento mucho mejor, en juntas posteriores con el Presidente, Director Ejecutivo y los otros miembros del Consejo de Fresnillo, además de la oportunidad de conocer al personal de Fresnillo y aún más importante, visitar las minas de Fresnillo que están repartidas en una gran parte de México. La minería es una industria compleja basada en una propuesta razonablemente directa, que consiste en extraer minerales valiosos del suelo. Sin embargo, sus ramificaciones económicas, sociales, ambientales y humanas son, por supuesto, extremadamente amplias.

Las visitas a tres minas ya: Fresnillo, San Julián y Herradura me han brindado un mucho mejor entendimiento de la forma en que estamos cumpliendo nuestra meta de crear valor a través del crecimiento y rendimientos, de la importancia de invertir en la gente, la tecnología y habilidades necesarias para nuestro negocio, y el contexto económico y social que lo rodea. En la mina Fresnillo, fue educativo observar los retos de maximizar la extracción de una mina histórica. En San Julián, el arranque de una operación totalmente nueva en una región previamente sin explotar, y en Herradura, la mejora creciente de la producción a través de nueva tecnología, especialmente el uso de Tecnología de la Información.

También ha sido impresionante en todos mis viajes la intensa concentración en los programas sociales para ayudar a desarrollar las oportunidades económicas, educativas y de salud en las comunidades locales. Un momento destacable fue al observar a los estudiantes de una comunidad remota desarrollar un robot que podía anotar goles reales (!) y fue maravilloso visitar nuevos proyectos para

estimular el emprendimiento y la conservación del agua. Aún hay mucho por aprender, sin embargo, tras 18 meses como miembro del Comité de Salud y Seguridad, Medio Ambiente y Relaciones Comunitarias, definitivamente estoy mejor preparada para proporcionar la supervisión y los retos requeridos de un Consejero Independiente.”

ASEGURARSE DE QUE EL INFORME ANUAL SEA JUSTO, EQUILIBRADO Y COMPRENSIBLE

En relación con el Informe Anual y los estados financieros del ejercicio terminado el día 31 de diciembre de 2018, hay una serie de medidas que el Consejo emprendió para asegurarse de que el Informe Anual sea justo, equilibrado y comprensible:

- Dos semanas antes de que el Informe Anual fuera aprobado por el Consejo, los miembros del Comité de Auditoría y los otros Consejeros revisaron un borrador vigente que les permitió evaluar si la información era consistente con su entendimiento de las operaciones de la Sociedad y la naturaleza y contenido de las prácticas en el Consejo durante el ejercicio.
- Los cambios sugeridos por los Consejeros, basados en los conocimientos obtenidos a través de los documentos y análisis del Consejo y el Comité de Auditoría y otras interacciones con la administración fueron tomados en cuenta por la administración al elaborar la versión final del Informe Anual.
- Auditoría Interna realizó un ejercicio de revisión de las principales cifras no financieras en el Informe Anual extraídas de los registros operativos de la Sociedad.
- El Comité de Auditoría también revisó el Informe Anual y los estados financieros, tomando en cuenta los comentarios hechos y los informes emitidos por EY, y decidió recomendarlos al Consejo para su aprobación.

Como resultado de los procedimientos anteriores, el Consejo considera que, en su conjunto, el Informe Anual es justo, equilibrado y comprensible.

CÓDIGO DE GOBIERNO CORPORATIVO DEL REINO UNIDO DE 2018

Durante el ejercicio, el Consejo y los Comités han considerado los requisitos de la versión 2018 del Código de Gobierno Corporativo del Reino Unido (el ‘Nuevo Código’) e iniciaron acciones para trasladar el gobierno corporativo de la Sociedad al cumplimiento de las nuevas disposiciones establecidas en el Nuevo Código. Entre las medidas clave se incluyeron:

- La revisión de las responsabilidades del Consejo y las de los Comités del Consejo y, cuando fue requerido, reformas a los términos de referencia de los comités para ponerlos en línea con el Nuevo Código;
- Una revisión de los conflictos de interés actuales operados por el Consejo;
- Acuerdo relativo a los mecanismos de compromiso del Consejo con los empleados, incluyendo la designación del señor Arturo Fernández como consejero no ejecutivo responsable de supervisar dichos arreglos; y
- Una decisión de que el Comité de Auditoría debe seguir revisando los procedimientos y reporte de denuncias de actos ilícitos de manera regular, pero reportando al Consejo por lo menos dos veces al año con respecto a este asunto a partir de 2019.

PARTICIPACIÓN DE PARTES INTERESADAS

Tipo de Parte Interesada	Responsabilidad de gobierno	Actividades de Gobierno durante 2018
Empleados	Consejo, Comité de Auditoría y Comité de HSECR	<ul style="list-style-type: none"> • Revisión de estrategia de cultura y ética organizacional e informes sobre parámetros • Supervisión de arreglos con y casos de denunciantes de actos ilícitos • Evaluación de desempeño de salud y seguridad • Seguimiento a la iniciativa de arraigo de ética y cultura • Evaluación de la Declaración de Esclavitud Moderna • Desarrollo de salud, seguridad y diversidad y KPIs de inclusión para informes al Consejo
Comunidades locales y sociedad civil	Consejo y Comité de HSECR	<ul style="list-style-type: none"> • Las iniciativas comunitarias son vigiladas por el Consejo y el Comité de HSECR • Durante 2018, el Comité de HSECR desarrolló KPIs comunitarios • Evaluación de tendencias y sus implicaciones en los negocios

Contratistas	Consejo, Comités de Auditoría y de HSECR	<ul style="list-style-type: none"> • Supervisión por parte del Comité de HSECR del diálogo con contratistas sobre cuestiones de seguridad • Revisiones de elementos de compromiso de los contratistas en el programa Contra el Soborno y la Corrupción
Clientes	Consejo y Comité de Auditoría	<ul style="list-style-type: none"> • La relación de la Sociedad con su único cliente es vigilada a través de los procesos de supervisión de partes relacionadas del Consejo
Gobierno y Reguladores	Consejo, Comité Ejecutivo, Comité de HSECR y Comité de Auditoría	<ul style="list-style-type: none"> • Diálogo regular con los departamentos de Gobierno tanto a nivel de BAL, del Consejo, como del Comité Ejecutivo • Durante el ejercicio, informes sobre asuntos tales como imposición • Evaluación de los impactos de la regulación de salud, seguridad, medio ambiente y asuntos sociales

El Comité Ejecutivo es responsable de la protección diaria de todas las relaciones con las partes interesadas y sus miembros reportan al consejo sobre los parámetros e iniciativas clave. El Comité Ejecutivo está desarrollando actualmente una propuesta de compromiso de empleados futuros para que el Consejo la revise en cumplimiento con la Disposición 5 del Código de Gobierno Corporativo del Reino Unido. Las relaciones con partes interesadas son incluidas en los parámetros de bonos para el equipo de alta gerencia. El Informe Estratégico incluye información adicional sobre las relaciones del Grupo con sus proveedores en las páginas xx a xx.

RELACIONES CON ACCIONISTAS

El Consejo vigila continuamente los intereses de los accionistas minoritarios de la Sociedad para asegurarse de que dichos intereses estén siendo respetados adecuadamente y que se alineen en la medida de lo posible con los intereses de los accionistas mayoritarios.

La Sociedad tiene una oficina en Londres donde está establecido el Jefe de Relaciones con Inversionistas. En 2018, el Grupo mantuvo un sólido programa de comunicaciones y relaciones con inversionistas como se detalla en la siguiente tabla.

2018	RELACIONES CON INVERSIONISTAS Y ACTIVIDADES DE LA INDUSTRIA
Enero	Publicación del informe de producción del Cuarto Trimestre de 2017
Febrero	
Marzo	Presentaciones itinerantes tras el anuncio de los resultados preliminares y la presentación: Reino Unido y Estados Unidos de América
Abril	Publicación del Informe de Producción del Primer Trimestre de 2018, seguido de conferencias telefónicas con inversionistas
Mayo	Asamblea General Anual Conferencia Global de Metales y Minería de BAML
Junio	
Julio	Publicación del Informe de Producción del Segundo Trimestre de 2018
Agosto	Publicación de los resultados semestrales y presentaciones itinerantes en el Reino Unido
Septiembre	Foro del Oro en Denver Conferencia HSBC EEMEA y LATAM

Octubre	Publicación del Informe de Producción del Tercer Trimestre de 2018 seguido de conferencias telefónicas con inversionistas
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Noviembre	Conferencia de Recursos Naturales Globales de Goldman Sachs Conferencia Best of British de JP Morgan
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Diciembre

El Director Ejecutivo y Director de Finanzas también se reúnen con analistas, celebran conferencias telefónicas después de los informes de producción, y se comprometen con los accionistas participando en las presentaciones itinerantes más importantes después del anuncio de los resultados preliminares y semestrales. Se unen a ellos otros miembros del Comité Ejecutivo para algunas de estas visitas. Esto se hace para dar a los inversionistas y analistas la oportunidad de comentar los resultados del Grupo, dándoles al mismo tiempo la oportunidad de plantear cualquier duda o preocupación que puedan tener. La siguiente tabla establece algunos ejemplos de los puntos de análisis en dichas juntas y la respuesta de la Sociedad

Avance en la mina Fresnillo	Explicación clara del plan decisivo para estabilizar la ley mineral y producción de la mina explicando al mismo tiempo las razones del avance a un ritmo más lento que el esperado.
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Panorama económico para la industria minera en México	Expresar las condiciones del mercado observadas en México poniendo especial énfasis en la industria minera. También proporcionar actualizaciones relevantes después de la elección del nuevo presidente mexicano.
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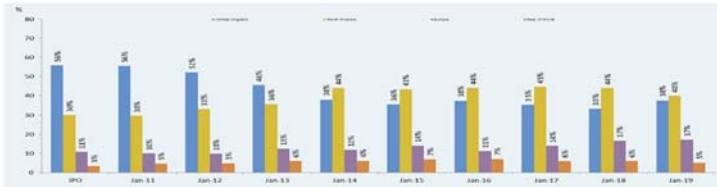
Desempeño en nuestras minas operativas	Proporcionar una actualización clara sobre el desempeño de todas las minas operativas, incluyendo un programa de perforación intensiva en Fresnillo y Saucito para mejorar la exactitud del modelo geológico.
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Avance en proyectos	Mantener al mercado actualizado con el avance en el proyecto de la Planta de Piritas y la puesta en marcha de la segunda línea del DLP en Herradura
Juanicipio	Actualizaciones sobre el avance de este proyecto de asociación en participación, incluyendo las estadísticas principales, cuando estén disponibles, la finalización del Estudio de Viabilidad y el calendario esperado para su aprobación posterior.
Efectos en el tipo de cambio	Expresión clara y detallada de los diferentes efectos del tipo de cambio en los costos de producción, en conjunción con otras partidas de línea en el estado de resultados, incluyendo el cargo por imposición.
Costos	Desglose detallado de los parámetros de costos año con año, destacando y aclarando variaciones; inflación/ deflación de costos por componente.
Asignación de capital: gastos de capital contra dividendos	Reiteración de la política de dividendos sin cambios de la Sociedad, consistente en el equilibrio en el crecimiento de la calidad con los rendimientos a lo largo de todo el ciclo.

El Jefe de Relaciones con Inversionistas en Londres tiene la tarea de mantener las relaciones existentes con los analistas y accionistas principales a diario, lo cual se hace por medio de conferencias telefónicas y juntas. La Sociedad también asiste a un programa completo de conferencias mineras para reunirse con los inversionistas actuales y posibles. El contacto con los inversionistas en México es mantenido a través de la Oficina de Relaciones con Inversionistas en la Ciudad de México. El Director de Finanzas entrega un informe en cada junta del Consejo sobre las comunicaciones y actividad de los accionistas.

BASE GEOGRÁFICA DE LOS ACCIONISTAS

La siguiente gráfica (Oferta Pública Inicial (IPO) en 2008 hasta enero de 2019) demuestra el atractivo global de la Sociedad para los inversionistas tras un cambio significativo, pasando de ser una base de accionistas principalmente en el Reino Unido a una base de accionistas mucho más diversa a nivel mundial.



PARTICIPACIONES IMPORTANTES EN ACCIONES

Al día 25 de febrero de 2019, se habían informado a la Sociedad las siguientes participaciones notificadas (ya sea mantenidas directa o indirectamente) en sus derechos de votación:

	Número de derechos de votación	%
Industrias Peñoles, S.A.B. de C.V.	552,595,191	74.99
BlackRock Inc.	46,029,078	6.25
First Eagle Investment Management LLC	37,243,673	5.05

ASAMBLEA GENERAL ANUAL DE 2018

En la Asamblea General Anual de 2018, todas las resoluciones presentadas a los accionistas fueron adoptadas por mayoría. Antes de la Asamblea General Anual, la Sociedad consultó con varios accionistas en relación con las resoluciones para reelegir a los Consejeros. De conformidad con las Reglas de Inscripción del Reino Unido aplicables a sociedades con un accionista mayoritario, las resoluciones relacionadas con la reelección de los Consejeros no ejecutivos independientes requiere la aprobación por voto mayoritario emitida por los accionistas independientes, así como todos los accionistas de la Sociedad.

Además de las disposiciones del Código, los detalles de la votación por apoderado son presentados en la AGM y las cifras finales son anunciadas a la Bolsa de Valores de Londres e incluidas en el sitio de red de la Sociedad tan pronto como es posible después de la AGM.

ASAMBLEA GENERAL ANUAL 2019

La decimoprimer Asamblea General Anual de la Sociedad será celebrada el día 21 de mayo de 2019 a las 12:00 p.m. en The Royal Aeronautical Society, 4 Hamilton Place, Londres, W1J 7BQ. Los asuntos de la Asamblea General Anual ('AGM') serán tratados de conformidad con los párrafos 36 y 38 de los Lineamientos sobre Efectividad de los Consejos publicados por el Consejo de Informe Financiero en julio de 2018. Al planear las operaciones de cada AGM, el Consejo toma en cuenta los lineamientos institucionales de los accionistas sobre

derechos preferenciales, recompras de acciones y derechos de los accionistas en relación con las asambleas generales al redactar las resoluciones habituales que tratan dichos asuntos. En cada caso, las resoluciones son presentadas a la AGM para dar flexibilidad del Consejo para responder a los acontecimientos del mercado.

AUTORIDAD PARA COMPRAR ACCIONES PROPIAS

La Sociedad fue autorizada por una resolución de los accionistas adoptada en la Asamblea General Anual celebrada en mayo de 2018 para comprar hasta el 10% de su Capital Social Ordinario emitido. Las acciones que han sido recompradas pueden ser mantenidas como acciones de tesorería o, si no son mantenidas de esa manera, deben ser canceladas inmediatamente a la finalización de la compra, reduciendo con ello la cantidad del capital social emitido y autorizado de la Sociedad. Esta autoridad vencerá en la siguiente Asamblea General Anual y se propondrá una resolución para renovar la autoridad por un año adicional. La Sociedad no compró acciones durante el ejercicio.

El Informe de Gobierno Corporativo establecido en las páginas xx a xx ha sido aprobado por el Consejo de Administración de Fresnillo plc.

Firmado en representación del Consejo

Charles Jacobs

Consejero Independiente Senior

25 de febrero de 2018

INFORME DEL COMITÉ DE NOMINACIONES

ESTIMADO ACCIONISTA

Durante 2018, ha habido dos asuntos principales bajo la consideración del Comité de Nominaciones: la necesidad de reemplazar al señor Guy Wilson, quien se retiró en la AGM después de haber sido Consejero independiente No Ejecutivo y Presidente del Comité de Auditoría durante diez años y la búsqueda de un nuevo Director Operativo para reemplazar a Roberto Díaz, quien se retiró a principios de 2019. En ambos cargos, el Comité de Nominaciones tuvo buenos avances. Me complació que Georgina Kessel haya acordado unirse al Consejo como Consejera No Ejecutiva independiente en la AGM de 2018 y que el señor Alberto Tiburcio, quien fue miembro del Consejo y del Comité de Auditoría desde 2016, acordó asumir el cargo de Presidente del Comité de Auditoría. Tanto Alberto como Georgina están instalándose en estos nuevos cargos muy bien, y creo firmemente que las decisiones del Comité de Nominaciones en ambos casos resultarán exitosas. También me complace informar que ahora contamos con tres Consejeras en nuestro Consejo, lo cual demuestra nuestro compromiso con la promoción de una mayor diversidad en el Consejo.

A nivel ejecutivo, el proceso de reemplazo de Roberto Díaz como Director Operativo ha sido largo. Después de una búsqueda prolongada, nos complace confirmar el nombramiento de André Sougarret como Director Operativo, que fue anunciado en enero de 2019. Reconocemos, como resultado de este nombramiento, que nuestro Comité Ejecutivo sigue constando únicamente de hombres. Siempre hemos mantenido una política de nombrar al personal con base en los méritos, pero sin discriminación, y sigue siendo así. El señor Sougarret fue el mejor candidato considerado para el trabajo y el Comité de Nominaciones apoyó con gusto su nombramiento. Cuando podamos, seguiremos promoviendo a mujeres en los altos cargos de la Sociedad. Hacia finales del año, por ejemplo, nombramos a una nueva Funcionaria de Cumplimiento.

El Informe de Gobierno Corporativo incluye antes de esto referencias a nuestro diálogo con los accionistas acerca del compromiso de tiempo y otros intereses de nuestros Consejeros No ejecutivos. Este es un asunto que hemos analizado cuidadosamente como Comité. Seguimos estando firmemente convencidos de que hay una excelente combinación de habilidades y experiencia en la mesa del Consejo que será útil para el Consejo en los meses por venir. Seguiremos revisando dichos asuntos cada año a la luz de los requisitos del nuevo Código de Gobierno Corporativo del Reino Unido.

Atentamente,

Sr. Alberto Baillères

Presidente del Comité de Nominaciones

COMITÉ DE NOMINACIONES

COMPOSICIÓN

Los miembros del Comité de Nominaciones son Alberto Baillères (Presidente del Comité), Bárbara Garza Lagüera y Alberto Tiburcio. La señora Garza Lagüera y el señor Tiburcio son ambos Consejeros No Ejecutivos independientes y, por lo tanto, la mayoría de los miembros del Comité de Nominaciones son independientes en cumplimiento de los requisitos del Código de Gobierno Corporativo del Reino Unido.

FUNCIÓN

El Comité de Nominaciones es responsable de hacer recomendaciones al Consejo sobre la estructura, tamaño y composición del Consejo y sus comités y la planeación de la sucesión para los Consejeros y otros altos ejecutivos. Antes de hacer los nombramientos de los nuevos Consejeros, el Comité es responsable de evaluar el equilibrio de habilidades, conocimientos y experiencia en el Consejo e identificar y nombrar a candidatos adecuados.

El Comité de Nominaciones ha aprobado los Nombramientos del Consejo y las Políticas de Diversidad del Consejo que proporcionan el marco para el Comité de Nominaciones y el acercamiento del Consejo a los nombramientos del Consejo.

Asistentes

Alberto Baillères	2/2
Bárbara Garza Lagüera	2/2
Alberto Tiburcio	2/2

RESUMEN DE POLÍTICAS Y PROCESO DE NOMBRAMIENTOS DEL CONSEJO

El Comité de Nominaciones y el Consejo están fuertemente comprometidos con el principio de igualdad de oportunidades al hacer nuevos nombramientos en el Consejo, procurando que los nombramientos sean hechos con base en méritos. El Comité de Nominaciones sigue considerando la composición del Consejo concentrándose en su compromiso permanente con la diversidad.

Los criterios para determinar la composición del Consejo y futuros nombramientos del Consejo siguen basándose en:

- Los requisitos del Contrato de Relaciones para nombramientos de miembros del Consejo por Peñoles.
- La posición líder de la Sociedad como extractor de metales preciosos en México.
- La inclusión de la Sociedad en el Índice FTSE 100.
- Las funciones específicas en los comités del Consejo que los Consejeros independientes deberán cubrir.
- Las disposiciones establecidas en los términos de referencia vigentes del Comité de Nominaciones.

El Comité de Nominaciones no utiliza publicidad abierta ni contrata a consultores externos al hacer nuevos nombramientos en el Consejo, ya que se considera innecesario, teniendo en cuenta los contactos de la Sociedad dentro de México y en otras partes.

AVANCES EN LA POLÍTICA DE DIVERSIDAD DEL CONSEJO

Todos los nombramientos del Consejo son hechos con base en los méritos. El Consejo reconoce y aprovecha los beneficios de contar con un Consejo diverso, particularmente el valor que aportan las diferentes perspectivas y experiencias a la calidad del debate y toma de decisiones del Consejo. Hay ciertas consideraciones que son tomadas en cuenta al considerar la composición del Consejo, tales como antecedentes y experiencia, edad, género y perspectivas de los accionistas.

El Consejo considera que el establecimiento de objetivos para el número de personas con antecedentes o un género en particular no es el enfoque más efectivo. Por lo tanto, el Consejo busca seguir los principios de esta política, en vez de cuotas u objetivos específicos. Tras los recientes nombramientos de Dame Judith Macgregor y Georgina Kessel como Consejeras No Ejecutivas Independientes, el 50% (cuatro de los ocho) de los Consejeros nombrados en el Consejo desde 2012 han sido mujeres. Esto demuestra el compromiso del Consejo con la diversidad de género. Siendo actualmente el 25% del Consejo del sexo femenino, el Comité de Nominaciones reconoce que esto no cubre el objetivo del 33% para la representación de mujeres en el consejo establecido por la Revisión de Hampton-Alexander. Sin embargo, seguirá manteniendo el balance de género del Consejo como factor clave al considerar nombramientos futuros para el Consejo, que en todo momento se basarán en los méritos.

El Consejo reconoce que muy pocas mujeres son atraídas a los programas de ingeniería minera y geología en México y, en vista de la etapa de desarrollo de México, la participación de las mujeres en la fuerza laboral en su conjunto es aún relativamente baja. Tomará tiempo corregir esto, pero se están gestando cambios y la Sociedad se compromete con la contratación y desarrollo de mujeres con capacitación educativa en ingeniería minera, geología, finanzas y contabilidad. El Informe de Sustentabilidad establece una explicación en mayor detalle de los pasos que la Sociedad está tomando para promover la diversidad en todas sus empresas en las páginas xx a xx.

Composición del Consejo: división de géneros	2017	2018
Masculino	10/12	9/12
Femenino	2/12	3/12

Con diez consejeros mexicanos y dos consejeros británicos en el Consejo, el Comité de Nominaciones está satisfecho con la diversidad étnica del Consejo.

Pueden encontrar versiones completas de la Política y Proceso de Nombramientos del Consejo y la Política de Diversidad del Consejo y la Política de Diversidad del Grupo en el sitio de red de la Sociedad (www.fresnilloplc.com).

ACTIVIDAD DURANTE 2018

El Comité de Nominaciones se reunió en dos ocasiones durante el ejercicio.

NOMBRAMIENTOS EN EL CONSEJO

El Comité de Nominaciones está comprometido con una renovación progresiva del Consejo, como lo recomienda la Disposición B.2.3 del Código de Gobierno Corporativo del Reino Unido.

El Comité de Nominaciones reconoció que era necesario otro nombramiento de Consejero No Ejecutivo Independiente, dado que Guy Wilson había alcanzado el límite de nueve años para el límite de independencia establecido por el Código de Gobierno Corporativo del Reino Unido. Por consiguiente, el señor Guy Wilson se retiró del Consejo en la AGM de 2018 y fue remplazado como Consejero No Ejecutivo Independiente por Georgina Kessel, quien aporta excelente experiencia política y de negocios en México y en otras partes al Consejo.

MIEMBROS DE LOS COMITÉS

El Comité de Nominaciones revisó la composición y efectividad de los Comités del Consejo en 2018 a la luz de los cambios recientes a la composición del Consejo y aprobó los cambios siguientes a los Comités del Consejo que entraron en vigor en la AGM de 2018:

- Alberto Tiburcio fue nombrado Presidente del Comité de Auditoría en lugar de Guy Wilson, quien se retiró del Comité de Auditoría;
- Charles Jacobs fue nombrado como miembro adicional del Comité de Auditoría; y
- Judith Macgregor fue nombrada miembro adicional del Comité de HSECR.

PLANEACIÓN DE LA SUCESIÓN EJECUTIVA

Cada año, el Comité de Nominaciones revisa un calendario de posibles sucesores de todos los cargos en el Comité Ejecutivo (Director Ejecutivo, Director de Finanzas, Vicepresidente de Exploración y Director Operativo). Esta revisión considera escenarios de emergencia a corto plazo y de planeación a largo plazo. Cualquier acción necesaria para apoyar el desarrollo de los sucesores potenciales a largo plazo es analizada. El Comité de Nominaciones también da seguimiento a la evolución a largo plazo de los miembros del Consejo en su conjunto. En el último año, el Comité de Nominaciones ha considerado la necesidad de reemplazar al señor Roberto Díaz, Director Operativo, quien se retiró a principios de 2019. La identificación del sucesor correcto para este cargo ha sido un ejercicio prolongado. Se decidió dividir el cargo actual en dos cargos separados: Director Operativo y Director de Proyectos. Después de una amplia búsqueda, que incluyó la consideración de candidatas femeninas adecuadas, el Comité de Nominaciones aprobó el nombramiento del señor André Sougarret como Director Operativo, con efecto a partir del día 2 de enero de 2019. En diciembre de 2018, el señor Humberto Garibay fue nombrado Director de Proyectos, que reporta al Director Operativo.

OTRAS ACTIVIDADES DEL COMITÉ DE NOMINACIONES

El Comité de Nominaciones también consideró los siguientes asuntos:

- Aprobación del informe del Comité de Nominaciones antes de su publicación.
- Revisión del compromiso de tiempo requerido de cada Consejero.

- La reelección propuesta de cada uno de los Consejeros permanentes en la AGM.
- Un ejercicio de autoevaluación (que concluyó que el Comité de Nominaciones está funcionando bien).

Los términos de referencia del Comité de Nominaciones están disponibles en el sitio de red de la Sociedad en www.fresnilloplc.com.

Las cartas de nombramiento de los Consejeros No Ejecutivos fueron puestas a disposición para inspección en la oficina registrada de la Sociedad, en horas hábiles normales.

INFORME DEL COMITÉ DE AUDITORÍA

ESTIMADO ACCIONISTA

Me complace presentar mi primer Informe del Comité de Auditoría desde que fui nombrado Presidente del Comité de Auditoría en mayo de 2018 y me gustaría comenzar agradeciendo a mi antecesor, Guy Wilson, por presidir el Comité de julio de 2008 hasta la AGM de este ejercicio, por sus valiosas aportaciones a la Sociedad. Ciertamente busco mantener y desarrollar el importante papel que juega el Comité de Auditoría en vigilar la integridad de las actividades de informe financiero, riesgo y control y garantía.

A medida que comenzamos a planear éste último informe, es agradable ver que algunos asuntos que han sido temas de escrutinio y discusión en ejercicios anteriores ocupan un menor lugar en nuestros pensamientos en 2018, por ejemplo, ha habido alguna mejora en la seguridad de TI y protección de datos de la Sociedad. Sin embargo, algunos desafíos regresan, otros permanecen y algunos nuevos surgen. Un área importante de deliberación durante el ejercicio fue el diálogo continuo con las autoridades fiscales mexicanas acerca de las investigaciones que se mencionaron en el informe anual de 2017. Estas investigaciones son de rutina, pero antes de los cambios de personal en las autoridades fiscales mexicanas para el final del ejercicio, hubo un aumento notable en actividad de la auditoría fiscal. Me complace informar que el número de auditorías fue concluido satisfactoriamente antes del cierre del ejercicio. No obstante este buen progreso, hay algunas auditorías que aún continúan, que seguiremos visitando de manera cercana.

Existen varios asuntos clave que analizamos con el equipo de auditoría externa cada año cuando revisamos los estados financieros. Este año, hemos invertido tiempo comentando la evaluación de inventarios como una consideración emergente para el Comité de Auditoría debido a la reestimación de las cantidades mantenidas en las plataformas de lixiviación en Herradura. Esto fue como resultado de la nueva información obtenida de muestras tomadas cuando un nuevo camino de acceso fue cortado a través de la plataforma, después de lo cual se tomaron muestras de perforación de un área más grande de la plataforma. Eso se comenta en la página x de este Informe. Una preocupación más general durante el ejercicio ha sido cambiar el ambiente macroeconómico y su impacto en los precios de los productos básicos. A su vez, esto tuvo un impacto en varias de nuestras áreas de opinión, incluyendo la evaluación de los arreglos de Silverstream, la estimación de reservas y recursos, la evaluación de negocio en marcha y la prueba de deterioro.

El trabajo llevado a cabo por EY en nuestros estados financieros de 2017 fue materia de una revisión externa por el equipo de Revisión de Calidad de Auditoría de FRC y me complace reportar que la conclusión de esa revisión fue que la

calidad de la auditoría es buena y únicamente necesita algunas mejoras. Hemos evaluado los dos puntos específicos planteados por AQRT y hemos respondido en consecuencia.

Durante el ejercicio, se llevaron a cabo dos ejercicios de evaluación. Para el cierre del ejercicio, los miembros del Comité de Auditoría y los participantes clave en las juntas del Comité de Auditoría respondieron un cuestionario de evaluación interna, cuyos resultados fueron satisfactorios y discutidos en nuestra junta de diciembre. Esta revisión dio como resultado algunas sugerencias útiles para mejorar adicionalmente la calidad del trabajo del Comité (véase la página xx). También encargamos a Deloitte que llevara a cabo una revisión facilitada externamente de nuestra función de Auditoría Interna, que fue llevada a cabo en el último trimestre del ejercicio y los resultados fueron discutidos en nuestra junta de febrero de 2019. La conclusión general de esa revisión de Deloitte fue que la función de Auditoría Interna ha cumplido efectivamente.

Durante la segunda mitad de 2018, el Consejo y el Comité de Auditoría de Fresnillo han evaluado las implicaciones de la actualización de 2018 al Código de Gobierno Corporativo del Reino Unido. El Comité de Auditoría se ha enfocado en tres áreas particulares, antes de la fecha de efectividad del Código el día 1 de enero de 2019. El Consejo ha decidido que el Comité de Auditoría continuará su función de revisar de manera regular los informes de denuncia de actos ilícitos revisados por la Comisión de Honor, pero después reportará al Consejo la información que ha recibido y la conclusión de sus revisiones. Además pretendemos revisar nuestro informe de auditoría y asuntos relacionados a la luz de los nuevos requisitos de la Disposición xx del nuevo Código. Finalmente, recibimos un resumen de la administración sobre los pasos que están siendo tomados en este informe anual para reflejar los requisitos del nuevo Código, particularmente en relación con el informe a los grupos de interés.

Durante el ejercicio, visité las minas Fresnillo y Saucito y el proyecto Juanicipio. Además, durante el ejercicio, mi compañero Consejero y miembro del Comité de Auditoría, Charles Jacobs, visitó las minas Fresnillo y Herradura. Además de ver las operaciones de la mina durante mis visitas, pude tener conocimiento de los diferentes programas que la Sociedad ha desarrollado para apoyar a las comunidades y su sustentabilidad.

Con el cambio en el gobierno mexicano, que tuvo lugar el día 1 de diciembre de 2018, el ambiente regulador en México puede experimentar algunos cambios significativos a lo largo de los siguientes meses. Esto, junto con las circunstancias económicas de pruebas que se esperan, puede presentar nuevos desafíos en 2019. Considero que el Comité de Auditoría está en buena posición para cumplirlos, si tienen lugar.

Atentamente,

Alberto Tiburcio

Presidente del Comité de Auditoría

COMITÉ DE AUDITORÍA

COMPOSICIÓN

Los miembros del Comité de Auditoría al día 31 de diciembre de 2018 eran Alberto Tiburcio (Presidente del Comité), Jaime Serra y Charles Jacobs.

	Experiencia financiera y de auditoría	Experiencia en el sector
Alberto Tiburcio (nombrado para el Comité el día 4 de mayo de 2016 y nombrado del Comité el día 30 de mayo de 2018)	Previamente Presidente del Consejo y Director Ejecutivo de EY (México). Experiencia en práctica contable y de auditoría nacional e internacional y gobierno corporativo.	Diversas industrias. Experiencia en el Consejo independiente y Comité de Auditoría en diversas empresas operadas en bolsa.
Jaime Serra (nombrado para el Comité el día 16 de mayo de 2014)	Previamente Secretario de Hacienda y Comercio en el gobierno mexicano.	Perspectiva política y financiera a través de diversos cargos ocupados en el gobierno.
Charles Jacobs (nombrado para el Comité el día 16 de mayo de 2018)	Socio Senior y Presidente del Consejo de Linklaters LLP.	Asesor de varias empresas de recursos naturales del Reino Unido y consejos de administración.
Guy Wilson (nombrado el día 1 de julio de 2008, retirado el día 31 de mayo de 2018)	Previamente socio de EY (UK) con experiencia en operaciones internacionales de auditoría, contabilidad y capital.	Previamente asesor de diversos consejos de administración de empresas de recursos naturales del Reino Unido.

El Director de Finanzas y representantes de Auditoría Externa e Interna asisten a todas las juntas. El Director Ejecutivo, otros miembros del Comité Ejecutivo y la administración asisten cuando sea adecuado, y los asesores externos asisten para tratar asuntos específicos, si es relevante.

LA FUNCIÓN Y ACTIVIDAD DEL COMITÉ DE AUDITORÍA

La función y los deberes del Comité de Auditoría se establecen en sus términos de referencia, una copia de los cuales puede encontrarse en el sitio en la red de la Sociedad en www.fresnilloplc.com. El Comité de Auditoría se reunió cinco veces durante 2018. Su programa de actividades es determinado al inicio de cada ejercicio y está estructurado para asegurarse de que revisa todas las actividades establecidas en sus términos de referencia. El Comité de Auditoría tiene seis responsabilidades primarias y una secundaria para monitorear su propia efectividad. Este Informe es, por lo tanto, presentado bajo los siguientes encabezados:



Monitorear la efectividad del Comité de



INFORME FINANCIERO

ACTIVIDADES CLAVE DURANTE LOS ÚLTIMOS 12 MESES

- Revisión del plan para elaborar los estados financieros y el Informe Anual para el ejercicio que termina el día 31 de diciembre de 2018.
- Revisión de las opiniones y estimaciones significativas que tienen un impacto en los estados financieros.
- Revisión de los estados financieros y el Informe Anual para el ejercicio que termina el día 31 de diciembre de 2018.
- Revisión de la reconciliación del Impuesto y PTU y monitoreo del diálogo continuo con las autoridades fiscales mexicanas sobre asuntos fiscales.
- Revisión de la revelación de Pagos al Gobierno.
- Revelación de estados financieros provisionales para 2018 y Anuncio Provisional.
- Consideración de las nuevas normas contables, particularmente las IFRS 9, 15 y 16, y sus implicaciones para el informe financiero de la Sociedad.
- Consideración sobre si se requirieron cualesquiera cambios a las políticas contables existentes.

ÁREAS DE OPINIÓN SIGNIFICATIVAS

El Comité de Auditoría se asegura de que haya consistencia entre las políticas y opiniones utilizadas en la elaboración de los estados financieros tanto de año completo como de mitad de año antes de recomendar respectivamente esos estados financieros al Consejo para su aprobación. En conjunto con la administración y el auditor externo, el Comité de Auditoría considera las principales áreas de riesgo de auditoría y opiniones hechas en relación con los estados financieros que deben ser considerados durante su revisión de los estados financieros y el informe de los auditores externos con respecto a los mismos. En muchos casos, estas áreas de opinión significativas serán las mismas que aquellas consideradas en ejercicios anteriores; sin embargo, a medida que el ciclo minero progresa, estas áreas de opinión evolucionarán y se necesitará considerar nuevas, mientras que otras pueden volverse menos importantes. Este proceso puede resumirse de la siguiente manera:

PROCESO DE OPINIONES SIGNIFICATIVAS POR CATEGORÍA DE RIESGO

ÁREAS DE OPINIÓN SIGNIFICATIVAS EN 2018



Las áreas de opinión significativas a las que se dio prioridad en 2018 se establecen a continuación. En cada caso, el Comité de Auditoría concluyó que el tratamiento contable y la revelación en los estados financieros es adecuada.

CONTRATO DE SILVERSTREAM (VÉASE LA NOTA [] DE LOS ESTADOS FINANCIEROS)

EVALUACIÓN DEL RIESGO	El contrato de Silverstream representa un gran activo en nuestro balance general que puede, como resultado de movimientos en las variables comentadas más adelante, dar origen a grandes cantidades de ingresos o gastos, aunque no sean en efectivo, en nuestro estado de resultados.
VARIABLES CONSIDERADAS	El contrato de Silverstream es un instrumento financiero derivado que debe ser reflejado en el valor justo en cada fecha del balance general. El valor justo es más sensible al tiempo y volumen de producción pronosticado derivado de las reservas y recursos y el perfil de producción de la mina Sabinas, el precio de plata futuro estimado y la tasa de descuento aplicada en la evaluación.
FUENTES DE GARANTÍA	El Comité de Auditoría comentó con la administración y EY las contribuciones a la valuación en la fecha del balance general y el análisis de sensibilidad relacionado. También revisó las revelaciones sugeridas de la administración relativas al contrato de Silverstream. Comentó con EY sus procedimientos su auditoría de la valuación.
OPERACIONES CON PARTES RELACIONADAS QUE INCLUYEN RECONOCIMIENTO DE INGRESOS (VÉASE LA NOTA [] DE LOS ESTADOS FINANCIEROS)	
EVALUACIÓN DEL RIESGO	Fresnillo tiene un accionista mayoritario y, como resultado de ello, tiene lazos muy fuertes tanto con

Peñoles como con todo el Grupo BAL. Existe un riesgo de que las relaciones con partes relacionadas pudieran sacar ventaja de manipular las ganancias o distorsionar de otro modo nuestra situación financiera. Además, los requisitos de revelación de operaciones con partes relacionadas permiten que los inversionistas entiendan la naturaleza y alcance de las operaciones de la Sociedad con partes relacionadas y hay un riesgo de que las revelaciones en nuestros estados financieros pudieran ser inexactas o incompletas.

VARIABLES CONSIDERADAS	Cada año, el Comité de Auditoría analiza la integridad de todas las operaciones con partes relacionadas importantes para asegurarse de que son hechas con transparencia y de manera justa para todos los accionistas (véase la sección de este Informe titulada “Operaciones con Partes Relacionadas”)
FUENTES DE ASEGURAMIENTO	El Comité de Auditoría consideró los informes de la administración sobre las operaciones con partes relacionadas durante el ejercicio y para la relación comercial con Met-Mex la base en la que se determinan los precios mediante referencia a informes referentes de terceros. Las evaluaciones de precios de transferencia también son realizadas por el asesor externo del Grupo, PriceWaterhouseCoopers (‘PwC’). El Comité de Auditoría discutió los procedimientos de EY para asegurarse de que las operaciones con partes relacionadas sean reconocidas efectivamente y reportadas correctamente en las revelaciones relevantes en el Informe Anual para asegurarse de que sean consistentes con la información que es presentada durante el ejercicio.
ESTIMACIÓN DE CANTIDADES EN INVENTARIO (VÉASE LA NOTA [] DE LOS ESTADOS FINANCIEROS)	
EVALUACIÓN DEL RIESGO	El inventario de las plataformas de lixiviación se acumula con el paso del tiempo, durante cuyo período el potencial de recuperación del metal precioso de ese inventario puede cambiar. Esto puede dar como resultado una valuación incorrecta del metal mantenido en las plataformas de lixiviación. La reestimación de las cantidades de mineral mantenidas en las plataformas de lixiviación en Herradura tiene que ser considerado como resultado de nueva información obtenida de las muestras tomadas cuando un nuevo camino de acceso fue cortado a través de la plataforma, después de lo cual se tomaron muestras de perforación un área más grande de la plataforma.
VARIABLES CONSIDERADAS	El Comité de Auditoría consideró la base de la administración para el tiempo y la calificación de la estimación actualizada. Esto incluyó (i) la relevancia de los resultados de las muestras

tomadas de un área de las plataformas de lixiviación para todos los depósitos; (ii) la justificación para las contribuciones utilizadas en el cálculo de inventario; (iii) los indicadores al cierre del ejercicio anterior, que podrían haber resaltado la necesidad de llevar a cabo una reestimación de las tasas de recuperación; y (iv) si hay una necesidad de reevaluar el inventario en otras unidades de negocios cercanas.

FUENTES GARANTÍA	DE	El Comité de Auditoría ha comentado las respuestas dadas a EY y sus especialistas por el equipo de administración operativa en respuesta a las indagaciones relativas a este asunto.
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RESERVAS Y RECURSOS MINERALES (VÉANSE LAS PÁGINAS [] A [])

EVALUACIÓN DEL RIESGO		Las reservas y recursos son un impulsor primario de la evaluación de mercado de Fresnillo y una contribución significativa en los cálculos de depreciación y evaluación de deterioro. Las inexactitudes en la estimación de reservas y recursos llevarían a amplias implicaciones en todo el Informe Anual y los Estados Financieros.
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VARIABLES CONSIDERADAS		La estimación de las reservas y recursos minerales requiere criterio significativo, no únicamente con respecto al mineral físicamente existente, sino también los supuestos de precios y costos de metales utilizados para determinar la ley de corte para identificar cuerpos minerales económicamente viables. También existe el criterio en el desarrollo y el mantenimiento de los planes de mina que estima el tiempo y las cantidades de la producción relacionada.
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FUENTES GARANTÍA	DE	El Comité de Auditoría tomó en cuenta el informe por SRK Consulting (el auditor de reservas y recursos independiente de la Sociedad) sobre las reservas y recursos (excluyendo a Silverstream) presentado al Consejo en febrero de 2019. El Comité de Auditoría también consideró la evaluación por EY de la competencia y objetividad de SRK.
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IMPUESTOS Y PTU (VÉASE LA NOTA [] DE LOS ESTADOS FINANCIEROS)

EVALUACIÓN DEL RIESGO	<p>La imposición a las empresas mineras en México ha sido objeto de gran atención y acción gubernamental en México. De acuerdo con la legislación mexicana, las empresas locales también pagan la participación de los trabajadores en las utilidades ('PTU') equivalente a aproximadamente el 10% de los ingresos gravables de cada ejercicio social.</p> <p>Existe un riesgo de que las deducciones tomadas cuando se calculan los cargos fiscales y de PTU puedan ser impugnadas y que cualesquiera exposiciones resultantes a impuestos y PTU pagaderos pueden no haber sido proporcionadas adecuadamente. Además, algunos activos y pasivos fiscales se denominan en pesos mexicanos y son revaluados en dólares estadounidenses durante el período, dando como resultado ganancias o pérdidas cambiarias que necesitan ser tomadas en cuenta cuando se evalúa el cargo fiscal para el período y el cálculo de impuestos diferidos.</p>
VARIABLES CONSIDERADAS	<p>El Comité de Auditoría revisa el estatus y posibles resultados de las auditorías fiscales y ajustes significativos aplicados a las utilidades contables para determinar las utilidades sujetas a impuestos o PTU para cada subsidiaria que se establecen claramente en los documentos elaborados por la administración.</p>
FUENTES DE GARANTÍA	<p>A lo largo del ejercicio, el Comité de Auditoría recibió actualización sobre el estatus de las inspecciones fiscales. El Comité de Auditoría revisó el memorándum de respaldo de la administración sobre la consolidación del impuesto y PTU y buscó las opiniones de EY con respecto a los mismos. Evaluó el grado al que dichas opiniones y ajustes son respaldados por peritos en la materia internos y/o externos y se aseguró de que estas explicaciones correspondan con la información que se presentó durante el ejercicio antes de aprobar las revelaciones relevantes en el Informe Anual.</p>

ASEGURARSE DE QUE EL INFORME ANUAL ES JUSTO, EQUILIBRADO Y COMPRESIBLE

El Comité de Auditoría apoya al Consejo en asegurarse de que el Informe Anual es justo, equilibrado y comprensible. El enfoque tomado por el Consejo en relación con el Informe Anual y los estados financieros para el ejercicio terminado el día 31 de diciembre de 2018 se describe en la página [x] del Informe de Gobierno Corporativo. El Comité de Auditoría además:

- revisa el Informe Anual y los estados financieros, tomando en cuenta los comentarios hechos e informes emitidos por EY y, después, decide si recomendarlos al Consejo para su aprobación; y
- comenta con Auditoría Interna cualesquiera asuntos que surjan de la revisión que llevan a cabo de las cifras no financieras principales en el Informe Anual (que son extraídas de los registros operativos de la Sociedad).



AUDITORÍA EXTERNA

ACTIVIDADES CLAVE DURANTE ÚLTIMOS LOS 12 MESES

- La revisión de la carta de EY que establece sus observaciones y oportunidades que surgen del proceso de auditoría de 2017 y respuestas de la administración a la misma.
- Discusiones con EY sobre las conclusiones de su revisión de los resultados provisionales para el período terminado el día 30 de junio de 2018.
- Revisión de la carta de representación semestral de 2018 dada a EY.
- Revisión y aprobación del plan de auditoría externa, honorarios y términos de la contratación de auditoría.
- Revisión del Informe del Consejo de Informe Financiero ('FRC') sobre EY como firma con respecto a los Informes Anuales de 2017.
- Consideración de la independencia, objetividad y calificaciones de EY como auditor externo.
- Revisión de la política sobre la prestación de servicios que no sean de auditoría por el auditor externo y aprobaciones.
- Revisión del informe del equipo de Revisión de Calidad de Auditoría con respecto a la auditoría de EY de los estados financieros de 2017.
- Revisión de los resultados de la 'auditoría de alcance completo' para los diez meses hasta el día 31 de octubre de 2018.
- Revisión del informe de EY después de la terminación de la auditoría para el ejercicio terminado el día 31 de diciembre de 2018.
- Revisión de la carta de representación dada a EY para la auditoría de año completo de 2018.
- Revisión de la efectividad del proceso de auditoría de año completo de 2018.

- Recomendación al Consejo del nombramiento de nuevo de EY como auditores en la AGM de 2019.

Durante 2018, los miembros del Comité de Auditoría se reunieron dos veces con representantes de EY sin que la administración estuviera presente y una vez con la administración, sin que los representantes de EY estuvieran presentes, para asegurarse de que no hay asuntos en la relación entre la administración y el auditor externo que deban ser tratados. No hubo ninguno.

NOMBRAMIENTO DEL AUDITOR EXTERNO

En febrero de 2018, el Comité de Auditoría consideró y recomendó el nombramiento de nuevo del auditor externo, EY, en el Consejo antes de la Asamblea General Anual de la Sociedad. Esta recomendación tomó en cuenta los compromisos hechos por EY durante el ejercicio de presentación que fueron llevados a cabo durante 2016 (y se detallaron en el Informe del Comité de Auditoría para 2016). EY fue nombrado auditor externo de la Sociedad por primera vez en 2008 y vuelto a nombrar después de este ejercicio de presentación en 2016.

El Socio de Auditoría es Daniel Trotman y ha sido el Socio de Auditoría por cuatro años.

EVALUACIÓN DEL AUDITOR EXTERNO

El Comité de Auditoría revisó la Revisión de Calidad de Auditoría de FRC sobre EY como firma, y el informe específico sobre la auditoría por EY de los estados financieros de 2017. La conclusión de esa revisión fue que la calidad de la auditoría era buena y que únicamente necesitaba mejoras limitadas. El Comité de Auditoría ha evaluado los dos puntos específicos planteados por AQRT y los comentó con EY. No considera estos puntos como significativos y el Presidente del Comité de Auditoría ha respondido a las comunicaciones recibidas de FRC.

En febrero de 2019, con base en los criterios anteriores y después de discusiones detalladas con la administración, el Comité de Auditoría evaluó el desempeño de EY en 2018 y concluyó que era adecuado para recomendar que se nombrara de nuevo a EY como auditor externo en la Asamblea General Anual de 2019.

CALIDAD E INDEPENDENCIA DEL AUDITOR EXTERNO Y POLÍTICA DE SERVICIOS QUE NO SEAN DE AUDITORÍA

El Comité de Auditoría está consciente de su responsabilidad de asegurarse de que el auditor externo mantiene su independencia y objetividad y está calificado adecuadamente con recursos y experiencia suficientes para ocupar el cargo. El

Comité de Auditoría revisó específicamente, y está satisfecho con, la independencia de EY como auditor externo con base en revelaciones proporcionadas por EY de acuerdo con las Normas Éticas del Reino Unido para la profesión de auditoría.

El Comité de Auditoría revisó su política para la prestación de servicios que no sean de auditoría al Grupo Fresnillo por el auditor externo (la 'Política') durante el ejercicio, habiendo sido actualizada previamente en 2016. No se hizo ningún cambio adicional a la Política en 2018. La política actual permite la contratación del auditor externo para prestar servicios de auditoría legales, cierta garantía y los servicios de auditoría legal cuando los honorarios sean menores a US\$5,000 para ser preaprobados. Cualquier contratación del auditor externo para prestar los servicios permitidos por arriba de US\$5,000 está sujeta a la aprobación específica del Comité de Auditoría. Durante 2018, el Comité de Auditoría autorizó a EY para que proporcionara investigación sobre las metodologías de precios de transferencia (US\$30,000), de acuerdo con la Política con base en que el Comité de Auditoría no consideró que este trabajo comprometía la independencia de EY. A la fecha de este Informe, este trabajo no ha sido otorgado a EY.

Detalles de los honorarios pagados a EY durante el ejercicio como se muestra en la nota [] de los estados financieros.



RIESGO Y CONTROL INTERNO

ACTIVIDADES CLAVE DURANTE LOS ÚLTIMOS 12 MESES

RIESGO	<ul style="list-style-type: none"> • Revisiones semestrales de la matriz de riesgos e Indicadores de Riesgo Claves ('KRIs'). • Revisiones semestrales de los Riesgos e Incertidumbres Principales.
CONTROL INTERNO	<ul style="list-style-type: none"> • Revisión trimestral de los informes de monitoreo de control interno para el Consejo. • Consideración del plan para la revisión de fin de año del sistema de controles internos. • Revisión anual del sistema de controles internos.
FINANZAS	<ul style="list-style-type: none"> • Revisión de la política de tesorería anual e inversión de saldos en efectivo.
NO FINANCIEROS	<ul style="list-style-type: none"> • Revisiones regulares del Programa Anti-sobornos y Anticorrupción ('ABAC'). • Informes regulares sobre asuntos legales (incluyendo títulos de terrenos y litigios).

	<ul style="list-style-type: none"> • Revisiones regulares de gobierno de TI, estrategia de TI, ciberseguridad y protección de datos. • Revisión anual de cumplimiento con las condiciones de licencias mineras.
NEGOCIO EN MARCHA	<ul style="list-style-type: none"> • Revisiones de medio año de la Declaración de Negocio en Marcha y documentos de respaldo.
VIABILIDAD	<ul style="list-style-type: none"> • Revisión del proceso para elaborar la Declaración de Viabilidad, incluyendo supuestos de planeación de escenarios y documentos de respaldo. • Revisión del borrador de la Declaración de Viabilidad antes de su presentación al Consejo para aprobación.

La administración sigue construyendo el marco de administración de riesgos existente, buscando mejorar el gobierno y administración de riesgos en todas las operaciones en línea con el Código de Gobierno Corporativo del Reino Unido. A fin de apoyar al Consejo en el seguimiento de las actividades de administración de riesgos normales, el Comité de Auditoría revisó las actividades de la administración en relación con:

- el informe trimestral al Consejo sobre la efectividad de los controles actuales;
- promover la propiedad de la mitigación de riesgos y controles relacionados entre los propietarios de procesos a nivel de unidad de negocios (siendo la primera línea de defensa) a través de sus informes periódicos sobre la efectividad de los controles; y
- asegurarse de que los valores corporativos y la cultura de control del Grupo sean incluidos en toda la organización.

Estos esfuerzos han dado como resultado un análisis transparente de los controles de administración operativos, financieros y ejecutivos para cada uno de los riesgos que han sido identificados por la administración en su universo de riesgos. Un informe trimestral es elaborado para el Consejo, el cual comenta sobre cualesquiera variaciones significativas en KRIs y la conclusión de la administración sobre el posible efecto de los índices de riesgos relevantes y/o cualesquiera modificaciones en los controles relacionados. Esto es revisado por el Comité de Auditoría antes de su presentación al Consejo.

Durante 2018, el Comité de Auditoría y el Consejo revisaron formalmente los Riesgos Principales e Incertidumbres del Grupo antes de la publicación de los informes provisional y de año completo.

Se establecen detalles adicionales del sistema de administración de riesgos en la página [].

ADMINISTRACIÓN DE RIESGOS FINANCIEROS

Los objetivos y políticas de la Sociedad sobre la administración de riesgos financieros, incluyendo información sobre las exposiciones de la Sociedad al riesgo de mercado, tales como divisas, precios de productos básicos, tasa de interés, tasa de inflación y riesgos de precios de capital; riesgo crediticio y riesgo de liquidez pueden encontrarse en la nota [] de los estados financieros.

TECNOLOGÍA DE INFORMACIÓN

En el ejercicio en curso, el Comité de Auditoría sigue recibiendo actualizaciones de la estrategia de TI del Grupo, su enlace con la estrategia general de negociación del Grupo y las implicaciones financieras de esa estrategia para el plan de negocios. El Comité de Auditoría también se ha enfocado en los riesgos relacionados de ciberseguridad. El Comité de Auditoría quedó convencido de que se había hecho progreso durante el ejercicio en cada una de estas áreas. Se establece información adicional acerca del enfoque a TI del Grupo en las páginas [] y [] del Informe Estratégico.

CONTROL INTERNO

El Comité de Auditoría ayuda al Consejo a monitorear la efectividad del ambiente de control interno de la Sociedad. Este monitoreo incluye vigilancia de todos los controles importantes, incluyendo financiero, operativo, regulador y de cumplimiento.

Durante 2018, el Comité de Auditoría ha seguido revisando el documento de monitoreo de control interno trimestral que fue introducido en 2016 y que es elaborado y presentado al Consejo en cada una de sus juntas ordinarias. Este documento informa específicamente sobre los desarrollos en los Indicadores de Riesgos Clave y controles internos y las conclusiones clave de los informes de Auditoría Interna trimestrales.

Durante 2018, el equipo de Auditoría Interna facilitó una “gira expositiva” de juntas con la administración en cada una de las Unidades de Negocios para discutir las diferencias entre la evaluación por Auditoría Interna de los controles internos del Grupo y aquellos de los equipos de administración. Este ejercicio promovió un mejor entendimiento de la importancia de los procedimientos internos del Grupo en la mitigación del riesgo y la mejora de los controles internos.

El proceso convenido por el Comité de Auditoría de monitorear el sistema de controles internos del Grupo se enfoca en mejorar el entendimiento de cómo interactúan las diversas fuentes de garantía (tales como administración operativa, administración financiera, administración ejecutiva y Auditoría Interna) en la revisión y ejecución de controles importantes que identifican y tratan cualesquiera lagunas en el marco de control. Para este objeto, el Comité de Auditoría, con la ayuda de la función de riesgos y la administración, ha evaluado su enfoque para monitorear la efectividad continua del sistema de controles internos del Grupo. El progreso a la fecha fue revisado por el Comité de Auditoría en febrero de 2019.

Las excepciones de control adicionales identificadas en el ejercicio en curso incluyen aquellas relativas a procedimientos de salud y seguridad, manejo de explosivos, mejora adicional del monitoreo de depósitos de jales y procedimientos en relación con permisos. Estos asuntos no son significativos a lo largo de las operaciones del Grupo, pero cada asunto ha tenido lugar por lo menos en una de las áreas operativas del Grupo y se han aprobado planes de saneamiento y éstos están siendo procesados.

A recomendación del Comité de Auditoría, el Consejo convino que la siguiente declaración sea hecha acerca de la revisión del sistema de control interno en el Informe Anual y los Estados Financieros de 2018.

El Consejo, a través del Comité Ejecutivo y el Comité de Auditoría (en su junta de febrero de 2019), ha revisado la efectividad del sistema de controles internos del Grupo. Como resultado de esta revisión, el Consejo considera que las medidas que han sido o se planea que sean puestas en marcha complementan el marco de administración de riesgos de Fresnillo y son adecuadas para las circunstancias del Grupo.

El Consejo está comprometido con el desarrollo continuo de su régimen de control interno con el objeto de lograr y mantener los niveles de mejores prácticas de administración de riesgos y control interno para las sociedades mineras internacionales inscritas en la Bolsa de Valores de Londres.

NEGOCIO EN MARCHA

Los Consejeros deben estar convencidos con respecto a la capacidad del Grupo para continuar como negocio en marcha por un mínimo de 12 meses a partir de la aprobación de los estados financieros. El Comité de Auditoría respaldó al Consejo en esta evaluación, considerando si la Sociedad tenía recursos líquidos adecuados para cumplir con sus obligaciones cuando lleguen a su vencimiento. En febrero de 2019, el Comité de Auditoría revisó el presupuesto y los pronósticos de flujo de efectivo del Grupo para el período transcurrido hasta diciembre de 2020, tomando en cuenta los perfiles de producción previstos de la Sociedad en cada mina, el capital presupuestado y el gasto de exploración y la sensibilidad de

los pronósticos de flujos de efectivo a los movimientos en los precios de los metales, incluyendo hacer pruebas de tensión a esos pronósticos para identificar los niveles a los que los precios de los metales deben caer para poner presión en los niveles de capital de trabajo.

El Comité de Auditoría también consideró el informe de EY sobre esta evaluación y la idoneidad de los supuestos incluidos en el mismo, incluyendo su consistencia con los supuestos y estimaciones utilizados en otra parte en la elaboración de los estados financieros. El Comité de Auditoría también desafió a la administración sobre la posibilidad de las acciones de mitigación y la velocidad potencial de su puesta en marcha. Como resultado de los procedimientos llevados a cabo, el Comité de Auditoría quedó convencido de que la base de elaboración de negocio en marcha es adecuada y los estados financieros reflejan adecuadamente las conclusiones sobre el negocio en marcha.

EVALUACIÓN DE VIABILIDAD

El equipo ejecutivo ha desarrollado un enfoque global para la elaboración de la Declaración de Viabilidad, que fue por primera vez utilizada en el informe anual de la Sociedad para el ejercicio terminado el día 31 de diciembre de 2015. Este proceso ha sido revisado cada año desde entonces y se desarrolló de manera incremental. Las medidas clave en este proceso son explicadas dentro de la Declaración de Viabilidad.

El Comité de Auditoría revisó la metodología que el equipo ejecutivo adoptó en la elaboración de la Declaración de Viabilidad en su junta de diciembre de 2018 y después revisó el resultado de este proceso en su junta de febrero de 2019. Dado el período de evaluación de cinco años para objetos de la Declaración de Viabilidad, el impacto potencial de la restitución de los US\$800 millones en Pagars Senior en 2023 también fue tomado en cuenta por primera vez.

La Declaración de Negocio en Marcha del Consejo y la Declaración de Viabilidad a más largo plazo se establecen en el Informe Estratégico en las páginas [] y [].



ACTIVIDADES CLAVE DURANTE LOS ÚLTIMOS 12 MESES

ANUALMENTE

- Revisión de Plan de Auditoría Interna y sus recursos para el ejercicio siguiente.

	<ul style="list-style-type: none"> • Evaluación de Auditoría Interna.
DOS VECES AL AÑO	<ul style="list-style-type: none"> • Junta entre el Comité de Auditoría y Auditoría Interna sin que la administración esté presente.
TRIMESTRAL	<ul style="list-style-type: none"> • Revisión de las conclusiones significativas de Auditoría Interna (incluyendo avances sobre los puntos más importantes de las auditorías anteriores) con base en las auditorías llevadas a cabo durante el trimestre más reciente.

El Jefe de Auditoría Interna y Subdirector de Auditoría Interna asistieron a todas las juntas del Comité de Auditoría.

El equipo de Auditoría Interna busca finalizar las auditorías de todos los riesgos operativos en todos los activos mineros de Grupo Fresnillo de manera regular. Durante el ejercicio, el Comité de Auditoría recibió comentarios específicos de Auditoría Interna para centrarse en tres áreas en particular:

1. **Nuevas minas:** Después del énfasis en la auditoría de las nuevas minas de la Sociedad que fue iniciada en 2016, Auditoría Interna finalizó su examen para asegurarse de que se pusieran en marcha procedimientos adecuados desde el inicio en estas nuevas operaciones y para determinar si había cualesquiera lecciones que tuvieran que ser aprendidas. Este trabajo fue fundamental para refinar las metodologías y arreglos de trabajo entre múltiples disciplinas para proporcionar mejor transparencia a la administración acerca del desempeño operativo y financiero a lo largo del proceso de la construcción y puesta en marcha de nuevas minas.
2. **Señales de alerta:** En cada junta durante el ejercicio, el Comité de Auditoría se enfocó en el progreso hecho por la administración en tratar asuntos con 'señales de alerta', que son las debilidades de control más graves planteadas durante las visitas de auditoría interna, para asegurarse de que las respuestas de la administración al saneamiento sean adecuadas y el avance en la reducción del número de señales de alerta sea oportuno con el paso del tiempo.
3. **Asuntos de TI:** (incluyendo ciberseguridad): Durante 2017, el Comité de Auditoría recibió presentaciones del Jefe de TI que establecen la Estrategia de TI del Grupo para el ejercicio y que demuestran cómo esto respalda la Estrategia del Grupo en general. El Comité de Auditoría observó un buen avance en establecer procedimientos y sistemas adecuados para tratar con amenazas de ciberseguridad. Una fase de trabajo inicial respaldada por PwC ha sido completada ahora y una segunda fase de trabajo de puesta en marcha, facilitada por Deloitte está progresando bien.

Además, el Comité de Auditoría también monitoreó la calidad del diálogo entre Auditoría Interna y el Comité Ejecutivo en la revisión de las conclusiones de auditoría interna y en convenir planes de acción con niveles adecuados de apoyo operativos para tratar los puntos que surgieron. El Comité de Auditoría se reunió con el Director Ejecutivo y el Director Operativo varias veces durante el ejercicio para revisar los puntos sobresalientes y está satisfecho con el avance logrado a través de este diálogo.

El Plan de Auditoría Interno para 2019 fue revisado en la junta del Comité de Auditoría en octubre de 2018 y fue aprobado. Cuando se revisa el Plan de Auditoría Interna para el ejercicio, el Comité de Auditoría también consideró al personal disponible dentro del equipo de Auditoría Interna y su experiencia para proporcionar recursos para su carga de trabajo en aumento. Para 2019, el Comité de Auditoría solicitó que el equipo de Auditoría Interna considerara si cualesquiera auditorías enfocadas en finanzas adicionales deben ser consideradas además de las auditorías operativas que se llevan a cabo actualmente dentro del plan.

Los miembros del Comité de Auditoría evalúan el cumplimiento del equipo de Auditoría Interna anualmente y, en 2018, este proceso fue facilitado externamente por Deloitte. Las conclusiones de la evaluación fueron presentadas al Comité de Auditoría, y un resumen de las mismas fue presentado al Consejo en febrero de 2019. La opinión general de Deloitte fue que la función de Auditoría Interna está cumpliendo de manera efectiva. El Comité de Auditoría revisará sus recomendaciones detalladas con Auditoría Interna en sus próximas juntas.



DENUNCIA DE ACTOS ILÍCITOS

ACTIVIDAD CLAVE DURANTE LOS ÚLTIMOS 12 MESES

- Revisión de los casos de denuncia de actos ilícitos considerados por la Comisión de Honor en cada junta del Comité de Auditoría.

Fresnillo plc tiene una línea para denunciar actos ilícitos disponible para todos los grupos de interés, incluyendo empleados, terceros y el público en general. La información relativa a este mecanismo de denuncia de actos ilícitos es ampliamente circulada con acceso disponible a través de nuestro sitio en la red en la sección de Ética y Cultura/Código de Conducta. El objeto de la línea para denunciar actos ilícitos es alentar a los empleados y a terceros a dar a conocer sus preocupaciones de buena fe acerca de la mala conducta que va o que parece que va contra el Código de Conducta interno de la Sociedad y nuestros valores institucionales.

La línea de ayuda para denunciar actos ilícitos 'Fresnillo Plays Fair' permite a los grupos de interés reportar anónimamente (mediante un tercero independiente) violaciones al Código de Conducta del Grupo. Los resultados son evaluados por un tercero independiente y procesados para revisión por la Comisión de Honor, que incluye al Director Ejecutivo, al Director de Finanzas, al Director de Operaciones, al Funcionario de Cumplimiento, al Director de Auditoría Interna, al Vicepresidente de Exploración y al Director Jurídico. Los informes de denuncia de actos ilícitos son revisados trimestralmente por el Comité de Auditoría.

Estos arreglos han estado establecidos por algún tiempo y el Comité de Auditoría es responsable de asegurarse de que la investigación adecuada de todos los incidentes de denuncia de actos ilícitos sea llevada a cabo de manera oportuna. En 2018, había en total 60 reportes, un aumento del 30% con respecto a 2017. El Comité de Auditoría sigue viendo este aumento como resultado de los esfuerzos de la Sociedad por promover un mejor entendimiento de los beneficios de reportar asuntos y considera que esto indica que los empleados reconocen que dichos reportes son valorados y que las investigaciones son evaluadas rigurosamente. En 2018, el 65% de los reportes fueron concluidos en el ejercicio, quedando el resto, que surgió en la última parte del ejercicio, aún en investigación. Se establecen detalles adicionales sobre la actividad de reporte de denuncia de actos ilícitos en 2018 en el Informe de Sustentabilidad en las páginas xx a xx.

Durante 2018, el Comité de Auditoría estuvo convencido de que todos los asuntos han sido o son investigados adecuadamente tomando una acción apropiada. El Comité de Auditoría considera que el nivel actual de asuntos que surgieron es una buena evidencia de que el programa está siendo tomado seriamente en todo el Grupo y está operando satisfactoriamente.

El Consejo y el Comité de Auditoría han considerado si la responsabilidad de vigilar los arreglos de denuncia de actos ilícitos debe transferirse al Consejo, en línea con las recomendaciones del Código de Gobierno Corporativo del Reino Unido de 2018. Tanto el Consejo como el Comité de Auditoría consideran que la vigilancia actual por el Comité de los arreglos de denuncia de actos ilícitos trabaja bien y, por lo tanto, esta responsabilidad seguirá siendo del Comité de Auditoría; sin embargo, el Presidente del Comité de Auditoría reportará formalmente al Consejo con respecto a las revisiones del Comité de Auditoría de la línea de denuncia de actos ilícitos por lo menos dos veces al año en el futuro.



PARTES RELACIONADAS

ACTIVIDADES CLAVE DURANTE LOS ÚLTIMOS 12 MESES

- Revisión de la lista de partes relacionadas.
- Conclusión de la renovación del Contrato de Servicios Compartidos.
- Revisión del programa de seguros (incluyendo el papel de las partes relacionadas en el programa de seguros).
- Revisión del cargo de tratamiento de Met-Mex y las tarifas de cargo de refinación para 2018.

Peñoles es propietario de un poco menos del 75% del capital social emitido de la Sociedad (véase la página []) y, por lo tanto, tiene y seguirá teniendo un nivel significativo de influencia sobre los asuntos y operaciones de Fresnillo.

Ser parte del mismo Grupo también proporciona una oportunidad de beneficios de sinergia que serán logrados de manera operativa y administrativa combinando los recursos de los servicios comunes que pueden ser compartidos entre Peñoles y Fresnillo. Los principales arreglos entre la Sociedad y las partes relacionadas son:

EL CONTRATO DE SERVICIOS COMPARTIDOS

El Contrato de Servicios Compartidos es un contrato celebrado entre la Sociedad y Peñoles conforme al cual 24 categorías de servicios son proporcionadas a la Sociedad por Peñoles. El Contrato de Servicios Compartidos fue renovado por cinco años con efecto a partir del día 1 de enero de 2018. A fin de asegurarse de que a Fresnillo se le cobra adecuadamente por los servicios prestados por Peñoles conforme al Contrato de Servicios Compartidos, la administración tiene juntas ordinarias con Peñoles para comentar su desempeño contra los Indicadores de Desempeño Clave ('KPIs') para cada una de las diferentes categorías de servicio cuando los asuntos de incumplimiento son tratados y el remedio es convenido. Además, Auditoría Interna lleva a cabo revisiones de aproximadamente una tercera parte de los servicios prestados cada año para asegurarse de que estos servicios son prestados de acuerdo con los KPI convenidos. Como resultado, todos los servicios son revisados por Auditoría Interna a lo largo de un ciclo de tres años.

Como se describe en el Informe Anual de 2017, el Comité de Auditoría concluyó que el nuevo Contrato de Servicios Compartidos de cinco años fue razonable en todos los aspectos

	<p>y recomendó que los Consejeros No Ejecutivos independientes aprueben la firma del Contrato de Servicios Compartidos por la Sociedad, lo que hicieron en la junta del Consejo en febrero de 2018.</p>
<p>CONTRATO DE MET-MEX</p>	<p>Durante el ejercicio, el Comité de Auditoría consideró los cargos propuestos con respecto a los arreglos de Met-Mex para 2018 en comparación con los precios propuestos a precios comparables cobrados por Met-Mex a clientes independientes y a aquellos de fundidoras que toman en cuenta la composición de minerales y los costos de transporte para validar que son razonables. Con base en el resultado satisfactorio de la revisión por el Comité de Auditoría de los precios propuestos, el Comité de Auditoría recomendó al Consejo que los Consejeros independientes aprueben los cargos propuestos para 2018 conforme a los arreglos de Met-Mex, lo que hicieron en la junta del Consejo en octubre de 2018.</p>
<p>OTROS ARREGLOS</p>	<p>Existen otros tratos con partes relacionadas en el curso ordinario de operaciones (por ejemplo, corredores de seguros) que, aunque requieren aprobación por los Consejeros independientes serán revisados de manera periódica por el Comité de Auditoría para asegurarse de que los arreglos sean con base razonable entre iguales.</p>



EFFECTIVIDAD

ACTIVIDADES CLAVE DURANTE LOS ÚLTIMOS 12 MESES

- Actividades de evaluación del Comité de Auditoría.
- Revisión anual de los términos de referencia del Comité de Auditoría a fin de asegurarse de que estén actualizados.

Desde el inicio del Comité de Auditoría ha habido un programa continuo de evaluación que ha aceptado las actividades del Comité, así como los cumplimientos respectivamente del auditor externo y la función de Auditoría Interna. Por lo menos una vez cada tres años, estas revisiones han sido facilitadas

externamente con ejercicios de evaluación internos llevados a cabo durante los ejercicios intermedios.

Después de la evaluación externa de 2017 del Comité por Lintstock LLP, una revisión interna del Comité de Auditoría fue llevada a cabo por el Secretario de la Sociedad utilizando un enfoque basado en un cuestionario. El resultado de esa revisión fue considerado satisfactorio y en la junta del Comité de Auditoría en diciembre de 2018 una serie de medidas específicas fueron comentadas, enfocándose principalmente en mejorar más la eficiencia del tiempo de las deliberaciones del Comité y desarrollando algunos aspectos de los informes proporcionados al Comité.

Los miembros del Comité de Auditoría tienen la responsabilidad de actualizar sus conocimientos de asuntos contables y de auditoría, así como asuntos reguladores relevantes. También se aseguran de que desarrollen un buen entendimiento de las operaciones de la Sociedad. Durante 2018, tanto Alberto Tiburcio como Charles Jacobs visitaron varias minas del Grupo. Además de las sesiones informativas y actualizaciones habituales a las que asistieron, fueron anfitriones de una junta de los Presidentes del Comité de Auditoría de otras sociedades de recursos operadas en bolsa en el Reino Unido para discutir los asuntos de auditoría y contables actuales que estén siendo considerados en todo el sector minero.

Los términos de referencia del Comité fueron revisados para tomar en cuenta los requisitos del nuevo Código de Gobierno Corporativo del Reino Unido y fueron aprobados por el Consejo en febrero de 2019.

Fresnillo plc –Informe de Remuneración de 2018

UN VISTAZO A LA REMUNERACIÓN

RESUMEN DE LA POLÍTICA DE REMUNERACIÓN

OBJETIVO DE LA POLÍTICA DE REMUNERACIÓN

¿QUÉ BUSCA LOGRAR LA POLÍTICA?

La política de remuneración del Grupo busca asegurarse de que la Sociedad pueda atraer, conservar y motivar a sus Consejeros Ejecutivos y miembros del

Comité Ejecutivo. La retención del personal directivo clave y la alineación de los incentivos de la administración con la creación de valor para los accionistas son los objetivos principales de esta política.

COMPONENTES DE LA REMUNERACIÓN DE LOS CONSEJEROS

¿CÓMO ESTÁ ESTRUCTURADA LA REMUNERACIÓN EJECUTIVA?

COMPONENTE	RAZONAMIENTO
SALARIO	<p>Establecer niveles de salario base para los Consejeros Ejecutivos y miembros del Comité Ejecutivo a un nivel adecuado es vital para la retención del personal directivo en México. Los salarios están posicionados dentro de un margen de salarios posibles de acuerdo con la experiencia y antigüedad.</p> <p>Normalmente, con sujeción al desempeño, se aplicará el mismo porcentaje a los aumentos salariales en la Sociedad para la alta gerencia y otros empleados similares.</p>
BONOS	<p>El bono anual recompensa el logro de objetivos financieros y de negocios estratégicos y el logro de objetivos personales. El bono anual tiene un tope equivalente a seis meses de salario y es pagado con base en los parámetros establecidos en la política de remuneración.</p>
INCENTIVOS LARGO PLAZO	<p>A El esquema de bonos anual establece objetivos alineados con los objetivos estratégicos a largo plazo, de modo que estas prioridades estén arraigadas dentro de las actividades diarias de nuestro negocio. La Sociedad no opera un plan de incentivos a largo plazo.</p>
PRESTACIONES	<p>Las prestaciones son otorgadas en línea con la política de prestaciones a empleados del Grupo.</p>

PENSIÓN

El Grupo opera un esquema de aportaciones definidas. Los Consejeros Ejecutivos y personal directivo clave tiene derecho a ser miembro del esquema de aportaciones definidas.

REMUNERACIÓN EN ACCIONES

La Sociedad no usa formas de remuneración basadas en acciones ya que históricamente no ha sido una forma de remuneración común en México.

Características adicionales de la Política de Remuneración de Fresnillo

LINEAMIENTOS DE TENENCIA ACCIONARIA

En ausencia de esquemas de incentivos en acciones, la Sociedad no adopta lineamientos de tenencia accionaria para los ejecutivos.

RECUPERACIÓN DE BONO

La ausencia de incentivos a largo plazo y la operación de la ley mexicana hace difícil adoptar arreglos de reembolso y de sanción. Sin embargo, hay alcance dentro del esquema de bonos para que las recompensas de bonos sean ajustadas a la baja, a discreción del Comité de Remuneración.

¿Qué se logró? Datos destacados y resultados de desempeño en 2018							Remuneración del Director Ejecutivo en 2018	
Producción de plata (Moz) 61.8 + 5.3% (2017: 58.7)	Producción de oro (Koz) 922.5 + 1.3% (2017: 911.1)	Reservas totales de plata (Moz) 476.9 – 5.1% (2017: 501.7)	Reservas totales de oro (Moz) 11.0 – 6.0% (2017: 11.7)	Utilidad del ejercicio (US\$m) 350.0 – 37.6% (2017: 560.8)	Incidentes ambientales totales 0 (2017: 0)	Fallecimientos 5 (2017: 1)	Salario total (US\$'000) 829 + 4% (2017: 809)	Bono (US\$'000) Cero – (100%) (2017: 98)

OBJETIVO DE BONO ANUAL

¿QUÉ SE BUSCA LOGRAR CON EL BONO ANUAL?

El bono anual es establecido por y se basa en el desempeño a lo largo de un período de un solo año; sin embargo, los KPIs y objetivos también están diseñados para asegurarse de que tanto los objetivos a corto plazo como el desarrollo a largo plazo del Grupo Fresnillo tengan la misma prioridad en términos generales dentro de la remuneración variable.

EQUILIBRIO DE LOS OBJETIVOS A LARGO PLAZO Y CORTO PLAZO - ¿CÓMO SE ESTRUCTURA EL BONO ANUAL?

	Enlace con la Estrategia	Categoría de Bono	Ponderación	Medición	Impacto
					Corto plazo contra Largo plazo
1	Maximizar el potencial de las operaciones existentes	Producción 3	26	Aumento de onzas equivalentes producidas	(1) Impulsa los resultados anuales (2) Respalda la sustentabilidad financiera a largo plazo
2	Entregar crecimiento a través de proyectos de desarrollo	Seguridad 3 4	5+/-5	Fallecimientos	(1) Garantiza un ambiente de trabajo seguro (2) Crea una cultura positiva
		Recursos 1 2 3	30	(1) Aumento en recursos totales (2) Aumento en recursos actualizados	Se asegura de que los prospectos a largo plazo sean mejorados
3	Ampliar los proyectos de crecimiento	Partes interesadas 1 2	11	Varios unidos a relaciones con empleados, proveedores y comunidad	Mantiene el modelo de negocios a largo plazo

		Financiero 1 2 3	17	Utilidad Neta Ajustada	(1) Impulsa los resultados anuales (2) Respalda la sustentabilidad financiera a largo plazo
4	Fomentar el desarrollo sustentable	Trabajo en Equipo 1 2 4	11	(1) Trabajo en equipo (2) Planeación de sucesión	(1) Mejora el desempeño a corto plazo (2) Equipo de administración sustentable
		Seguridad y medio ambiente 3 4	Penalidades	(1) Fallecimientos múltiples (2) Incidentes ambientales	(1) Garantiza un ambiente de trabajo seguro (2) Reduce el riesgo de daños ambientales a largo plazo

Nota: La Utilidad Neta se ajusta para excluir fluctuación monetaria, el efecto de los cambios año con año en los precios del metal y cualquier reevaluación del Contrato de Silverstream.

Además de las Penalidades basadas en los parámetros, el Comité de Remuneración también tiene discreción para reducir los pagos de bonos en caso de mal desempeño operativo y financiero, véase la Política de Remuneración en la página xxx.

INFORME DE REMUNERACIÓN DE LOS CONSEJEROS

DECLARACIÓN ANUAL DEL PRESIDENTE

ESTIMADO ACCIONISTA

Este año ha sido un año de reflexión para el Comité de Remuneración. Seguimos agradeciendo el apoyo de nuestros accionistas a nuestros arreglos de remuneración y me complace observar que este apoyo fue ampliamente demostrado de nueva cuenta en nuestra AGM de 2018.

Sin embargo, por algún tiempo, el Comité de Remuneración ha considerado si los arreglos del bono anual para nuestro equipo de alta gerencia podrían alinearse mejor con nuestra estrategia. A medida que la Sociedad avanza de una fase de crecimiento bastante rápido a una fase de consolidación, consideramos que cierta realineación sería útil. Al reflexionar sobre lo anterior, también hemos considerado la retroalimentación que hemos recibido de los accionistas con respecto a nuestros arreglos de remuneración. En el informe anual del ejercicio anterior, establecimos que habría un tope sobre cualquier componente individual de los arreglos de bonos de 135% del objetivo. Más recientemente, hemos refinado en mayor medida el esquema de bonos para alinear mejor los KPIs con los requisitos de nuestra estrategia actual y perfil de crecimiento y también para introducir una escala de pagos móviles entre dos meses de salario y seis meses de salario para un máximo logro en lugar de los límites de pagos en etapas entre el objetivo y el máximo que tenemos actualmente. Consideramos que estos cambios, diseñados para mejorar la efectividad de nuestro plan de bonos, deben ser aprobados por nuestros accionistas y, por lo tanto, estamos presentando nuestra política de remuneración para aprobación en la AGM de 2019. Les pediré su apoyo para estas reformas.

El Comité de Remuneración ha considerado los requisitos del nuevo Código de Gobierno Corporativo del Reino Unido. Ya que nuestra política de remuneración no prevé el uso de incentivos en acciones a largo plazo, los elementos más significativos del nuevo Código no se aplican a Fresnillo. Sin embargo, hay algunos principios importantes establecidos en el nuevo Código que reconocemos son importantes. El Comité de Remuneración considera que la política de remuneración de la Sociedad siempre ha sido inherentemente clara, simple, predecible y proporcional. También consideramos firmemente que nuestra política está diseñada para evitar recompensas excesivas. Sin embargo, los cambios a la política de remuneración que estamos proponiendo en la AGM de 2019 buscan crear una alineación aún más cercana entre la remuneración y el objetivo, valores y estrategia de la Sociedad. Los cambios principales propuestos a la Política se resumen a continuación:

Cambio propuesto	Razonamiento
<p>Actualización de los KPIs mencionados en la Política, tanto en términos de los objetivos mismos como de las medidas relacionadas con los mismos.</p>	<p>Alinear mejor los incentivos de los miembros del Comité Ejecutivo como requisitos del negocio a medida que el Grupo avanza a una fase de crecimiento orgánico más lento.</p>
<p>Introducir un tope a cada uno de los KPIs (exceptuando al KPI de Seguridad) de modo que los puntos otorgados sobre cualquier KPI (excepto Seguridad) no puedan exceder 135 por ciento del objetivo establecido para ese KPI al inicio del ejercicio.</p>	<p>Mitigar la posibilidad de que el alto rendimiento en una categoría pudiera compensar el mal desempeño en todas las demás categorías.</p>
<p>Introducir una escala móvil para bonos entre 100 puntos (dos meses de salario) y 115 puntos (seis meses de salario) en vez del enfoque en fases actual.</p>	<p>Alinear de manera más cercana el bono con el desempeño real.</p>

En nuestro Informe de Remuneración, seguimos publicando la información de remuneración con respecto a nuestro Director Ejecutivo como si fuera miembro del Consejo, aunque no es así. Consideramos que ésta es una adición adecuada a la transparencia de nuestro informe. Como siempre, estoy interesado en escuchar las opiniones de los accionistas sobre nuestra manera de abordar la remuneración de ejecutivos.

Atentamente

Charles Jacobs

Presidente del Comité de Remuneración

INFORME ANUAL DE REMUNERACIÓN 2018

INTRODUCCIÓN

Este Informe establece información acerca de la remuneración de los Consejeros y Director Ejecutivo de la Sociedad del ejercicio terminado el día 31 de diciembre de 2018. De conformidad con el Reglamento, la información proporcionada en la sección titulada “Remuneración de los Consejeros - 1 de enero de 2018 a 31 de diciembre de 2018” y las notas adjuntas ha sido auditada por Ernst & Young LLP.

Aunque el Director Ejecutivo actualmente no es miembro del Consejo, el Comité de Remuneración ha elegido reportar sobre su remuneración en este Informe como si fuera Consejero, de acuerdo con el espíritu del Reglamento.

INFORMACIÓN AUDITADA - REMUNERACIÓN DE LOS CONSEJEROS - 1 DE ENERO DE 2018 A 31 DE DICIEMBRE 2018

CIFRA TOTAL ÚNICA DE REMUNERACIÓN

Los salarios detallados recibidos por los Consejeros Ejecutivos y No Ejecutivos y el Director Ejecutivo durante el ejercicio terminado el día 31 de diciembre de 2018 se detallan a continuación:

US\$'000	Salario/ Honorarios 2018	Prestaciones 2018	Bono anual 2018	Pensión 2018	Total 2018	Salario/ Honorarios 2017
Presidente						
Alberto Baillères	47	0	0	0	47	43
Consejeros No Ejecutivos						
Juan Bordes	47	0	0	0	47	43
Arturo Fernández	47	0	0	0	47	43
Jaime Lomelín	47	0	0	0	47	43
Fernando Ruiz	47	0	0	0	47	43
Guy Wilson ¹	49	0	0	0	49	118
Alejandro Baillères	47	0	0	0	47	43

Bárbara Garza Lagüera	47	0	0	0	47	43
Charles Jacobs	120	0	0	0	120	118
Jaime Serra	47	0	0	0	47	43
Alberto Tiburcio ²	58	0	0	0	58	43
Dame Judith Macgregor ³	120	0	0	0	120	72
Georgina Kessel ⁴	28	0	0	0	28	-
Total	751	0	0	0	751	695
Director Ejecutivo (no es miembro del Consejo durante el ejercicio)						
Octavio Alvidrez ^{5,6}	830	78	0	(22)	886	810
Gran Total	1,581	78	0	(22)	1,637	1,505

1 Guy Wilson se retiró del Consejo el día 30 de mayo de 2018.

2 El aumento de los honorarios de Alberto Tiburcio se debe a sus mayores responsabilidades como Presidente del Comité de Auditoría.

3 Dame Judith Macgregor fue nombrada miembro del Consejo el día 23 de mayo de 2017.

4 Georgina Kessel fue nombrada miembro del Consejo el día 30 de mayo de 2018.

5 Las prestaciones otorgadas al señor Alvidrez incluyen el costo de primas de seguro de vida 2018: US\$28,632 (2017: US\$26,536), membresías de club 2018: US\$3,039 (2017: US\$1,748), subsistencia y otras prestaciones de alimentos 2018: US\$5,147 (2017: US\$13,613), primas de seguro médico que cubren gastos limitados y chequeos 2018: US\$2,534 (2017: US\$5,045), chofer 2018: US\$32,818 (2017: US\$29,780), automóvil 2018: US\$5,185 (2017: US\$3,957), y costos de seguridad social 2018: US\$1,041 (2017: US\$993).

6 La base del cálculo del bono anual del señor Alvidrez para 2018 se establece en la siguiente tabla.

La Sociedad no opera un plan de incentivos a largo plazo o incentivos basados en acciones.

Los objetivos, aplicados al pago del bono anual del señor Alvidrez, las medidas asociadas con cada objetivo y la ponderación relativa entre objetivos se detallan a continuación:

Categoría de bonos	Medición	Puntos de ponderación	Objetivo KPI 2018	R	P	R	Premio en puntos 2017
				e	r	e	
				s	e	s	
				ul	n	u	
				ta	i	l	
				d	o	t	
				o	e	a	
				d	n	d	
				e	p	o	
				2	u	d	
				0	n	e	

				1 8	t o s 2 0 1 8	2 0 1 7	
Producción	Aumento en las onzas equivalentes producidas ² <i>Esta información se muestra en las páginas []</i>	26	129.3 millones de onzas equivalente de plata (2017: 118.8 millones equivalentes)	1 2 2 .7	2 4 . 7	1 1 8 .0	25 .9
Recursos	Aumento en recursos totales ² <i>Esta información se muestra en las páginas []</i>	10	Por lo menos mantener los recursos totales del año previo	1 0 0 %	1 0 . 0	1 0 3 %	10 .3
	Aumento en los recursos actualizados de inferidos a medidos/indicados ² <i>Esta información se muestra en las páginas []</i>	20	Por lo menos mantener el total del año previo indicado	1 0 3 %	2 0 . 6	1 0 1 %	20 .2
Financiero	Utilidad neta ajustada	17	US\$486 millones ⁴ (2017: US\$384 millones)	U S \$ 3 7 3 m ill o n e s	1 3 . 1	U S \$ 4 4 2 m i l l o n e s	19 .6

Partes interesadas	Relación con partes interesadas clave, por ejemplo comunidades y sindicatos ⁴	5	No medido	7	7	5	5
	Administración de derechos sobre el terreno	3		4	4	4	4
	Controles sobre contratistas	3		4	4	4	4
Trabajo en equipo	Trabajo en equipo colectivo en todo el Grupo ⁴	5	No medido	7	7	7	7
	Avance del Plan de Sucesión para cargos en el Comité Ejecutivo ⁴	6		6	6	5	5
Seguridad	Accidentes fatales ⁵	5	Cero	5	0	1	0
Subtotal		100			9 6 .4		10 1. 1
Penalizaciones:	Seguridad: Medio ambiente:	– –	Cero accidentes fatales ⁶ : Cero incidentes graves. ⁷		(9 .3) 0		0 0
Subtotal		100			8 7 .1		10 1. 0
Discreción⁸		100			-		-
Total		100			8 7 .1		10 1. 0

1 La ponderación de puntos es considerada por el Comité de Remuneración cada año para asegurarse de que refleje un equilibrio adecuado de prioridades para la administración. Cuando se considere necesario un cambio de énfasis, la ponderación será reformada en ejercicios futuros.

2 Cualquier disminución en las onzas equivalentes producidas y/o en las reservas y recursos tendrá como resultado la deducción de puntos del total de puntos registrados en proporción al nivel del faltante comparado con el ejercicio previo. La

producción excluye cantidades del contrato de Silverstream y se compara contra el presupuesto del ejercicio. Los recursos totales incluyen 100% de todas las estimaciones de recursos en las minas controladas del Grupo, independientemente de la propiedad.

3 La utilidad neta es ajustada para excluir la fluctuación de moneda, el efecto de cambios de un ejercicio a otro en los precios de metales y cualquier reevaluación del contrato de Silverstream. La cantidad de utilidad neta de 2018 para objetos del bono anual de 2018 estaba en línea con este enfoque. En la página [] se muestra una tabla que establece la reconciliación de la utilidad neta con las cifras reportadas en los estados financieros. La meta es establecida como utilidad del ejercicio previo, excluyendo la reevaluación del contrato de Silverstream, la reevaluación del ajuste a valor de mercado derivados y ganancias/pérdidas cambiarias del ejercicio previo.

4 Los puntos otorgados por los objetivos de las partes interesadas y trabajo en equipo están sujetos a cierta discreción. Los puntos siguientes son otorgados dependiendo de la evaluación por parte del Comité de Remuneración del esfuerzo de las partes interesadas y trabajo en equipo: Desempeño satisfactorio = 100% de los puntos de ponderación; desempeño sobresaliente = 140% de los puntos de ponderación; y desempeño menor = 0 puntos.

5 En caso de un solo fallecimiento, se otorgarán cero puntos por seguridad. Para objetos de calcular los fallecimientos, todos los fallecimientos son incluidos, independientemente de que se trate de empleados o contratistas. Por otro lado, en caso de cero fallecimientos durante el ejercicio, el número de puntos otorgados aumentaría a diez puntos.

6 Además de la pérdida de puntos por un solo fallecimiento (véase la nota 5), el número de puntos otorgados será reducido adicionalmente en un 1% si hay dos fallecimientos, o 2% si hay tres fallecimientos, o por 3% si hay cuatro fallecimientos, etc.

7 En caso de un incidente ambiental, el puntaje del bono total será reducido en 2%, en el caso de dos incidentes, se reducirá un 3% adicional, en el caso de tres incidentes, un 4% adicional, y así sucesivamente.

8 Conforme a la Política de Remuneración actual y la Política de Remuneración propuesta, el Comité de Remuneración tiene discreción para hacer ajustes de pagos de bonos (véase la sección titulada Discreción en la tabla en la página [])

RECONCILIACIÓN DE OBJETIVOS Y RESULTADOS DE UTILIDAD NETA AJUSTADA CON LOS ESTADOS FINANCIEROS

Millones de dólares estadounidenses	Resultado de 2018	Resultado de 2017
Utilidad del ejercicio como aparece en los estados financieros	350.0	560.8
Ajustes:		
Cambios debidos a fluctuaciones de divisas	(27.5)	30.3
Cambios debidos a movimientos de un año a otro en los precios de metales (incluyendo los efectos de la cobertura de metales)	61.4	(69.3)
Cambios debidos al movimiento en la valuación del contrato de Silverstream	(10.5)	(79.6)
Total de utilidades netas ajustadas para objetos de bonos	373.0	442.2

EXPLICACIÓN DE OBJETIVOS NO FINANCIEROS Y DECISIÓN DEL COMITÉ SOBRE PUNTOS OTORGADOS

Relación con partes interesadas	El desempeño cumplió con las expectativas
Tenencia de superficie	El desempeño continuó cumpliendo con las expectativas
Controles sobre los contratistas	Las mejoras hechas en 2017 se mantuvieron en 2018
Trabajo en equipo colectivo	Las mejoras hechas en 2017 se mantuvieron en 2018

Plan de sucesión para cargos en el Comité Ejecutivo	Se hizo un nombramiento clave en el Comité Ejecutivo al final del ejercicio.
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DERECHO A PENSIÓN

El derecho a pensión del Director Ejecutivo es el siguiente:

US\$'000	Plan de Aportaciones Definidas ('DCS')	Plan de Prestaciones Definidas ('DBS')
Derechos al día 31 de diciembre de 2018 ¹	617	869
Prestación adicional en caso de que el Director Ejecutivo se retire anticipadamente.	En caso de retiro anticipado, el señor Alvírez tiene derecho a recibir sus aportaciones acumuladas (tanto del socio como de la Sociedad) al DCS.	Actualmente, el señor Alvírez no tiene derecho a prestaciones adicionales por retiro anticipado en el DBS.

	Prestaciones acumuladas		Aumento en prestaciones acumuladas durante el ejercicio (nota 1)		Aumento antes de la inflación y efecto de divisas en las prestaciones acumuladas durante el ejercicio	
	Al día 31 de diciembre de 2018	Al día 31 de diciembre de 2017	2018	2017	2018	2017
US\$'000						
Octavio Alvírez	1,486	1,447	39	150	5	83

¹ el aumento en las prestaciones acumuladas durante el ejercicio incluye un efecto de revaluación de US\$(25k) (2017: US\$19k)

Se espera que el señor Alvírez se retire a su edad normal de retiro a los 60 años.

ACCIONES MANTENIDAS POR LOS CONSEJEROS

El número de Acciones Ordinarias de la Sociedad en las que los Consejeros estaban interesados usufructuariamente al día 1 de enero de 2018 y el día 31 de diciembre de 2018 era el siguiente:

	1 de enero de 2018	31 de diciembre de 2018
Alberto Baillères ¹	552,595,191	552,595,191
Juan Bordes	15,000	15,000
Arturo Fernández	-	-
Jaime Lomelín	-	-
Fernando Ruiz	30,000	30,000
Guy Wilson ²	15,000	N/A
Alejandro Baillères	-	-
Bárbara Garza Lagüera	-	-
Charles Jacobs	-	-
Jaime Serra	-	-
Alberto Tiburcio	-	-
Dame Judith Macgregor	-	-
Georgina Kessel ³	N/A	-

1 Alberto Baillères tiene una participación indirecta en la Sociedad. El señor Baillères y las sociedades controladas por el señor Baillères tienen en conjunto 68.9% del capital social emitido (y derechos de voto) de Peñoles. Peñoles tiene 552,595,191 Acciones Ordinarias (74.99%) del capital social emitido en la Sociedad. Fresnillo plc y Peñoles son parte del consorcio conocido como Grupo BAL, que es controlado y propiedad mayoritaria de manera directa o indirecta del señor Baillères.

2 Guy Wilson se retiró del Consejo el día 30 de mayo de 2018.

3 Georgina Kessel fue nombrada miembro del Consejo el día 30 de mayo de 2018.

INFORMACIÓN NO AUDITADA

PUESTA EN PRÁCTICA DE LA POLÍTICA DE REMUNERACIÓN EN 2018

SALARIO Y PRESTACIONES DEL DIRECTOR EJECUTIVO

La remuneración total pagada al Director Ejecutivo, Octavio Alvérez, durante el ejercicio fue de US\$886,112.

Durante el ejercicio, el señor Alvérez fue el Director Ejecutivo pero no fue miembro del Consejo. El señor Alvérez está empleado conforme a un contrato de empleo celebrado con Servicios Administrativos Fresnillo, S.A. de C.V., una subsidiaria de Fresnillo plc. El contrato del señor Alvérez comenzó el día 15 de agosto de 2012 y es regido por la Ley Federal del Trabajo Mexicana. El contrato de prestación de servicios del señor Alvérez no tiene un plazo fijo y puede ser terminado por escrito por cualquiera de las partes. No hay ninguna disposición en el contrato de prestación de servicios del señor Alvérez que le dé derecho a una remuneración adicional por terminación, salvo por aquellas requeridas por las leyes laborales mexicanas por terminación sin causa. No hay prestaciones pagaderas a la terminación.

El salario pagadero conforme al contrato de prestación de servicios del señor Alvírez es de MXN\$972,010 por mes, que excluye pagos por vacaciones, las aportaciones a ahorros pagadas por la Sociedad y otras prestaciones en efectivo. En 2018, sus pagos de salario totales fueron por MX\$15,985,844 (US\$829,925). En 2017, sus pagos totales fueron por MXN\$15,322,731 (US\$809,480). En 2018, se otorgó un aumento salarial del 4.5% al señor Alvírez. El nivel porcentual de los aumentos salariales a empleados durante el ejercicio fue del 5.5% en promedio. Como lo requiere la Política de Remuneración de Consejeros, Willis Towers Watson ha confirmado que la remuneración del Director Ejecutivo permanece en línea con la Política de Remuneración.

Conforme a su contrato de prestación de servicios, el señor Alvírez tiene derecho a 26 días hábiles de vacaciones pagados por año. No tiene derecho a reparto de utilidades ("PTU"). El señor Alvírez también tiene derecho a seguro de vida, chofer y automóvil de la empresa, el pago de primas de seguro médico que cubren gastos y chequeos limitados, pagos de alimentos y subsistencia y suscripciones a clubes.

El Comité de Remuneración considera que los cambios de un año a otro en la remuneración del Director Ejecutivo se alinean de manera equitativa con los cambios en la remuneración del personal de la Sociedad por los siguientes motivos:

Salario	El Comité de Remuneración usa normalmente el mismo porcentaje acordado para el personal en su totalidad que la base porcentual del aumento del salario anual para el Director Ejecutivo.
Bonos	El Director Ejecutivo tiene prohibido participar en el esquema de PTU y, por lo tanto, únicamente puede recibir un bono máximo igual a seis meses de sueldo. Todos los demás empleados son elegibles para pagos de PTU anualmente, que pueden ser de hasta un 200% del salario en años excepcionales.
Prestaciones	El Director Ejecutivo participa en el esquema de prestaciones de toda la Sociedad.
Pensión	El Director Ejecutivo es miembro del esquema de pensiones estándar de la Sociedad.

BONO ANUAL

El señor Alvírez logró Cero puntos conforme al esquema de bonos durante el ejercicio terminado el día 31 de diciembre de 2018 (2017: 101.0 puntos) y, por lo tanto, no recibió un bono en 2018.

PENSIONES

El Grupo opera un esquema de aportaciones definidas (que fue introducido el día 1 de julio de 2007). La Política de Remuneración establece mayor información sobre los esquemas de pensión del Grupo en la página [].

RECUPERACIÓN DE BONOS

La Política de Remuneración otorga al Comité de Remuneración la discreción para reducir los pagos de bonos para tomar en cuenta un mal desempeño operativo o financiero durante el ejercicio o en relación con ejercicios previos. También debe considerarse un ajuste a la baja cuando la respuesta ejecutiva a mala salud, seguridad o desempeño ambiental durante el ejercicio se considere mala. Dicha discreción sería aplicada después de que cualquier ajuste en relación con el desempeño de seguridad y ambiental ya haya sido deducido conforme al plan de bonos anuales. Véase la página [] en la sección de Política de Remuneración de los Consejeros.

CAMBIO PORCENTUAL DE UN EJERCICIO A OTRO EN LA REMUNERACIÓN DEL DIRECTOR EJECUTIVO Y TODOS LOS EMPLEADOS

	Cambio porcentual (cantidades en dólares estadounidenses) 2018-2019		
	Salario base/ Honorarios	Prestaciones	Bono anual
Director Ejecutivo	2.5%	(4.0%)	(100%)
Todos los empleados	18.0%	6.8%	2.1%

PUESTA EN PRÁCTICA DE LA POLÍTICA DE REMUNERACIÓN EN 2018 Y 2019

El Comité de Remuneración estableció a grupos de sociedades afines para objetos de validar la remuneración de los Consejeros Ejecutivos y la alta gerencia (el “Grupo de Sociedades Afines”). El Grupo de Sociedades Afines consta de 11 sociedades de recursos de Europa (tres sociedades), Estados Unidos de América y Canadá (seis sociedades) y México (dos sociedades) de la siguiente manera:

Europa	Randgold Resources
	Acacia Mining
	Hochschild Mining

Estados Unidos de América / Canadá	Agnico Eagle Mines Ltd.
	Goldcorp Inc.
	Hecla Mining Co.
	Newmont Mining Corporation
	Panamerican Silver Corp.
	Yamana Gold Inc.
México	Goldcorp
	Grupo México

El Comité de Remuneración ha acordado que el salario del Director Ejecutivo debe establecerse dentro de un margen de 25-75% del Grupo de Sociedades Afines para el salario base. En 2017, Willis Towers Watson notificó al Comité de Remuneración que el salario del Director Ejecutivo se encuentra dentro de los parámetros establecidos en la política de remuneración. Se llevará a cabo una revisión adicional en abril de 2019.

El Comité de Remuneración ha considerado la efectividad de los indicadores de desempeño clave (“KPI”) y los objetivos que se establecieron para 2018, y sigue considerando que la estructura general del Plan de Bono Anual establecido para 2018 sigue siendo adecuada para 2019. Además, reconociendo que la Sociedad está avanzando hacia una fase de consolidación, más que de crecimiento, el Comité de Remuneración recibió una propuesta revisada para la estructura del plan de bono anual. El Comité de Remuneración también, a partir de 2018, introdujo un tope en cada uno de los KPI (exceptuando el KPI de Seguridad), de modo que los puntos otorgados sobre cualquier KPI (exceptuando Seguridad) no puedan exceder 135% del objetivo establecido para dicho KPI al inicio del ejercicio. Desde 2017, se ha otorgado discreción al Comité de Remuneración conforme a la Política de Remuneración para modificar los resultados del pago de bonos bajo algunas circunstancias (que se establecen en la Política de Remuneración). Dicha discreción no se ve afectada por este tope.

Las ponderaciones y medidas de 2019 son por lo tanto establecidas en la siguiente tabla. Los objetivos y desempeño de 2019 contra dichos objetivos serán divulgados en el informe del ejercicio próximo.

Objetivo	Medición	Puntos de ponderación ¹
Financiero	(EBITDA Ajustada 2019 / EBITDA Presupuestada) $\times 100^4$	20

Producción	Aumento en onzas equivalentes producidas en comparación con el nivel de producción del ejercicio previo ³	20
Exploración	(Recursos Totales 2019 / Recursos Totales 2018)×100 ²	3
	Aumento neto en los recursos actualizados de inferidos a medidos e indicados (Recursos MI 2019 / Recursos MI 2018)×100 ²	4
	Reposición de reservas ² (Reservas 2019 / Reservas 2018) × 100	4
Avance en Proyectos de Exploración	Avance comparado con el plan del proyecto para cuatro proyectos de exploración clave (a ser revisados cada año) (Objetivo=Avance del 90%: Máximo=Avance del 100%; disminución proporcional a cero puntos por debajo de 90%)	10
Proyectos	El avance comparado con el plan del proyecto para tres proyectos clave de desarrollo (a ser revisados cada año) (Objetivo=92% avance: Máximo=100% avance, disminución proporcional a cero puntos por debajo de 92%)	11
Recursos Humanos	Desempeño de contratistas	5
	Administración de contratistas – avance con programas de desmonte (Objetivo=avance del 90%: Máximo= avance del 100%, disminución proporcional a cero puntos por debajo de 90%) ⁴	
	Relaciones laborales sindicalizadas (Otorgamiento discrecional)	2
	Administración del programa de contratistas (Objetivo=avance del 90% sobre el trabajo planeado: Máximo=avance del 100%, disminución proporcional a cero puntos por debajo del 90%) ⁴	1
Seguridad	Accidentes fatales (véase la nota 5 más adelante) ⁵	0
	Avance en la puesta en práctica del plan de seguridad del ejercicio (Objetivo=avance del 95%: Máximo=avance del 100%, disminución proporcional a cero puntos por debajo de 95%)	3
	Reducción en la Proporción de Días Perdidos en comparación con el ejercicio previo (Días perdidos/Conteo Total, incluyendo contratistas) Máximo: reducción del 10% o más	3
	Reducción en la Tasa de Lesiones en comparación con el ejercicio previo (Accidentes totales/Conteo) Máximo: reducción del 10% o más	3
Comunidades	Objetivo basado en proyectos a ser determinados cada año	6
Sinergias y trabajo en equipo colectivo	Objetivo discrecional a ser acordado por el Presidente y Presidente Adjunto	4
Administración Ambiental	Basado en una tarjeta de puntajes para administración de riesgos ambientales	3
Total		100
Ajustes ^{6,7,8}		–
Total		100

¹ La ponderación de puntos es considerada por el Comité de Remuneración cada ejercicio para asegurarse de que refleje un equilibrio adecuado de prioridades para la dirección, de acuerdo con el Plan Estratégico. Cuando se considere que un cambio

de énfasis es necesario, la ponderación será modificada en ejercicios futuros. Para 2019, los objetivos, ponderación y mediciones han sido modificados para reflejar que la Sociedad está avanzando desde una fase de consolidación, más que de crecimiento.

² El aumento de 2.0 puntos por cada 1% de Recursos auditados por arriba del Objetivo. Una disminución de 2 puntos por cada 1% por debajo del Objetivo. Los Recursos serán ponderados para tener en cuenta la calidad y viabilidad comercial potencial. Aumento del 2.0 por cada 1% de Reservas auditadas por arriba del Objetivo. Una disminución de 2 puntos por cada 1% por debajo del Objetivo. Las Reservas serán ponderadas para tomar en cuenta la calidad y viabilidad comercial.

³ Para 2019, la producción de plomo y zinc será incluida en el objetivo de producción, así como plata y oro. Aumento de 1.0 puntos por cada aumento de 1.00% en la Producción hasta 5.0 puntos. Disminución de 1 punto en el caso de una disminución del 1% en la Producción de reducción de cero a 5%, disminución de 1.5 por cada disminución adicional de 1% entre una reducción del 6% y el 10%, por cada disminución adicional de 1% más allá de una disminución del 10%, se deducen 3 puntos. ⁴ EBITDA es ajustada para excluir la fluctuación de moneda, el efecto de los cambios de un ejercicio a otro en los precios de metales y cualquier revaluación del contrato de Silverstream. Aumento de 1.0 punto por un aumento del 1.00% en EBITDA hasta 7.0 puntos, disminución de 1 punto en el caso de una disminución de 1% en EBITDA de una reducción de cero al 5%, disminución de 1.5 por cada disminución adicional del 1% entre una reducción del 6% y el 10%, disminución de porcentaje del 1% adicional más allá de una disminución del 10% se deducen 2.5 puntos.

⁵ En caso de cero fallecimientos durante el ejercicio, se otorgará una prima de 10 puntos por seguridad. Para fines de cálculo de fallecimientos, todos los fallecimientos son incluidos, independientemente de que se trate de empleados o contratistas.

⁶ En caso de un fallecimiento, se otorgarán cero puntos por seguridad, el número de puntos otorgado será reducido adicionalmente en un 1% si hay dos fallecimientos. A partir del puntaje total restante, se deducirá un 2% adicional si hay tres fallecimientos. En caso de cuatro accidentes fatales, se deducirá un 3% adicional del puntaje total restante, y así sucesivamente para fallecimientos adicionales.

⁷ En caso de un incidente ambiental, el puntaje del bono total será reducido en 1% por cada Incidente Ambiental reportado a Profepa, hasta tres incidentes. En caso de cuatro incidentes o más, se deducirá un 3% adicional por cada incidente, y así sucesivamente.

⁸ Conforme a la Política de Remuneración, el Comité de Remuneración tiene discreción para hacer ajustes a los pagos de bonos bajo ciertas circunstancias.

⁹ El máximo de puntos otorgados no puede exceder 35% por arriba de la ponderación.

CARTAS DE NOMBRAMIENTO DE CONSEJEROS NO EJECUTIVOS

Los términos clave de las cartas de nombramiento de los Consejeros No Ejecutivos para los consejeros que presten sus servicios durante el ejercicio son los siguientes:

Consejero	Fecha de la carta de nombramiento original	Período de aviso del Consejero a la Sociedad	Duración del periodo de funciones ¹	Honorarios por año
Alberto Baillères	15 de abril de 2008	3 meses	1 año	£35,000
Juan Bordes	15 de abril de 2008	3 meses	1 año	£35,000
Arturo Fernández	15 de abril de 2008	3 meses	1 año	£35,000
Fernando Ruiz	15 de abril de 2008	3 meses	1 año	£35,000
Alejandro Baillères	16 de abril de 2012	3 meses	1 año	£35,000
Jaime Lomelín	15 de agosto de 2012	3 meses	1 año	£35,000
Bárbara Garza Lagüera	11 de abril de 2014	3 meses	1 año	£35,000

Charles Jacobs	11 de abril de 2014	3 meses	1 año	£90,000
Jaime Serra Puche ²	11 de abril de 2014	3 meses	1 año	£35,000
Alberto Tiburcio	4 de mayo de 2016	3 meses	1 año	£50,000
Dame Judith Macgregor	22 de mayo de 2017	3 meses	1 año	£90,000
Georgina Kessel	7 de mayo de 2018	3 meses	1 año	£35,000

¹ Período restante: Todos los Consejeros No Ejecutivos tienen contratos escalonados sujetos a la reelección anual en la Asamblea General Anual. El período vigente vence el día 21 de mayo de 2019, siendo la fecha de la siguiente Asamblea General Anual, pero el nombramiento continuará después de dicha fecha, a condición de que cada Consejero sea reelegido en la AGM.

² Jaime Serra Puche renunció al Consejo el día 25 de febrero de 2019.

A menos que se determine otra cosa, el Consejero en cuestión no puede dar aviso de terminación del nombramiento con menos de tres meses de anticipación. Hay copias de las cartas de nombramiento y contratos de prestación de servicios de los Consejeros disponibles para su inspección en la oficina registrada de la Sociedad.

COMITÉ DE REMUNERACIÓN

FUNCIÓN

El Comité de Remuneración es responsable de hacer recomendaciones al Consejo sobre la Política de Remuneración del Grupo para Consejeros Ejecutivos y el Director Ejecutivo y otros miembros del Comité Ejecutivo, y para determinar los paquetes de remuneración específicos para la alta gerencia, incluyendo derechos de pensión y cualesquiera paquetes de remuneración, así como la remuneración del Presidente dentro de los términos de referencia acordados.

MIEMBROS

El Comité de Remuneración consta de los siguientes Consejeros al día 31 de diciembre de 2018:

- Señor Charles Jacobs (Presidente), Consejero Independiente No Ejecutivo,
- Señor Alberto Baillères, Presidente del Consejo, y
- Señor Jaime Serra, Consejero Independiente No Ejecutivo.

Aunque el Código de Gobierno Corporativo del Reino Unido establece la necesidad de que el Comité de Remuneración conste de Consejeros Independientes No Ejecutivos, el Consejo considera que es vital que el Comité conste de Consejeros No Ejecutivos que puedan aportar las siguientes perspectivas al trabajo del Comité de Remuneración:

- Un entendimiento de las expectativas de los accionistas,
- Un entendimiento de las expectativas de remuneración en evolución de los inversionistas en la Bolsa de Valores de Londres, y
- Un entendimiento de las formas generales de abordar la remuneración dentro del mercado mexicano.

La composición actual del Comité de Remuneración se considera adecuada. Aunque el señor Baillères era no independiente al momento de su nombramiento como miembro del Consejo (y, por lo tanto, su calidad de miembro del Comité de Remuneración no cumple con la Disposición D.2.1 del Código de Gobierno Corporativo del Reino Unido), el Consejo sigue conservando la opinión de que la experiencia y conocimientos del señor Baillères del Grupo y el mercado mexicano, y su considerable contribución a las deliberaciones del Comité de Remuneración, justifican su calidad de miembro del Comité de Remuneración.

ACTIVIDAD DEL COMITÉ DE REMUNERACIÓN EN LOS ÚLTIMOS 12 MESES

Charles Jacobs	3/3
Alberto Baillères	3/3
Jaime Serra	2/3

Durante el ejercicio, el Comité se reunió en tres ocasiones. Sus actividades principales durante el ejercicio fueron:

- Aprobación y recomendación de los cambios a la Política de Remuneración al Consejo para aprobación antes de su inclusión en los asuntos de la AGM de 2018 para aprobación de los accionistas.
- Revisión de los informes de Willis Towers Watson en relación con el punto de referencia de la remuneración para miembros del Comité Ejecutivo y Consejeros Ejecutivos, mediante referencia al grupo de sociedades afines.
- Consideración de la información acerca de las tendencias de la inflación en México y revisiones de salarios de empleados internos antes de establecer los aumentos salariales anuales para el Director Ejecutivo y los miembros del Comité Ejecutivo.
- Revisión de un informe de Willis Towers Watson relativo a los acontecimientos en la prácticas de mercado en México en relación con los incentivos a largo plazo basados en acciones.
- Revisión de los honorarios de Consejeros No Ejecutivos.
- Revisión del desempeño del Director Ejecutivo y miembros del Comité Ejecutivo en comparación con los KPI establecidos para 2017 y aprobación del otorgamiento de bono anual para 2017 con base en el logro de los objetivos de KPI.
- Revisión de los objetivos de KPI para el Director Ejecutivo y miembros del Comité Ejecutivo para 2018, incluyendo consideración de la efectividad de los cambios a los objetivos para recompensar el mejor desempeño en esfuerzos de mejora de seguridad y exploración establecidos el ejercicio previo.
- Revisión de KPI para el Director Ejecutivo y miembros del Comité Ejecutivo para 2019 para alinearse mejor con el Plan Estratégico.
- Recibo de informes del Secretario de la Sociedad sobre acontecimientos en la regulación del Reino Unido en relación con remuneración ejecutiva, incluyendo implicaciones de cambios al Gobierno Societario del Reino Unido en relación con la remuneración.
- Otras actividades, por ejemplo, evaluación del Comité, según lo requieren los términos de referencia del Comité y revisión de los términos de referencia del Comité.

Los términos de referencia para el Comité de Remuneración han sido aprobados por el Consejo y están disponibles en el sitio de red de la Sociedad en www.fresnilloplc.com.

ASESORES DEL COMITÉ DE REMUNERACIÓN

Los consultores en remuneración son contratados por las sociedades del Grupo para proporcionar información de referencia sobre la remuneración, pero no para proporcionar orientación sobre la estructura de la remuneración. Todos los consultores utilizados por el Grupo son independientes de la Sociedad. Ningún consultor en remuneración es contratado directamente por el Comité de Remuneración mismo.

La información de referencia sobre condiciones de pago y empleo es proporcionada anualmente por Mercer, Hay Group y Data Compensation. La información proporcionada se utiliza en todo el Grupo al determinar los salarios para todos los niveles de empleados, incluyendo la alta gerencia. Aunque el Comité de Remuneración toma en cuenta dicha información al considerar la remuneración de ejecutivos, ninguno de estos asesores es tomado en cuenta para ayudar significativamente al Comité de Remuneración en el desempeño de sus labores.

Además, el Comité de Remuneración recibe informes específicos comparando la remuneración de los miembros del Comité Ejecutivo con las referencias internacionales. Willis Towers Watson ha asesorado al Comité de Remuneración en relación con el establecimiento del grupo de sociedades afines y la entrega de información de referencia que muestre la posición de la remuneración y, particularmente, los salarios de los miembros del Comité Ejecutivo en relación con el grupo de sociedades afines. Willis Towers Watson proporciona asesoría general e información de referencia al Grupo en relación con la remuneración de ejecutivos y, durante 2018, el Grupo pagó a Willis Towers Watson US\$Cero (2017: US\$20,735).

El Secretario de la Sociedad se asegura de que el Comité de Remuneración cumpla con sus obligaciones bajo los términos de referencia y entregue actualizaciones regulares al Comité de Remuneración sobre los acontecimientos en la regulación relevante del Reino Unido.

El Departamento de Recursos Humanos del Grupo proporciona información sobre las tendencias del mercado mexicano y las estructuras de remuneración para la población de empleados en general en el Grupo Fresnillo.

VOTACIÓN EN LA AGM SOBRE EL INFORME DE REMUNERACIÓN

El enfoque del Comité de Remuneración a la remuneración de ejecutivos ha recibido fuerte apoyo de los accionistas en cada Asamblea General Anual desde la inscripción de la Sociedad en la Bolsa de Valores de Londres en 2008. Más del 98% de los votos de acciones independientes emitidos sobre la votación de

asesoría en cada AGM han sido a favor del Informe de Remuneración de los Consejeros.

	Todas las acciones votadas		Acciones de flotación libre votadas		Número de abstenciones
	A favor	En contra	A favor	En contra	
2011	99.8%	0.2%	98.8%	1.2%	512
2012	99.1%	0.9%	95.4%	4.6%	1,814,818
2013	99.7%	0.3%	98.2%	1.8%	119
2014: Política de Remuneración	97.2%	2.8%	86.9%	13.1%	528
2014: Informe de Remuneración	100%	0%	99.9%	0.1%	530
2015: Informe de Remuneración	99.1%	0.9%	95.5%	4.5%	499
2016: Informe de Remuneración	98.9%	1.1%	84.2%	15.8%	431

	9		9		4
	9.	0.	9.	0.	3,
	8	1	4	5	9
	7	3	2	8	0
2017: Política de Remuneración	%	%	%	%	1
	9		9		4
	9.	0.	9.	0.	3,
	8	1	3	6	9
	6	4	4	6	0
2017: Informe de Remuneración	%	%	%	%	1
	9		9		1
	9.	0.	8.	1.	2,
	7	2	9	0	2
	9	1	9	1	0
2018: Informe de Remuneración	%	%	%	%	3
	9		9		
	9.	0.	7.	2.	9.
	4	5	3	6	9
	5	5	2	8	0
2018 Reforma a la Política de Remuneración	%	%	%	%	7

Nota: Antes de 2014, únicamente hubo una votación sobre el Informe de Remuneración a Consejeros en cada Asamblea General Anual

PAGOS A CONSEJEROS SALIENTES

Durante el ejercicio, la Sociedad no hizo pagos a los Consejeros anteriores ni ha hecho pagos a Consejeros por pérdida del cargo.

REVISIONES DE DESEMPEÑO

Como lo requieren las Regulaciones, la siguiente gráfica establece el desempeño del precio de las acciones de la Sociedad desde su inscripción en la bolsa en comparación con el Índice FTSE 100. Éstos son considerados los índices más adecuados para objetos comparativos.



REMUNERACIÓN TOTAL DEL DIRECTOR EJECUTIVO

La remuneración total del Director Ejecutivo en los últimos seis años, en dólares estadounidenses, ha sido la siguiente:

Ejercicio terminado el día 31 de diciembre de	2013	2014	2015	2016	2017	2018
Director Ejecutivo						
Remuneración total US\$'000						
Octavio Alvidrez	1,116	1,217	1,166	1,111	1,072	886
Cambio porcentual en el ejercicio previo	(41.5%)	9.1%	(4.2%)	(4.7%)	(3.5%)	(10.7%)
Proporción del bono máximo pagado al Director Ejecutivo en el ejercicio						

	33.	33.	33.	66.	33.	
	33	33	33	66	33	Cer
Octavio Alvidrez	%	%	%	%	%	0%

IMPORTANCIA RELATIVA DEL GASTO EN PAGOS

	2018	2017	% de cambio
Costos de personal (US\$'000) ¹	109,549	99,337	10.3%
Distribuciones a accionistas (US\$'000)	298,442	236,543	26.2%

¹ Los costos de personal son tomados sin PTU para hacer una comparación análoga con el Director Ejecutivo que no recibe PTU.

Este Informe ha sido aprobado por el Consejo de Administración de Fresnillo plc.

Firmado en representación del Consejo.

Charles Jacobs

Presidente del Comité de Remuneración

25 de febrero de 2019

PROPUESTA DE POLÍTICA DE REMUNERACIÓN PARA LOS CONSEJEROS EN 2019

INTRODUCCIÓN

Esta parte del Informe de Remuneración de los Consejeros establece la política de remuneración de la Sociedad y ha sido elaborada de conformidad con las Regulaciones de Sociedades y Grupos Grandes y Medianos (Contabilidad e Informe) (Reforma) (las “Regulaciones”). La política ha sido desarrollada tomando en cuenta los principios de la versión 2018 del Código de Gobierno Corporativo del Reino Unido (el “Código de 2018”) y las opiniones de nuestros principales accionistas. El Comité de Remuneración ha evaluado los criterios recomendados por la Disposición 40 del Código de 2018. Considera que la política de remuneración de la Sociedad siempre ha sido inherentemente clara, simple, diseñada para evitar cualquier recompensa excesiva, predecible y proporcional. Los cambios a la política de remuneración buscan crear una alineación aún más cercana entre la remuneración y el objeto, valores y estrategia de la Sociedad. Describe la política que será aplicada para el ejercicio social que termina el día 31 de diciembre de 2019. La política de remuneración será sometida a votación en la Asamblea General Anual de 2019 y, si es aprobada, la fecha de entrada en vigor de la política será la fecha de la Asamblea General Anual de 2019 de la Sociedad, el día 21 de mayo de 2019.

Según lo requiere la ley del Reino Unido, la política de remuneración es vinculatoria en relación con los Consejeros. Actualmente, la Sociedad no tiene Consejeros Ejecutivos que estarían vinculados por la política de remuneración. Sin embargo, la Sociedad (como lo ha hecho previamente) tratará al Director Ejecutivo como si fuera un Consejero Ejecutivo para fines de la política de remuneración y para informes sobre su remuneración.

POLÍTICA DE REMUNERACIÓN

La política de remuneración del Grupo busca asegurarse de que la Sociedad pueda atraer, contratar y motivar a sus Consejeros Ejecutivos y miembros del Comité Ejecutivo. La retención del personal directivo clave y la alineación de los incentivos de administración y la creación de valor para los accionistas son los objetivos clave de esta política.

El establecimiento de salarios base para Consejeros Ejecutivos y miembros del Comité Ejecutivo a un nivel adecuado es vital para la retención de personal directivo en México. Por lo tanto, el Comité de Remuneración busca asegurarse de que los salarios sean competitivos en el mercado dentro del contexto mexicano e internacionalmente para empresas comparables. La remuneración total se encuentra dentro de un margen alrededor del nivel medio para el grupo de sociedades afines de la Sociedad dentro de México e internacionalmente, la

remuneración total es establecida cada tres años para asegurarse de que el paquete de remuneración total se mantenga a este nivel a largo plazo. Los salarios son posicionados dentro del margen de acuerdo con la experiencia y servicio.

La siguiente tabla muestra los elementos clave del pago a Consejeros Ejecutivos establecido en la política de remuneración (la “Tabla de Políticas”):

SALARIO BASE

PROPORCIONA LA RECOMPENSA PRINCIPAL POR EL CARGO

Operación Revisado anualmente y establecido para 12 meses a partir del día 1 de abril cada año y la revisión es influida por:

- Función, experiencia y desempeño.
- Ajustes salariales del personal promedio.
- Factores económicos mexicanos.
- Comparación con el grupo de sociedades afines a la Sociedad en México e internacionalmente.

Las referencias de los salarios son establecidas cada tres años mediante referencia a sociedades de un tamaño y complejidad similares y serán posicionadas dentro de un rango medio del grupo de sociedades afines comparables a la Sociedad en México e internacionalmente. La siguiente revisión tendrá lugar en abril de 2019.

Valor máximo El salario del Consejero Ejecutivo será revisado tomando en cuenta la información de referencia recibida por el Comité de Remuneración, y el valor máximo del salario base del Consejero Ejecutivo será posicionado dentro del margen medio para sociedades en el grupo de sociedades de recursos mexicanas e internacionales afines. El salario de un Consejero Ejecutivo aumentará en línea con los aumentos aplicados a todo el personal. Bajo circunstancias excepcionales, el salario del Consejero Ejecutivo podrá aumentar hasta en un 10%, pero nunca más de dicho porcentaje por arriba del aumento salarial promedio para todo el personal de la Sociedad en cualquier ejercicio. El razonamiento de dichos aumentos será explicado totalmente en el Informe Anual de Remuneración.

Parámetro de desempeño El Comité de Remuneración considera los salarios individuales en la junta correspondiente cada año mediante referencia a los factores establecidos en la sección ‘Operación’ de esta tabla. Los detalles de la remuneración actual del Consejero Ejecutivo son

proporcionados en el Informe Anual sobre Remuneración.

Discreción

El Comité de Remuneración establecerá al grupo de sociedades afines comparable a la Sociedad en México y a nivel internacional como parte de la revisión hecha cada tres años que considerará en abril de 2019. El grupo de sociedades afines será revisado nuevamente en abril de 2019. El Comité emitirá un informe sobre el resultado de estas revisiones dentro del Informe Anual de Remuneración.

BONO ANUAL

RECOMPENSA EL LOGRO DE OBJETIVOS FINANCIEROS Y ESTRATÉGICOS A CORTO Y LARGO PLAZO, ASÍ COMO EL LOGRO DE OBJETIVOS PERSONALES

Operación

Los objetivos son renovados anualmente y se relacionan con las metas estratégicas del negocio en su conjunto. Se utiliza un sistema de puntaje para el plan. Cada objetivo establecido para el ejecutivo al inicio del ejercicio recibe una calificación en puntos que representa un objetivo de desempeño mediano para dicho objetivo. Los umbrales de puntos más alto y más bajo son establecidos para permitir un desempeño sobresaliente y asegurarse de que el mal desempeño no sea recompensado. Para cada miembro del Comité Ejecutivo (incluyendo el Director Ejecutivo, el Director de Finanzas, el Vicepresidente de Exploración y el Director Operativo), un bono es pagadero únicamente si el desempeño total es igual a o excede 100 puntos. Los pagos de bonos son hechos por el desempeño total contra el objetivo de 100 puntos o superior, de manera proporcional entre el salario de dos meses pagado por el logro de 100 puntos y el salario de seis meses pagado por el logro de 115 puntos o más, de la siguiente manera:

Número de puntos	Meses de salario pagados
100.00	Salario de dos meses

100.01-115.00	Prorratedo de manera lineal entre el salario de dos meses y el salario de seis meses
115.01+	Salario de seis meses

Valor máximo	El porcentaje máximo del salario es del 50% (salario de seis meses) y es pagado cuando los Consejeros Ejecutivos logran 115.01 puntos o más conforme al Plan de Bono Anual (el objetivo es de 100 puntos).
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Parámetro de desempeño	<p>Los objetivos de KPI establecidos en la tabla anterior serán aplicados y se pretende que se concentren en riesgos que se encuentran dentro del control y la influencia de la dirección. Por lo tanto, la administración de riesgos de seguridad, proyectos, recursos humanos, trabajo en equipo de exploración, sinergias, comunidad y ambientales están implícitamente cubiertos actualmente dentro de los KPIs. Los KPIs y los objetivos, que son establecidos mediante referencia a las reservas y recursos y parámetros financieros al final del ejercicio previo y/o establecidos en el presupuesto para el ejercicio social venidero, también están diseñados para asegurarse de que tanto los objetivos a corto plazo como el desarrollo a largo plazo del Grupo Fresnillo reciban la misma prioridad. El logro de los hitos del proyecto será utilizado para medir el desempeño de la administración del proyecto y se aplicará el criterio del Comité para parámetros subjetivos tales como trabajo en equipo.</p> <p>Los detalles de las mediciones, objetivos y desempeño probados anualmente serán proporcionados en el Informe Anual de Remuneración.</p>
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Discreción	El Comité de Remuneración considera que los KPIs, en los que se basan los bonos, pueden requerir evolucionar de un año a otro en línea con la estrategia y, por lo tanto; conserva la discreción para hacer los ajustes adecuados a los KPIs mismos, las
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franjas de bonos dentro del máximo general y las ponderaciones de KPI individuales de un año a otro.

El Comité de Remuneración conserva la discreción para ajustar los pagos de bonos en las siguientes circunstancias:

(i) Un ajuste a la baja donde los resultados del KPI ocasionarían, en opinión del Comité de Remuneración, el pago de un bono que no pueda ser justificado por el desempeño financiero u operativo de la Sociedad durante el ejercicio (o con respecto a ejercicios previos). En este caso se aplicaría un ajuste a la baja.

(ii) Cuando factores fuera del control de los Consejeros Ejecutivos, por ejemplo, circunstancias de fuerza mayor, disminuyan significativamente el nivel de los puntos otorgados. Al decidir si se requiere un ajuste, el Comité de Remuneración considerará la respuesta del Consejero Ejecutivo a dichas circunstancias; en esta situación se puede considerar un ajuste modesto a la alza.

(iii) La mala respuesta ejecutiva a problemas de salud, mal desempeño de seguridad o ambiental durante el ejercicio, en cuyo caso se consideraría un ajuste a la baja.

El uso de dichas discreciones será explicado totalmente en los Informes de Remuneración de Consejeros futuros.

Nota: Ningún ajuste en las ponderaciones de KPI individuales tendrá como resultado que su logro sea menos difícil.

PRESTACIONES

AYUDA PARA RECLUTAR Y CONTRATAR A EMPLEADOS

Operación

Un Consejero Ejecutivo tendría derecho a seguro de vida, el uso de automóvil de la empresa y chofer, prestaciones de alimentos y subsistencia, el pago de primas para seguros médicos que cubren gastos

	limitados y chequeos. Las prestaciones pueden cambiar si cambia la política de prestaciones de la Sociedad.
Valor máximo	Las prestaciones actuales están establecidas en el Informe de Remuneración Anual. El valor máximo de las prestaciones será determinado por la política de la Sociedad aplicable periódicamente.
Parámetro de desempeño	Ninguno.
Discreción	El Comité de Remuneración puede considerar cambios a las prestaciones puestas a disposición de los Consejeros Ejecutivos en línea con cualesquiera cambios en la política para prestaciones otorgadas a todos los empleados.

PENSIÓN

RECOMPENSA LA CONTINUACIÓN EN EL EMPLEO Y LA CONTRIBUCIÓN SOSTENIDA	
Operación	El Grupo opera un esquema de aportaciones definidas. Los Consejeros Ejecutivos tienen derecho a ser miembros del esquema de aportaciones definidas.
Valor máximo	La aportación máxima de la Sociedad para cualquier empleado no puede exceder el 13% del salario.
Parámetro de desempeño	Ninguno.
Discreción	No aplicable.

ALINEACIÓN DE LA REMUNERACIÓN EJECUTIVA Y EL MERCADO

Al establecer la remuneración fija de los Consejeros Ejecutivos y los miembros del Comité Ejecutivo, la información relativa a los comparadores de empresas mineras es proporcionada por varios consultores. La información relativa a los

parámetros económicos mexicanos y las referencias internas es comparada por la administración para consideración del Comité de Remuneración.

Willis Towers Watson realiza una revisión formal del Consejero Ejecutivo y miembros del Comité Ejecutivo y ésta se realiza por lo menos una vez cada tres años. Esta revisión permite que el Comité de Remuneración valide la política de remuneración de la Sociedad y garantiza que sea competitiva tanto a nivel mundial como local. El análisis evalúa los elementos del salario base, remuneración a corto plazo (pagos garantizados y bonos a corto plazo) y remuneración a largo plazo, (principalmente programas de acciones) por separado. Con la ayuda de Willis Towers Watson, el Comité de Remuneración ha establecido un grupo de sociedades afines que será usado para establecer la remuneración del Consejero Ejecutivo y de cualquier miembro del Comité Ejecutivo (el 'Grupo de Sociedades Afines') para asegurarse que permanezca dentro de los parámetros establecidos en esta política (véase la página [] del Informe Anual de Remuneración). El Grupo de Sociedades Afines será revisado por lo menos cada tres años y actualizado cuando sea necesario para asegurarse de que siga siendo un grupo de sociedades comparables adecuado.

LA CONSIDERACIÓN DE LAS CONDICIONES DE EMPLEO Y REMUNERACIÓN MÁS AMPLIAS

Al establecer el pago y prestaciones de los Consejeros Ejecutivos y miembros del Comité Ejecutivo, el Comité de Remuneración toma en cuenta el pago y las condiciones de todo el Grupo. Considerará el porcentaje de aumento de pago en general negociado cada año, con los representantes de los empleados como su punto de arranque, tomando en cuenta la inflación y otra información que respalde el otorgamiento de pago anual a empleados. Con sujeción al límite del 10% en la Tabla de Políticas, el Comité de Remuneración puede acordar aumentos de pagos por arriba o por debajo del porcentaje acordado en circunstancias excepcionales, cuando a su discreción considere que dicha variación a la norma está justificada. Exceptuando el Informe de Willis Towers Watson encargado específicamente por el Comité de Remuneración, se utilizan los mismos informes de referencia en la evaluación de la remuneración de ejecutivos y empleados, proporcionando así un acercamiento común a ambos.

Por debajo del nivel del Consejo, se opera un arreglo de reparto de utilidades de ley ('PTU'), que en algunos años, ha permitido a los empleados recibir niveles significativos de bonos en línea con la mayor rentabilidad de la empresa empleadora correspondiente. Ni el Director Ejecutivo ni los Consejeros No Ejecutivos participan en un esquema de PTU dentro del Grupo Fresnillo. Los otros miembros del grupo de la alta gerencia por debajo del nivel del Consejo son empleados por Servicios Administrativos Fresnillo, S.A. de C.V., que hace pagos de PTU anuales. Sin embargo, dichos pagos son modestos.

El Grupo opera dos esquemas de pensión: (i) un esquema de prestaciones definidas que fue cerrado a los nuevos miembros el día 1 de julio de 2007, con prestaciones congeladas a esta fecha para los miembros existentes, sujeto a indexación con referencia al Índice de Precios al Consumidor Mexicano; y (ii) un esquema de aportaciones definidas (que fue introducido el día 1 de julio de 2007). La afiliación a este último esquema es voluntaria, los miembros que ganen un salario de no más de 25 veces el salario mínimo vigente periódicamente podrán hacer aportaciones del 5% al esquema.

En representación de los miembros que ganen un salario de no más de 25 veces el salario mínimo vigente periódicamente, la empresa fuente de empleo puede hacer aportaciones del 5% al esquema. La empresa fuente de empleo también puede hacer aportaciones adicionales entre un 5 y un 8% del salario a este plan. Los miembros pueden elegir ajustar los porcentajes a entre 5% y 8% del salario.

Los Consejeros Ejecutivos pueden participar en los esquemas de pensión del Grupo de la misma manera que cualquier otro empleado.

El Comité de Remuneración no consulta con los empleados al establecer la remuneración de los Consejeros. El compromiso con los empleados como grupo de partes interesadas es principalmente responsabilidad del Consejo; sin embargo, cuando sea adecuado, el Comité de Remuneración considerará cualquier retroalimentación relevante de los empleados al Consejo en relación con cuestiones de remuneración al cumplir con sus responsabilidades conforme a esta Política.

COMPROMISO CON LOS ACCIONISTAS SOBRE REMUNERACIÓN

La composición del Comité de Remuneración ha sido diseñada para asegurarse de que las opiniones del accionista mayoritario (a través de la afiliación del Presidente del Consejo al Comité) y los accionistas independientes (a través de la afiliación de un Consejero establecido en el Reino Unido en el Comité) puede ser representada. El Comité de Remuneración ha considerado las opiniones de organizaciones tales como Servicios a Accionistas Institucionales (“ISS”) y la Asociación de Inversiones, tanto en general como según sea reportado a la Sociedad en relación con sus propias prácticas de remuneración ejecutiva antes de cada Asamblea General Anual, al considerar la Política de Remuneración y su aplicación. El Presidente del Comité de Remuneración también analizó aspectos de la Política de Remuneración en persona con ISS y no hubo mayores preocupaciones planteadas.

POLÍTICA DE RECLUTAMIENTO

El Comité de Remuneración considerará la remuneración de los nuevos Consejeros Ejecutivos mediante referencia a la política de remuneración establecida previamente. El Comité de Remuneración no hace pagos de contratación como postura predefinida ni remunera a nuevos Consejeros por cualquier remuneración variable perdida legalmente de cualquier empleo antes de que se una al Consejo. Si así fuera, dichos pagos serían totalmente explicados en el siguiente Informe Anual de Remuneración, tanto con respecto al motivo del pago como al razonamiento de la cantidad del mismo. El salario será establecido de modo que sea competitivo en el mercado dentro del contexto mexicano y a nivel internacional para empresas comparables y tomando en cuenta la experiencia y antigüedad de la persona nombrada en el nuevo cargo. Es probable que el Comité de Remuneración establezca salarios base debajo de la media al momento del nombramiento, al tiempo que conserva la discreción para otorgar aumentos durante el primer ejercicio y, posiblemente, ejercicios posteriores para hacer que los salarios lleguen al margen normal esperado para Consejeros Ejecutivos, en línea con la política establecida de la Sociedad. Dichos aumentos no excederán el nivel máximo establecido en la Tabla de Políticas. Los nuevos Consejeros Ejecutivos recibirán prestaciones y pensiones en línea con la política existente de la Sociedad y podrán participar en el Plan de Bonos Anual de manera proporcional por la parte del ejercicio social para la cual se encuentren en el cargo. El nivel máximo de pago variable para las personas de nuevo reclutamiento será el mismo que aquel establecido en la Tabla de Políticas para los empleados existentes (prorratedo según sea necesario).

POLÍTICA SOBRE PÉRDIDA DE CARGO

Excepto en circunstancias de mala conducta grave, los Consejeros Ejecutivos y miembros del Comité Ejecutivo, incluyendo el Director Ejecutivo, que dejen su empleo en el Grupo, tendrán derecho a recibir el salario y bono anual proporcional con base en su desempeño hasta la fecha de su salida. Los derechos por ley son pagaderos de acuerdo con la ley laboral mexicana, con base en antigüedad. El derecho laboral mexicano no prevé ninguna disposición para que los patrones y empleados den o reciban aviso de la terminación del empleo. Por lo tanto, el Comité no hará pagos en general en lugar de aviso a los ejecutivos salientes. Sin embargo, el Comité se reserva el derecho a hacer pagos adicionales cuando dichos pagos sean hechos de buena fe en cumplimiento de una obligación legal existente (o por medio de daños por incumplimiento de dicha obligación) o como liquidación o avenencia de cualquier reclamación que surja en relación con la terminación del cargo o empleo de un Consejero Ejecutivo. No se hicieron compromisos contractuales relativos a la pérdida de cargo con ningún Consejero antes del día 27 de junio de 2012.

PLAN DE BONO ANUAL Y POLÍTICA SOBRE REMUNERACIÓN VARIABLE

Es política de la Sociedad no usar su capital para incentivar el desempeño a largo plazo. La estrategia principal de la Sociedad es de crecimiento sustentable a largo plazo. El crecimiento sustentable en la minería requiere la expansión constante y segura de las operaciones del Grupo a través del descubrimiento de nuevos recursos y construcción, mantenimiento y/o ampliación de nuevas minas. Por lo tanto, no se hace distinción alguna entre los incentivos a corto y a largo plazo.

La Sociedad opera un plan de incentivos en efectivo único para los Consejeros Ejecutivos y los miembros del Comité Ejecutivo, incluyendo al Director Ejecutivo.

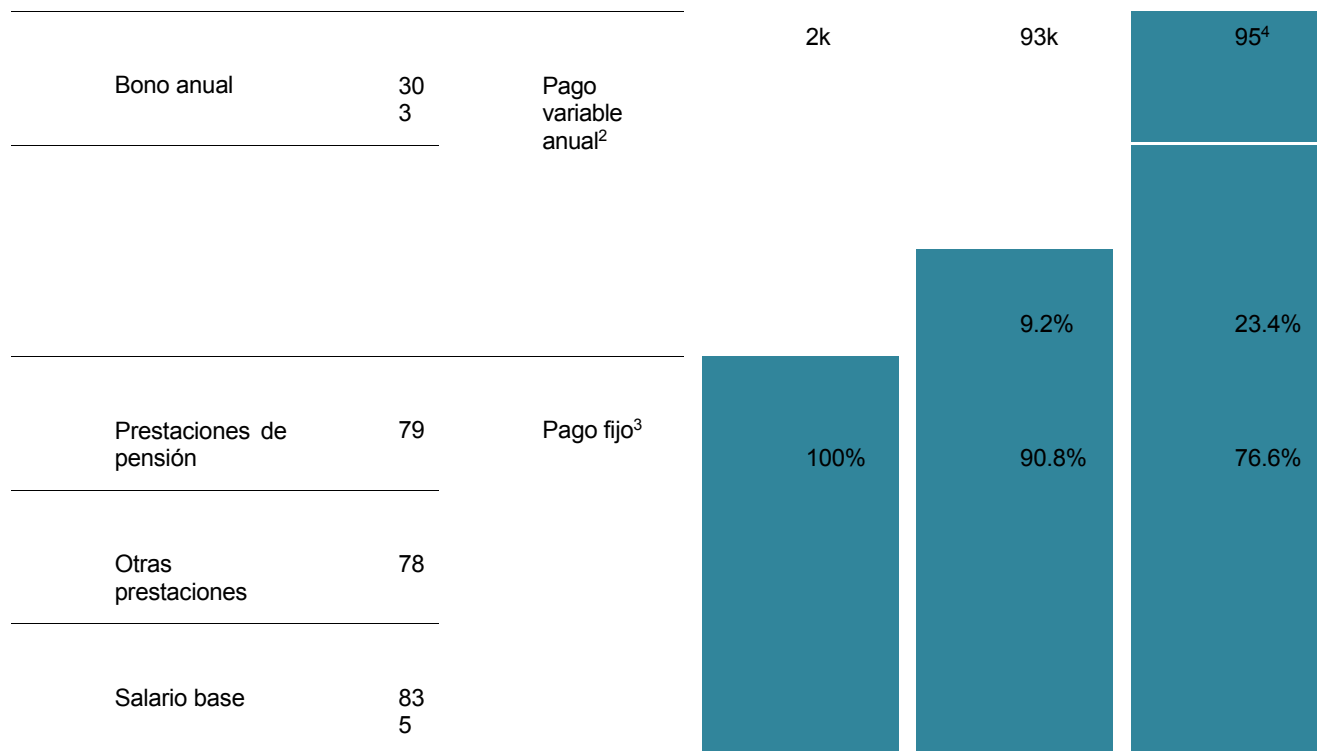
RECUPERACIÓN DE BONO

La ausencia de incentivos a largo plazo y la operación de la ley mexicana hacen difícil adoptar arreglos de reembolso y de sanción. El Comité de Remuneración ha considerado incorporar disposiciones de sanción y/o de reembolso en el contrato de prestación de servicios para el Director Ejecutivo. Dado que la Sociedad no opera planes de remuneración dentro de un plazo mayor a un año, el Comité de Remuneración no considera que haya mucho valor en la introducción de disposiciones de reembolso en los arreglos contractuales con el Director Ejecutivo en esta etapa. Dentro de esta política de remuneración, el Comité de Remuneración se reserva el derecho a hacer ajustes a la baja a los pagos de bonos cuando los resultados del KPI, en opinión del Comité de Remuneración, darían como resultado un pago de bono que no puede ser justificado por el desempeño financiero o personal de la Sociedad durante el ejercicio (o posteriormente con respecto a ejercicios previos). En este caso, se aplicaría un ajuste a la baja.

ILUSTRACIONES DE LA APLICACIÓN DE LA POLÍTICA DE REMUNERACIÓN PARA EL DIRECTOR EJECUTIVO

La siguiente tabla establece la remuneración fija y variable del Director Ejecutivo en los diferentes escenarios donde reciba un pago variable, mínimo, objetivo y máximo (con base en la remuneración al día 31 de diciembre de 2018).

Componente	Valor máximo	Mínimo	Objetivo	Máximo
Incentivos en acciones ¹	US\$99	US\$99	US\$1,0	US\$1,2



1 Fresnillo plc no opera ninguna opción de acciones o planes de incentivos a largo plazo en acciones.

2 El pago variable consta únicamente de remuneración cuando las medidas u objetivos de desempeño se relacionen únicamente con un ejercicio social.

3 El pago fijo incluye salario, prestaciones y pensión.

4 La Sociedad no opera incentivos a largo plazo en capital; por consiguiente, el precio de la acción de la Sociedad no tiene ningún impacto en la remuneración variable pagada a los Consejeros Ejecutivos y miembros del Comité Ejecutivo que no sean miembros del Consejo.

NOMBRAMIENTOS EXTERNOS

Es política del Consejo permitir que los Consejeros Ejecutivos acepten cargos de consejeros en otras empresas inscritas y no inscritas en bolsa y que conserven los honorarios u otra remuneración por hacerlo; a condición de que hayan obtenido el consentimiento del Presidente de la Sociedad. Cualquier cargo de consejero debe ser notificado formalmente al Consejo.

PRESIDENTE Y CONSEJEROS NO EJECUTIVOS

La remuneración del Presidente de la Sociedad y los Consejeros No Ejecutivos consta de honorarios pagados trimestralmente en atrasos. El Presidente y los Consejeros No Ejecutivos no participan en ningún incentivo a largo plazo o esquemas de bonos anuales, ni tienen derecho a pensión. Ni el Presidente ni los Consejeros Ejecutivos tienen un contrato de prestación de servicios celebrado con la Sociedad; sin embargo, cada uno de ellos ha celebrado una carta de nombramiento con la Sociedad.

CARGAS DE NOMBRAMIENTO DE LOS CONSEJEROS NO EJECUTIVOS

A su nombramiento inicial, cada uno de los Consejeros No Ejecutivos firmó una carta de nombramiento con la Sociedad por un período inicial de tres años. Desde abril de 2011, las cartas de nombramiento de los Consejeros No Ejecutivos en funciones han sido redactadas de conformidad con la disposición B.7.1 del Código de Gobierno Societario del Reino Unido, obligándolos así a retirarse en cada Asamblea General Anual y estar sujetos a reelección anual por parte de los accionistas por un período adicional de un año. Las reformas han sido redactadas de modo que el nombramiento renovado no requerirá una nueva carta de nombramiento.

El Presidente de la Sociedad no recibe honorarios por actuar como Presidente, excepto sus honorarios como Consejero No Ejecutivo.

Se espera que cada Consejero No Ejecutivo se comprometa por un mínimo de 14 días al año en el cumplimiento de sus obligaciones como Consejero de la Sociedad. Los honorarios de los Consejeros No Ejecutivos se calculan de la siguiente manera:

- Un honorario base de £35,000 anual es pagado a cada Consejero No Ejecutivo no establecido en el Reino Unido para reflejar el compromiso de tiempo y el nivel de involucramiento que se requieren para tomar parte de las actividades del Consejo en su conjunto.
- No hay honorarios establecidos para los miembros de cualquier comité del Consejo o por la presidencia del Consejo, excepto los siguientes:
 - Los Consejeros No Ejecutivos establecidos en el Reino Unido reciben un honorario más alto, actualmente £90,000 anual, para reflejar el compromiso de tiempo adicional que requieren para viajar a las juntas del Consejo en México y por las responsabilidades como miembros del Comité y, cuando sea adecuado, como Consejero Independiente Senior y/o Presidente de cualquier Comité.
 - Cuando el Presidente del Comité de Auditoría es residente en México, recibirá un honorario adicional de £15,000 anual.
 - Los miembros del Comité de Auditoría recibirán un honorario adicional de £15,000 anual.

Lineamientos de Tenencia Accionaria

Fresnillo no ha introducido lineamientos de propiedad de acciones. La Sociedad no opera arreglos de incentivos basados en acciones, dado que la cultura de incentivos en el mercado mexicano no favorece los incentivos basados en acciones. Por consiguiente, no habría oportunidad ni apetito por parte de los ejecutivos para construir una tenencia accionaria en la Sociedad y, por lo tanto, el Comité de Remuneración no ha adoptado lineamientos de tenencias accionarias.

INFORME DE LOS CONSEJEROS

De acuerdo con la sección 415 de la Ley de Sociedades de 2006, los Consejeros de Fresnillo plc presentan su informe para el ejercicio terminado el día 31 de diciembre de 2018.

Los Consejeros consideran que los componentes necesarios de este informe se encuentran en otra parte de este Informe Anual y/o en la página web de la Sociedad www.fresnilloplc.com. La tabla establece dónde se pueden localizar las revelaciones necesarias.

Consejeros	Los Consejeros que han prestado sus servicios durante el ejercicio y resúmenes de las habilidades clave y experiencia de los Consejeros actuales se establecen en el Informe de Gobierno Corporativo en las páginas [] a [].
Resultados dividendos	y Los resultados para el ejercicio terminado el día 31 de diciembre de 2018 se establecen en la Revisión Financiera en las páginas [] a [] y el Estado de Resultados Consolidado en la página [xx]. La información relativa al dividendo final propuesto se puede encontrar en la Revisión Financiera en la página []. Los pagos de dividendos hechos durante el ejercicio terminado el día 31 de diciembre de 2018 se pueden encontrar en las notas a los Estados Financieros en la página [].
Estatutos Sociales	Los Estatutos Sociales completos de la Sociedad se pueden encontrar en la página web de la Sociedad en www.fresnilloplc.com/who-we-are/corporate-governance/ . Cualquier reforma a los Estatutos Sociales podrá ser realizada mediante resolución especial de los accionistas. Lo siguiente es un resumen de la estructura, derechos y restricciones del capital social de la Sociedad: La Sociedad tiene dos clases de capital social: 736,893,589 acciones ordinarias de US\$0.50 (“Acciones Ordinarias”) y 50,000 acciones diferidas de £1.00 cada una (“Acciones Diferidas en Libras Esterlinas”). Las Acciones Ordinarias están inscritas en la Bolsa de Valores de Londres y la Bolsa Mexicana de Valores. Los derechos y obligaciones relacionados con estas acciones los

rige la ley del Reino Unido y los Estatutos de la Sociedad.

Los accionistas ordinarios tienen derecho a recibir aviso sobre y a asistir y participar en cualquier asamblea general de la Sociedad. En una votación a mano alzada, cada accionista presente en persona o mediante apoderado (o siendo una sociedad, representada por un representante debidamente autorizado) tendrá un voto, y en una votación mediante papeleta, cada accionista que esté presente en persona o mediante apoderado tendrá un voto por cada acción que tenga. El Aviso de la Asamblea General Anual especifica las fechas límite para ejercer los derechos de voto y nombrar a un apoderado o apoderados.

No hay restricciones sobre la transferencia de las Acciones Ordinarias, exceptuando:

- las restricciones normales para una sociedad que cotiza en el Reino Unido establecidas en la Cláusula 32 de los Estatutos Sociales;
- cuando, ocasionalmente, algunas limitaciones pudieran ser impuestas por leyes y reglamentos (por ejemplo, las leyes de tráfico de información privilegiada); y
- en virtud de las Reglas de Inscripción de la Autoridad de Servicios Financieros por las cuales algunos Consejeros, funcionarios y empleados de la Sociedad requieren la aprobación de la Sociedad para negociar con las Acciones Ordinarias.

Un Consejero podrá ser electo para cubrir una vacante imprevista o como Consejero adicional, pero de tal forma que el número total de Consejeros no exceda por ello el máximo de acuerdo con los Estatutos Sociales de la Sociedad. Cualquier persona nombrada por los Consejeros se retirará en la Asamblea General Anual siguiente y será entonces elegible para elección.

Ningún accionista posee valores que tengan derechos especiales en cuanto al control de la Sociedad. No existen limitaciones sobre la tenencia de valores. No existen restricciones sobre los derechos de voto o cualesquiera arreglos mediante los cuales, con la cooperación

de la Sociedad, los derechos financieros que tengan los valores son mantenidos por una persona que no sea el titular de los valores. No existen acuerdos entre los tenedores de valores que sean conocidos por la Sociedad que puedan tener como resultado restricciones sobre la transferencia de los derechos de voto.

Las Acciones Diferidas en Libras Esterlinas solamente dan derecho al accionista al pago de la cantidad pagada después de la restitución a los Accionistas Ordinarios al momento de una liquidación o un rendimiento de capital. Las Acciones Diferidas en Libras Esterlinas no dan derecho al tenedor al pago de ningún dividendo, o a recibir aviso de o a asistir y a tener voz en cualquier asamblea general de la Sociedad. La Sociedad también podrá, a su elección, amortizar las Acciones Diferidas en Libras Esterlinas a un precio de £1.00 o, como custodio, a comprar o cancelar las Acciones Diferidas en Libras Esterlinas o exigir al tenedor que transfiera las Acciones Diferidas en Libras Esterlinas. Excepto a opción de la Sociedad, las Acciones Diferidas en Libras Esterlinas no son transferibles.

Capital social	Los detalles del capital social de la Sociedad se establecen en la nota [] de los estados financieros en la página [].
Autoridad para comprar acciones propias	Los detalles sobre la facultad actual de la Sociedad para comprar sus propias acciones y la solicitud de esto en la próxima Asamblea General Anual se establecen en el Informe de Gobierno Corporativo en la página [].
Intereses de los Consejeros	Los detalles de los intereses usufructuarios de los Consejeros se establecen en el Informe de Remuneración en la página [].
Indemnizaciones de los Consejeros	La Sociedad le ha proporcionado indemnizaciones a cada uno de los Consejeros con respecto a cualquier responsabilidad que surja en su contra en relación con las actividades de la Sociedad (y de cualquier sociedad asociada) en la realización de sus labores. Estas indemnizaciones están sujetas a las condiciones establecidas en la Ley de Sociedades de 2006 y permanecen vigentes a la fecha de este informe.
Seguro de Responsabilidades	Existe una cobertura de Seguro de Protección de Responsabilidades de los Consejeros y Funcionarios a la fecha de este Informe. La

de Consejeros y Funcionarios	cobertura se revisa anualmente y la última renovación se llevó a cabo en octubre de 2018.
Principales participaciones en acciones	La página [] del Informe de Gobierno Corporativo establece las principales participaciones accionarias notificables de las que la Sociedad ha tenido conocimiento.
Cambio de control	Los detalles que establecen el efecto de un cambio de control de la Sociedad conforme a acuerdos significativos se establecen en la página web de la Sociedad en http://www.fresnilloplc.com/who-we-are/corporate-governance .
Contribuciones políticas	La Sociedad no realizó donaciones a organizaciones políticas durante el ejercicio.
Pagos a gobiernos	En junio de 2018, la Sociedad aprobó y publicó un informe revelando los pagos realizados a gobiernos. El informe se puede encontrar en la página web de la Sociedad en http://www.fresnilloplc.com/investor-relations/regulatory-announcements .
Declaración sobre Esclavitud Moderna	La Sociedad ha aprobado y publicado en su página web su Declaración sobre Esclavitud Moderna de acuerdo con la Ley de Esclavitud Moderna de 2015 en http://www.fresnilloplc.com/corporate-responsibility/modern-slavery/ .
Política sobre diversidad	En febrero de 2018, la Sociedad aprobó y publicó en su página web su política sobre la diversidad en http://www.fresnilloplc.com/corporate-responsibility/our-policies/ .
Estrategia fiscal del Reino Unido	La estrategia fiscal del Reino Unido de la Sociedad para el ejercicio social terminado el día 31 de diciembre de 2018 está publicada en su página web en http://www.fresnilloplc.com/corporate-responsibility/tax-strategy/ .
Emisiones de gas con efecto invernadero	Los detalles de las emisiones de gases con efecto invernadero de la Sociedad se pueden encontrar en el Informe Social y de Sustentabilidad en la página [] del Informe Estratégico.
Riesgo financiero	Los detalles de las políticas de la Sociedad sobre el manejo de riesgos financieros y la exposición de la Sociedad al riesgo de precios, riesgo crediticio, riesgo de liquidez y riesgo de flujo de efectivo se establecen en la nota [] de los Estados Financieros.
Sucursales fuera del Reino Unido	Las operaciones de la Sociedad se realizan fuera del Reino Unido.

Actividades en investigación y desarrollo	La Sociedad no tiene ninguna actividad de investigación y desarrollo.
Proyectos futuros	Se pueden encontrar detalles sobre los proyectos futuros de la Sociedad en el Informe Estratégico en las páginas [] y [].
Audidores	Se propondrá una resolución para volver a nombrar a Ernst & Young LLP como auditores en la Asamblea General Anual.
Hechos posteriores al balance general	No ha habido hechos posteriores al balance general.
Información de auditoría	<p>Cada uno de los Consejeros a la fecha de aprobación de este informe confirma que:</p> <ul style="list-style-type: none"> • hasta donde tiene conocimiento, no hay información de auditoría relevante de la cual los auditores de la Sociedad no tengan conocimiento; y • ha tomado todas las medidas razonables que debió de haber tomado como Consejero para enterarse de cualquier información de auditoría relevante y para establecer que los auditores de la Sociedad tengan conocimiento de la información. • la confirmación se da y deberá interpretarse de acuerdo con las disposiciones de la sección 418 de la Ley de Sociedades de 2006.
Revelaciones adicionales sobre Reglas de Inscripción	<p>Los requisitos de revelación conforme a la Regla de la Inscripción 9.8.4 C se identifican a continuación, junto con referencias cruzadas que indican dónde se establece la información relevante en el Informe Anual:</p> <ul style="list-style-type: none"> • Los intereses capitalizados para el ejercicio terminado el día 31 de diciembre de 2018 e información referente a la desgravación fiscal se pueden encontrar en la página []. • Los detalles sobre los contratos significativos con accionistas mayoritarios se pueden encontrar en la página []. • Los detalles correspondientes a los servicios prestados a la Sociedad por Peñoles se establecen en la página []. • La declaración que confirma que se ha celebrado un contrato con el accionista mayoritario y que se han cumplido las disposiciones de independencia se puede encontrar en el Informe de Gobierno Corporativo en la página [].

El Informe de los Consejeros ha sido aprobado por el Consejo de Administración de Fresnillo plc.

Firmado en representación del Consejo de Administración.

Charles Jacobs

Consejero Independiente Senior

25 de febrero de 2019

Fresnillo plc,

Oficina registrada: 21 Upper Brook Street, Londres, W1K 7PY, Reino Unido, Sociedad Número:
6344120

DECLARACIÓN DE LAS RESPONSABILIDADES DE LOS DIRECTORES

Los directores son responsables de preparar el reporte anual, así como los estados financieros de la Matriz y del Grupo de acuerdo a la ley aplicable del Reino Unido y a los estándares internacionales de reporte (IFRS) adoptados por la Unión Europea.

A los directores se les requiere que preparen estados financieros por cada año financiero y que presenten una verdadera y justa visión de la posición financiera de la Empresa y del Grupo y el desempeño financiero, así como flujos de la Compañía y el Grupo por el período presentado. En la preparación de esos estados financieros, a los directores se les solicita que:

- Seleccionar adecuadas políticas de acuerdo a IAS8: “Políticas Contables, “Cambios en Estimaciones Contables y Errores” y posteriormente aplicarlas consistentemente;
- Presentar información, incluyendo políticas contables, de manera que provea información relevante, confiable, comparable y clara;
- Proveer detalle adicional cuando el cumplimiento a los requisitos específicos de los IFRS es insuficiente para permitir a los usuarios entender el impacto de transacciones particulares, otros eventos y condiciones de la Compañía y de la posición y desempeño financiero del Grupo;
- Indicar que la Compañía y el Grupo han cumplido con las IFRS, sujeto a cualquier aclaración y explicación de los estados financieros; y
- Preparar las cuentas bajo la base de empresa en marcha, habiendo evaluado la habilidad de la Compañía y del Grupo para continuar como negocio en marcha y si la administración intenta liquidar la entidad o suspender el negocio, o no tiene opción de hacer eso.

Los directores son responsables de mantener el registro de las cuentas de manera adecuada, mostrando con una razonable exactitud en cualquier momento la posición financiera de la Empresa y del Grupo permitiendo asegurar que los estados financieros cumplen con las normas del Company Acts 2006 y el artículo 4 de la regulación de las IAS. También son responsables de asegurar los activos de la Compañía y del Grupo y de tomar decisiones para la prevención y detección del fraude y otras irregularidades.

Bajo la regulación aplicable del Reino Unido los directores son responsables de la preparación del reporte de directores, reporte de las remuneraciones de los directores y el reporte de gobierno corporativo que cumplan con dicha ley y regulaciones. Adicionalmente, los directores son responsables del mantenimiento e integridad de la información corporativa y financiera incluida en la página web de la empresa. La legislación en el Reino Unido encargada de la preparación y supervisión de los estados financieros puede ser diferente de la legislación de otras jurisdicciones.

Ni la Compañía ni los directores aceptan ninguna obligación ante ninguna persona en relación al reporte de los estados financieros excepto si dicha obligación esta basada en las leyes inglesas. En consecuencia, cualquier obligación a aquel que haya demostrado confianza en cualquier omisión será determinado de acuerdo a la sección 90 A y 10^a de los Servicios Financieros y Markets Act 2000.

De acuerdo con la provisión C.1.1 del Código de Gobierno Corporativo de Londres, los directores consideran que el Reporte Anual y sus notas, considerado como uno solo, es justo, balanceado y entendible y provee información para permitir a los accionistas evaluar el desempeño de la Empresa, modelo de negocio y estrategia.

La declaración de responsabilidades de los directores con relación al reporte anual y a las notas

Confirmando en nombre del Consejo que según su leal saber y entender:

- a) Los estados financieros, preparados de acuerdo a las Normas Internacionales de Reportabilidad adoptadas por la Unión Europea, proporcionan una visión real y justa de los activos, pasivos, posición financiera así como utilidad y pérdida de la Empresa así como las consideraciones incluidas en la consolidación considerada como un todo; y
- b) El reporte de la administración (en conjunto con el “Resumen”, “Reporte Estratégico”, “Reporte de Operaciones” y el “Reporte de Gobierno Corporativo”) incluyen una justa revisión del desarrollo y desempeño del negocio, y de la posición de la Compañía y consideraciones incluidas en la consolidación, junto a una descripción de los principales riesgos e incertidumbre que enfrentan.

Firmado en nombre del Consejo

Charles Jacobs
Director Independiente
25 de Febrero de 2019

Estado Consolidado de Resultados

Ejercicio terminado el día 31 de diciembre

	Notas	Ejercicio terminado el día 31 de diciembre de 2018			Ejercicio terminado el día 31 de diciembre de 2017		
		Efecto de revaluación antes de Silverstream	Efecto de revaluación de Silverstream	Miles de US\$ Total	Efecto de revaluación antes de Silverstream	Efecto de revaluación de Silverstream	Miles de US\$ Total
Operaciones continuas:							
Ingresos	4	2,103,785		2,103,785	2,093,308		2,093,308
Costo de ventas	5	(1,323,057)		(1,323,057)	(1,167,903)		(1,167,903)
Utilidad bruta		780,728		780,728	925,405		925,405
Gastos administrativos		(83,339)		(83,339)	(72,710)		(72,710)
Gastos de exploración	6	(172,799)		(172,799)	(141,108)		(141,108)
Gastos de venta		(21,237)		(21,237)	(19,110)		(19,110)
Otros ingresos operativos	8	11,703		11,703	28,203		28,203
Otros gastos operativos	8	(8,360)		(8,360)	(11,371)		(11,371)
Utilidad de operaciones continuas antes de costos financieros netos e impuesto sobre la renta		506,696		506,696	709,309		709,309
Ingresos financieros	9	20,372		20,372	14,576		14,576
Costos financieros	9	(50,010)		(50,010)	(89,653)		(89,653)
Efectos de revaluación del contrato de Silverstream	13		14,956	14,956	-	113,656	113,656

Pérdida cambiaria		(8,084)	(8,084)	(6,399)	(6,399)	
Utilidad de operaciones continuas antes del impuesto sobre la renta		468,974	14,956	483,930	627,833	741,489
Impuesto sobre la renta corporativo	10	(116,162)	(4,487)	(120,649)	(119,365)	(153,462)
Derecho especial sobre minería	10	(13,315)		(13,315)	(27,220)	(27,220)
Gasto de impuesto sobre la renta	10	(129,477)	(4,487)	(133,964)	(146,585)	(180,682)
Utilidad del ejercicio de operaciones continuas		339,497	10,469	349,966	481,248	560,807
Atribuible a:						
Accionistas de la Sociedad		339,377	10,469	349,846	481,019	560,578
Participación no mayoritaria		120		120	229	229
					481,248	560,807

Ganancias por acción: (US\$)Ganancias básicas y diluidas por
Acción Ordinaria de
operaciones continuas

11

0.475

-

0.761

**Ganancias ajustadas por
acción: (US\$)**Ganancias básicas y diluidas
ajustadas por Acción Ordinaria
de operaciones continuas

11

0.461

0.653

-

Estado Consolidado de Ingresos Globales

Ejercicio terminado el día 31 de diciembre

	Ejercicio terminado el día 31 de diciembre de		
	Notas	2018 Miles de US\$	2017 Miles de US\$
Utilidades del ejercicio		349,966	560,807
Otros ingresos/(gastos) globales			
<i>Partidas que pueden ser reclasificadas posteriormente a utilidades o pérdidas:</i>			
Ganancias sobre coberturas de flujo de efectivo recicladas para el estado de resultados		1,582	-
Pérdidas sobre costo de coberturas recicladas para el estado de resultados		(269)	-
Cambios en el valor justo del costo de coberturas		14,353	-
Efecto total de coberturas de flujo de efectivo		15,666	-
Cambios en el valor justo de activos financieros disponibles para venta		-	8,808
Deterioro de activos financieros disponibles para venta llevados a ingresos durante el ejercicio		-	36
Efecto total de activos financieros disponibles para venta		-	6,191
<i>Conversión de divisas</i>		(185)	118
Efecto del impuesto sobre la renta sobre partidas que pueden ser reclasificadas posteriormente a utilidades o pérdidas:		(4,699)	
Otros ingresos globales netos que pueden ser reclasificados posteriormente a utilidades o pérdidas:		10,782	6,309
<i>Partidas que no serán reclasificadas a utilidades o pérdidas:</i>			
Cambios en el valor justo de coberturas de flujo de efectivo		-	
Pérdidas sobre coberturas de flujo de efectivo recicladas a otros activos		(233)	
Cambios en el valor justo de coberturas de flujo de efectivo		(58)	
Efecto total de coberturas de flujo de efectivo		(291)	
Cambios en el valor justo de inversiones de capital a FVOCI		(46,579)	
Ganancias de nueva medición sobre planes de prestaciones definidas	21	2,610	933
Efecto del impuesto sobre la renta sobre partidas que no serán reclasificadas a utilidades o pérdidas	10	19,999	(148)
Otros (gastos)/ingresos globales netos que no serán reclasificados a utilidades o pérdidas		(24,261)	785
Otros (gastos)/ingresos globales, neto de impuestos		(13,479)	7,094
Total de ingresos globales del ejercicio, neto de impuestos		336,487	567,901
Atribuibles a:			
Accionistas de la Sociedad		336,377	567,672
Participaciones no mayoritarias		110	229
		336,487	567,901

Balance General Consolidado

Al día 31 de diciembre

		Al día 31 de diciembre de	
	Notas	2018 Miles de US\$	2017 Miles de US\$
ACTIVO			
Activo no circulante			
Propiedad, planta y equipo	12	2,693,104	2,448,596
Instrumentos de capital a FVOCI	2(b), 29	78,219	-
Activos financieros disponibles para venta	2(b)	-	144,856
Contrato de Silverstream	13	498,274	506,569
Instrumentos financieros derivados	29	20	-
Activo fiscal diferido	10	88,883	48,950
Inventarios	14	91,620	91,620
Otras cuentas por cobrar	15	-	129
Otros activos		3,199	3,389
		3,453,319	3,244,109
Activo circulante			
Inventarios	14	243,404	179,485
Cuentas por cobrar de clientes y otras cuentas por cobrar	15	411,157	342,506
Impuesto sobre la renta recuperable		50,871	59,588
Pagos anticipados		15,488	3,543
Instrumentos financieros derivados	29	294	382
Contrato de Silverstream	13	20,819	32,318
Efectivo y equivalentes de efectivo	16	560,785	876,034
		1,302,818	1,493,856
Total de activo		4,756,137	4,737,965
CAPITAL Y PASIVO			
Capital y reservas atribuibles a los accionistas de la Sociedad			
Capital social	17	368,546	368,546
Prima accionaria	17	1,153,817	1,153,817
Reserva de capital	17	(526,910)	(526,910)
Reserva de cobertura	17	(229)	-
Costo de reserva de cobertura	17	(2,374)	-
Reserva de activos financieros disponibles para venta	17	-	53,799
Reserva de valor justo de activos financieros a FVOCI	17	23,370	-
Reserva de conversión de divisas	17	(795)	(610)
Ganancias retenidas	17	2,033,860	1,962,708
		3,049,285	3,011,350
Participación no mayoritaria		78,968	55,245
Total de capital		3,128,253	3,066,595

Balance General Consolidado

Al día 31 de diciembre

	Notas	Al día 31 de diciembre de	
		2018 Miles de US\$	2017 Miles de US\$
Pasivo no circulante			
Préstamos que devengan intereses	19	800,127	799,046
Instrumentos financieros derivados	29	-	14,224
Reserva para costo de cierre de la mina	20	189,842	184,775
Reserva para pensiones y otros planes de prestaciones posteriores al empleo	21	6,393	9,217
Pasivo fiscal diferido	10	470,925	491,677
		1,467,287	1,498,939
Pasivo circulante			
Cuentas por pagar a proveedores y otras cuentas por pagar	22	133,140	134,949
Impuesto sobre la renta pagadero		10,960	18,328
Instrumentos financieros derivados	29	3,807	4,992
Reparto de utilidades a empleados		12,690	14,162
		160,597	172,431
Total de pasivo		1,627,884	1,671,370
Total de capital y pasivo		4,756,137	4,737,965

Estos estados financieros fueron aprobados por el Consejo de Administración el día 25 de febrero de 2019 y fueron firmados en su representación por:

Sr. Arturo Fernández

Consejero No Ejecutivo

25 de febrero de 2019

Estado Consolidado de Flujos de Efectivo

Ejercicio terminado el día 31 de diciembre

	Ejercicio terminado el día 31 de diciembre de		
	Notas	2018 Miles de US\$	2017 Miles de US\$
Efectivo neto de actividades de operación	28	588,359	761,471
Flujos de efectivo de actividades de inversión			
Compra de propiedad, planta y equipo		(668,669)	(604,751)
Productos de la venta de propiedad, planta y equipo y otros activos	8	78	26,078
Restituciones de préstamos otorgados a contratistas		1,327	925
Inversiones a corto plazo		-	200,000
Contrato de Silverstream	13	36,303	43,349
Compra de activos financieros disponibles para venta		-	(19,877)
Productos de la venta de inversiones de deuda		20,087	-
Intereses recibidos		19,520	14,535
Efectivo neto usado en actividades de inversión		(591,354)	(339,741)
Flujos de efectivo de actividades de financiamiento			
Dividendos pagados a accionistas de la Sociedad	18	(298,068)	(236,560)
Aportación de capital		23,613	18,869
Intereses pagados ¹	19	(35,177)	(35,503)
Efectivo neto usado en actividades de financiamiento		(309,632)	(253,194)
(Disminución)/aumento neto en efectivo y equivalentes de efectivo durante el ejercicio		(312,627)	168,536
Efecto del tipo de cambio en efectivo y equivalentes de efectivo		(2,622)	(4,456)
Efectivo y equivalentes de efectivo al día 1 de enero		876,034	711,954
Efectivo y equivalentes de efectivo al día 31 de diciembre	16	560,785	876,034

¹ Los intereses totales pagados durante el ejercicio terminado el día 31 de diciembre de 2018 menos cantidades capitalizadas ascienden a un total de US\$11.1 millones (31 de diciembre de 2017: US\$11.4 millones) que fueron incluidos dentro del título Compra de propiedad, planta y equipo.

Estado Consolidado de Cambios en Capital

Ejercicio terminado el día 31 de diciembre

Notas	Atribuible a tenedores de capital de la Sociedad											
	Capital social	Prima accionaria	Reserva de capital	Reserva de cobertura	Costo de reserva de cobertura	Reserva de activos financieros disponibles para venta	Reserva de valor justo de activos financieros a FVOCI	Reserva de conversión de divisas	Ganancias retenidas	Total	Participaciones no mayoritarias	Total de capital
	Miles de US\$											
Saldo al día 1 de enero de 2017	368,546	1,153,817	(526,910)	-	-	47,608	-	(728)	1,637,888	2,680,221	36,147	2,716,368
Utilidad del ejercicio	-	-	-	-	-	-	-	-	560,578	560,578	229	560,807
Otros ingresos globales, neto de impuestos	-	-	-	-	-	6,191	-	118	785	7,094	-	7,094
Ingresos globales totales del ejercicio	-	-	-	-	-	6,191	-	118	561,363	567,672	229	567,901
Aportación de capital	-	-	-	-	-	-	-	-	-	-	18,869	18,869
Dividendos declarados y pagados	18	-	-	-	-	-	-	-	(236,543)	(236,543)	-	(236,543)
Saldo al día 31 de diciembre de 2017	368,546	1,153,817	(526,910)	-	-	53,799	-	(610)	1,962,708	3,011,350	55,245	3,066,595
Ajustes para la aplicación inicial de la IFRS 9	2(b)	-	-	-	-	(13,376)	(53,799)	49,622	17,553	-	-	-
Utilidad/(pérdida) del ejercicio	-	-	-	-	-	-	-	-	349,846	349,846	120	349,966
Otros (gastos) globales, neto de impuestos	-	-	-	(229)	11,002	-	(26,252)	(185)	2,195	(13,469)	(10)	(13,479)
Ingresos globales totales del ejercicio	-	-	-	(229)	11,002	-	(26,252)	(185)	352,041	336,377	110	336,487
Aportación de capital	-	-	-	-	-	-	-	-	-	-	23,613	23,613
Dividendos declarados y pagados	18	-	-	-	-	-	-	-	(298,442)	(298,442)	-	(298,442)
Saldo al día 31 de diciembre de 2018	368,546	1,153,817	(526,910)	(229)	(2,374)	-	23,370	(795)	2,033,860	3,049,285	78,968	3,128,253

1. Información corporativa

Fresnillo plc. (la “Sociedad”) es una sociedad pública limitada registrada en Inglaterra y Gales con número de registro 6344120 y es la sociedad controladora de las subsidiarias de Fresnillo detalladas en la nota 5 de los estados financieros de la Sociedad Matriz (el “Grupo”).

Industrias Peñoles, S.A.B. de C.V. (“Peñoles”) es actualmente propietaria del 75% de las acciones de la Sociedad y la parte controladora en último término de la Sociedad es la familia Baillères, cuya participación usufructuaria es mantenida a través de Peñoles. El domicilio registrado de Peñoles está ubicado en Calzada Legaria 549, Ciudad de México 11250. Se pueden obtener copias de los estados financieros de Peñoles en www.penoles.com.mx. En la nota 26 se revela información adicional sobre los saldos y operaciones de partes relacionadas con sociedades del grupo Peñoles.

Los estados financieros consolidados del Grupo para el ejercicio terminado el día 31 de diciembre de 2018 fueron autorizados para su emisión por el Consejo de Administración de Fresnillo plc el día 25 de febrero de 2019.

Las operaciones principales del Grupo son la extracción y procesamiento de minerales no ferrosos y la venta de producción relacionada. El contenido primario de esta producción es plata, oro, plomo y zinc. En la nota 3 se revela información adicional sobre las minas operativas del Grupo y sus actividades principales.

El informe del auditor sobre los estados financieros no estaba calificado y no contenía una declaración de la sección 498 de la Ley de Sociedades de 2006.

Los estados financieros auditados se entregarán al Registro de Sociedades a su debido tiempo. La información financiera contenida en este documento no constituye cuentas estatutarias según se define en el artículo 435 de la Ley de Sociedades de 2006.

2. Políticas contables significativas

(a) Base de elaboración y consolidación y declaración de cumplimiento

Base de elaboración y declaración de cumplimiento

Los estados financieros consolidados del Grupo han sido elaborados de conformidad con las Normas Internacionales de Informe Financiero (IFRS) adoptadas por la Unión Europea en la medida en que se aplican a los estados financieros del Grupo para los ejercicios terminados los días 31 de diciembre de 2018 y 2017, y de conformidad con las disposiciones de la Ley de Sociedades de 2006.

Los estados financieros consolidados han sido elaborados con base en costo histórico, exceptuando cuentas por cobrar de clientes, instrumentos financieros derivados, valores de capital, inversiones en fondos y activos de planes de pensión de prestaciones definidas que han sido medidos a valor justo.

Los estados financieros consolidados se presentan en dólares de los Estados Unidos de América (dólares estadounidenses o US\$) y todos los valores son redondeados al millar más cercano (US\$000), excepto cuando se indique otra cosa.

Base de consolidación

Los estados financieros consolidados establecen la situación financiera del Grupo a los días 31 de diciembre de 2018 y 2017 y los resultados de operaciones y flujos de efectivo de los ejercicios terminados en esas fechas.

Las entidades que constituyen al Grupo son aquellas empresas controladas por el Grupo, independientemente del número de acciones propiedad del Grupo. El Grupo controla a una entidad cuando el Grupo está expuesto o tiene derecho a rendimientos variables de su participación con la entidad y tiene la capacidad de afectar dichos rendimientos a través de su poder sobre la entidad. Las entidades son consolidadas a partir de la fecha en que el control es transferido al Grupo y dejan de ser consolidadas a partir de la fecha en que el control es transferido fuera del Grupo. El Grupo aplica el método de adquisición para contabilizar las combinaciones de operaciones de conformidad con la IFRS 3.

Todos los saldos, operaciones, ingresos y gastos y utilidades y pérdidas dentro del grupo, incluyendo utilidades no realizadas derivadas de operaciones dentro del grupo, han sido eliminados en la consolidación. Las pérdidas no realizadas son eliminadas de la misma forma que las ganancias no realizadas, con la salvedad de que únicamente son eliminadas en la medida en que no haya constancia de deterioro.

Las participaciones no mayoritarias en los activos netos de las subsidiarias consolidadas son identificadas por separado del capital del Grupo en las mismas. La participación de los accionistas no mayoritarios puede ser medida inicialmente ya sea a valor justo o a la parte proporcional de las participaciones no mayoritarias de los activos netos identificables de la parte adquirida. La elección de la base de

medición se realiza adquisición por adquisición. Después de la adquisición, las participaciones no mayoritarias constan de la cantidad atribuida a dichas participaciones al reconocimiento inicial y la parte de cambios en el capital de la participación no mayoritaria desde la fecha de la combinación. Cualesquiera pérdidas de una subsidiaria son atribuidas a las participaciones no mayoritarias, incluso si esto tiene como resultado un saldo deficitario.

Las operaciones con participaciones no mayoritarias que no tengan como resultado una pérdida de control son contabilizadas como operaciones de capital – es decir, una operación con los propietarios en su carácter de propietarios. La diferencia entre el valor justo de cualquier contraprestación pagada y la parte relevante adquirida del valor neto en libros de los activos netos de la subsidiaria es registrada en capital. Las ganancias o pérdidas sobre enajenaciones a participaciones no mayoritarias también son registradas en capital.

(b) Cambios en las políticas contables y revelaciones

Las políticas contables adoptadas en la elaboración de los estados financieros consolidados son consistentes con aquellas aplicadas en la elaboración de los estados financieros consolidados para el ejercicio terminado el día 31 de diciembre de 2017, exceptuando lo siguiente:

Nuevas normas, interpretaciones y reformas (nuevas normas) adoptadas por el Grupo

Instrumentos financieros

El día 1 de enero de 2018, la Sociedad adoptó la IFRS 9, Instrumentos Financieros, que reemplazó a la IAS 39, Instrumentos Financieros: Reconocimiento y Medición utilizando el enfoque retrospectivo modificado, por ende, el Grupo no reexpresa períodos anteriores. Las diferencias entre las cantidades netas en libros anteriores que utilizan políticas contables como se revela en la ARA de 2017 y aquellas determinadas conforme a la IFRS 9 en la fecha de la aplicación inicial han sido incluidas en las ganancias retenidas de apertura.

La IFRS 9 establece un modelo revisado para clasificación y medición de instrumentos financieros; un modelo único de deterioro de pérdida esperada a futuro; y cambia a contabilidad de cobertura.

El modelo de clasificación y medición para los activos financieros en la IFRS 9 se basa en los modelos de negocios del Grupo para administrar sus activos financieros y si los flujos de efectivo contractuales representan únicamente pagos de suerte principal e intereses. Por lo general, los instrumentos de capital son

clasificados y medidos a valor justo mediante utilidad o pérdida (FVPL). Sin embargo, con respecto a los instrumentos de capital que el Grupo pretende mantener para el futuro previsible, la IFRS 9 permite al Grupo elegir irrevocablemente el reconocimiento inicial o la transición para clasificar aquellos activos como valor justo mediante otros ingresos globales (FVOCI). Los cambios en el valor justo de los instrumentos de capital que se eligió que fueran clasificados como FVOCI no son reclasificados a utilidad o pérdida en períodos futuros. La mayoría de los requisitos en la IAS 39 para clasificación y medición de pasivos financieros fueron trasladados en la IFRS 9.

Activos financieros a largo plazo

La adopción de la IFRS 9 dio como resultado algunos cambios a la clasificación de activos financieros clasificados previamente como activos financieros disponibles para venta (AFS). La Sociedad designó sus inversiones en inversiones de capital cotizadas como FVOCI y clasificó inversiones en fondos como FVPL:

	1 de enero de 2018 (en miles de dólares estadounidenses)	31 de diciembre de 2017
Activos financieros disponibles para venta	-	144,856
Instrumentos de deuda a valor justo mediante utilidad o pérdida	19,877	-
Instrumentos de capital a valor justo mediante otros ingresos globales	124,979	-
	<u>144,856</u>	<u>144,856</u>

Al momento de la transición, el saldo en la reserva de AFS relativa a inversiones en fondos fue reclasificado de otros ingresos globales acumulados (OCI) a ganancias retenidas por la cantidad de US\$53.8 millones. Además, las cantidades reconocidas previamente en ganancias retenidas relacionadas con deterioro histórico de AFS que son ahora clasificadas como FVOCI han sido reclasificadas a la reserva de FVOCI por la cantidad de US\$6.0 millones.

Cuentas por cobrar de clientes

Conforme a la IFRS 9, los derivados integrados ya no se separan de sus contratos principales. En vez de ello, cuando hay derivados integrados presentes, todo el contrato principal es clasificado como valor justo mediante utilidad o pérdida. Para el Grupo, este cambio afecta las cuentas por cobrar de clientes que incluyen ajustes de precios provisionales. Sin embargo, no dio como resultado ningún cambio en la cantidad neta en libros de esas cuentas por cobrar de clientes.

Deterioro

La adopción del nuevo modelo de deterioro de “pérdida de crédito esperada” conforme a la IFRS 9, en oposición a un modelo de pérdida de crédito asumida conforme a la IAS 39, tuvo un impacto insignificante en las cantidades netas en libros de los activos financieros del Grupo en la fecha de transición dado que el Grupo lleva a cabo operaciones exclusivamente con organizaciones con sólidas calificaciones crediticias, ha tenido un insignificante nivel histórico de incumplimiento de contrapartes y tiene únicamente un período de exposición a corto plazo a riesgo crediticio.

Cobertura

Los nuevos requisitos contables generales de cobertura mantienen los tres tipos de mecanismos de contabilidad de cobertura disponibles previamente conforme a la IAS 39. Conforme a la IFRS 9, sin embargo, se ha introducido una mayor flexibilidad para los tipos de operaciones elegibles para contabilidad de cobertura, específicamente ampliando los tipos de instrumentos que califican para instrumentos de cobertura y los tipos de componentes de riesgo de partidas no financieras que son elegibles para contabilidad de cobertura. Además, la prueba de efectividad ha sido reemplazada con el principio de una “relación económica” y la evaluación retrospectiva de la efectividad de cobertura ya no es requerida. También se han introducido requisitos de revelación mejorados acerca de las actividades de administración de riesgos de una entidad.

La IFRS 9 cambia los requisitos de contabilidad por el valor en el tiempo de las opciones compradas cuando únicamente el valor intrínseco de dichas opciones ha sido designado como el instrumento de cobertura. En dichos casos, los cambios en el valor en el tiempo de las opciones son inicialmente reconocidos en OCI como costo de cobertura. Cuando la partida cubierta se relaciona con una operación, las cantidades inicialmente reconocidas en OCI relacionadas con el cambio en el valor en el tiempo de las opciones son reclasificadas a utilidades o pérdidas o como ajuste base para los activos o pasivos no financieros al vencimiento de la partida cubierta o, en el caso de una partida cubierta que se obtenga con el tiempo, las cantidades inicialmente reconocidas en OCI son amortizadas a utilidades o pérdidas de manera sistemática y racional a lo largo de la vida de la partida cubierta. Conforme a la IAS 39, el cambio en el valor en el tiempo de las opciones fue registrado en el estado de resultados. Al día 1 de enero de 2018, el ajuste para reflejar los cambios en la contabilidad para el valor en el tiempo de dichas opciones aumentó las ganancias retenidas y disminuyó el costo de la reserva de cobertura en US\$19.1 millones (US\$13.4 millones neto de impuesto).

Reconocimiento de ingresos

El día 1 de enero de 2018, el Grupo adoptó la IFRS 15, Ingresos de Contratos con Clientes, que sobreescribe la IAS 18, Ingresos. La IFRS 15 establece un marco de

modelo único de cinco pasos para determinar la naturaleza, cantidad, temporalidad e incertidumbre de los ingresos y flujos de efectivo que surgen de un contrato con un cliente. La IFRS 15 requiere que las entidades reconozcan ingresos cuando el control de los bienes o servicios se transfiere al cliente, mientras que la norma anterior, la IAS 18, requería que las entidades reconocieran los ingresos cuando los riesgos y recompensas de los bienes o servicios se transfieren al cliente. La Sociedad concluyó que no hay ningún cambio en la temporalidad del reconocimiento de ingresos de sus ventas de doré, precipitados y concentrados conforme a la IFRS 15 en comparación con la norma anterior ya que el punto de transferencia de los riesgos y recompensas de los bienes y servicios y la transferencia de control tienen lugar al mismo tiempo. Por lo tanto, no se requirió ningún ajuste a los estados financieros del Grupo.

Los ingresos relacionados con la venta de concentrados, precipitados y barras de doré son reconocidos cuando el control del activo vendido es transferido al cliente. Los indicadores de transferencia de control incluyen una obligación incondicional de pago, titularidad legal, posesión física, transferencia de riesgos y recompensas y aceptación del cliente. Esto por lo general tiene lugar cuando los bienes son entregados a la fundidora o refinería del cliente convenida con el comprador; en cuyo punto el comprador controla los bienes.

Los contratos de ventas del Grupo, en general, establecen un pago provisional con base en ensayos provisionales y precios de metal cotizados. Los ingresos son registrados conforme a estos contratos al momento en que el control pasa al comprador y son medidos a valor justo de la contraprestación por cobrar con base en precios de mercado futuros establecidos en períodos de cotización especificados aplicados a la mejor estimación del Grupo de cantidades de metal contenido.

En cada fecha de informe, el metal con precios provisionales es ajustado al valor del mercado con base en el precio de venta futuro para el período de cotización estipulado en el contrato, los cambios en el valor razonable del precio del metal provisional son reconocidos en ingresos ajustando el valor de las ventas. El precio de operación puede ser medido de manera confiable ya que existe un mercado de productos básicos activo y operado libremente tal como la Bolsa de Metales de Londres para plata, oro, zinc y plomo y el valor del producto vendido por la Sociedad está enlazado directamente a la forma en la que se opera en ese mercado. Las variaciones entre el precio registrado en la fecha en que el control es transferido al comprador y el precio final real establecido conforme a los contratos de fundición son causadas por cambios en los precios de metal que dan como resultado que la cuenta por cobrar sea registrada a FVPL.

La liquidación final se basa en cantidades ajustadas como se requiere después de la inspección del producto por el cliente, así como los precios de productos básicos aplicables. La IFRS 15 requiere que la contraprestación variable

únicamente debe ser reconocida en la medida en que sea altamente probable que una reversión importante en la cantidad de los ingresos acumulativos reconocidos no tendrá lugar. El Grupo concluyó que los ajustes relativos a los resultados de ensayos finales para la cantidad y calidad de concentrado vendido no son significativas y no restringen el reconocimiento de ingresos.

Los cargos de refinación y tratamiento conforme a los contratos de venta siguen siendo deducidos de los ingresos de las ventas de concentrados ya que éstos no están relacionados con un bien o servicio distinto.

Otras Reformas de Alcance Reducido

El Grupo ha adoptado la IFRIC 22 – Operaciones Cambiarias y Contraprestaciones Anticipadas, que no tuvo un impacto importante en los estados financieros consolidados del Grupo.

Excepto por la reforma mencionada anteriormente, no hubo nuevas normas significativas que se requería que el Grupo adoptara con efectividad el día 1 de enero de 2018.

Normas, interpretaciones y reformas emitidas pero aún no efectivas

Las normas e interpretaciones que son emitidas, pero que aún no son efectivas, hasta la fecha de emisión de los estados financieros del Grupo se revelan a continuación. El Grupo tiene la intención de adoptar estas normas, según sean aplicables a los estados financieros del Grupo, cuando entren en vigor, excepto cuando se indica.

IFRS 16, Arrendamientos

La IFRS 16 introduce un modelo contable de un solo arrendatario y requiere que un arrendatario reconozca los activos y pasivos para todos los arrendamientos con una vigencia de más de 12 meses, a menos que el activo subyacente sea de bajo valor. Se requiere que un arrendatario reconozca un activo con derecho de uso que representa su derecho a utilizar el activo arrendado subyacente y un pasivo de arrendamiento que representa su obligación de hacer pagos de arrendamiento. La IFRS 16 traslada sustancialmente los requisitos contables del arrendador en la IAS 17. Por consiguiente, un arrendador continúa clasificando sus arrendamientos como arrendamientos operativos o arrendamientos financieros y da cuenta de esos dos tipos de arrendamientos de manera diferente. Estas reformas son efectivas para períodos anuales que comienzan en o después del día 1 de enero de 2019, permitiéndose la aplicación anticipada. El Grupo ha elegido adoptar la nueva norma a partir del día 1 de enero de 2019 aplicando el enfoque de transición simplificado y no reexpresará cantidades comparativas para

el ejercicio anterior a la primera adopción. Los activos de derecho de uso serán medidos en la cantidad del pasivo de arrendamiento en adopción. El Grupo ha establecido un equipo de proyecto que ha revisado todos los arreglos de arrendamiento del Grupo en el último año a la luz de las nuevas reglas contables de arrendamiento en la IFRS 16. A la fecha de informe, el Grupo tiene compromisos de arrendamiento operativo no cancelables de \$16.1 millones, véase la nota 24. De estos compromisos, aproximadamente \$0.2 millones se relacionan con arrendamientos a corto plazo y \$2.7 millones con arrendamientos de bajo valor que serán reconocidos con base en línea recta como gasto en utilidades o pérdidas.

IFRIC 23, Incertidumbre sobre tratamientos del Impuesto sobre la Renta

Esta interpretación aclara cómo aplicar los requisitos de reconocimiento y medición en la IAS 12 cuando hay incertidumbre sobre tratamientos del impuesto sobre la renta. La interpretación será aplicada a la determinación de utilidades gravables (pérdidas gravables), bases fiscales, pérdidas fiscales no utilizadas, créditos fiscales no utilizados y tipos de cambio, cuando hay incertidumbre sobre los tratamientos del impuesto sobre la renta. La aplicación de la ley fiscal puede ser compleja y requiere criterio para evaluar los riesgos y estimar los resultados cuando la cantidad del impuesto pagadero o recuperable sea incierta. El Grupo evaluó si existen cualesquiera posibles posiciones fiscales inciertas conforme a los requisitos de la Interpretación y no se identificó ningún impacto en los estados financieros del Grupo. La IFRIC 23 es aplicable para períodos anuales que comienzan en o después del día 1 de enero de 2019.

El IASB y el Comité de Interpretación de la IFRS han emitido otras reformas resultado de mejoras a las IFRS que la administración considera que no tienen ningún impacto en las políticas contables, posición financiera o desempeño del Grupo. El Grupo no ha adoptado anticipadamente ninguna norma, interpretación o reforma que haya sido emitida pero que aún no haya entrado en vigor.

(c) Juicios, estimaciones y supuestos contables significativos

La elaboración de los estados financieros consolidados del Grupo de conformidad con las IFRS requiere que la administración haga juicios, estimaciones y supuestos que afectan las cantidades reportadas de activos, pasivos y pasivos contingentes a la fecha de los estados financieros consolidados y las cantidades reportadas de ingresos y gastos durante el período de informe. Estos juicios y estimaciones se basan en el leal saber de la administración de los hechos y circunstancias relevantes, con respecto a la experiencia previa, pero los resultados reales pueden diferir de las cantidades incluidas en los estados financieros consolidados. Hay información acerca de dichos juicios y estimaciones contenida en las políticas contables y/o las notas a los estados financieros consolidados.

Juicios

Las áreas de juicios, además de aquellas que involucren estimaciones, que tienen el efecto más significativo en las cantidades reconocidas en los estados financieros consolidados para el ejercicio terminado el día 31 de diciembre de 2018 son:

- Costos de desmonte, nota 2(e):

El Grupo asume costos de remoción de desechos (costos de desmonte) durante las fases de desarrollo y producción de sus operaciones mineras superficiales. Durante la fase de producción, los costos de desmonte (costos de desmonte de producción) pueden ser asumidos tanto en relación con la producción de inventario en ese período como en relación con la creación de acceso mejorado y flexibilidad minera en relación con el mineral a ser extraído en el futuro. Los anteriores son incluidos como parte de los costos de inventario, en tanto que estos últimos son capitalizados como un activo de actividad de desmonte, cuando se cumplen ciertos criterios.

Una vez que el Grupo ha identificado su desmonte de producción para una operación minera superficial, se requiere un juicio para identificar los componentes separados de los cuerpos minerales para esa operación, a la que los costos de desmonte deben ser asignados. Por lo general, un componente será un conjunto del cuerpo mineral total que se hace más accesible como resultado de la actividad de desmonte. Al identificar los componentes del cuerpo mineral, el Grupo trabaja de manera cercana con el personal de operaciones mineras para analizar cada uno de los planes de la mina ya que los componentes son identificados usualmente durante la etapa de planeación de la mina. El Grupo reevalúa los componentes de los cuerpos minerales en línea con la elaboración y actualización de los planes de la mina, que habitualmente dependen de la información más nueva de reservas y recursos. En el ejercicio en curso, esta reevaluación no dio origen a ningún cambio en la identificación de componentes, excepto por aquellos existentes en el pozo Centauro en la mina Herradura.

Siguiendo los resultados de los estudios de reservas y recursos en el ejercicio anterior, se identificaron reservas de oro significativas adicionales en el pozo Centauro. Las operaciones mineras trabajaron en la evaluación del impacto de estas nuevas reservas en el diseño de la mina y propusieron un nuevo plan de la mina que fue aprobado en julio de 2018. El nuevo diseño expande significativamente el tamaño del pozo Centauro y da como resultado que áreas que previamente iban a ser explotadas como dos componentes separados sean accedidas y explotadas como un solo componente. Con base en el nuevo plan de la mina, con efectividad el día 1 de julio de 2018, el Grupo ha cambiado los componentes identificados en el pozo Centauro y, por lo tanto, la medición de los costos de desmonte correspondientes.

Este cambio fue incorporado a futuro desde el día 1 de julio de 2018. Si la determinación de los componentes no hubiera cambiado, el costo de capitalización del desmonte durante el período de seis meses terminado el día 31 de diciembre de 2018 habría sido US\$28.6 millones más alto, con un impacto compensatorio contra el saldo de inventario de trabajo en proceso al día 31 de diciembre de 2018.

– Contingencias, nota 25

Por su naturaleza, las contingencias serán resueltas únicamente cuando ocurran o no ocurran uno o más hechos futuros inciertos. La evaluación de la existencia y cuantía potencial de contingencias involucra de modo inherente el ejercicio de juicios significativos y el uso de estimaciones relativas al resultado de hechos futuros.

Estimaciones y supuestos

Las áreas significativas de incertidumbre de estimación consideradas por la administración al elaborar los estados financieros consolidados incluyen:

– Reservas minerales y recursos minerales recuperables estimados, nota 2(e):

Las reservas minerales son estimaciones de la cantidad de mineral que puede ser extraído económica y legalmente de las propiedades mineras del Grupo; los recursos minerales son un suceso mineral identificado con prospectos razonables para extracción económica eventual. El Grupo estima sus reservas y recursos minerales con base en información recopilada por personas calificadas de manera adecuada en relación con los datos geológicos y técnicos sobre el tamaño, profundidad, forma y grado del cuerpo mineral y las técnicas de producción y tasas de recuperación adecuadas, de conformidad con el Código del Comité Conjunto de Reservas Minerales (JORC) de 2012. Dicho análisis requiere juicios geológicos complejos para interpretar los datos. La estimación de las reservas minerales y recursos minerales recuperables se basa en factores tales como supuestos y juicios geológicos hechos al estimar el tamaño y grado del cuerpo mineral, estimaciones de precios de productos básicos, tipos de cambio, requisitos de capital futuro y costos de producción.

Ya que se produce información geológica adicional durante la operación de una mina, los supuestos económicos usados y las estimaciones de las reservas minerales y recursos minerales pueden cambiar. Dichos cambios pueden tener un impacto en el balance general y el estado de resultados reportados del Grupo, incluyendo:

- El valor neto en libros de propiedad, planta y equipo y propiedades mineras puede verse afectado debido a los cambios en los flujos de efectivo futuros estimados, que consideran las reservas minerales y los recursos minerales;
 - Los cargos de depreciación y amortización en el estado de resultados pueden cambiar cuando dichos cargos sean determinados utilizando el método de unidades de producción basado en reservas minerales;
 - Los costos de desmonte capitalizados reconocidos en el balance general, ya sea como parte de las propiedades mineras o como inventario o cargados a utilidades o pérdidas pueden cambiar debido a los cambios en los índices de desmonte;
 - Las reservas para los costos de cierre de la mina pueden cambiar cuando los cambios a las estimaciones de reservas y recursos minerales afecten las expectativas sobre cuándo tendrán lugar dichas actividades;
 - El reconocimiento y el valor neto en libros de los activos de impuestos sobre la renta diferidos pueden cambiar debido a cambios relativos a la existencia de dichos activos y en las estimaciones de la recuperación probable de dichos activos.
- Estimación de mineral recuperable en las plataformas de lixiviación

En las minas a cielo abierto del Grupo, cierto mineral extraído es colocado en plataformas de lixiviación, donde se aplica una solución a la superficie de la pila para disolver el oro y permitir la extracción. La determinación de la cantidad de oro recuperable requiere una estimación con consideración de las cantidades de mineral colocadas en las plataformas y el grado de ese mineral (con base en datos de ensayos) y el porcentaje de recuperación estimado (con base en estudios metalúrgicos y tecnología actual).

Los grados del mineral colocado en las plataformas son regularmente comparados con las cantidades de metal recuperado a través del proceso de lixiviación para evaluar la idoneidad de la recuperación estimada (equilibrio metalúrgico). El Grupo monitorea los resultados del proceso de equilibrio metalúrgico y las estimaciones de recuperación son refinadas con base en los resultados reales con el paso del tiempo y cuando hay nueva información disponible.

En 2017, el Grupo decidió que construiría una nueva plataforma de lixiviación en un área separada de la mina Herradura. Para reducir la distancia de arrastre del pozo a la nueva plataforma, el Grupo construyó una ruta de acceso a través de ciertas plataformas de lixiviación existentes, removiendo y depositando de nuevo el mineral en el proceso. Estos trabajos permitieron que el Grupo llevara a cabo

ensayos y verificara ciertas características del mineral, incluyendo la humedad del mineral depositado y el grado del oro en la solución. El Grupo finalizó la evaluación de estos ensayos durante el primer semestre de 2018.

Como resultado de esta nueva información, el Grupo actualizó su estimación del contenido de oro restante en las plataformas de lixiviación, dando como resultado un aumento de 98.9 mil onzas de oro al día 1 de enero de 2018. Esto representa 1.7% del contenido de oro total depositado desde el inicio de la mina hasta el día 31 de diciembre de 2017.

Este cambio en la estimación fue incorporado a futuro en el inventario desde el día 1 de enero de 2018. El aumento en el número de onzas redujo el costo promedio ponderado del inventario. Si la estimación no hubiera cambiado, el costo de producción durante el ejercicio terminado el día 31 de diciembre de 2018 habría sido US\$71.9 millones más alto, con un impacto compensatorio contra el saldo del inventario de trabajo en proceso al día 31 de diciembre de 2018.

– Silverstream, nota 13:

La valuación del contrato de Silverstream como instrumento financiero derivado requiere una estimación por la administración. La vigencia del derivado se basa en la vida de la mina Sabinas y el valor de este derivado se determina utilizando una serie de estimaciones, incluyendo las reservas minerales y recursos minerales recuperables estimados y el perfil de producción futuro de la mina Sabinas, las recuperaciones estimadas de plata del mineral extraído, estimaciones del precio futuro de la plata y la tasa de descuento utilizada para descontar flujos de efectivo futuros. Si se requieren mayores detalles sobre los elementos que tienen un efecto significativo en el valor justo de este derivado, véase la nota 30. El impacto de los cambios en los supuestos de los precios de la plata, tipos de cambio, inflación y tasa de descuento se incluye en la nota 31.

– Estimación de los costos de cierre de la mina, notas 2(j) y 19:

Se hacen estimaciones y supuestos significativos al determinar la reserva para el costo de cierre de la mina ya que hay numerosos factores que afectarán la cantidad pagadera a final de cuentas. Estos factores incluyen estimaciones de la medida y costos de actividades de rehabilitación, la moneda en la que el costo será asumido, cambios tecnológicos, cambios reglamentarios, aumentos de costos, vida de la mina y cambios en las tasas de descuento. Dichas incertidumbres pueden dar como resultado gastos futuros reales diferentes de las cantidades proporcionadas actualmente. La reserva a la fecha del balance general representa la mejor estimación de la administración del valor actual de los costos de cierre futuros requeridos.

- Impuesto sobre la renta, notas 2(q) y 10:

El reconocimiento de los activos fiscales diferidos, incluyendo aquellos que se deriven de pérdidas fiscales no utilizadas, requieren que la administración evalúe la probabilidad de que el Grupo genere ganancias gravables en períodos futuros para utilizar activos fiscales diferidos reconocidos. Las estimaciones de ingresos gravables futuros se basan en pronósticos de flujos de efectivo de operaciones y la aplicación de leyes fiscales existentes en cada jurisdicción. En la medida en que los flujos de efectivo futuros y los ingresos gravables difieran significativamente de las estimaciones, la capacidad del Grupo de realizar los activos fiscales diferidos netos registrados a la fecha del balance general podría verse afectada.

(d) Conversión de divisas

Los estados financieros consolidados del Grupo se presentan en dólares estadounidenses, que es la moneda funcional de la sociedad matriz. La moneda funcional de cada entidad en el Grupo es determinada por la moneda del ambiente económico primario donde opera. La determinación de la moneda funcional requiere la opinión de la administración, particularmente cuando puede haber más de una moneda en la que las operaciones sean llevadas a cabo y que tiene un impacto en el ambiente económico en el que opera la entidad. Para todas las entidades operativas, ésta es el dólar estadounidense.

Las operaciones denominadas en monedas distintas a la moneda funcional de la entidad son convertidas al tipo de cambio prevaleciente en la fecha de la operación. Los activos y pasivos monetarios denominados en monedas extranjeras son reconvertidos al tipo de cambio prevaleciente en la fecha del balance general. Todas las diferencias que surjan son registradas en el estado de resultados. Las partidas no monetarias que son medidas en términos de costo histórico en una moneda extranjera son convertidas utilizando los tipos de cambio a las fechas de las operaciones iniciales. Las partidas no monetarias medidas a valor justo en una moneda extranjera son convertidas a dólares estadounidenses utilizando el tipo de cambio a la fecha en que se determine el valor justo.

Para entidades con monedas funcionales distintas a dólares estadounidenses a la fecha del informe, los activos y pasivos son convertidos a la moneda de informe del Grupo aplicando el tipo de cambio a la fecha del balance general y el estado de resultados es convertido al tipo de cambio promedio del ejercicio. La diferencia resultante en el tipo de cambio es incluida como un ajuste de conversión acumulativo en otros ingresos globales. A la enajenación de una entidad, la cantidad acumulativa diferida reconocida en otros ingresos globales relativa a esa operación es reconocida en el estado de resultados.

(e) Propiedad, planta y equipo

Propiedad, planta y equipo son establecidos al costo menos depreciación acumulada y deterioro, de haberlo. El costo comprende el precio de compra y cualesquiera costos directamente atribuibles para poner al activo en condiciones de funcionamiento para su uso pretendido. El costo de los activos autoconstruidos incluye el costo de materiales, mano de obra directa y una proporción adecuada de gastos generales de producción.

El costo menos el valor residual de cada elemento de propiedad, planta y equipo es depreciado a lo largo de su vida útil. La vida útil estimada de cada elemento ha sido evaluada con respecto a sus limitaciones de vida física y la evaluación actual de las reservas económicamente recuperables de la propiedad de la mina donde se ubica el elemento. Se hacen estimaciones de las vidas útiles restantes regularmente para todos los edificios, maquinaria y equipo minero, con reevaluaciones anuales para elementos importantes. La depreciación es cargada al costo de venta con base en unidad de producción (UOP) para edificios e instalaciones, planta y equipo minero utilizados en el proceso de producción de la mina o en línea recta a lo largo de la vida útil estimada del activo individual cuando no se relacione con el proceso de producción de la mina. Los cambios en las estimaciones, que afectan principalmente los cálculos de unidades de producción, son contabilizados a futuro. La depreciación comienza cuando los activos están disponibles para uso. El terreno no se deprecia.

Las vidas útiles esperadas son las siguientes:

	Años
Edificios	6
Planta y equipo	4
Propiedades mineras y costos de desarrollo ¹	16
Otros activos	3

¹ La depreciación de propiedades mineras y costos de desarrollo es determinada utilizando el método de unidades de producción.

Un elemento de propiedad, planta y equipo es desconocido a la enajenación o cuando no se esperan beneficios económicos futuros de su uso o enajenación. Cualquier ganancia o pérdida que surja al desconocimiento del activo (calculado como la diferencia entre los productos de enajenación netos y la cantidad neta en libros del activo) es incluida en el estado de resultados del ejercicio en que el activo sea desconocido.

Los activos no circulantes o grupos de enajenación son clasificados como mantenidos para venta cuando se espera que la cantidad neta en libros del activo sea recuperada principalmente a través de venta en vez de a través de uso

continuo. Los activos no son depreciados al ser clasificados como mantenidos para venta.

Enajenación de activos

Las ganancias o pérdidas de la enajenación de activos son reconocidas en el estado de resultados cuando todos los riesgos y recompensas significativos de propiedad sean transferidos al cliente, habitualmente cuando la titularidad haya sido transferida.

Propiedades mineras y costos de desarrollo

Los pagos de las concesiones mineras son gastados durante la fase de exploración de un prospecto y capitalizados durante el desarrollo del proyecto cuando sean asumidos.

Los derechos comprados a reservas minerales y recursos minerales son reconocidos como activos a su costo de adquisición o al valor justo si son comprados como parte de una combinación de operaciones.

Las concesiones mineras, al ser capitalizadas, son amortizadas en línea recta a lo largo del período en que se espera que se obtengan beneficios de dicha concesión específica.

Los costos de desarrollo de la mina son capitalizados como parte de propiedad, planta y equipo. Las actividades de desarrollo de la mina comienzan una vez que se haya realizado un estudio de viabilidad para el proyecto específico. Cuando se haya celebrado un prospecto de exploración en la fase de exploración avanzada y se haya obtenido constancia suficiente de la probabilidad de la existencia de minerales económicamente recuperables, los gastos preoperativos relativos a las obras de preparación de la mina también son capitalizados como un costo de desarrollo de la mina.

El costo inicial de una propiedad minera consta de su costo de construcción, cualesquiera costos directamente atribuibles a la puesta en operación de la propiedad minera, la estimación inicial de la reserva para costo de cierre de la mina y, para activos que califican, costos de desembolso. El Grupo detiene la capitalización de costos de desembolso cuando la construcción física del activo está completa y está listo para su uso pretendido.

Los ingresos de metales recuperados de mineral extraído en la fase de desarrollo de la mina, antes de la producción comercial, son acreditados a las propiedades mineras y costos de desarrollo. Al comienzo de la producción, el gasto capitalizado es depreciado utilizando el método de unidades de producción con base en las

reservas demostradas y probables estimadas económicamente con las que se relacionen.

Las propiedades mineras y el desarrollo de la mina son establecidos al costo, menos depreciación acumulada y deterioro en valor, de haberlo.

Construcción en progreso

Los activos en el curso de la construcción son capitalizados como un componente separado de propiedad, planta y equipo. A la terminación, el costo de construcción es transferido a la categoría adecuada de propiedad, planta y equipo. El costo de construcción en progreso no es depreciado.

Gastos posteriores

Todos los gastos posteriores sobre propiedad, planta y equipo son capitalizados si cumplen con los criterios de reconocimiento y se desconoce la cantidad neta en libros de aquellas partes que sean reemplazadas. Todos los demás gastos, incluyendo el gasto de reparaciones y mantenimiento, son reconocidos en el estado de resultados a medida que son asumidos.

Costos de desmonte

En una operación minera superficial es necesario eliminar la capa de desperdicio y otros materiales de desecho para obtener acceso a los cuerpos minerales (actividad de desmonte). Durante las fases de desarrollo y preproducción, los costos de actividad de desmonte son capitalizados como parte del costo inicial de desarrollo y construcción de la mina (el activo de la actividad de desmonte) y cargados como depreciación o agotamiento al costo de venta, en el estado de resultados, con base en las unidades de producción de la mina una vez que comiencen las operaciones comerciales.

La eliminación de materiales de desecho continúa normalmente a lo largo de la vida de una mina superficial. Esta actividad se denomina desmonte de producción y comienza cuando inicia la extracción de material vendible desde la mina superficial.

El costo de desmonte es capitalizado únicamente si se cumplen los siguientes criterios:

- Es probable que los beneficios económicos futuros (acceso mejorado a un cuerpo mineral) relacionados con la actividad de desmonte fluyan al Grupo;

- El Grupo puede identificar el componente de un cuerpo mineral para el cual se haya mejorado el acceso; y
- Los costos relacionados con el acceso mejorado a ese componente pueden ser medidos de manera confiable.

Si no se cumplen todos los criterios, los costos de desmonte de producción son cargados al estado de resultados como costos operativos a medida que son asumidos.

Los costos de actividad de desmonte relacionados con dichas actividades de desarrollo son capitalizados en activos de desarrollo minero existentes, como propiedades mineras y costo de desarrollo, dentro de propiedad, planta y equipo, utilizando una medida que considere el volumen de desechos extraídos comparados con el volumen esperado, por un volumen determinado de producción mineral. Esta medida es conocida como la “proporción de desmonte de componentes”, que es revisada anualmente de conformidad con el plan de la mina. La cantidad capitalizada es depreciada posteriormente a lo largo de la vida útil esperada del componente identificado del cuerpo mineral relacionado con el activo de actividad de desmonte, usando el método de unidades de producción. La identificación de componentes y las vidas útiles esperadas de dichos componentes son evaluadas cuando hay nueva información de reservas y recursos disponible. La depreciación es reconocida como costo de venta en el estado de resultados.

El activo de actividad de desmonte capitalizado es registrado a costo, menos agotamiento/depreciación acumulado, menos deterioro, de haberlo. El costo incluye la acumulación de costos asumidos directamente para realizar la actividad de desmonte que mejore el acceso al componente identificado del mineral, más una asignación de costos generales directamente atribuibles. Los costos asociados con las operaciones inherentes son excluidos del costo del activo de actividad de desmonte.

Al identificar los componentes del cuerpo mineral, el Grupo trabaja de cerca con el personal de operaciones mineras para cada operación minera para analizar cada uno de los planes de la mina. En general, un componente será un subconjunto del cuerpo mineral total y una mina puede tener varios componentes que son identificados con base en el plan de la mina. Los planes de la mina y, por lo tanto, la identificación de los componentes, pueden variar entre minas por una serie de razones, incluyendo, sin limitación, el tipo de productos básicos, las características geológicas del cuerpo mineral, la ubicación geográfica y/o las consideraciones financieras.

(f) Deterioro de activos no financieros

Las cantidades netas en libros de activos son revisadas en cuanto a deterioro si los hechos o los cambios en las circunstancias indican que el valor neto en libros puede no ser recuperable. En cada fecha de informe, se hace una evaluación para determinar si hay indicaciones de deterioro. Si hay indicadores de deterioro, se lleva a cabo un ejercicio para determinar si los valores registrados exceden su cantidad recuperable. Dichas revisiones son realizadas activo por activo, excepto cuando dichos activos no generen flujos de efectivo independientes de aquellos de otros activos o grupos de activos y, entonces, la revisión es realizada a nivel de unidad generadora de efectivo.

Si la cantidad neta en libros de un activo o su unidad generadora de efectivo excede la cantidad recuperable, se registra una reserva para reflejar el activo a la cantidad recuperable en el balance general. Las pérdidas por deterioro son reconocidas en el estado de resultados.

Cantidad recuperable de un activo

La cantidad recuperable de un activo es lo que sea mayor entre su valor en uso y el valor justo, menos costos de enajenación. Al evaluar el valor en uso, los flujos de efectivo futuros estimados son descontados a su valor actual utilizando una tasa de descuento antes de impuestos que refleje las evaluaciones de mercado actuales del valor del dinero en el tiempo y los riesgos específicos del activo. El valor justo menos el costo de enajenación se basa en una estimación de la cantidad que el Grupo puede obtener en una operación de venta ordenada entre participantes de mercado. Para un activo que no genere flujos entrantes de efectivo que son en gran medida independientes de aquellos de otros activos o grupos de activos, la cantidad recuperable es determinada para la unidad generadora de efectivo a la cual pertenezca el activo. Las unidades generadoras de efectivo del Grupo son los grupos identificables más pequeños de activos que generan flujos entrantes de efectivo que son en gran medida independientes de los flujos entrantes de efectivo de otros activos o grupos de activos.

Reversión de deterioro

Se hace una evaluación en cada fecha de informe en cuanto a si hay cualquier indicación de que las pérdidas por deterioro reconocidas previamente ya no puedan existir o puedan haber disminuido. Si existe dicha indicación, el Grupo hace una estimación de la cantidad recuperable. Una pérdida por deterioro reconocida previamente es revertida únicamente si ha habido un cambio en las estimaciones utilizadas para determinar la cantidad recuperable del activo desde que se reconoció la pérdida por deterioro. Si es así, la cantidad neta en libros del activo aumenta a la cantidad recuperable. La cantidad aumentada no puede exceder la cantidad neta en libros que habría sido determinada, neto de depreciación, si no se hubiera reconocido una pérdida por deterioro en ejercicios

previos. Dicha reversión de pérdida por deterioro es reconocida en el estado de resultados.

(g) Activos y pasivos financieros

A partir del día 1 de enero de 2018, el Grupo clasifica sus activos financieros en las siguientes categorías de medición:

- aquellos a ser medidos a costo amortizado.
- aquellos a ser medidos posteriormente a valor justo mediante OCI, y
- aquellos a ser medidos posteriormente a valor justo mediante utilidad o pérdida.

La clasificación depende del modelo de negocios del Grupo para administrar los activos financieros y los términos contractuales de los flujos de efectivo.

Para activos medidos a valor justo, las ganancias y pérdidas serán registradas en utilidades o pérdidas u OCI. Para inversiones en instrumentos de capital que no son mantenidos para operación, esto dependerá de si el Grupo ha hecho una elección irrevocable al momento del reconocimiento inicial para representar la inversión de capital a valor justo mediante otros ingresos globales (FVOCI).

El Grupo reclasifica las inversiones de deuda cuando y únicamente cuando su modelo de negocios para administrar esos activos cambia.

Las compras y ventas convencionales de activos financieros son reconocidas en la fecha de operación, la fecha en que el Grupo se compromete a comprar o vender el activo.

Al reconocimiento inicial, el Grupo mide un activo financiero a su valor justo más, en el caso de un activo financiero que no sea a valor justo mediante utilidades o pérdidas (FVPL), los costos de la operación que son directamente atribuibles a la adquisición del activo financiero. Los costos de la operación de activos financieros trasladados a FVPL son gastados en utilidades o pérdidas.

Los activos financieros con derivados integrados son considerados en su totalidad cuando se determina si sus flujos de efectivo son únicamente pago de suerte principal e intereses.

La medición posterior de los instrumentos de deuda depende del modelo de negocios del Grupo para administrar el activo y las características de flujo de efectivo del activo. Existen tres categorías de medición en las que el Grupo clasifica sus instrumentos de deuda:

Costo amortizado

Los activos que son mantenidos para cobranza de flujos de efectivo contractuales cuando dichos flujos de efectivo representan únicamente pagos de suerte principal e intereses son medidos a costo amortizado. Los ingresos por intereses de estos activos financieros están incluidos en ingresos financieros usando el método de tasa de interés efectiva. Cualquier ganancia o pérdida que surja del desconocimiento es reconocida directamente en utilidades o pérdidas y presentada en otras ganancias/(pérdidas) junto con las ganancias y pérdidas cambiarias. Las pérdidas por deterioro son presentadas como una partida de línea separada en el estado de resultados.

Los activos financieros del Grupo a costo amortizado incluyen cuentas por cobrar (excepto cuentas por cobrar de clientes que son medidas a valor justo mediante utilidades o pérdidas).

Valor justo mediante otros ingresos globales

Los activos que son mantenidos para cobranza de flujos de efectivo contractuales y para venta de activos financieros, cuando los flujos de efectivo de los activos representan únicamente pagos de suerte principal e intereses, son medidos a FVOCI. Los movimientos en la cantidad neta en libros son tomados mediante OCI, excepto por el reconocimiento de ganancias o pérdidas de deterioro, ingresos de intereses y ganancias y pérdidas cambiarias que son reconocidos en utilidades o pérdidas. Cuando el activo financiero es desconocido, la ganancia o pérdida acumulativa reconocida previamente en OCI es reclasificada de capital a utilidades o pérdidas y reconocida en otras ganancias/(pérdidas). Los ingresos de intereses de estos activos financieros son incluidos en ingresos financieros usando el método de tasa de interés efectiva. Las ganancias y pérdidas cambiarias son presentadas en otras ganancias/(pérdidas) y los gastos de deterioro son presentados como una partida de línea separada en el estado de resultados.

Al momento de la transición a la IFRS 9, el Grupo tenía ciertos activos financieros que fueron representados como instrumentos de deuda a valor justo mediante otros ingresos globales; sin embargo, en la fecha de informe, no existían dichos activos.

Instrumentos de capital designados a valor justo mediante otros ingresos globales

Al reconocimiento inicial, el Grupo puede elegir clasificar irrevocablemente sus inversiones de capital como instrumentos de capital designados a valor justo mediante OCI cuando cumplan con la definición de capital conforme a la IAS 32, Instrumentos Financieros: Presentación, y no sean mantenidos para operación. La clasificación es determinada con base en instrumento por instrumento.

Las ganancias y pérdidas sobre estos activos financieros nunca son recicladas a utilidades o pérdidas. Los dividendos son reconocidos como otros ingresos en el estado de resultados cuando el derecho de pago ha sido establecido, excepto cuando el Grupo se beneficia de dichos productos como recuperación de parte del costo del activo financiero, en cuyo caso, dichas ganancias son registradas en OCI. Los instrumentos de capital designados a valor justo mediante OCI no están sujetos a evaluación por deterioro.

El Grupo eligió clasificar irrevocablemente sus inversiones de capital cotizadas en bolsa conforme a esta categoría.

Valor justo mediante utilidad o pérdida

Los activos que no cumplen con los criterios para costo amortizado o FVOCI son medidos a FVPL. Una ganancia o pérdida sobre una inversión de deuda que es medida posteriormente a FVPL es reconocida en utilidades o pérdidas y presentada neta dentro de otras ganancias/(pérdidas) en el período en el que surge.

Los cambios en el valor justo de los activos financieros a FVPL son reconocidos en otras ganancias/(pérdidas) en el estado de resultados según sea aplicable.

Las cuentas por cobrar de clientes e instrumentos financieros derivados del Grupo, incluyendo el contrato de Silverstream, son clasificadas a valor justo mediante utilidades o pérdidas.

Desconocimiento de activos financieros

Los activos financieros son desconocidos cuando los derechos a recibir flujos de efectivo de los activos financieros han vencido o han sido transferidos y el Grupo ha transferido sustancialmente todos los riesgos y recompensas de propiedad.

Deterioro de activos financieros

Desde el día 1 de enero de 2018, el Grupo evalúa con base en futuro las pérdidas de crédito esperadas relacionados con sus instrumentos de deuda trasladados a costo amortizado y FVOCI. La metodología de deterioro aplicada depende de si ha habido un aumento significativo en el riesgo crediticio.

Para las cuentas por cobrar (excepto cuentas por cobrar de clientes que sean medidas a FVPL), el Grupo aplica el enfoque simplificado permitido por la IFRS 9, que requiere que las pérdidas de tiempo de vida esperado sean reconocidas desde el reconocimiento inicial de las cuentas por cobrar.

(h) Inventarios

Los inventarios de bienes terminados, trabajo en progreso y reservas minerales son medidos a lo más bajo entre el costo y el valor neto realizable. El costo es determinado utilizando el método de costo promedio ponderado basado en el costo de producción que excluye costos de desembolso.

Para este objeto, los costos de producción incluyen:

- gastos de personal, que incluyen reparto de utilidades a empleados, gastos de materiales y contratistas que son directamente atribuibles a la extracción y procesamiento de mineral;
- la depreciación de propiedad, planta y equipo usado en la extracción y procesamiento de mineral; y
- gastos generales de producción relacionados (con base en la capacidad operativa normal).

Los materiales operativos y refacciones son valuados a lo más bajo entre el costo o valor realizable neto. Una asignación para inventarios obsoletos y de movimiento lento es determinada mediante referencia a los elementos de existencias específicos. La administración lleva a cabo una revisión regular para determinar el alcance de dicha asignación.

El valor realizable neto es el precio de venta estimado en el curso ordinario de operaciones, menos cualesquiera costos adicionales que se espera que sean asumidos hasta la terminación y enajenación.

(i) Efectivo y equivalentes de efectivo

Para objetos del balance general, efectivo y equivalentes de efectivo incluye efectivo en el banco, efectivo en caja y depósitos a corto plazo mantenidos con bancos que son convertibles fácilmente en cantidades conocidas de efectivo y que están sujetos a riesgo insignificante de cambios en valor. Los depósitos a corto plazo devengan intereses a las tasas de depósito a corto plazo respectivas entre un día y cuatro meses. Para objetos del estado de flujos de efectivo, efectivo y equivalentes de efectivo, según se define anteriormente, se muestra neto de sobregiros bancarios insolutos.

(j) Reservas

Costo de cierre de la mina

Una reserva por costo de cierre de la mina es hecha con respecto a los costos futuros estimados de cierre, restablecimiento y para costos de rehabilitación ambiental (que incluyen el desmantelamiento y demolición de la infraestructura, eliminación de materiales residuales y saneamiento de áreas perturbadas) con base en un plan de cierre de la mina, en el período contable en que tiene lugar la perturbación ambiental relacionada. La reserva es descontada y el desarrollo del descuento es incluido en los costos financieros. Al momento de establecer la reserva, se capitaliza un activo correspondiente que da origen a un beneficio económico futuro y éste es depreciado a lo largo de la producción futura de la mina con la que se relaciona. La reserva es revisada anualmente por el Grupo en cuanto a cambios en estimaciones de costos, tasas de descuento o vida de las operaciones. Los cambios a los costos futuros estimados son reconocidos en el balance general ajustando el pasivo de costo de cierre de la mina y el activo relacionado reconocido originalmente. Si, en el caso de minas maduras, los activos mineros revisados, neto de las reservas del costo de cierre de la mina, exceden el valor recuperable, la parte del aumento es cargada directamente como gasto. Para sitios cerrados, los cambios a los costos estimados son reconocidos inmediatamente en utilidades o pérdidas.

(k) Prestaciones a empleados

El Grupo opera los siguientes planes:

Plan de pensión de prestaciones definidas

Este plan con fondos se basa en las ganancias y años de antigüedad de cada empleado. Este plan fue abierto para todos los empleados en México hasta que fue cerrado a nuevos participantes el día 1 de julio de 2007. El plan está denominado en pesos mexicanos. Para miembros al día 30 de junio de 2007, las prestaciones fueron congeladas a dicha fecha con sujeción a la indexación con referencia al Índice Nacional de Precios al Consumidor (INPC) mexicano.

El costo de la entrega de prestaciones conforme al plan de prestaciones definidas es determinado utilizando el método de valuación actuarial de crédito unitario proyectado y elaborado por un despacho actuarial independiente a cada fecha del balance general de fin de año. La tasa de descuento es el rendimiento sobre bonos que tengan fechas de vencimiento que se aproximan a los términos de las obligaciones del Grupo y que son denominadas en la misma moneda en la que se espera que se paguen las prestaciones. Las ganancias o pérdidas actuariales son reconocidas en OCI y excluidas de manera permanente de las utilidades o pérdidas.

Los costos de servicios pasados son reconocidos como gasto en línea recta a lo largo del período promedio hasta que las prestaciones sean otorgadas. Si las prestaciones ya han sido otorgadas después de la introducción de o cambios al plan de pensión, el costo de servicio pasado es reconocido inmediatamente.

El activo o pasivo de prestaciones definidas comprende el valor actual de la obligación de prestaciones definidas, menos el valor justo de los activos del plan de los cuales las obligaciones serán liquidadas directamente. El valor de cualquier activo se restringe al valor actual de cualesquiera prestaciones económicas disponibles en forma de reembolsos del plan o reducciones en las aportaciones futuras al plan.

El costo neto de intereses es reconocido en el costo financiero y el rendimiento sobre activos del plan (exceptuando cantidades reflejadas en el costo de interés neto) es reconocido en OCI y excluido permanentemente de las utilidades o pérdidas.

Plan de pensión de aportaciones definidas

Un plan de aportaciones definidas es un plan de prestaciones posteriores al empleo conforme al cual el Grupo paga aportaciones fijas en una entidad separada y no tiene obligación legal o tácita de pagar cantidades adicionales. Las obligaciones por aportaciones a planes de pensión de aportaciones definidas son reconocidas como un gasto de prestaciones a los empleados en las utilidades o pérdidas cuando llegan a su vencimiento. Las aportaciones se basan en el salario del empleado.

Este plan inició el día 1 de julio de 2007 y todos los empleados pueden unirse voluntariamente a este esquema.

Prima de antigüedad por separación voluntaria

Este plan sin fondos corresponde a un pago adicional sobre la prima de antigüedad equivalente a aproximadamente 12 días de salario por año para trabajadores sindicalizados que tengan más de 15 años de antigüedad. Los empleados de confianza con más de 15 años de antigüedad tienen derecho a un pago equivalente a 12 días por cada año de antigüedad. En ambos casos, el pago se basa en el salario mínimo legal vigente.

El costo de la entrega de prestaciones para la prima de antigüedad por separación voluntaria es determinado utilizando el método de valuación actuarial de crédito unitario proyectado y elaborado por un despacho actuarial independiente a cada fecha del balance general de fin de año. Las ganancias o pérdidas actuariales son reconocidas como ingresos o gastos en el período en el que tienen lugar.

Otros

Las prestaciones por fallecimiento y discapacidad son cubiertas a través de pólizas de seguro.

Los pagos de terminación por retiro involuntario (despidos) son cargados al estado de resultados cuando son asumidos.

(l) Reparto de utilidades a empleados

De conformidad con la legislación mexicana, las empresas en México están sujetas a pagar un reparto de utilidades a los empleados ("PTU") equivalente al diez por ciento de los ingresos gravables de cada ejercicio social.

El PTU es contabilizado como prestaciones a empleados y se calcula con base en los servicios prestados por los empleados durante el año, considerando sus salarios más recientes. El pasivo es reconocido a medida que se acumula y es cargado al estado de resultados. El PTU pagado cada ejercicio social es considerado deducible para objetos del impuesto sobre la renta.

(m) Arrendamientos

La determinación sobre si un arreglo es o contiene un arrendamiento se basa en el fondo del arreglo a la fecha de inicio, incluyendo si el cumplimiento del arreglo depende del uso de un activo o activos específicos o el arreglo transmite un derecho a usar el activo. Se hace una reevaluación después del inicio del arrendamiento únicamente si se aplica una de las siguientes causas:

- a) Que haya un cambio en los términos contractuales, distinto a una renovación o prórroga del arreglo;
- b) Que se ejerza una opción de renovación o se otorgue una prórroga, a menos que la vigencia de la renovación o prórroga haya sido incluida inicialmente en la vigencia del arrendamiento;
- c) Que haya un cambio en la determinación sobre si el cumplimiento depende de un activo específico; o
- d) Que haya un cambio sustancial al activo.

Grupo como arrendatario

Los arrendamientos financieros que transfieran al Grupo sustancialmente todos los riesgos y beneficios inherentes a la propiedad del artículo arrendado son capitalizados al inicio del arrendamiento al valor justo del activo arrendado o, si es más bajo, al valor actual de los pagos de arrendamiento mínimos. Los pagos de arrendamiento son repartidos entre los cargos financieros y la reducción del pasivo de arrendamiento para lograr una tasa de interés constante sobre el saldo restante del pasivo. Los cargos financieros son reflejados en el estado de resultados.

Los activos arrendados capitalizados son depreciados a lo largo de lo que sea más corto entre la vida útil estimada del activo y el período de arrendamiento, si no hay certidumbre razonable de que el Grupo obtendrá la propiedad para el final de la vigencia del arrendamiento.

Los pagos de arrendamiento operativo son reconocidos como un gasto en el estado de resultados con base en línea recta a lo largo de la vigencia del arrendamiento.

Grupo como arrendador

Los arrendamientos en los que el Grupo no transfiere sustancialmente todos los riesgos y beneficios de la propiedad del activo son clasificados como arrendamientos operativos. Los costos directos iniciales asumidos en la negociación de un arrendamiento operativo son añadidos a la cantidad neta en libros del activo arrendado y reconocidos a lo largo de la vigencia del arrendamiento con la misma base que los ingresos de renta. Las rentas contingentes son reconocidas como ingresos en el período en que son devengadas.

Cuando se hace una reevaluación, la contabilidad del arrendamiento comienza o termina a partir de la fecha en que el cambio en las circunstancias haya dado origen a la reevaluación para los casos a), c) o d) y en la fecha de renovación o período de prórroga para el caso b) anterior.

Para arreglos celebrados antes del día 1 de enero de 2005, se considera que la fecha de inicio es el día 1 de enero de 2007, de conformidad con los requisitos de transición de IFRIC 4.

(n) Ingresos de contratos con clientes

Los ingresos son reconocidos cuando el control de los bienes o servicios se transfiere al cliente con base en las obligaciones de cumplimiento establecidas en los contratos con clientes.

Venta de bienes

Los ingresos relacionados con la venta de concentrados, precipitados y barras de doré son reconocidos cuando el control del activo vendido es transferido al cliente. Los indicadores de transferencia de control incluyen una obligación de pago incondicional, titularidad legal, posesión física, transferencia de riesgos y recompensas y aceptación del cliente. Esto por lo general ocurre cuando los bienes son entregados a la fundidora o refinería del cliente convenida con el comprador; en cuyo punto el comprador controla los bienes.

Los contratos de ventas del Grupo, en general, establecen un pago provisional con base en ensayos provisionales y precios de metales cotizados. Los ingresos son registrados conforme a estos contratos al momento en que el control pasa al comprador y medidos al valor justo de la contraprestación por cobrar con base en precios de mercado a futuro establecidos en períodos de cotización especificados aplicados a la mejor estimación del Grupo de cantidades de metal contenido.

La liquidación final se basa en cantidades ajustadas como se requiere después de la inspección del producto por el cliente, así como los precios de productos básicos aplicables. La IFRS 15 requiere que la contraprestación variable únicamente debe ser reconocida en la medida en que sea altamente probable que una reversión importante en la cantidad de los ingresos acumulativos reconocidos no tendrá lugar. Ya que los ajustes relativos a los resultados de ensayos finales para la cantidad y calidad de concentrado vendido no son significativos, no restringen el reconocimiento de ingresos.

Los cargos de refinación y tratamiento conforme a los contratos de ventas son deducidos de los ingresos de ventas de concentrados ya que éstos no están relacionados con en un bien o servicio distinto. .

(o) Gastos de exploración

La actividad de exploración involucra la búsqueda de recursos minerales, la determinación de viabilidad técnica y la evaluación de viabilidad comercial de un recurso identificado.

Los gastos de exploración son cargados al estado de resultados a medida que son asumidos y son registrados bajo los siguientes títulos:

- Costo de ventas: costos relacionados con la exploración dentro de la mina, que garantizan buena calidad de extracción continua y prolongan la vida de la mina, y
- Gastos de exploración:

- Costos asumidos en la proximidad geográfica de las minas existentes para reabastecer o aumentar las reservas, y
- Costos asumidos en la exploración regional con el objetivo de ubicar nuevos depósitos minerales en México y América Latina y que son identificados por proyecto. Los costos asumidos son cargados al estado de resultados hasta que haya probabilidad suficiente de existencia de minerales económicamente recuperables y se haya hecho un estudio de viabilidad para el proyecto específico.

(p) Gastos de Venta

El Grupo reconoce en los gastos de venta un gravamen con respecto al Derecho Minero Extraordinario a medida que las ventas de oro y plata son reconocidas. El Derecho Minero Extraordinario consta de una tasa del 0.5% aplicable a los propietarios de títulos mineros. El pago debe ser calculado sobre las ventas totales de todas las concesiones mineras. El pago de este derecho minero debe ser remitido a más tardar el último día hábil de marzo del año siguiente y puede ser acreditado contra el impuesto sobre la renta.

El Grupo también reconoce en gastos de venta una regalía de prima de descubrimiento equivalente al 1% del valor del mineral extraído y vendido durante el ejercicio de algunos títulos mineros otorgados por el Servicio Geológico Mexicano (SGM) en la mina San Julián. La prima es liquidada a SGM trimestralmente.

(q) Imposición

Impuesto sobre la renta vigente

Los activos y pasivos del impuesto sobre la renta vigentes para los períodos actuales y previos son medidos a la cantidad que se espera que sea recuperada de o pagada a las autoridades fiscales. Las tasas de impuestos y las leyes fiscales usadas para calcular la cantidad son aquellas promulgadas o sustantivamente promulgadas en la fecha de informe en el país donde opere el Grupo.

Impuesto sobre la renta diferido

El impuesto sobre la renta diferido es establecido utilizando el método de pasivo en diferencias temporales a la fecha del balance general entre las bases fiscales de activos y pasivos y sus cantidades netas en libros para objetos de informe financiero.

Los pasivos del impuesto sobre la renta diferidos son reconocidos para todas las diferencias temporales gravables, excepto:

- cuando el pasivo del impuesto sobre la renta diferido se derive del reconocimiento inicial del crédito mercantil o de un activo o pasivo en una operación que no sea una combinación de operaciones y, al momento de la operación, no afecte la utilidad contable ni la pérdida de utilidad gravable; y
- con respecto a las diferencias gravables temporales relacionadas con inversiones en subsidiarias, asociados y participaciones en asociaciones en participación, cuando la temporalidad de la reversión de las diferencias temporales pueda ser controlada y sea probable que las diferencias temporales no se reviertan en el futuro previsible.

Los activos del impuesto sobre la renta diferidos son reconocidos en cuanto a todas las diferencias temporales deducibles, trasladados a ejercicio nuevo de créditos fiscales no usados y pérdidas fiscales no usadas, en la medida en que sea probable que la utilidad gravable esté disponible contra las diferencias temporales deducibles y el traslado a ejercicio nuevo de créditos fiscales no utilizados y pérdidas fiscales no utilizadas pueda ser utilizado, excepto:

- cuando el activo del impuesto sobre la renta diferido relacionado con diferencias temporales deducibles surja del reconocimiento inicial de un activo o pasivo en una operación que no sea una combinación de operaciones y, al momento de la operación, no afecte la utilidad contable ni la utilidad o pérdida gravable; y
- con respecto a las diferencias temporales deducibles relacionadas con inversiones en subsidiarias, asociados y participaciones en asociaciones en participación, los activos del impuesto sobre la renta diferidos son reconocidos únicamente en la medida en que sea probable que las diferencias temporales se reviertan en el futuro previsible y la utilidad fiscal vaya a estar disponible, contra la cual se puedan utilizar diferencias temporales.

La cantidad neta en libros de activos del impuesto sobre la renta diferidos es revisada en cada fecha del balance general y reducida en la medida en que ya no sea probable que la utilidad gravable suficiente esté disponible para permitir que la totalidad o parte del activo del impuesto sobre la renta diferido vaya a ser utilizado.

Los activos del impuesto sobre la renta diferidos no reconocidos son reevaluados en cada fecha del balance general y son reconocidos en la medida en que llegue a ser probable que la utilidad gravable futura permita que el activo fiscal diferido vaya a ser recuperado.

Los activos y pasivos del impuesto sobre la renta diferidos son medidos a las tasas fiscales que se espera que se apliquen al ejercicio en que el activo sea realizado o el pasivo sea liquidado, con base en las tasas de impuestos (y leyes fiscales) que hayan sido promulgadas o promulgadas sustantivamente a la fecha del balance general.

El impuesto sobre la renta diferido relativo a partidas reconocidas directamente en otros ingresos globales es reconocido en capital y no en el estado de resultados.

Los activos del impuesto sobre la renta diferidos y pasivos del impuesto sobre la renta diferidos son compensados, si existe un derecho legalmente ejecutable para compensar activos de impuesto vigente contra pasivos del impuesto sobre la renta vigente y los impuestos sobre la renta diferidos se relacionan con la misma entidad gravable y la misma autoridad fiscal.

Derechos Mineros

El Derecho Especial sobre Minería es considerado un impuesto sobre la renta conforme a las IFRS y establece que los propietarios de títulos y concesiones mineras están sujetos a pagar un derecho minero anual del 7.5% de las utilidades derivadas de las actividades de extracción (véase la nota 10(e)). El Grupo reconoce los activos y pasivos fiscales diferidos sobre diferencias temporales que surgen en la determinación del Derecho Especial sobre Minería (véase la nota 10).

Impuesto sobre ventas

Los gastos y activos son reconocidos neto de la cantidad de impuesto sobre ventas, excepto:

- Cuando el impuesto sobre ventas asumido en una compra de activos o servicios no sea recuperable de la autoridad fiscal, en cuyo caso, el impuesto sobre ventas es reconocido como parte del costo de adquisición del activo o como parte de la partida de gastos, según corresponda;
- Cuando las cuentas por cobrar y por pagar sean establecidas con la cantidad de impuesto de ventas incluido.

La cantidad neta de impuesto sobre ventas recuperable de o pagadera a la autoridad fiscal es incluida como parte de las cuentas por cobrar o cuentas por pagar en el balance general.

(r) Instrumentos financieros derivados y cobertura

El Grupo utiliza derivados para reducir ciertos riesgos de mercado derivados de cambios en los tipos de cambio y precios de productos básicos que impacten sus operaciones financieras y de negocios. Las coberturas están diseñadas para proteger el valor de la producción esperada contra las condiciones de mercado dinámicas.

Dichos instrumentos financieros derivados son reconocidos inicialmente a valor justo en la fecha en que un contrato de derivados es celebrado y son medidos posteriormente de nueva cuenta a valor justo. Los derivados son registrados como activos cuando el valor justo es positivo y como pasivos cuando el valor justo es negativo. El valor justo total de un derivado es clasificado como un activo o pasivo no circulante si el vencimiento restante del artículo es de más de 12 meses.

Cualesquiera ganancias o pérdidas derivadas de cambios en el valor justo sobre derivados durante el ejercicio que no califiquen para contabilidad de cobertura son llevadas directamente al estado de resultados.

Los derivados son valuados utilizando los enfoques y metodologías de valuación (tales como Black Scholes y Valor Actual Neto) aplicables al tipo específico de instrumento derivado. El valor justo de los contratos de moneda y productos básicos a futuro es calculado mediante referencia a los tipos de cambio a futuro vigentes para contratos con perfiles de vencimiento similares, las opciones de divisas europeas son valuadas utilizando el modelo de Black Scholes. El contrato de Silverstream es valuado utilizando un enfoque de valuación de Valor Actual Neto.

A partir del 1 de enero de 2018, la documentación incluye la identificación del instrumento de cobertura, el elemento cubierto, la naturaleza del riesgo cubierto y la forma en que el Grupo evaluará si la relación de cobertura cumple con los requisitos de efectividad de cobertura (incluido el análisis de las fuentes de ineficacia de cobertura y cómo se determina la relación de cobertura). Una relación de cobertura califica para la contabilidad de cobertura si cumple con todos los siguientes requisitos de efectividad:

- Existe una "relación económica" entre el elemento cubierto y el instrumento de cobertura.
- El efecto del riesgo de crédito no "domina los cambios de valor" que resultan de esa relación económica.
- La relación de cobertura de la relación de cobertura es la misma que la que resulta de la cantidad de la partida cubierta que el Grupo realmente cubre y la cantidad del instrumento de cobertura que el Grupo realmente utiliza para cubrir esa cantidad de la partida cubierta.

Las coberturas que cumplan los criterios para contabilidad de cobertura son contabilizadas de la siguiente manera:

Coberturas de flujo de efectivo

Para derivados que sean designados y califiquen como coberturas de flujo de efectivo, la parte efectiva de los cambios en el valor justo de instrumentos derivados es registrada en otros ingresos globales y transferida al estado de resultados cuando la operación cubierta afecte la utilidad o pérdida, como cuando tiene lugar una venta o compra pronosticada. Para ganancias o pérdidas relacionadas con la cobertura de riesgo cambiario, éstas son incluidas en la partida de línea en la cual los costos cubiertos sean reflejados. Cuando el elemento cubierto sea el costo de un activo o pasivo no financiero, las cantidades reconocidas en otros ingresos globales son transferidas a la cantidad neta en libros inicial del activo o pasivo no financiero. Este no es un ajuste de reclasificación y no será reconocido en OCI para el período. La parte no efectiva de los cambios en el valor justo de las coberturas de flujo de efectivo es reconocida directamente como costos financieros en el estado de resultados del período relacionado.

Si el instrumento de cobertura vence o es vendido, terminado o ejercido sin reemplazo o traslado o si su designación como cobertura es revocada, cualquier ganancia o pérdida acumulativa reconocida directamente en otros ingresos globales a partir del período en que la cobertura entró en vigor permanece separada en otros ingresos globales hasta que la operación pronosticada tenga lugar cuando sea reconocida en el estado de resultados. Cuando ya no se espere que tenga lugar una operación pronosticada, la ganancia o pérdida acumulativa que fue reportada en otros ingresos globales es transferida inmediatamente al estado de resultados.

Al cubrir con opciones, el Grupo designa únicamente el movimiento de valor intrínseco de la opción de cobertura dentro de la relación de cobertura. El valor de tiempo de los contratos de opciones es, por lo tanto, excluido de la designación de la cobertura. En dichos casos, los cambios en el valor en el tiempo de las opciones son reconocidos inicialmente en OCI como costo de cobertura. Cuando la partida cubierta está relacionada con una operación, las cantidades reconocidas inicialmente en OCI relacionadas con el cambio en el valor en el tiempo de las opciones son reclasificadas a utilidades o pérdidas o como ajuste base a activos o pasivos no financieros al vencimiento de la partida cubierta o, en el caso de una partida cubierta que se realiza con el paso del tiempo, las cantidades reconocidas inicialmente en OCI son amortizadas a utilidad o pérdida de manera sistemática y racional a lo largo de la vida de la partida cubierta.

(s) Costos de desembolso

Los costos de desembolso atribuibles directamente a la adquisición, construcción o producción de un activo al cual le tome necesariamente 12 o más meses para estar listo para su uso o venta pretendidos (un activo que califica) son capitalizados como parte del costo del activo respectivo. Los costos de desembolso constan de intereses y otros costos que asuma una entidad en relación con el desembolso de fondos.

Cuando los fondos sean desembolsados específicamente para financiar un proyecto, la cantidad capitalizada representa los costos de desembolso reales asumidos. Cuando los fondos excedentes estén disponibles por un plazo corto de fondos desembolsados específicamente para financiar un proyecto, los ingresos generados de la inversión temporal de dichas cantidades también son capitalizados y deducidos del costo de desembolso capitalizado total. Cuando los fondos utilizados para financiar un proyecto formen parte de los desembolsos generales, la cantidad capitalizada es calculada utilizando un promedio ponderado de tasas aplicables a los desembolsos generales relevantes del Grupo durante el período.

Todos los demás costos de desembolso son reconocidos en el estado de resultados en el período en que son asumidos.

(t) Medición de valor justo

El Grupo mide instrumentos financieros a valor justo en cada fecha del balance general. Los valores justos de instrumentos financieros medidos a costo amortizado son revelados en las notas 29 y 30.

El valor justo es el precio que sería recibido para vender un activo o pagado para transferir un pasivo en una operación ordenada entre participantes de mercado a la fecha de medición. La medición del valor justo se basa en el supuesto de que la operación para vender el activo o transferir el pasivo tiene lugar, ya sea:

- En el mercado principal para el activo o pasivo, o
- En ausencia de un mercado principal, en el mercado más ventajoso para el activo o pasivo.

El mercado principal o más ventajoso debe ser accesible para el Grupo.

El valor justo de un activo o un pasivo es medido utilizando los supuestos que los participantes de mercado usarían al establecer el precio del activo o pasivo, suponiendo que los participantes del mercado actúen de acuerdo con sus mejores intereses económicos.

Una medición de valor justo de un activo no financiero toma en cuenta la capacidad de un participante de mercado para generar beneficios económicos utilizando el activo en su uso más alto y mejor o vendiéndolo a otro participante de mercado que utilizaría el activo en su uso más alto y mejor.

El Grupo utiliza técnicas de valuación que son adecuadas en las circunstancias y para las cuales hay datos suficientes para medir el valor justo, maximizando el uso de los elementos observables relevantes y minimizando el uso de los elementos no observables.

Todos los activos y pasivos para los cuales el valor justo sea medido o revelados en los estados financieros son clasificados dentro de la jerarquía de valor justo, descrita de la siguiente manera, con base en el elemento de nivel más bajo significativo para la medición de valor justo en su conjunto:

Nivel 1 — Precios de mercado cotizados (no ajustados) en los mercados activos para activos o pasivos idénticos

Nivel 2 — Técnicas de valuación para las cuales el elemento de nivel más bajo que sea significativo para la medición de valor justo sea directa o indirectamente observable

Nivel 3 — Técnicas de valuación para las cuales el elemento de nivel más bajo que sea significativo para la medición de valor justo no sea observable

Para activos y pasivos que sean reconocidos en los estados financieros de manera recurrente, el Grupo determina si han tenido lugar transferencias entre los niveles en la jerarquía reevaluando la clasificación (con base en el elemento de nivel más bajo que sea significativo para la medición de valor justo en su conjunto) al final de cada período de informe.

Para objetos de revelaciones de valor justo, el Grupo ha determinado clases de activos y pasivos con base en la naturaleza, características y riesgos del activo o pasivo y el nivel de la jerarquía de valor justo explicado anteriormente. La nota 29 contiene información adicional sobre los valores justos.

(u) Distribución de dividendos

Los dividendos pagaderos a los accionistas de la Sociedad son reconocidos como un pasivo cuando éstos son aprobados por los accionistas de la Sociedad o el Consejo, según corresponda. Los dividendos pagaderos a accionistas minoritarios son reconocidos como pasivo cuando éstos son aprobados por las subsidiarias de la Sociedad.

3. Informe por segmentos

Para objetos administrativos, el Grupo está organizado en segmentos operativos con base en las minas productoras.

Al día 31 de diciembre de 2018, el Grupo tiene siete segmentos operativos reportables de la siguiente manera:

- La mina Fresnillo, ubicada en el Estado de Zacatecas, una mina de plata subterránea;
- La mina Saucito, ubicada en el Estado de Zacatecas, una mina de plata subterránea;
- La mina Ciénega, ubicada en el Estado de Durango, una mina de oro subterránea, incluyendo la mina satélite San Ramón;
- La mina Herradura, ubicada en el Estado de Sonora, una mina de oro superficial;
- La mina Soledad-Dipolos, ubicada en el Estado de Sonora, una mina de oro superficial; y
- La mina Noche Buena, ubicada en el Estado de Sonora, una mina de oro superficial.
- La mina San Julián, ubicada en la frontera entre los estados de Chihuahua y Durango, es una mina de plata y oro subterránea.

El desempeño operativo y resultados financieros para cada una de estas minas son revisados por la administración. Ya que el director encargado de las decisiones operativas del Grupo no revisa los activos y pasivos por segmentos, el Grupo no ha revelado esta información.

La administración monitorea los resultados de sus segmentos operativos por separado para objetos de evaluación de desempeño y toma de decisiones acerca de la asignación de recursos. El desempeño por segmentos es evaluado sin tomar en cuenta ciertos ajustes incluidos en los Ingresos reportados en el estado de resultados consolidado y algunos costos incluidos dentro del Costo de Ventas y Utilidades brutas que se consideran fuera del control de la administración operativa de las minas. La tabla siguiente proporciona una conciliación de la utilidad por segmentos a la Utilidad bruta de acuerdo con el estado de resultados consolidado. Otros ingresos y gastos incluidos en el estado de resultados consolidado no son asignados a los segmentos operativos. Las operaciones entre segmentos reportables son contabilizadas como operaciones de buena fe entre partes independientes de manera similar a las operaciones con terceros.

Utilidad bruta de acuerdo con el estado de resultados

										925,405
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Gasto de capital ³	111,724	153,200	46,461	-	133,679	18,748	79,069	61,870	-	604,751
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¹ Los ingresos de terceros totales incluyen cargos de tratamiento y refinación que ascienden a US\$139.9 millones.

² La utilidad por segmentos excluye depreciación y amortización y reparto de utilidades a empleados. Durante 2017 no hubo pérdidas de cobertura cambiaria incluídas en utilidades brutas.

³ El gasto de capital representa el flujo de salida de efectivo con respecto a adiciones a propiedad, planta y equipo, incluyendo desarrollo de mina, construcción de plataformas de lixiviación, compra del equipo minero y actividad de desmonte capitalizada, excluyendo adiciones relativas a cambios en la reserva del cierre de la mina. Las adiciones significativas incluyen la construcción de las instalaciones en la fase II de San Julián, la segunda planta de lixiviación dinámica en Herradura y la construcción de la planta de piritas en Saucito.

⁴ Durante 2017, este segmento no operó debido al conflicto de El Bajío (nota 25). Las utilidades del segmento se derivan de los cambios en la asignación de valor realizable neto contra inventario (nota 14).

⁵ Otros ingresos intersegmentos corresponden a servicios de arrendamiento proporcionados por Minera Bermejal, S.A. de C.V.; los gastos de capital corresponden a Minera Juanicipio, S.A. de C.V.

4. Ingresos

Los ingresos reflejan la venta de mercancías, que constan de concentrados, plata bruta con contenido de oro, escorias y precipitados cuyo contenido principal es plata, oro, plomo y zinc.

(a) Ingresos por fuente

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Ingresos de contratos con clientes	2,102,694	2,084,048
Ingresos de otras fuentes:		
Ajuste de precios provisional sobre productos vendidos	(491)	9,260
Ganancia de cobertura sobre ventas	1,582	-
	2,103,785	2,093,308

(b) Ingresos por producto vendido

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Concentrados de plomo (que contienen plata, oro, plomo y derivados)	804,882	832,039
Doré y escorias (que contienen oro, plata y derivados)	818,067	820,821
Concentrados de zinc (que contienen zinc, plata y derivados)	249,182	195,837
Precipitados (que contienen oro y plata)	231,654	244,611
	2,103,785	2,093,308

Todos los concentrados de plomo, precipitados, plata bruta con contenido de oro y escorias fueron vendidos al complejo metalúrgico de Peñoles, Met-Mex, para fundición y refinación.

(c) Valor del contenido de metal en los productos vendidos

Para productos distintos a plata y oro refinado, los ingresos facturados se derivan del valor del contenido de metal ajustado por cargos de tratamiento y refinación asumidos por el complejo metalúrgico del cliente. El valor del contenido de metal de los productos vendidos antes de los cargos de tratamiento y refinación es el siguiente:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Plata	815,837	844,815
Oro	1,118,087	1,125,290
Zinc	204,499	161,305
Plomo	106,536	101,826
Valor del contenido de metal en los productos vendidos	2,244,959	2,233,236
Ajuste por cargos de tratamiento y refinación	(141,174)	(139,928)
Ingresos totales ¹	2,103,785	2,093,308

¹ Incluye ajustes de precios provisionales que representan cambios en el valor justo de las cuentas por cobrar de clientes dando como resultado una pérdida de US\$0.5 millones (2017: ganancia de US\$9.2 millones debido a cambios en el valor justo de derivados integrados que surgen de precios provisionales en contratos de ventas) y ganancia de cobertura de US\$1.6 millones (2017: US\$cero). Si desea mayores detalles, consulte la nota 2(n).

Los precios realizados promedio del contenido de oro y plata de los productos vendidos, antes de la deducción de los cargos de tratamiento y refinación, fueron:

	Ejercicio terminado el día 31 de diciembre de	
	2018 US\$ por onza	2017 US\$ por onza
Oro ²	1,269.1	1,267.4
Plata ²	15.5	16.9

² Para objetos de cálculo, los ingresos por contenido de productos vendidos no incluyen los resultados de cobertura.

5. Costo de ventas

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$

Depreciación y amortización (notas 2(e) y 12)	411,764	367,609
Gastos de personal (nota 7)	94,653	89,629
Mantenimiento y reparaciones	150,021	115,670
Materiales operativos	191,954	153,221
Energía	176,333	144,298
Contratistas	291,970	233,909
Flete	11,633	10,545
Seguros	4,956	4,786
Derechos y aportaciones de concesiones mineras	13,271	11,589
Otros	29,680	22,043
Costo de producción	1,376,235	1,153,299
Cambio en trabajo en progreso y bienes terminados (inventarios de mineral) ¹	(53,178)	16,873
Cambio en asignación de valor realizable neto contra inventario (nota 14)	-	(2,269)
	1,323,057	1,167,903

¹ Consulte la nota 2(c) para más detalles relacionados con cambio en inventarios de trabajo en proceso para el ejercicio terminado el día 31 de diciembre de 2018 después de un cambio en estimaciones.

6. Gastos de exploración

Ejercicio terminado el día 31 de diciembre de

	2018 Miles de US\$	2017 Miles de US\$
Contratistas	127,734	105,778
Servicios administrativos	6,734	6,818
Derechos y aportaciones de concesiones mineras	23,441	15,056
Gastos de personal (nota 7)	4,137	4,260
Ensayos	3,615	2,850
Rentas	1,378	2,329
Otros	5,760	4,017
	172,799	141,108

Estos gastos de exploración fueron asumidos principalmente en áreas de las minas Fresnillo, Herradura, La Ciénega, Saucito y San Julián, la mina satélite San Ramón y los proyectos Orsivo, Guanajuato, Centauro Deep, San Javier y Carina. Además,

los gastos de exploración por US\$6.3 millones (2017: US\$8.3 millones) fueron asumidos durante el ejercicio en proyectos ubicados en Perú y Chile.

La tabla siguiente establece pasivos (por lo general, cuentas por pagar a proveedores) correspondientes a las actividades de exploración de las empresas del Grupo que participan únicamente en exploración, principalmente Exploraciones Mineras Parreña, S.A. de C.V.

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Pasivos relacionados con actividades de exploración	112	1,947

Los pasivos relacionados con actividades de exploración reconocidos por las sociedades operativas del Grupo no son incluidos ya que no es posible separar los pasivos relacionados con actividades de exploración de estas sociedades de sus pasivos operativos.

Los flujos de efectivo relacionados con actividades de exploración son los siguientes:

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Flujos salientes de efectivo operativo relacionados con actividades de exploración	174,634	140,804

7. Gastos de personal

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Salarios y sueldos	46,542	39,448
Reparto de utilidades a empleados	13,003	17,150
Bonos	12,367	12,112
Aportaciones legales del cuidado de la salud y vivienda	17,976	16,057
Otras prestaciones	10,682	8,704
Vacaciones y bonos vacacionales	2,870	2,636
Seguridad social	2,369	1,862
Prestaciones posteriores a empleo ¹	4,026	4,224

Aportaciones legales	2,190	1,608
Capacitación	3,033	3,834
Otros	7,404	8,852
	122,462	116,487

1 Las prestaciones posteriores a empleo incluyen US\$0.6 millones relacionados con las prestaciones correspondientes al plan de aportaciones definidas (2017: US\$0.4 millones).

(a) Los gastos de personal se reflejan en las siguientes partidas de línea:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Costo de ventas (nota 5)	94,653	89,629
Gastos administrativos	23,672	20,109
Gastos de exploración (nota 6)	4,137	6,749
	122,462	116,487

(b) El número promedio mensual de empleados durante el ejercicio fue el siguiente:

	Ejercicio terminado el día 31 de diciembre de	
	2018 No.	2017 No.
Minería	2,236	1,994
Concentración de planta	752	602
Exploración	480	501
Mantenimiento	1,035	865
Administración y otros	658	936
Total	5,161	4,898

8. Otros ingresos y gastos operativos

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Otros ingresos:		

Ganancia sobre venta de propiedad, planta y equipo ¹	-	25,333
Recuperación de seguros ²	9,245	-
Otros	2,458	2,870
	11,703	28,203

Ejercicio terminado el día 31 de diciembre de

	2018 Miles de US\$	2017 Miles de US\$
Otros gastos:		
Rentas	184	229
Mantenimiento ²	1,278	1,858
Donaciones	1,313	2,540
Actividades ambientales	1,216	1,790
Pérdida sobre venta de propiedad, planta y equipo	999	-
Impuesto sobre el consumo gastado	655	1,031
Deterioro de activos financieros disponibles para venta	-	36
Otros	2,715	3,887
	8,360	11,371

¹ Corresponde principalmente a una venta de cierta concesión minera del distrito de Fresnillo a un tercero por una contraprestación de US\$26.0 millones, dando como resultado una ganancia de US\$24.8 millones.

² Corresponde a un reembolso parcial por la reclamación de seguros relativa a la inundación de Saucito, véase la Nota 26 para más detalles.

³ Costos relacionados con la rehabilitación de las instalaciones de Compañía Minera las Torres, S.A. de C.V. (mina cerrada).

9. Ingresos financieros y costos financieros

Ejercicio terminado el día 31 de diciembre de

	2018 Miles de US\$	2017 Miles de US\$
Ingresos financieros:		
Intereses sobre depósitos e inversiones a corto plazo	15,584	11,368
Otros	4,788	3,208

	20,372	14,576
Ejercicio terminado el día 31 de diciembre de		
	2018 Miles de US\$	2017 Miles de US\$
Costos financieros:		
Intereses sobre préstamos que devengan intereses	36,258	35,808
Movimientos de valor justo en derivados ¹	274	41,389
Desarrollo de descuento sobre reservas	10,044	11,703
Otros	3,434	753
	50,010	89,653

¹ La cifra de 2017 se relaciona principalmente con el valor en el tiempo asociado con opciones de productos básicos de oro (véanse la nota 29 para más detalles). Durante el 2018 este efecto se reconoció dentro de otros ingresos (ver nota 2 (b)).

10. Gasto del impuesto sobre la renta

(a) Componentes importantes del gasto del impuesto sobre la renta:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Estado de resultados consolidado:		
Impuesto sobre la renta		
Actual:		
Cargo de impuesto sobre la renta	156,715	155,692
Cantidades proporcionadas de menos en ejercicios previos	11,774	8,676
	168,489	164,368
Diferido:		
Inicio y reversión de diferencias temporales	(52,327)	(45,003)
Efectos de revaluación del contrato de Silverstream	4,487	34,097
	(47,840)	(10,906)
Impuesto sobre la renta corporativo	120,649	153,462
Derecho especial sobre minería		

Actual:

Cargo de derecho especial sobre minería ¹	10,860	19,415
	10,860	19,415

Diferido:

Inicio y reversión de diferencias temporales	2,455	7,805
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Derecho especial sobre minería

	13,315	27,220
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Gasto de impuesto sobre la renta reportado en el estado de resultados

	133,964	180,682
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¹ El derecho especial sobre minería, "SMR", permite la deducción de pagos de derechos de concesiones mineras hasta la cantidad del SMR pagadero dentro de la misma entidad legal. Durante el ejercicio social terminado el día 31 de diciembre de 2018, el Grupo acreditó US\$17.3 millones (2017: US\$15.7 millones) de derechos de concesiones mineras contra el SMR. Los derechos de concesiones mineras totales pagados durante el ejercicio fueron US\$22.2 millones (2017: US\$16.3 millones) y han sido reconocidos en el estado de resultados dentro de costo de ventas y gastos de exploración. Los derechos de concesiones mineras pagados en exceso del SMR no pueden ser acreditados al SMR en períodos fiscales futuros y, por lo tanto, no se ha reconocido ningún activo fiscal diferido en relación con el excedente. Independientemente de los créditos permitidos conforme al régimen de SMR, el cargo del derecho especial sobre minería vigente habría sido de US\$28.1 millones (2017: US\$35.1 millones).

Ejercicio terminado el día 31 de diciembre de

	2018 Miles de US\$	2017 Miles de US\$
Estado consolidado de ingresos globales:		
Crédito/(cargo) del impuesto sobre la renta diferido relacionado con partidas reconocidas directamente en otros ingresos globales:		
Ganancia sobre coberturas de flujo de efectivo recicladas al estado de resultados	(388)	-
Cambios en el valor justo de coberturas de flujo de efectivo	(4,224)	-
Cambios en el valor justo de activos financieros disponibles para venta	20,327	(2,653)
Pérdidas de nueva medición sobre planes de prestaciones definidas	(415)	(148)
Efecto de impuesto sobre la renta reportado en otros ingresos globales	15,300	(2,801)

(b) Reconciliación del gasto del impuesto sobre la renta a la tasa de ingresos de ley del Grupo con el gasto de impuesto sobre la renta a la tasa del impuesto sobre la renta efectiva del Grupo:

Ejercicio terminado el día 31 de diciembre de

	2018 Miles de US\$	2017 Miles de US\$
Utilidad contable antes de impuesto sobre la renta	483,930	741,489
Impuesto a la tasa de impuesto sobre la renta de ley del Grupo 30.0%	145,179	222,446
Gastos no deducibles para objetos fiscales	2,454	2,562
Elevación inflacionaria de la base fiscal de activos y pasivos	(16,599)	(20,011)
Impuesto sobre la renta vigente proporcionado (de más)/de menos en ejercicios previos	(4,807)	472
Efecto del tipo de cambio sobre el valor fiscal de activos y pasivos ¹	(778)	(9,934)
Pérdidas cambiarias no gravables/no deducibles	1,255	(4,242)
Elevación inflacionaria de pérdidas fiscales	(2,909)	(5,084)
Crédito fiscal del IEPS (nota 10(e))	(7,012)	(26,181)
Activo fiscal diferido no reconocido	6,571	4,461

Derecho especial sobre minería deducible para impuesto sobre la renta	(3,992)	(8,165)
Otros	1,287	(2,862)
Impuesto sobre la renta a la tasa de impuesto efectiva del 24.9% (2017: 20.7%)	120,649	153,462
Derecho especial sobre minería	13,315	27,220
Impuesto a la tasa de impuesto sobre la renta efectiva del 27.6% (2017: 24.4%)	133,964	180,682

¹ Derivados principalmente del valor fiscal de propiedad, planta y equipo.

(c) Movimientos en pasivos y activos del impuesto sobre la renta diferido:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Pasivo neto inicial	(442,727)	(443,027)
Crédito del estado de resultados que surge sobre impuesto sobre la renta corporativo	47,840	10,906
Cargo del estado de resultados que surge sobre el derecho especial sobre minería	(2,455)	(7,805)
Diferencia cambiaria	-	-
Crédito/(cargo) neto relacionado con partidas cargadas directamente a otros ingresos globales	15,300	(2,801)
Pasivo neto al cierre	(382,042)	(442,727)

Las cantidades de activos y pasivos del impuesto sobre la renta diferidos a los días 31 de diciembre de 2018 y 2017, considerando la naturaleza de las diferencias temporales, son las siguientes:

	Balance general consolidado		Estado de resultados consolidado	
	2	2	2	2
	0	0	0	0
	1	1	1	1
	8	7	8	7
	M	M	M	M
	il	il	il	il
	e	e	e	e
	s	s	s	s
	d	d	d	d
	e	e	e	e
	U	U	U	U

	S	S	S	S
	\$	\$	\$	\$
Cuentas por cobrar de partes relacionadas	(220,131)	(221,451)	(1,320)	22,270
Otras cuentas por cobrar	1,315	(2,171)	(3,486)	(1,554)
Inventarios	188,119	162,842	(25,277)	271
Pagos anticipados	(1,035)	(898)	137	(923)
Instrumentos financieros derivados, incluyendo el contrato de Silverstream	(150,205)	(147,535)	(1,942)	12,551
Propiedad, planta y equipo derivado de impuesto sobre la renta corporativo	(330,722)	(341,774)	(11,052)	(9,551)
Gastos de exploración y pasivos operativos	50,691	44,121	(6,570)	(19,818)
Otras cuentas por pagar y reservas	57,303	55,379	(1,924)	(10,646)
Pérdidas trasladadas a ejercicio nuevo	67,059	68,213	1,154	(1,870)
Prestaciones posteriores a empleo	1,016	1,465	34	220
Reparto de utilidades deducible	3,807	4,249	442	(344)
Derecho especial sobre minería deducible por impuesto sobre la renta	29,321	30,661	1,340	(1,561)
Inversiones de capital en FVOCI	3,510	-	-	-
Activos financieros disponibles para venta	-	(16,818)	.	2,643
Otros	(4,396)	(3,772)	624	(2,594)
Pasivo fiscal diferido neto relacionado con impuesto sobre la renta	(304,348)	(367,489)		
Crédito fiscal diferido relacionado con impuesto sobre la renta	-	-	(47,840)	(10,906)
Cuentas por cobrar de partes relacionadas derivadas del derecho especial sobre minería	(20,161)	(21,379)	(1,218)	2,616
Inventarios derivados del derecho especial sobre minería	13,746	11,107	(2,639)	(2,831)
Propiedad, planta y equipo derivados del derecho especial sobre minería	(71,279)	(64,966)	6,312	8,020
Pasivo fiscal diferido neto	(382,042)	(442,727)		
Crédito fiscal diferido			(45,385)	(3,101)
Reflejado en el estado de situación financiera de la siguiente manera:				
Activos fiscales diferidos	88,883	48,950		
Pasivos fiscales diferidos-operaciones continuas	(470,925)	(491,677)		
Pasivo fiscal diferido neto	(382,042)	(442,727)		

Los activos y pasivos del impuesto sobre la renta diferidos son compensados cuando hay un derecho legalmente ejecutable de compensar activos fiscales vigentes contra pasivos fiscales vigentes y cuando los activos y pasivos del impuesto sobre la renta diferidos se relacionan con la misma autoridad fiscal.

Con base en el pronóstico interno de la administración, se ha reconocido un activo fiscal diferido con respecto a pérdidas fiscales que asciende a US\$223.5 millones (2017: US\$227.4 millones). Si no son utilizados, US\$37.6 millones (2017: US\$13.7 millones) vencerán dentro de los siguientes cinco años y US\$185.9 millones (2017: US\$213.6 millones) vencerán entre seis y diez años.

El Grupo tiene pérdidas fiscales adicionales y otros atributos similares trasladados a ejercicio nuevo por US\$42.2 millones (2017: US\$37.4 millones) en los que no se ha reconocido ningún impuesto diferido debido a la certidumbre insuficiente relativa a la disponibilidad de utilidades gravables futuras adecuadas.

(d) Pasivo diferido no reconocido sobre inversiones en subsidiarias

El Grupo no ha reconocido la totalidad del pasivo fiscal diferido con respecto a reservas distribuibles de sus subsidiarias, ya que las controla y únicamente se espera que una parte de las diferencias temporales se reviertan en el futuro previsible. Las diferencias temporales para las cuales no se ha reconocido un pasivo fiscal diferido ascienden a US\$1,430 millones (2017: US\$1,723 millones).

(e) Impuesto sobre la Renta (“ISR”) y Derecho Especial sobre Minería (“SMR”)

Las subsidiarias operativas principales del Grupo son residentes mexicanas para objetos de imposición. La tasa del impuesto sobre la renta es del 30%.

Durante 2016, la Ley de Ingresos Internos mexicana otorgó a los contribuyentes un crédito con respecto a un impuesto sobre el consumo (Impuesto Especial sobre Producción y Servicios, o IEPS por sus siglas en español) pagado cuando se compra diésel utilizado para maquinaria general y algunos vehículos mineros. El crédito puede ser aplicado contra el impuesto sobre la renta propio del Grupo o el impuesto sobre la renta retenido de terceros. El crédito es calculado con base en entidad por entidad y vence un año después de la compra del diésel. En el ejercicio terminado el día 31 de diciembre de 2018, el Grupo aplicó un crédito de US\$14.9 millones con respecto al ejercicio (2017: US\$23.2 millones) el cuál fue compensado por un ajuste respecto a años anteriores de US\$7.8 millones. De manera adicional, el 31 de diciembre de 2017 el Grupo reconoció un activo fiscal diferido de US\$2.9 millones con respecto al IEPS asumido en 2017 y que se espera que sea aplicado durante 2018. Debido a que la deducción del IEPS es gravable por sí misma, el activo fiscal diferido es reconocido al 70% del IEPS trasladado. La cantidad neta aplicada por el Grupo es presentada en la conciliación de la tasa fiscal efectiva en la nota 10(b).

El SMR establece que los propietarios de títulos y concesiones mineros estarán sujetos al pago de un derecho minero anual del 7.5% de la utilidad derivada de las actividades de extracción y es considerado un impuesto sobre la renta conforme a las IFRS. El SMR permite como crédito el pago de derechos de concesiones mineras hasta por la cantidad del SMR pagadero. El impuesto del 7.5% se aplica a una base de ingresos antes de intereses, ajuste anual por inflación, impuestos pagados sobre la actividad regular, depreciación y amortización, según se definen en el nuevo ISR. Este SMR puede acreditarse contra el impuesto sobre la renta del mismo ejercicio social y su pago debe remitirse a más tardar el último día hábil de marzo del año siguiente.

11. Ganancias por acción

Las ganancias por acción (“EPS”) son calculadas dividiendo las utilidades del ejercicio atribuibles a accionistas de la Sociedad entre el número promedio ponderado de Acciones Ordinarias emitidas durante el período.

La Sociedad no tiene Acciones Ordinarias potenciales dilutivas.

A los días 31 de diciembre de 2018 y 2017, las ganancias por acción han sido calculadas de la siguiente manera:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Ganancias:		
Utilidad de operaciones continuas atribuibles a tenedores de capital de la Sociedad	349,846	560,578
Utilidad ajustada de operaciones continuas atribuibles a tenedores de capital de la Sociedad	339,377	481,019

La utilidad ajustada es la utilidad revelada en el Estado Consolidado de Resultados ajustada para excluir los efectos de la revaluación del contrato de Silverstream de una ganancia de US\$14.9 millones (US\$10.4 millones neto de impuesto) (2017: ganancia de US\$113.6 millones (US\$79.5 millones neto de impuesto)).

Las ganancias ajustadas por acción han sido proporcionadas para dar una medida del desempeño subyacente del Grupo, antes de los efectos de la revaluación del contrato de Silverstream, un instrumento financiero derivado.

	2018 Miles	2017 Miles
Número de acciones:		
Número promedio ponderado de Acciones Ordinarias emitidas	736,984	736,894
	2018 US\$	2017 US\$
Ganancias por acción:		
Ganancias básicas y diluidas por acción	0.475	0.761
Ganancias básicas y diluidas ajustadas por Acción Ordinaria de operaciones continuas	0.461	0.653

12. Propiedad, planta y equipo

Ejercicio terminado el día 31 de diciembre de 2017

	Terreno y edificios	Planta y Equipo	Propiedades mineras y costos de desarrollo	Otros activos	Construcción en Progreso	Total
	Miles de US\$					
Costo						
Al día 1 de enero de 2017	243,975	1,635,586	1,508,016	193,905	499,285	4,080,767
Adiciones	3,079	5,464	46,558	27,187 ²	567,856	650,144
Enajenaciones		(9,584)	(4,415)	(1,611)	-	(15,610)
Transferencias y otros movimientos	14,751	186,125	359,226	35,984	(596,086)	-
Al día 31 de diciembre de 2017	261,805	1,817,591	1,909,385	255,465	471,055	4,715,301
Depreciación acumulada						
Al día 1 de enero de 2017	(90,586)	(895,367)	(822,434)	(92,163)	-	(1,900,550)
Depreciación del ejercicio ¹	(21,462)	(165,502)	(179,891)	(14,061)		(380,916)
Enajenaciones		9,410	4,412	939		14,761
Al día 31 de diciembre de 2017	(112,048)	(1,051,459)	(997,913)	(105,285)	-	(2,266,705)
Cantidad neta en libros al día 31 de diciembre de 2017						
	149,757	766,132	911,472	150,180	471,055	2,448,596

Ejercicio terminado el día 31 de diciembre de 2018

	Terreno y edificios	Planta y Equipo	Propiedades mineras y costos de desarrollo	Otros activos	Construcción en Progreso	Total
	Miles de US\$					
Costo						

Al día 1 de enero de 2018	261,805	1,817,591	1,909,385	255,465	471,055	4,715,301
Adiciones	1,928	76,424	69	546	586,840	665,807
Enajenaciones	-	(9,768)	(2,386)	(1,749)		(13,903)
Transferencias y otros movimientos	19,566	248,356	269,336	22,469	(559,727)	-
Al día 31 de diciembre de 2018	283,299	2,132,603	2,176,404	276,731	498,168	5,367,205
Depreciación acumulada						
Al día 1 de enero de 2018	(112,048)	(1,051,459)	(997,913)	(105,285)		(2,266,705)
Depreciación del ejercicio ¹	(24,130)	(166,204)	(208,807)	(20,878)		(420,019)
Enajenaciones	-	9,159	1,881	1,583		12,623
Al día 31 de diciembre de 2018	(136,178)	(1,208,504)	(1,204,839)	(124,580)		(2,674,101)
Cantidad neta en libros al día 31 de diciembre de 2018						
	147,121	924,099	971,565	152,151	498,168	2,693,104

¹ La depreciación del ejercicio incluye US\$411.8 millones (2017: US\$367.7 millones) reconocidos como gasto en el costo de ventas en el estado de resultados y US\$8.3 millones (2017: US\$13.3 millones) capitalizados como parte de la construcción en progreso.

² De las adiciones en la categoría de "otros activos", US\$(4.5) millones (2017: US\$24.1 millones) corresponden a la reevaluación de los costos de rehabilitación del cierre de la mina, véase la nota 20.

La siguiente tabla detalla la construcción en progreso por mina operativa.

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Saucito	88,916	101,885
Herradura	70,536	98,401
Noche Buena	20,834	12,028
Ciénega	47,838	29,039
Fresnillo	48,671	30,641
San Julián	64,236	53,383
Otras ¹	157,137	145,678
	498,168	471,055

¹ Corresponde principalmente al proyecto de desarrollo de Juanicipio (2017: proyecto de desarrollo de Juanicipio y Minera Bermejil, S.A. de C.V.).

Durante el ejercicio terminado el día 31 de diciembre de 2017, el Grupo capitalizó US\$11.4 millones de costos de desembolso dentro de la construcción en progreso (2016: US\$18.2 millones; 2015: US\$11.1 millones). Los costos de desembolso fueron capitalizados a la tasa del 5.78% (2016: 5.78%; 2015: 5.78%).

Análisis de sensibilidad

Al 31 de diciembre de 2018 y 2017, la cantidad neta en libros de activos mineros fue respaldada totalmente por lo más alto entre el valor en uso y el valor justo menos el costo de cálculo de enajenación (FVLCD) de su cantidad recuperable. El valor en uso y el FVLCD fue determinado con base en el valor actual neto de los flujos en efectivo estimados futuros que se espera que sean generados del uso continuo de los CGU. Para ambos modelos, la administración utilizó supuestos de precios a largo plazo de US\$1,310/onza y US\$19.25/onza (2017: US\$1,300/onza y US\$19/onza) para el oro y plata, respectivamente. La administración considera que el modelo que respalda las cantidades netas en libros es más sensible a los supuestos de precio de productos básicos y, por lo tanto, ha realizado un análisis de sensibilidad para aquellos CGU donde un cambio posible razonable en los precios pudiera llevar a un deterioro. La administración ha considerado una baja sensibilidad disminuyendo los precios del oro y la plata en un 5% (2017: oro y plata 5%) y una alta sensibilidad disminuyendo los precios del oro y la plata en un 10% y 15 % respectivamente (2017: oro y plata 10%). Al día 31 de diciembre de 2018, el análisis determinó en un deterioro en Herradura de US\$302.7 millones conforme a alta sensibilidad; US\$72.3 millones conforme a baja sensibilidad y San Julián US\$159.3 millones conforme a alta sensibilidad; US\$45.4 millones conforme a baja sensibilidad (2017: cero para Herradura y San Julián).

13. Contrato de Silverstream

El día 31 de diciembre de 2007, el Grupo celebró un contrato con Peñoles a través del cual tiene derecho a recibir los productos recibidos por el Grupo Peñoles con respecto a la plata refinada vendida de la Mina Sabinas ("Sabinas"), una mina de metales base propiedad de y operada por el Grupo Peñoles, por un pago anticipado de US\$350 millones. Además, un pago en efectivo por onza de US\$2.00 en los años uno a cinco y de US\$5.00 posteriormente (sujeto a un ajuste inflacionario que comenzó a partir del día 31 de diciembre de 2013) es pagadero a Peñoles. El pago en efectivo por onza en el ejercicio terminado el día 31 de diciembre de 2018 fue de US\$5.26 por onza (2017: US\$5.20 por onza). Conforme al contrato, el Grupo tiene la opción de recibir una liquidación neta en efectivo de Peñoles atribuible a la plata producida y vendida de Sabinas, para tomar la entrega de una cantidad equivalente de plata refinada o para recibir la liquidación en forma de efectivo y plata. Si para el día 31 de diciembre de 2032, la cantidad de plata producida por Sabinas es inferior a 60 millones de onzas, Peñoles adeuda un pago adicional de US\$1 por onza faltante.

El contrato de Silverstream representa un instrumento financiero derivado que ha sido registrado a FVPL y clasificado dentro de los activos no circulantes y circulantes, según sea adecuado. La vigencia del derivado se basa en la vida de la mina Sabinas, que actualmente es de 35 años. Los cambios en el valor justo del contrato, exceptuando aquellos representados por la realización del activo a través del recibo de efectivo o plata refinada son cargados o acreditados al estado

de resultados. En el ejercicio terminado el día 31 de diciembre de 2018, los productos totales recibidos en efectivo fueron por US\$36.3 millones (2017: US\$43.3 millones), de los cuales US\$4.9 millones fueron con respecto a productos por cobrar al día 31 de diciembre de 2017 (2016: US\$5.9 millones). El efectivo recibido con respecto al ejercicio de US\$31.3 millones (2017: US\$37.3 millones) corresponde a 3.4 millones de onzas de plata pagadera (2017: 3.6 millones de onzas). Al día 31 de diciembre de 2018, se adeudan US\$3.4 millones (2017: US\$4.9 millones) adicionales de efectivo correspondientes a 335,914 onzas de plata (2017: 422,375 onzas).

La ganancia no realizada por US\$15.0 millones registrada en el estado de resultados (31 de diciembre de 2017: ganancia por US\$113.6 millones) fue resultado principalmente de la reversión del descuento y la actualización del plan de la mina a largo plazo de Sabinas, que fueron compensados parcialmente por el aumento en la tasa de referencia LIBOR y la disminución en el precio a futuro de la plata.

A continuación se muestra una reconciliación del saldo inicial con el saldo final:

	2018 Miles de US\$	2017 Miles de US\$
Saldo al día 1 de enero:	538,887	467,529
Efectivo recibido con respecto al ejercicio	(31,379)	(37,373)
Efectivo por cobrar	(3,371)	(4,925)
Ganancias de nueva medición reconocidas en utilidad y pérdida	14,956	113,656
Saldo al día 31 de diciembre	519,093	538,887
Menos - Parte circulante	20,819	32,318
Parte no circulante	498,274	506,569

Véase la nota 29 si desea información adicional sobre los elementos que tienen un efecto significativo en el valor justo de este derivado, véase la nota 30 si desea información adicional relativa a los riesgos de mercado y crediticios relacionados con el activo de Silverstream.

14. Inventarios

	Al día 31 de diciembre de	
	2018 Miles	2017 Miles

	de US\$	de US\$
Bienes terminados ¹	15,052	10,957
Trabajo en progreso ²	235,094	175,016
Mineral almacenado ³	3,799	15,115
Materiales operativos y refacciones	87,180	75,331
	341,125	276,419
Asignación para inventarios obsoletos y de movimiento lento	(6,101)	(5,314)
Saldo al día 31 de diciembre a lo más bajo entre el costo y el valor neto realizable	335,024	271,105
Menos - parte circulante	243,404	179,485
Parte no circulante ⁴	91,620	91,620

¹ Los bienes terminados incluyen metales contenidos en concentrados y barras de plata bruta con contenido de oro y concentrados disponibles o en tránsito a una fundidora o refinera.

² El trabajo en progreso incluye metales contenidos en minerales en plataformas de lixiviación (nota 2(c)).

³ El mineral almacenado incluye mineral obtenido durante la fase de desarrollo en San Julián.

⁴ Se espera que los inventarios no circulantes sean procesados más de 12 meses después de la fecha de informe.

Los concentrados son un producto que contiene azufres con un contenido variable de metales preciosos y base y son vendidos a las fundidoras y/o refineras. La plata bruta con contenido de oro es una aleación que contiene una mezcla variable de oro y plata entregada en forma de barras a las refineras. Este contenido, una vez que es procesado por la fundidora y la refinera, es vendido a los clientes en forma de productos refinados.

La cantidad de inventarios reconocidos como gasto durante el ejercicio fue de US\$1,323.1 millones (2017: US\$1,170.1 millones) antes de los cambios al valor realizable neto de inventario. Durante el ejercicio, no hubo ningún ajuste a la asignación de valor realizable neto contra inventario de trabajo en progreso (2017: una disminución de US\$2.2 millones). El ajuste a la asignación para inventarios obsoletos y de movimiento lento reconocidos como gasto fue de US\$0.8 millones (2017: US\$1.04 millones).

15. Cuentas por cobrar de clientes y otras cuentas por cobrar

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Cuentas por cobrar de clientes de partes relacionadas (nota 26) ¹	213,292	226,134
Impuesto al Valor Agregado por cobrar	182,290	85,979

Otras cuentas por cobrar de partes relacionadas (nota 26)	3,371	4,925
Anticipos y otras cuentas por cobrar de contratistas	2,755	21,292
Otras cuentas por cobrar	10,306	4,612
	412,014	342,942
Reserva por deterioro de 'otras cuentas por cobrar'	(857)	(436)
Cuentas por cobrar de clientes y otras cuentas por cobrar clasificadas como activo circulante	411,157	342,506
Otras cuentas por cobrar clasificadas como activo no circulante:		
Préstamos otorgados a contratistas	-	129
	-	129
	411,157	342,635

¹ Al día 31 de diciembre de 2017, las cuentas por cobrar de clientes de partes relacionadas incluyen el valor justo de derivados integrados que surgen debido al establecimiento de precios provisionales en contratos de ventas de US\$6.5 millones.

Las cuentas por cobrar de clientes aparecen netas de cualesquiera anticipos correspondientes, no devengan intereses y, por lo general, tienen términos de pago de 46 a 60 días.

Las cuentas por cobrar totales denominadas en US\$ fueron de US\$223.1 millones (2017: US\$242.3 millones) y en pesos mexicanos US\$187.2 millones (2017: US\$100.3 millones).

Al día 31 de diciembre de cada ejercicio presentado, con la excepción de 'otras cuentas por cobrar' en la tabla siguiente, todas las cuentas por cobrar de clientes y otras cuentas por cobrar no habían vencido ni habían sido deterioradas. La cantidad vencida y considerada deteriorada al día 31 de diciembre de 2018 es US\$0.9 millones (2017: US\$0.4 millones). Al determinar la recuperabilidad de las cuentas por cobrar, el Grupo lleva a cabo un análisis de riesgos considerando el tipo y edad de la cuenta por cobrar pendiente y la solvencia de la contraparte, véase la nota 30(b).

16. Efectivo y equivalentes de efectivo

El Grupo considera efectivo y equivalentes de efectivo cuando planea sus operaciones y con el fin de lograr sus objetivos de tesorería.

Al día 31 de diciembre de

2018	2017
Miles	Miles
de	de
US\$	US\$

Efectivo en el banco y disponible	2,125	4,265
Depósitos a corto plazo	558,660	871,769
Efectivo y equivalentes de efectivo	560,785	876,034

El efectivo en el banco devenga intereses a tasas flotantes basadas en depósitos bancarios diarios. Los depósitos a corto plazo son hechos por períodos variables de entre un día y cuatro meses, dependiendo de los requisitos inmediatos de efectivo del Grupo, y devengan intereses a las tasas de depósito a corto plazo respectivas. Los depósitos a corto plazo pueden ser retirados mediante aviso con poca anticipación sin ninguna sanción o pérdida en el valor.

17. Capital

Capital social y prima accionaria

El capital social autorizado de la Sociedad es el siguiente:

Clase de acción	Al día 31 de diciembre de			
	2018		2017	
	Número	Cantidad	Número	Cantidad
Acciones Ordinarias de US\$0.50 cada una	1,000,000,000	\$500,000,000	1,000,000,000	\$500,000,000
Acciones Ordinarias Diferidas en Libras Esterlinas de £1.00 cada una	50,000	£50,000	50,000	£50,000

El capital social emitido de la Sociedad es el siguiente:

	Acciones Ordinarias		Acciones Ordinarias Diferidas en Libras Esterlinas	
	Número	US\$	Número	£
Al día 1 de enero de 2017	736,893,589	US\$368,545,586	50,000	£50,000
Al día 31 de diciembre de 2017	736,893,589	US\$368,545,586	50,000	£50,000
Al día 31 de diciembre de 2018	736,893,589	US\$368,545,586	50,000	£50,000

A los días 31 de diciembre de 2018 y 2017, todas las acciones emitidas con un valor nominal de US\$0.50 cada una han sido pagadas en su totalidad. Los derechos y obligaciones correspondientes a estas acciones son regidos por la ley

y los Estatutos de la Sociedad. Los accionistas ordinarios tienen derecho a recibir aviso y a asistir y a hablar en cualquier asamblea general de la Sociedad. No hay restricciones sobre la transferencia de Acciones Ordinarias.

Las Acciones Ordinarias Diferidas en Libras Esterlinas únicamente dan derecho al accionista a la liquidación o sobre un rendimiento de capital al pago de la cantidad pagada después de la restitución a los Accionistas Ordinarios. Las Acciones Ordinarias Diferidas en Libras Esterlinas no dan derecho al tenedor al pago de ningún dividendo ni a recibir aviso o asistir y hablar en cualquier asamblea general de la Sociedad. La Sociedad también puede, a su criterio, amortizar las Acciones Ordinarias Diferidas en Libras Esterlinas a un precio de £1.00 o, como custodio, comprar o cancelar las Acciones Ordinarias Diferidas en Libras Esterlinas o requerir que el tenedor transfiera las Acciones Ordinarias Diferidas en Libras Esterlinas. Excepto a opción de la Sociedad, las Acciones Ordinarias Diferidas en Libras Esterlinas no son transferibles.

Reservas

Prima accionaria

Esta reserva registra la prima de contraprestación por acciones emitidas a un valor que excede su valor nominal.

Reserva de capital

La reserva de capital surgió como consecuencia de la Reorganización Previa a la IPO como resultado del uso del método de agrupamiento de intereses.

Reserva de cobertura

Esta reserva registra la parte de la ganancia o pérdida sobre un instrumento de cobertura en una cobertura de flujo de efectivo que se determina que es una cobertura efectiva, neta de impuestos. Cuando tiene lugar la operación cubierta, la ganancia o pérdida es transferida con el capital al estado de resultados o el valor de otros activos.

Costo de reserva de cobertura

Los cambios en el valor en el tiempo de los contratos de opciones se acumulan en los costos de reserva de cobertura. Estos costos diferidos de cobertura se reclasifican a utilidad o pérdida o se reconocen como un ajuste de base para activos o pasivos no financieros al vencimiento de la partida cubierta o, en el caso de una partida de cobertura que se realiza con el tiempo, se amortizan de manera

sistemática y en base racional a lo largo de la vida del elemento cubierto. Estos activos se reclasificaron tras la adopción de la NIIF-9, para más detalles, véase la nota 2 (b).

Reserva de activos financieros disponibles para venta

Al 31 de diciembre de 2017 esta reserva registró los cambios a valor justo sobre las inversiones disponibles para venta, neto de impuestos. A la enajenación o al deterioro, los cambios acumulativos en el valor justo son reciclados al estado de resultados.

Reserva de valor justo de activos financieros a FVOCI

El Grupo ha elegido reconocer cambios en el valor justo de algunas inversiones en valores de capital en OCI, como se explica en la nota 2(b). Estos cambios son acumulados dentro de la reserva de FVOCI dentro de capital. El Grupo transfiere cantidades de esta reserva a ganancias retenidas cuando los valores de capital relevantes son desconocidos.

Reserva de conversión de divisas

La reserva de conversión de divisas es utilizada para registrar diferencias cambiarias que se derivan de la conversión de la información financiera de entidades con una moneda funcional diferente a la moneda de presentación del Grupo.

Ganancias retenidas/pérdidas acumuladas

Esta reserva registra los resultados acumulados del Grupo, menos cualesquiera distribuciones y dividendos pagados.

18. Dividendos declarados y pagados

Los dividendos declarados y pagados durante los ejercicios terminados los días 31 de diciembre de 2018 y 2017 son los siguientes:

	Centavos estadounidenses por Acción Ordinaria	Cantidad Miles de US\$
Ejercicio terminado el día 31 de diciembre de 2018		
Dividendo final de 2017 declarado y pagado durante el ejercicio ¹	29.8	219,594

Dividendo provisional de 2018 declarado y pagado durante el ejercicio ²	10.7	78,848
	40.5	298,442
Ejercicio terminado el día 31 de diciembre de 2017		
Dividendo final de 2016 declarado y pagado durante el ejercicio ³	21.5	158,432
Dividendo provisional de 2017 declarado y pagado durante el ejercicio ⁴	10.6	78,111
	32.1	236,543

¹ Este dividendo fue aprobado por el Consejo de Administración el día 30 de mayo de 2018 y pagado el día 4 de junio de 2018.

² Este dividendo fue aprobado por el Consejo de Administración el día 3 de septiembre de 2018 y pagado el día 7 de septiembre de 2018.

³ Este dividendo fue aprobado por el Consejo de Administración el día 23 de mayo de 2017 y pagado el día 26 de mayo de 2017.

⁴ Este dividendo fue aprobado por el Consejo de Administración el día 31 de julio de 2017 y pagado el día 8 de septiembre de 2017.

19. Préstamos que devengan intereses

Pagarés Senior

El día 13 de noviembre de 2013, el Grupo terminó su oferta de suerte principal total de US\$800 millones de los Pagarés Senior al 5.500% con vencimiento en 2023 (los "Pagarés").

Los movimientos en el ejercicio de la deuda reconocida en el balance general son los siguientes:

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Saldo de apertura	799,046	798,027
Intereses devengados	46,267	46,267
Intereses pagados ¹	(46,267)	(46,267)
Amortización de costos de descuento y operación	1,081	1,019
Saldo al cierre	800,127	799,046

¹ Los intereses devengados son pagaderos semestralmente los días 13 de mayo y 13 de noviembre.

El Grupo tiene las siguientes restricciones derivadas de la emisión de los Pagarés:

Cambio de control:

Si la calificación de los pagarés senior fuera disminuida como resultado de un cambio de control (definido como la venta o transferencia del 35% o más de las acciones ordinarias; la transferencia de todos o sustancialmente todos los activos del Grupo; el inicio de un proceso de disolución o liquidación; o la pérdida de la mayoría del consejo de administración), el Grupo está obligado a recomprar los pagarés a un precio equivalente del 101% del valor nominal más los intereses devengados en la fecha de recompra, si cualquier acreedor le solicita que lo haga.

Prenda sobre activos:

El Grupo no otorgará en prenda ni permitirá una prenda sobre cualesquiera bienes que puedan tener un impacto importante en el desempeño comercial (activos clave). Sin embargo, el Grupo puede otorgar en prenda los bienes antes mencionados, a condición de que la restitución de los Pagarés mantenga el mismo nivel de prioridad que la prenda sobre esos activos.

20. Reserva para costo de cierre de la mina

La reserva representa los valores descontados del costo estimado para desmantelar y rehabilitar las minas en la fecha estimada de agotamiento de los depósitos mineros. Las incertidumbres al estimar estos costos incluyen cambios potenciales en los requisitos reglamentarios, desmantelamiento, alternativas de reclamación, temporización y las tasas de descuento, tipos de cambio y tasas de inflación aplicadas.

El Grupo ha llevado a cabo cálculos separados de la reserva por moneda, descontando a las tasas correspondientes. Al día 31 de diciembre de 2018, las tasas de descuento utilizadas en el cálculo de las partes de la reserva que se relacionan con pesos mexicanos varían de 7.12% a 8.55% (2017: varían de 6.27% a 7.97%). El rango para el ejercicio en curso de las partes que se relacionan con dólares estadounidenses varía de 2.05% a 2.70% (2017: varía de 1.37% a 2.22%).

La legislación mexicana relativa al desmantelamiento y rehabilitación de minas es limitada y menos desarrollada en comparación con la legislación de muchas otras jurisdicciones. Es la intención del Grupo rehabilitar las minas más allá de los requisitos de la ley mexicana, y los costos estimados reflejan este nivel de gasto. El Grupo pretende rehabilitar totalmente las áreas afectadas al final de la vida de las minas.

Se espera que la reserva llegue a ser pagadera al final de la vida productiva de cada mina, con base en las reservas y recursos, que varía de 3 a 25 años a partir del día 31 de diciembre de 2018 (de 3 a 27 años a partir del día 31 de diciembre de 2017). Al día 31 de diciembre de 2018, el período promedio ponderado de la reserva es de 12 años (2017: 13 años).

	Al día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Saldo de apertura	184,775	149,109
Aumento a la reserva existente	9,758	1,024
Efecto de cambio en la estimación	-	19,678
Efecto de cambios en tasa de descuento	(14,279)	(281)
Liquidación de descuento	10,065	11,729
Pagos	(545)	(131)
Divisas	68	3,647
Saldo al cierre	189,842	184,775

21. Pensiones y otros planes de prestaciones posteriores al empleo

El Grupo tiene un plan de prestaciones definidas y un plan de aportaciones definidas.

El plan de aportaciones de prestaciones definidas fue establecido a partir del día 1 de julio de 2007 y consta de aportaciones periódicas hechas por cada trabajador no sindicalizado y aportaciones hechas por el Grupo al fondo que se igualan a las aportaciones de los trabajadores, con un tope del 8% del salario anual del empleado.

El plan de prestaciones definidas proporciona prestaciones de pensión con base en las ganancias de cada trabajador y años de antigüedad del personal contratado hasta el día 30 de junio de 2007, así como primas de antigüedad de ley para trabajadores sindicalizados y de confianza.

La política y estrategia de inversión general del plan de prestaciones definidas del Grupo es guiada por el objetivo de lograr un rendimiento de inversión que, junto con las aportaciones, garantice que habrán suficientes activos para pagar prestaciones de pensión y primas de antigüedad de ley para empleados de

confianza cuando lleguen a su vencimiento, al tiempo que se mitigan los diversos riesgos del plan. Sin embargo, la parte del plan relacionada con las primas de antigüedad de ley para trabajadores sindicalizados no ha sido financiada. Las estrategias de inversión del plan son administradas por lo general conforme a leyes y reglamentos locales. La asignación real de activos es determinada por las condiciones económicas y de mercado actuales y esperadas y en consideración del riesgo de clase de activo específico en el perfil de riesgo. Dentro de este marco, el Grupo se asegura de que los fiduciarios consideren cómo se correlaciona la estrategia de inversión de activos con el perfil de vencimiento de los pasivos del plan y el impacto potencial respectivo sobre el estatus financiado del plan, incluyendo requisitos de liquidez a corto plazo potenciales.

Las prestaciones por fallecimiento e incapacidad son cubiertas a través de pólizas de seguros.

Las siguientes tablas proporcionan información relativa a los cambios en la obligación de prestaciones definidas y el valor justo de los activos del plan:

	CARGO DEL COSTO DE PENSIÓN AL ESTADO DE RESULTADOS					GANANCIAS/(PÉRDIDAS) DE NUEVA MEDICIÓN EN OCI							Saldo al día 31 de diciembre de 2018		
	Saldo al día 1 de enero de 2017	Costo del servicio	Intereses Netos	Divisas	Subtotal reconocido en el ejercicio	Prestaciones pagadas	Rendimiento sobre activos del plan (excluyendo cantidades incluidas en los intereses netos)	Cambios actuariales derivados de cambios en supuestos demográficos	Cambios actuariales derivados de cambios en los supuestos financieros	Ajustes por experiencia	Divisas	Subtotal incluido en OCI		Aportaciones patronales	Aumento de prestaciones definidas debido a transferencias de personal
Obligación de prestaciones definidas	(27,327)	(62)	(1,791)	5	(1,848)	884	-	-	1,749	821	-	2,570	-	-	(25,721)
Valor justo de activos del plan	18,110	-	1,110	27	1,137	(630)	40	-	-	-	-	40	614	57	19,328
Pasivo de prestaciones netas	(9,217)	(62)	(681)	32	(711)	254	40	-	1,749	821	-	2,610	614	57	(6,393)

	CARGO DEL COSTO DE PENSIÓN AL ESTADO DE RESULTADOS					GANANCIAS/(PÉRDIDAS) DE NUEVA MEDICIÓN EN OCI							Saldo al día 31 de diciembre de 2017		
	Saldo al día 1 de enero de 2016	Costo del servicio	Intereses Netos	Divisas	Subtotal reconocido en el ejercicio	Prestaciones pagadas	Rendimiento sobre activos del plan (excluyendo cantidades incluidas en los intereses netos)	Cambios actuariales derivados de cambios en supuestos demográficos	Cambios actuariales derivados de cambios en los supuestos financieros	Ajustes por experiencia	Divisas	Subtotal incluido en OCI		Aportaciones patronales	Aumento de prestaciones definidas debido a transferencias de personal
Obligación de prestaciones definidas	(25,377)	(956)	(1,729)	(1,146)	(3,831)	883	-	-	515	498	-	1,013	-	(15)	(27,327)
Valor justo de activos del plan	16,282	-	1,031	731	1,762	(413)	(80)	-	-	-	-	(80)	422	137	18,110
Pasivo de prestaciones netas	(9,095)	(956)	(698)	(415)	(2,069)	470	(80)	-	515	498	-	933	422	122	(9,217)

De la obligación de prestaciones definidas total, US\$7.4 millones (2017: US\$7.5 millones) se relacionan con las primas de antigüedad de ley para trabajadores sindicalizados que no son financiadas. Las aportaciones esperadas al plan para el siguiente período de informe anual son nulas.

Los supuestos principales usados al determinar las obligaciones de prestaciones de pensión y otras prestaciones posteriores al empleo para los planes del Grupo se muestran a continuación:

	Al día 31 de diciembre de	
	2018 %	2017 %
Tasa de descuento	8.42	7.67
Aumentos salariales futuros (INPC)	5.15	5.0

La esperanza de vida de los jubilados actuales y futuros, hombres y mujeres de 65 años de edad y más vivirán en promedio 23.1 y 26.6 años adicionales, respectivamente (2017: 23.1 para los hombres y 26.3 años para las mujeres). La duración promedio ponderado de la obligación de prestaciones definidas es de 10.8 años (2017: 11 años).

Los valores justos de los activos del plan son los siguientes:

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Deuda gubernamental	351	556
Empresas paraestatales	5,132	4,559
Sociedades de inversión (tasas fijas)	13,845	12,995
	19,328	18,110

El plan de pensión no ha invertido en ninguno de los instrumentos financieros propios del Grupo ni en bienes o activos usados por el Grupo.

El siguiente es un análisis de sensibilidad cuantitativo para supuestos significativos al día 31 de diciembre de 2018:

Supuestos	Tasa de descuento		Aumentos de salario futuros (INPC)		Expectativa de vida de los jubilados
	Aumento del 0.5%	Disminución del 0.5%	Aumento del 0.5%	Disminución del 0.5%	Aumento de + 1
(Disminución)/aumento a la obligación de prestaciones definidas netas (miles de US\$)	(1,256)	1,374	179	(173)	76

Los análisis de sensibilidad anteriores han sido determinados con base en un método que extrapola el impacto sobre la obligación de prestaciones definidas netas como resultado de cambios

razonables en supuestos clave que tienen lugar al final del período de informe. El plan de pensiones no es sensible a cambios futuros en los salarios, excepto con respecto a la inflación.

22. Cuentas por pagar a proveedores y otras cuentas por pagar

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Cuentas por pagar a proveedores	91,734	93,664
Otras cuentas por pagar a partes relacionadas (nota 26)	12,321	9,057
Gastos acumulados	13,163	18,600
Otros impuestos y aportaciones	15,922	13,628
	133,140	134,949

Las cuentas por pagar a proveedores son principalmente para la adquisición de materiales, suministros y servicios de contratistas. Estas cuentas por pagar no devengan intereses y no se han otorgado garantías. El valor justo de las cuentas por pagar a proveedores y otras cuentas por pagar se aproxima a sus valores en libros.

La exposición del Grupo al riesgo de moneda y liquidez relacionado con cuentas por pagar a proveedores y otras cuentas por pagar se revela en la nota 30.

23. Compromisos

El siguiente es un resumen de los compromisos de gastos de capital por mina operativa:

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Saucito	52,288	64,511
Herradura	17,701	28,813
Noche Buena	3,346	1,643
Ciénega	13,779	16,688
Fresnillo	90,181	19,570
San Julián	8,781	27,403
Otra ¹	142,111	83,729
	328,187	242,357

¹ Otra incluye compromisos de Minera Juanicipio, S.A. de C.V. (2017: Minera Bermejil, S. de R.L. de C.V. y Minera Juanicipio, S.A. de C.V.

24. Arrendamientos operativos

(a) Arrendamientos operativos como arrendador

Las rentas mínimas futuras por cobrar conforme a arrendamientos operativos no cancelables son las siguientes:

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Dentro de un año	-	491
Después de un año pero no más de cinco años	-	108
	-	599

(b) Arrendamientos operativos como arrendatario

El Grupo tiene compromisos financieros con respecto a arrendamientos operativos no cancelables para terrenos, oficinas y equipo. Estos arrendamientos tienen plazos de renovación a opción del arrendatario en pagos de arrendamiento futuros con base en precios de mercado al momento de la renovación. No hay restricciones para el Grupo por la celebración de estos arrendamientos.

El Grupo ha puesto en práctica varios arreglos para financiar equipo minero a través de préstamos y la venta de equipo minero a contratistas. En ambos casos, los contratistas están obligados a usar estos activos en la prestación de servicios al Grupo como parte del contrato de trabajo minero, durante la vigencia del financiamiento o crédito, que va de dos a seis años. El Grupo considera que los contratos de trabajo minero relacionado contienen arrendamientos operativos integrados.

Los compromisos de renta mínimos futuros conforme a estos arrendamientos son los siguientes¹:

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Dentro de un año	6,374	3,424
Después de un año pero no más de cinco años	9,756	1,538
	16,130	4,962

	Al día 31 de diciembre de	
	2018 Miles de US\$	2017 Miles de US\$
Pagos de arrendamiento mínimo hechos durante el ejercicio	7,193	4,916

¹ Durante las actividades de puesta en marcha de la IFRS 16 del Grupo, se identificó una cantidad limitada de prórrogas altamente ciertas a compromisos de arrendamientos operativos. Los compromisos de 2017 han sido reexpresados para reflejar esas opiniones de manera consistente.

25. Contingencias

Al día 31 de diciembre de 2018, el Grupo tuvo las siguientes contingencias:

- El Grupo está sujeto a varias leyes y reglamentos que, de no ser cumplidos, podrían dar lugar a sanciones.
- Los períodos fiscales permanecieron abiertos a revisión por las autoridades fiscales mexicanas (SAT por sus siglas en español) con respecto al impuesto sobre la renta de cinco años después de la fecha de presentación de las declaraciones del impuesto sobre la renta, durante cuyo plazo las autoridades tienen derecho a plantear gravámenes fiscales adicionales, incluyendo sanciones e intereses. Bajo ciertas circunstancias, las revisiones pueden cubrir períodos más largos.

Como tal, existe el riesgo de que las operaciones y, en particular, las operaciones con partes relacionadas que no hayan sido impugnadas en el pasado por las autoridades, puedan ser impugnadas por éstas en el futuro.

- De manera adicional a lo que se explica a continuación, las inspecciones de impuestos iniciadas por el SAT en años anteriores se cerraron o resolvieron mediante un acuerdo conclusivo en 2018 o principios de 2019. De acuerdo con el artículo 69-H del Código Tributario de México, los acuerdos alcanzados y ejecutados por los contribuyentes y la autoridad no puede ser impugnada de ninguna manera. Tales acuerdos solo serán efectivos entre las partes; y en ningún caso constituirán un precedente.
- Con respecto a las inspecciones fiscales de 2012 y 2013 de Minera Penmont, el día 11 de julio de 2018, la Sociedad presentó ante las autoridades fiscales una apelación administrativa esencial contra la tasación fiscal, y el día 3 de septiembre de 2018, presentó documentación adicional ante las autoridades fiscales y está esperando su respuesta.
- El día 22 de octubre de 2018, fuimos notificados acerca de las conclusiones del SAT con respecto a las inspecciones fiscales de 2015 y 2016 de Minera Penmont. La Sociedad considera que completó el suministro de toda la documentación requerida para demostrar que las deducciones fiscales que están siendo impugnadas son adecuadas y está esperando la respuesta del SAT.
- No es práctico determinar el monto de cualquier reclamo potencial o la probabilidad de cualquier resultado desfavorable que surja de estas o cualquier inspección futura que pueda iniciarse. Sin embargo, la administración considera que su interpretación de la legislación relevante es apropiada y que el Grupo ha cumplido con todas las regulaciones y ha pagado o acumulado todos los impuestos y retenciones que sean aplicables.
- El día 8 de mayo de 2008, la Sociedad y Peñoles celebraron el Contrato de Separación (el “Contrato de Separación”). Este contrato se relaciona con la separación del Grupo y el Grupo Peñoles y rige ciertos aspectos de la relación entre el Grupo Fresnillo y el Grupo Peñoles después de la oferta pública inicial en mayo de 2008 (la “Admisión”). El Contrato de Separación prevé indemnizaciones cruzadas entre la Sociedad y Peñoles de modo que, en el caso de Peñoles, se mantenga en paz y a salvo contra pérdidas, pretensiones y pasivos (incluyendo pasivos fiscales) atribuibles adecuadamente a las operaciones de metales preciosos del Grupo y, en el caso de la Sociedad, sea mantenida en paz y a salvo por Peñoles contra pérdidas, pretensiones y pasivos que no sean atribuibles adecuadamente a las operaciones de metales preciosos. Exceptuando cualquier pasivo que surja en relación con impuestos, la responsabilidad total de cualquiera de las partes conforme a las indemnizaciones no excederá US\$250 millones en total.

- Peñoles ha acordado indemnizar al Grupo Fresnillo en relación con (i) cualquier cargo fiscal, con sujeción a ciertas excepciones, que la Sociedad pueda asumir como resultado de la Reorganización Previa a la IPO (inclusive como resultado de una operación que siga a la Admisión de un miembro del Grupo Fresnillo, a condición de que Peñoles haya confirmado que la operación propuesta no dará origen a un cargo fiscal, o como resultado de una operación de un miembro del Grupo Peñoles al momento o después de la Admisión), la Oferta Global o la Admisión y (ii) algunos aspectos fiscales de otras operaciones previas a la Admisión. La responsabilidad de Peñoles conforme a estas indemnizaciones y con respecto a los pasivos fiscales generales que surjan antes de la Admisión que no sean atribuibles adecuadamente a las operaciones de metales preciosos del Grupo Fresnillo no excederán US\$500 millones. Si un miembro del Grupo Fresnillo que forme parte de la consolidación fiscal de Peñoles paga un dividendo dentro del grupo que exceda su Cuenta de Utilidad Fiscal Neta (“CUFIN”) después de la Admisión y es relevado del impuesto como resultado de la consolidación, se requiere que pague a Peñoles una cantidad con respecto a este impuesto.
- El día 30 de noviembre de 2012, el gobierno mexicano promulgó una nueva ley federal del trabajo. Durante 2014, la administración puso en práctica ciertas acciones como parte de un proceso permanente para administrar la exposición resultante de la emisión de la nueva ley laboral, incluyendo cualesquiera impactos potenciales en las operaciones y la situación financiera del Grupo; sin embargo, la administración no espera ninguna contingencia potencial o efecto significativo en los estados financieros del Grupo al día 31 de diciembre de 2018 y más adelante.
- Con respecto al problema del ejido El Bajío reportado previamente por la Sociedad:
 - En 2009, cinco miembros de la comunidad agraria El Bajío en el estado de Sonora, quienes reivindicaron derechos sobre cierto terreno superficial en la proximidad de las operaciones de Minera Penmont (“Penmont”), presentaron una demanda legal ante el Tribunal Unitario Agrario de Hermosillo, Sonora, para hacer que Penmont desalojara un área de este terreno superficial. El terreno en controversia abarcaba una parte del área superficial donde se ubican parte de las operaciones de la mina Soledad-Dipolos. El litigio tuvo como resultado un mandato judicial definitivo, conforme al cual se ordenó a Penmont desalojar 1,824 hectáreas de terreno. El terreno en controversia fue devuelto en julio de 2013, teniendo como resultado la suspensión de operaciones en Soledad-Dipolos.
 - El Tribunal Agrario hizo notar en ese mismo año que eran necesarias actividades de saneamiento para cumplir con los requisitos reglamentarios correspondientes y solicitó la orientación de la Agencia Ambiental Federal (SEMARNAT) a este respecto. El Tribunal Agrario además emitió una orden procesal en ejecución de su fallo, determinando, entre otros aspectos, que Penmont debe restablecer los terrenos al estado en que se encontraban antes de la ocupación de Penmont.
 - En opinión de la Sociedad, la orden procesal era excesiva, ya que dicho nivel de saneamiento no fue parte del fallo agrario original y también debido a que la orden procesal parece no considerar el hecho de que Penmont llevó a cabo sus actividades conforme a concesiones mineras y permisos de impacto ambiental válidos. En diciembre de 2016, el Tribunal Agrario emitió una orden procesal posterior en la que el Tribunal reconoció que Penmont cumplió con el fallo agrario habiendo devuelto el terreno en controversia y, además, que las actividades de saneamiento van a ser llevadas a cabo de acuerdo con los lineamientos y reglamentos ambientales federales, supervisadas por las autoridades federales competentes. Las actividades de saneamiento en este

respecto están pendientes ya que los miembros agrarios aún no han permitido a Penmont el acceso físico a los terrenos. Penmont ya ha presentado un plan de cierre y saneamiento de mina conceptual ante el Tribunal Agrario con respecto a las aproximadamente 300 hectáreas donde Penmont llevó a cabo actividades mineras. La comunidad agraria Ejido El Bajío apeló esta orden procesal del Tribunal Agrario y un Tribunal Federal de Distrito negó esta apelación. La comunidad agraria ha presentado en el mes de agosto de 2017 un último recurso adicional contra este fallo por el Tribunal Federal de Distrito y el resultado final está pendiente.

- Además, y como lo reportó previamente la Sociedad, los demandantes en el asunto de El Bajío presentaron otras pretensiones contra contratos de ocupación que celebraron con Penmont, cubriendo lotes separados del terreno descrito anteriormente. Penmont no tiene operaciones mineras significativas o intereses geológicos específicos en los lotes afectados y estos terrenos, por lo tanto, no son considerados estratégicos para Penmont. Como se ha reportado previamente, el Tribunal Agrario emitió fallos que declaran que dichos contratos de ocupación sobre esos lotes son nulos e inválidos y que Penmont debe restablecer dichos terrenos al estado en que se encontraban antes de la ocupación por Penmont, así como devolver cualesquiera minerales extraídos de esta área. Dado que Penmont no ha llevado a cabo operaciones mineras significativas ni tiene intereses geológicos específicos en estos terrenos, cualquier contingencia relativa a dichos terrenos no es considerada importante por la Sociedad. El caso relativo a las pretensiones sobre estos terrenos sigue estando sujeto a finalización.
- Se han hecho varias demandas y contrademandas entre las partes relevantes en el asunto de El Bajío. Existe incertidumbre significativa relativa a la finalización y el resultado final relativo a estos procedimientos legales.
- En 2011, ocurrió una inundación en la mina Saucito, después de la cual el Grupo presentó una reclamación de seguros con respecto al daño causado (y con respecto a interrupción de operaciones). A principios de 2018, la aseguradora notificó al Grupo que la reclamación había sido aceptada; sin embargo, hay un desacuerdo acerca de la cantidad adecuada a ser pagada. En octubre, el Grupo recibió US\$13.6 millones con respecto a la reclamación de seguros; sin embargo, esto no constituye una liquidación final y la administración continúa buscando un reembolso de seguro más alto. Debido al hecho de que las negociaciones están en curso y hay incertidumbre con respecto al tiempo para llegar a un acuerdo con la aseguradora, actualmente no es posible determinar la cantidad que se espera que sea recuperada.
- El 11 de febrero de 2019, la Corte Suprema de México emitió un fallo respecto de una cuestión constitucional específica presentada por la antigua administración del Gobierno Federal, quien impugnó la capacidad del Estado de Zacatecas para imponer impuestos ambientales en aspectos como (i) la extracción de rocas (ii) emisiones al aire; (iii) descargas de residuos industriales, y (iv) eliminación de residuos industriales.

El fallo de la Corte Suprema establece que, desde un punto de vista constitucional, no existe una limitación expresa que otorgue al Estado mexicano la facultad exclusiva de imponer dichos impuestos a nivel Federal; por lo tanto, el Estado de Zacatecas tiene un derecho conjunto para crear estos impuestos. No obstante lo anterior, el Tribunal no agotó el análisis de la legalidad de cada impuesto particular creado por el Estado de Zacatecas.

La Compañía había impugnado previamente la legalidad de dichos impuestos y en 2017 obtuvo un recurso judicial de un tribunal federal. El Estado de Zacatecas ha apelado esta decisión y el resultado final está pendiente.

26. Saldos y operaciones con partes relacionadas

El Grupo tuvo las siguientes operaciones con partes relacionadas durante los ejercicios terminados los días 31 de diciembre de 2018 y 2017 y saldos a los días 31 de diciembre de 2018 y 2017.

Las partes relacionadas son aquellas entidades propiedad de o controladas por la parte controladora en último término, así como aquellas que tienen una participación minoritaria en sociedades del Grupo y personal administrativo clave del Grupo.

(a) Saldos de partes relacionadas

	Cuentas por cobrar		Cuentas por pagar	
	Al día 31 de diciembre de		Al día 31 de diciembre de	
	2018	2017	2018	2017
Operación:				
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	213,202	225,741	408	397
Otros:				
Industrias Peñoles, S.A.B. de C.V.	3,371	4,925	-	-
Servicios Administrativos Peñoles, S.A. de C.V.	-	-	3,249	2,434
Servicios Especializados Peñoles, S.A. de C.V.	-	-	1,556	1,786
Fuentes de Energía Peñoles, S.A. de C.V.	-	-	1,138	-
Termoeléctrica Peñoles, S. de R.L. de C.V.	-	-	988	1,650
Eólica de Coahuila, S.A. de C.V.	-	-	3,459	1,926
Otros	90	392	1,523	864
Subtotal	216,663	231,058	12,321	9,057
Menos - parte circulante	216,663	231,058	12,321	9,057
Parte no circulante	-	-	-	-

Las cuentas por cobrar y por pagar de partes relacionadas serán liquidadas en efectivo.

Otros saldos con partes relacionadas:

Ejercicio terminado el día 31 de diciembre de

	2018	2017
	Miles de US\$	Miles de US\$
<i>Contrato de Silverstream:</i>		
Industrias Peñoles, S.A.B. de C.V.	519,093	538,887

El contrato de Silverstream puede ser liquidado ya sea en plata o en efectivo. Los detalles del contrato de Silverstream se proporcionan en la nota 13.

(b) Las operaciones principales con filiales, incluyendo a Industrias Peñoles, S.A.B. de C.V., la sociedad matriz de la Sociedad, son las siguientes:

Ejercicio terminado el día 31 de diciembre de		
	2018	2017
	Miles	Miles
	de	de
	US\$	US\$
Ingresos:		
<i>Ventas:</i> ¹		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	2,119,758	2,101,579
<i>Recuperación de seguros</i>		
Grupo Nacional Provincial, S.A. B. de C.V. ²	13,652	-
<i>Otros ingresos</i>	4,419	3,173
Ingresos totales	2,137,829	2,104,752

¹ Las cifras no incluyen ganancias de cobertura ya que las operaciones de derivados no son llevadas a cabo con partes relacionadas. Las cifras son netas del ajuste para cargos de tratamiento y refinación de US\$141.2 millones (2017: US\$139.9 millones) e incluye ventas acreditadas a proyectos de desarrollo de US\$17.6 millones (2017: US\$8.3 millones).

² Incluye el elemento de valor en un tiempo de US\$3.1 millones que han sido reconocidos como ingresos financieros dentro del estado de resultados.

Ejercicio terminado el día 31 de diciembre de		
	2018	2017
	Miles	Miles
	de	de
	US\$	US\$
Gastos:		
<i>Servicios Administrativos</i> ² :		
Servicios Administrativos Peñoles, S.A. de C.V. ³	28,625	26,323
Servicios Especializados Peñoles, S.A. de C.V.	15,830	18,239
	44,455	44,562
<i>Energía:</i>		
Termoeléctrica Peñoles, S. de R.L. de C.V.	17,383	20,415
Fuerza Eólica del Istmo, S.A. de C.V.	2,187	1,678
Fuentes de Energía Peñoles, S.A. de C.V.	3,872	-
Eólica de Coahuila, S.A. de C.V.	34,147	13,666
	57,589	35,759
<i>Materiales operativos y refacciones:</i>		
Wideco Inc.	5,783	4,534
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	8,329	6,420
	14,112	10,954
<i>Servicios de reparación de equipo y administrativos:</i>		
Serviminas, S.A. de C.V.	9,733	8,406
<i>Primas de seguros:</i>		
Grupo Nacional Provincial, S.A. B. de C.V.	8,603	8,157
<i>Otros gastos:</i>	2,561	3,795

Gastos totales	137,053	111,633
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² Incluye US\$1.7 millones (2017: US\$6.4 millones) correspondientes a gastos reembolsados.

³ Incluye US\$4.2 millones (2017: US\$7.5 millones) relacionados con costos de ingeniería que fueron capitalizados.

(c) Remuneración del personal administrativo clave del Grupo

El personal administrativo clave incluye a los miembros del Consejo de Administración y el Comité Ejecutivo.

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Sueldos y bonos	3,260	3,385
Prestaciones posteriores al empleo	245	235
Otras prestaciones	249	373
Remuneración total pagada con respecto al personal administrativo clave	3,754	3,993

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Derecho a pensión definida acumulada	4,001	4,433

Esta remuneración incluye cantidades pagadas a consejeros reveladas en el Informe de Remuneración de Consejeros.

El derecho a pensión definida acumulada representa prestaciones acumuladas cuando las prestaciones fueron congeladas. No hay prestaciones adicionales acumuladas conforme al plan de prestaciones definidas con respecto a los servicios actuales.

27. Remuneración del auditor

Los honorarios adeudados por el Grupo a su auditor durante los ejercicios terminados los días 31 de diciembre de 2018 y 2017 son los siguientes:

	Ejercicio terminado el día 31 de diciembre de	
	2018	2017
	Miles de US\$	Miles de US\$
Honorarios pagaderos al auditor del Grupo por la auditoría de los estados financieros anuales del Grupo	1,306	1,214
Honorarios pagaderos al auditor del Grupo y sus asociados por otros servicios de la siguiente manera:		
La auditoría de las subsidiarias de la Sociedad conforme a la legislación	176	226

Servicios de seguros relacionados con la auditoría	347	308
Servicios de cumplimiento fiscal	4	19
Total	1,833	1,767

28. Notas al estado consolidado de flujos de efectivo

		Al día 31 de diciembre de	
	Notas	2018 Miles de US\$	2017 Miles de US\$
Conciliación de utilidades del ejercicio con el efectivo neto generado por actividades de operación			
Utilidad del ejercicio		349,966	560,807
Ajustes para reconciliar la utilidad del período a flujos de efectivo entrantes neto de actividades de operación:			
Depreciación y amortización	5	411,764	367,609
Reparto de utilidades a empleados	7	13,003	17,150
Impuesto sobre la renta diferido	10	(45,385)	(3,101)
Gasto de impuesto sobre la renta vigente	10	179,349	183,783
(Pérdida)/ganancia sobre la venta de propiedad, planta y equipo y otros activos	8	999	(25,333)
Deterioro de activos financieros disponibles para venta	8	-	36
Costos financieros netos		27,433	33,674
Pérdida cambiaria		8,382	11,434
Diferencia entre aportaciones de pensión pagadas y cantidades reconocidas en el estado de resultados		62	(58)
Movimientos sobre derivados que no son en efectivo		34	41,389
Cambios en el valor justo de Silverstream	14	(14,956)	(113,656)
Ajustes de capital de trabajo			
(Aumento) en cuentas por cobrar de clientes y otras cuentas por cobrar		(60,384)	(44,381)
(Aumento) en pagos anticipados y otros activos		(11,753)	(708)
(Aumento)/disminución en inventarios		(63,918)	5,745
Aumento en cuentas por pagar a proveedores y otras cuentas por pagar		8,174	36,426
Efectivo generado de operaciones		802,770	1,070,816
Impuesto sobre la renta pagado		(200,088)	(292,063)
Reparto de utilidades a empleados pagado		(14,323)	(17,282)
Efectivo neto de actividades de operación		588,359	761,471

29. Instrumentos financieros

(a) Categoría de valor justo

	Miles de US\$			
Activos financieros:	Costo amortizado	Valor justo mediante OCI	Valor justo (instrumentos de cobertura)	Valor justo mediante utilidad o pérdida
Cuentas por cobrar de clientes y otras cuentas por cobrar (nota 15)	1,986	-	-	216,573
Instrumentos de capital a FVOCI	-	78,219	-	-
Contrato de Silverstream (nota 13)	-	-	-	519,093
Instrumentos financieros derivados		-	314	-
Pasivos financieros:		A valor justo mediante utilidad o pérdida	A Costo Amortizado	A valor justo mediante OCI (coberturas de flujo de efectivo)
Préstamos que devengan intereses (nota 19)		800,127	-	-
Cuentas por pagar a proveedores y otras cuentas por pagar (nota 22)		97,169	-	-
Instrumentos financieros derivados		147	3,807	-

Al día 31 de diciembre de 2017

Miles de US\$				
Activos financieros:	A valor justo mediante utilidad o pérdida	Inversiones disponibles para venta a valor justo mediante OCI	Préstamos y cuentas por cobrar	A valor justo mediante OCI (coberturas de flujo de efectivo)
Cuentas por cobrar de clientes y otras cuentas por cobrar ¹ (nota 15)	-	-	236,859	-
Activos financieros disponibles para venta (nota 13)	-	144,856	-	-
Contrato de Silverstream (nota 13)	538,887	-	-	-
Derivados integrados dentro de contratos de ventas ¹ (nota 4)	6,511	-	-	-
Instrumentos financieros derivados	311	-	-	71
Pasivos financieros:	A valor justo mediante utilidad o pérdida	A valor justo mediante OCI (coberturas de flujo de efectivo)	A costo amortizado	A valor justo mediante OCI (coberturas de flujo de efectivo)
Préstamos que devengan intereses (nota 19)	-	-	799,046	-
Cuentas por pagar a proveedores y otras cuentas por pagar (nota 22)	-	-	102,721	-
Instrumentos financieros derivados	-	37	-	19,179

¹ Las cuentas por cobrar de clientes y otras cuentas por cobrar y los derivados integrados dentro de contratos de ventas son presentados netos en Cuentas por cobrar de clientes y otras cuentas por cobrar en el balance general.

(b) Medición de valor justo

El valor justo de los activos y pasivos financieros, junto con las cantidades netas en libros que aparecen en el balance general, excepto aquellas con cantidades netas en libros que son una aproximación razonable a los valores justos, es el siguiente:

	Cantidad neta en libros		Al día 31 de diciembre de	
			Valor justo	
	2	2	2	2
	0	0	0	0
	1	1	1	1
	8	7	8	7
	M	M	M	M
	il	il	l	l
	e	e	e	e
	s	s	s	s
	d	d	d	d
	e	e	e	e
	U	U	U	U
	S	S	S	S
	\$	\$	\$	\$
Activos financieros:				
Cuentas por cobrar	216,573	236,859	216,573	236,859
Instrumentos de capital a FVOCI	78,219	-	78,219	-
Activos financieros disponibles para venta	-	144,856	-	144,856

Contrato de Silverstream (nota 13)	519,093	538,887	519,093	538,887
Derivados integrados dentro de contratos de ventas	-	6,511	-	6,511
Instrumentos financieros derivados	74	382	74	382
Pasivos financieros:				
Préstamos que devengan intereses ¹ (nota 19)	800,127	799,046	817,936	878,864
Instrumentos financieros derivados	3,807	19,216	3,807	19,216

¹ Los préstamos que devengan intereses son clasificados en el Nivel 1 de la jerarquía de valor justo.

Los activos y pasivos financieros medidos a valor justo son calificados en la jerarquía de valor justo al día 31 de diciembre de la siguiente manera:

Al día 31 de diciembre de 2018				
Medición de valor justo usando				
	Precios cotizados en mercados activos Nivel 1	Observable significativo Nivel 2	No observable significativo Nivel 3	Total
	Miles de US\$	Miles de US\$	Miles de US\$	Miles de US\$
Activos financieros:				
Cuentas por cobrar	-	-	216,573	216,573
Instrumentos financieros derivados:				
Contratos de productos básicos de opciones (nota 29(c))	-	240	-	240
Contratos de opción y de cambio de divisas a futuro	-	74	-	74
Contrato de Silverstream	-	-	519,093	519,093
Otros activos financieros:				
Instrumentos de capital a FVOCI	78,219	-	-	78,219
	78,219	314	735,666	814,199
Pasivos financieros:				
Instrumentos financieros derivados:				
Contratos de productos básicos de opciones (nota 29(c))	-	3,660	-	3,660
Opciones y contratos de cambio de divisas a futuro	-	147	-	147
	-	3,807	-	3,807

Al día 31 de diciembre de 2017				
Medición de valor justo usando				
	Precios cotizados en mercados activos Nivel 1	Observable significativo Nivel 2	No observable significativo Nivel 3	Total
	Miles de US\$	Miles de US\$	Miles de US\$	Miles de US\$
Activos financieros:				
Instrumentos financieros derivados:				

Derivados integrados dentro de contratos de ventas	-	-	6,511	6,511
Contratos de productos básicos de opciones (nota 29(c))	-	71	-	71
Contratos de opción y de cambio de divisas a futuro	-	311	-	311
Contrato de Silverstream	-	-	538,887	538,887
<hr/>				
Inversiones financieras disponibles para venta:				
Inversiones cotizadas	144,856	-	-	144,856
	144,856	382	545,398	690,636
<hr/>				
Pasivos financieros:				
Instrumentos financieros derivados:				
Contratos de productos básicos de opciones (nota 29(c))	-	19,179	-	19,179
Contratos de opción y de cambio de divisas a futuro	-	37	-	37
	-	19,216		19,216

No ha habido transferencias significativas entre el Nivel 1 y el Nivel 2 de la jerarquía de valor justo y no ha habido transferencias dentro y fuera de las mediciones de valor justo de Nivel 3.

A continuación se muestra una reconciliación del saldo inicial con el saldo final para instrumentos financieros de Nivel 3, exceptuando Silverstream (que se revela en la nota 13) se muestra a continuación¹:

	2018 Miles de US\$	2017 Miles de US\$
Saldo al día 1 de enero:	225,741	(2,750)
Cambio neto en cuentas por cobrar de clientes de los bienes vendidos	(12,048)	-
Cambios en el valor justo	(4,016)	15,068
Derivados integrados realizados durante el ejercicio	3,525	(5,807)
Saldo al día 31 de diciembre	213,202	6,511

¹ El saldo al 31 de diciembre de 2017 corresponde al derivado implícito incluido en las cuentas por cobrar por ventas sujetas a precios provisionales; a partir del 1 de enero de 2018 como consecuencia de la adopción de la NIIF 9 como se explica en la nota 2 (b), el saldo corresponde a la totalidad de las cuentas por cobrar comerciales por ventas sujetas a precios provisionales.

El valor justo de los activos y pasivos financieros se incluye en la cantidad a la cual el instrumento podría ser intercambiado en una operación vigente entre partes dispuestas, exceptuando una venta forzada o liquidación.

Se utilizaron las siguientes técnicas de valuación para estimar los valores justos:

Contratos de opción y de cambio de divisas a futuro

El Grupo celebra instrumentos financieros derivados con varias contrapartes, principalmente instituciones financieras con calificaciones crediticias de grado de inversión. Los contratos de divisas a futuro (Nivel 2) son medidos con base en los tipos de cambio spot observables, las curvas de rendimiento de las monedas respectivas, así como los márgenes de base de moneda entre las monedas respectivas. Los contratos de opción de divisas son valuados utilizando el modelo de Black Scholes, cuyos elementos significativos incluyen tipos de cambio spot observables, tasas de interés y la volatilidad de la moneda.

Contratos de productos básicos de opciones

El Grupo celebra instrumentos financieros derivados con varias contrapartes, principalmente instituciones financieras con calificaciones crediticias de grado de inversión. Los contratos de productos básicos de opciones (Nivel 2) son medidos con base en los precios spot de mercancías observables, las curvas de rendimiento de los productos básicos respectivos, así como los márgenes de base de productos básicos entre los productos básicos respectivos. Los contratos de opción son evaluados utilizando el modelo de Black Scholes, los elementos significativos que incluyen precios de productos básicos spot observables, tasas de interés y la volatilidad del producto básico.

Contrato de Silverstream

El valor justo del contrato de Silverstream es determinado utilizando un modelo de valuación incluyendo elementos no observables (Nivel 3). Este derivado tiene un plazo de más de 20 años y el modelo de valuación utiliza una serie de elementos que no se basan en los datos de mercado observables debido a la naturaleza de estos elementos y/o la duración del contrato. Los elementos que tienen un efecto significativo en el valor justo registrado son el volumen de plata que será producido y vendido desde la mina Sabinas a lo largo de la vida del contrato, el precio futuro de la plata, los tipos de cambio futuros entre el peso mexicano y dólar estadounidense, la inflación futura y la tasa de descuento utilizada para descontar flujos de efectivo futuros.

La estimación del volumen de plata que será producido y vendido desde la mina Sabinas requiere estimaciones de las reservas y recursos de plata recuperables, el perfil de producción relacionado basado en el plan de la mina Sabinas y la recuperación esperada de plata desde el mineral extraído. La estimación de estos elementos está sujeta a una variedad de supuestos operativos y puede cambiar con el tiempo. Las estimaciones de reservas y recursos son actualizadas anualmente por Peñoles, el operador y único tenedor de participaciones en la mina Sabinas y proporcionadas a la Sociedad. El perfil de producción y plata pagadera estimada que será recuperada del mineral extraído se basa en el plan y estimaciones más recientes, también proporcionados a la Sociedad por Peñoles. Los elementos asumen que no habrá interrupción en la producción a lo largo de la vida del contrato de Silverstream y niveles de producción consistentes con aquellos logrados en años recientes.

La administración evalúa regularmente una variedad de alternativas razonablemente posibles para aquellos elementos no observables significativos descritos anteriormente y determina su impacto

en el valor justo total. Los elementos no observables significativos no están relacionados uno con el otro. El valor justo de Silverstream no es significativamente sensible a un cambio razonable en los tipos de cambio futuros; sin embargo, lo es a un cambio razonable en el precio futuro de la plata, inflación futura y la tasa de descuento utilizada para descontar flujos de efectivo futuros.

Para información adicional relativa al contrato de Silverstream, véase la nota 13. La sensibilidad a la valuación de elementos relacionada con riesgos de mercado, o sea, el precio de la plata, tipos de cambio, inflación y tasa de descuento, se revela en la nota 30.

Inversiones de capital:

El valor justo de las inversiones de capital se deriva de los precios de mercado cotizados en mercados activos (Nivel 1).

Préstamos que devengan intereses

El valor justo del préstamo que devenga intereses del Grupo se deriva de los precios de mercado cotizados en mercados activos (Nivel 1).

Cuentas por cobrar de clientes:

Las ventas de concentrados, precipitados y barras de plata bruta con contenido de oro tienen “precios provisionales” y los ingresos son reconocidos inicialmente utilizando este precio provisional y la mejor estimación del metal contenido por el Grupo. Los ingresos están sujetos a ajustes de precio final y de contenido de metal después de la fecha de entrega (véase la nota 2(n)). Se considera que esta exposición de precio es un derivado integrado y, por lo tanto, la cuenta por cobrar de clientes relacionada completa es medida a valor justo.

En cada fecha de informe, el contenido de metal de precio provisional es revaluado con base en el precio de venta a futuro para el período de cotización estipulado en el contrato de venta correspondiente. El precio de venta de los metales puede ser medido de manera confiable, ya que estos metales son operados de manera activa en bolsas de valores internacionales; sin embargo, el contenido de metal estimado es un elemento no observable en esta valuación.

(c) Instrumentos financieros derivados

El Grupo celebra ciertos contratos de opción para administrar su exposición a riesgos en precios de productos básicos descritos en la nota 2(r).

El Grupo vende oro como el producto principal de las minas del Grupo a tajo abierto. Tras la adquisición del 46% restante de la participación en las minas de Penmont en 2014, el Grupo celebró contratos de opciones de productos básicos para proteger el valor de las ventas futuras relacionadas con esa participación no controladora anterior durante un período de cinco años. El Grupo también vende plomo y zinc como sub-producto en algunas de sus minas. Excepto en relación con la adquisición del resto de la participación en las minas de Penmont descritas anteriormente, la estrategia de administración de riesgos del Grupo es no cubrir los precios de los metales primarios y cubrir los metales del sub-producto en ciertas condiciones del mercado. El

Grupo monitorea la volatilidad de los precios de los metales para determinar cuándo celebrar nuevos contratos de cobertura relacionados con los sub-productos. Se firmaron nuevos contratos en 2017, pero no en 2018. Se espera que estos contratos reduzcan la volatilidad atribuible a las fluctuaciones de los precios de los metales. La cobertura de la volatilidad de los precios de las ventas de metales previstas se realiza de acuerdo con la estrategia de gestión de riesgos descrita por el Consejo de Administración.

Existe una relación económica entre las partidas cubiertas y los instrumentos de cobertura, ya que los términos de los contratos de opciones de productos básicos coinciden con los términos de las ventas pronosticadas altamente probables esperadas (es decir, monto teórico y fecha de pago esperada). El Grupo ha establecido un índice de cobertura de 1:1 para las relaciones de cobertura ya que los riesgos subyacentes de los contratos de opciones de productos básicos son idénticos a los componentes de riesgo cubiertos. Para probar la efectividad de la cobertura, el Grupo utiliza el método del derivado hipotético y compara los cambios en el valor razonable de los instrumentos de cobertura con los cambios en el valor razonable de los elementos cubiertos atribuibles a los riesgos cubiertos.

Debido a los términos de las relaciones de cobertura del Grupo, el cambio en el valor razonable tanto del instrumento de cobertura como de las partidas cubiertas igualaron los montos reconocidos en otro resultado integral en los siguientes párrafos. Las cantidades recicladas al estado de resultados con respecto a estos contratos se reconocen en los ingresos; la ineficacia se reconoce en el costo financiero.

Contratos de opción de oro

Al 31 de diciembre de 2018, los instrumentos derivados de collar pendientes vencen durante el período comprendido entre el 31 de enero de 2019 y el 30 de diciembre de 2019, y los ingresos en efectivo por cobertura para las ventas de producción de oro ascienden a 346,152 onzas (2017: 712,584 onzas) con un piso en el precio de US \$ 1,100:1 onza, un rango de precios tope de US\$1,375 a US \$1,495: 1 onza (2017: US\$1,375 a US\$1,495: 1 onza) y un precio promedio ponderado de US\$1,424:1 onza (2017: US\$1,423:1 onza). El valor razonable de las opciones de venta al 31 de diciembre de 2018 era un activo de US\$0.9 millones (2017: US\$3.7 millones), y el valor razonable de las opciones de compra al 31 de diciembre de 2018 era un pasivo de US\$4.6 millones (2017: US\$ 21.8 millones). En 2018, los cambios en el valor razonable de los contratos de opción correspondientes al valor de tiempo ascendieron a US\$14.4 millones y se registraron en otros ingresos integrales; en 2017, el valor razonable ascendió a US \$41.1 millones y se registró en el estado de resultados.

Contratos de opción de plomo

Al 31 de diciembre de 2018 no había opciones pendientes relacionadas con los contratos de plomo. A 31 de diciembre de 2017, los instrumentos derivados de collar de plomo cubren una producción de plomo de 21,168 toneladas con un piso en el precio de US\$2,370:1 tonelada, un rango de precios máximos de US\$2,730 a US\$2,740:1 tonelada y un precio de capitalización promedio ponderado de US\$2,735:1 tonelada. El valor razonable de las opciones de venta al 31 de diciembre de 2017 era un activo de US\$0.5 millones, y el valor razonable de las opciones de compra al 31 de diciembre de 2017 era un pasivo de US\$0.5 millones. La ganancia reciclada al estado de resultados en el período fue de US\$1.0 millones (2017: cero).

Contratos de opción de zinc

Al 31 de diciembre de 2018 no había opciones pendientes relacionadas con los contratos de zinc. Al 31 de diciembre de 2017, los instrumentos derivados del collar de zinc cubren una producción de plomo de 5,760 toneladas con un rango de piso en el precio de US \$2,500 a 2,756:1 tonelada y un precio promedio ponderado de piso de US\$2,591:1 tonelada, un rango de precios tope de US\$3,650. a US\$3,800:1 tonelada y precio promedio ponderado de US\$3,716:1 tonelada. El valor razonable de las opciones de venta al 31 de diciembre de 2017 era un activo de US\$0.5 millones, y el valor razonable de las opciones de compra al 31 de diciembre de 2017 era un pasivo de US\$1.5 millones. La ganancia reciclada al estado de resultados en el período fue de US\$0.6 millones (2017: cero).

30. Administración de riesgo financiero

Generalidades

Los activos y pasivos financieros principales del Grupo, exceptuando derivados, comprenden cuentas por cobrar de clientes, efectivo, instrumentos de capital FVOCI, préstamos que devengan intereses y cuentas por pagar a proveedores.

El Grupo tiene exposición a los siguientes riesgos de su uso de instrumentos financieros:

- Riesgo de mercado, incluyendo divisas, precios de productos básicos, tasas de interés, tasas de inflación y riesgos de precio de capital
- Riesgo crediticio
- Riesgo de liquidez

Esta nota presenta información acerca de la exposición del Grupo a cada uno de los riesgos anteriores y los objetivos, políticas y procesos del Grupo para evaluar y administrar los riesgos. Se incluyen revelaciones cuantitativas adicionales a lo largo de los estados financieros.

El Consejo de Administración tiene responsabilidad general del establecimiento y supervisión del marco de administración de riesgos del Grupo.

Las políticas de administración de riesgos del Grupo son establecidas para identificar y analizar los riesgos enfrentados por el Grupo, para establecer límites y controles de riesgos adecuados y monitorear riesgos y cumplimiento de los límites. Las políticas y sistemas de administración de riesgos son revisadas regularmente para reflejar cambios en las condiciones de mercado y las actividades del Grupo. El Grupo, a través de sus normas y procedimientos de capacitación y administración pretende desarrollar un ambiente de control disciplinado y constructivo en el cual todos los empleados entiendan sus funciones y obligaciones.

El Comité de Auditoría de Fresnillo es responsable de supervisar cómo la administración monitorea el cumplimiento de las políticas y procedimientos de administración de riesgos del Grupo y revisa la suficiencia del marco de administración de riesgos en relación con los riesgos a los que se enfrenta el Grupo. El Comité de Auditoría es asistido en su función de supervisión por el

Departamento de Auditoría Interna, que lleva a cabo revisiones regulares y ad hoc de los controles y procedimientos de administración de riesgos, cuyos resultados son reportados al Comité de Auditoría.

(a) Riesgo de mercado

El riesgo de mercado es el riesgo que cambia en los factores de mercado, tales como tipos de cambio, precios de productos básicos o tasas de interés que afectarán a los ingresos del Grupo o el valor de sus instrumentos financieros.

El objetivo de la administración del riesgo de mercado es administrar y controlar las exposiciones de riesgo de mercado dentro de parámetros aceptables, al tiempo que se optimiza el rendimiento sobre el riesgo.

En las siguientes tablas, el efecto sobre capital excluye los cambios en ganancias retenidas como resultado directo de los cambios en utilidades antes de impuestos.

Riesgo de divisas

El Grupo tiene instrumentos financieros que son denominados en pesos mexicanos, euros y coronas suecas que son expuestos a riesgo de divisas. Las operaciones en monedas distintas al dólar estadounidense incluyen la compra de servicios, dividendos, activos fijos, refacciones y otros elementos. Por consiguiente, el Grupo tiene activos y pasivos financieros denominados en monedas distintas a la moneda funcional y tiene efectivo y equivalentes de efectivo en pesos mexicanos.

Para administrar la exposición del Grupo al riesgo de divisas en el gasto denominado en monedas distintas al dólar estadounidense, el Grupo ha celebrado ciertos contratos de derivados a futuro y de opciones con fechas de vencimiento a partir de 2018 (véase la nota 30 si desea detalles adicionales).

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros (excluyendo a Silverstream) a un cambio razonablemente posible en el tipo de cambio de dólares estadounidenses en comparación con el peso mexicano, reflejando el impacto de la utilidad antes de impuestos y capital del Grupo, manteniéndose todas las demás variables constantes. Se asume que el mismo porcentaje de cambio en los tipos de cambio es aplicado a todos los períodos aplicables para objetos de calcular la sensibilidad en relación con instrumentos financieros derivados.

		Efecto en las utilidades antes de impues to: aumen
	Fortaleci miento/(d ebilitamie nto) del dólar estadoun idense	
Ejercicio terminado el día 31 de diciembre de		

		to/ (dismin ución) Miles de US\$
2018	10%	(380)
	(10%)	464
2017	20%	(3,783)
	(10%)	1,365

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros a un cambio razonablemente posible en el tipo de cambio de dólares estadounidenses en comparación con la corona sueca en las utilidades antes de impuestos y capital del Grupo, manteniéndose constantes todas las demás variables. Se asume que el mismo cambio porcentual en los tipos de cambio se aplica a todos los períodos correspondientes.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en las utilidades antes de impuesto: aumento/ (disminución) Miles de US\$
2018	10%	19
	(10%)	20
2017	10%	(335)
	(10%)	500

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros a un cambio razonablemente posible en el tipo de cambio de dólares estadounidenses en comparación con el euro en las utilidades antes de impuestos y capital del Grupo, manteniéndose constantes todas las demás variables. Se asume que el mismo cambio porcentual en los tipos de cambio se aplica a todos los períodos correspondientes.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en las utilidades antes de impuesto: aument o/ (dismin ución) Miles de US\$
2018	10%	53
	(10%)	52
2017	10%	1058
	(10%)	(1,056)

Riesgo de divisas – Silverstream

Los tipos de cambio futuros son uno de los elementos del modelo de valuación de Silverstream. La siguiente tabla demuestra la sensibilidad de la valuación contractual de Silverstream a un cambio razonablemente posible en el peso mexicano en comparación con el dólar estadounidense, manteniéndose constantes todos los demás elementos del modelo de valuación de Silverstream.

Se asume que el mismo cambio porcentual en los tipos de cambio es aplicado a todos los períodos aplicables en el modelo de valuación.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en las utilidades antes de impuestos: aumento/ (disminución) Miles de US\$
2018	10%	(46)
	(10%)	56
2017	20%	(781)
	(10%)	521

Riesgo de productos básicos

El Grupo tiene exposición a los cambios en los precios de metales (específicamente plata, oro, plomo y zinc) que tienen un efecto significativo en los resultados del Grupo. Estos precios están sujetos a las condiciones económicas globales y ciclos relacionados con la industria.

El Grupo usa instrumentos derivados para protegerse contra un elemento del precio del oro, del zinc y del plomo.

La tabla siguiente refleja la sensibilidad total de los activos y pasivos financieros (excluyendo a Silverstream) a un cambio razonablemente posible en los precios de los productos básicos, reflejando el impacto en las utilidades del Grupo antes de impuestos, manteniéndose constantes todas las demás variables.

La sensibilidad que se muestra en la tabla siguiente se relaciona con cambios en el valor justo de los instrumentos financieros, contratos y derivados integrados en ventas de derivados de productos básicos.

Ejercicio terminado el día 31 de diciembre de	Aumento/(disminución) en precios de productos básicos			Efecto en la utilidad antes de impuestos: aumento / (disminución) Miles de US\$	Efecto en el capital aumento / (disminución) Miles de US\$
	Oro	Plata	Zinc		
		P	P		
		l	l		
		a	o		
		t	n		
		a	c		

2018	1	1	2	2	22,33	(14,9
	0	5	5	0		
	%	%	%	%		
	((((
	1	1	2	1		
	0	5	0	5		
	%	%	%	%	(21,2	
))))	04)	8,703
2017	1	1	2	1	83,43	(19,1
	0	0	0	5		
	%	%	%	%		
	((((
	1	1	2	1		
	0	0	0	5		
	%	%	%	%		
))))	5,105	1,818

Riesgo de precios de productos básicos – Silverstream

El precio futuro de la plata es uno de los elementos del modelo de valuación de Silverstream. La tabla siguiente demuestra la sensibilidad de la valuación del contrato de Silverstream a un cambio razonablemente posible en los precios futuros de la plata, manteniéndose constantes todos los demás elementos del modelo de valuación de Silverstream. Se asume que se aplica el mismo cambio porcentual en el precio de la plata a todos los períodos aplicables en el modelo de valuación. No hay impacto en el capital del Grupo, exceptuando el cambio equivalente en ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Aumento/ (disminución) en el precio de la plata	Efecto en el valor justo: aumento/ (disminución) Miles de US\$
2018	15%	106,879
	(15%)	(106,879)
2017	10%	72,779
	(10%)	(72,779)

Riesgo de tasa de interés

El Grupo está expuesto al riesgo de tasa de interés debido a la posibilidad de que los cambios en las tasas de interés afecten los flujos de efectivo futuros o los valores justos de sus instrumentos financieros, relacionados principalmente con saldos en efectivo y el contrato de Silverstream mantenido a la fecha del balance general. Los préstamos que devengan intereses y préstamos de partes relacionadas son a tasa fija; por lo tanto, la posibilidad de un cambio en la tasa de interés

únicamente afecta su valor justo, pero no su cantidad neta en libros. Por lo tanto, los préstamos que devengan intereses y los préstamos de la parte relacionada son excluidos de la tabla siguiente.

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros (excluyendo a Silverstream) a un cambio razonablemente posible en la tasa de interés aplicada a un año completo desde la fecha del balance general. No hay impacto en el capital del Grupo, exceptuando el cambio equivalente en ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Punto base aumento/ (disminución) en la tasa de intereses	Efecto en la utilidad antes de impuestos: aumento/ (disminución) Miles de US\$
2018	75	4,206
	(75)	(4,206)
2017	90	7,898
	(50)	(4,388)

La sensibilidad que se muestra en la tabla anterior se relaciona principalmente con el año completo de intereses sobre saldos en efectivo mantenidos al final del ejercicio.

Riesgo de tasa de interés – Silverstream

Las tasas de interés futuras son uno de los elementos del modelo de valuación de Silverstream. La siguiente tabla demuestra la sensibilidad de la valuación del contrato de Silverstream a un cambio razonablemente posible en las tasas de interés, manteniéndose constantes todos los demás elementos del modelo de valuación de Silverstream. Se asume que el mismo cambio en la tasa de interés se aplica a todos los períodos correspondientes en el período de valuación. No hay impacto en el capital del Grupo, exceptuando el cambio equivalente en las ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Punto base aumento/ (disminución) en la tasa de intereses	Efecto en las utilidades antes de impuestos: aumento/ (disminución) Miles de US\$
---	---	---

2018	75	(47,151)
	(75)	54,775
2017	90	(58,798)
	(50)	37,935

Riesgo de tasa de inflación

Riesgo de tasa de inflación - Silverstream

Las tasas de inflación futuras son uno de los elementos del modelo de valuación de Silverstream. La siguiente tabla demuestra la sensibilidad del contrato de Silverstream a un cambio razonablemente posible en la tasa de inflación, manteniéndose constantes todos los demás elementos del modelo de valuación de Silverstream. Se asume que el mismo cambio en la inflación es aplicado a todos los períodos correspondientes en el modelo de valuación. No hay impacto en el capital del Grupo, exceptuando el cambio equivalente en ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Punto base aumento/ (disminución) en la tasa de inflación	Efecto en las utilidades antes de impuestos: aumento/ (disminución) Miles de US\$
2018	100	56
	(100)	(51)
2017	100	88
	(100)	(83)

Riesgo de precio de capital

El Grupo tiene exposición a cambios en el precio de los instrumentos de capital que mantiene como activos disponibles para venta.

La siguiente tabla demuestra la sensibilidad de los activos financieros disponibles para venta a un cambio razonablemente posible en el precio de mercado de estos instrumentos de capital, que refleja el efecto en la utilidad del Grupo antes de impuestos y capital:

Ejercicio terminado el día 31 de diciembre de	Aumento/ (disminución) en el precio de capital	Efecto en las utilidades antes de impuestos: aumento/ (disminución) Miles de US\$	Efecto en el capital: aumento/ (disminución) Miles de US\$
2017	40%	-	31,288
	(40%)	-	(31,288)
2016	40%	-	28,972
	(65%)	-	(65,408)

(b) Riesgo crediticio

La exposición al riesgo crediticio surge como resultado de operaciones en el curso ordinario de operaciones del Grupo y es aplicable a todos los activos financieros e instrumentos financieros derivados. Los activos financieros son cuentas por cobrar de clientes y otras cuentas por cobrar, efectivo y equivalentes de efectivo, inversiones a corto plazo, el contrato de Silverstream y los activos financieros disponibles para venta.

Las políticas del Grupo tienen por objeto minimizar las pérdidas como resultado del incumplimiento de las obligaciones de las contrapartes. Las exposiciones individuales son seguidas con los clientes con sujeción a límites crediticios para asegurar que la exposición del Grupo a deudas incobrables no sea significativa. La exposición del Grupo al riesgo crediticio es influida principalmente por las características individuales de cada contraparte. Los activos financieros del Grupo son con contrapartes que el Grupo considera tienen una calificación crediticia adecuada. Como se reveló en la nota 26, las contrapartes de una proporción significativa de estos activos financieros son partes relacionadas. A cada fecha del balance general, los activos financieros del Grupo no fueron deteriorados ni adeudados, exceptuando 'Otras cuentas por cobrar' como se revela en la nota 16. Las políticas del Grupo tienen por objeto minimizar las pérdidas de los contratos de cobertura de divisas. Los contratos de cobertura de divisas de la Sociedad se celebran con instituciones financieras importantes con calificaciones crediticias sólidas.

El Grupo tiene una alta concentración de cuentas por cobrar de clientes con una contraparte, Met-Mex Peñoles, el cliente principal del Grupo a lo largo de 2018 y 2017. Una concentración de riesgo crediticio adicional se deriva del contrato de Silverstream. Tanto Met-Mex como la contraparte del contrato de Silverstream son subsidiarias del Grupo Peñoles, que actualmente es propietario del 75 por ciento de las acciones de la Sociedad y es considerado por la administración con una calificación crediticia adecuada.

Los fondos excedentes del Grupo son administrados por Servicios Administrativos Fresnillo, S.A. de C.V., que administra efectivo y equivalentes de efectivo, incluyendo inversiones a corto plazo, invirtiendo en una serie de instituciones financieras. Por consiguiente, de manera permanente, el Grupo deposita fondos excedentes con una variedad de instituciones financieras, dependiendo de las condiciones de mercado. Para minimizar la exposición al riesgo crediticio, el Grupo únicamente deposita fondos excedentes con instituciones financieras con una calificación crediticia de MX-1 (Moody's) y mxA-1+ (Standard and Poor's) y superior. Al día 31 de diciembre de 2018, el Grupo tenía concentraciones de riesgo crediticio, ya que el 19 por ciento los fondos excedentes fue depositado con una institución financiera y el total de la inversión fue mantenida en papel gubernamental mexicano a corto plazo.

La máxima exposición crediticia a la fecha de informe de cada categoría de activo financiero anterior es el valor neto en libros como se detalla en las notas correspondientes. Véase la nota 16 para la máxima exposición crediticia a efectivo y equivalentes de efectivo, la nota 27 para saldos de partes relacionadas con Met-Mex y la nota 29 para instrumentos de capital a FVOCI. La máxima exposición crediticia en relación con el contrato de Silverstream es el valor del derivado al día 31 de diciembre de 2018, siendo de US\$519.1 millones (2017: US\$538.9 millones).

(c) Riesgo de liquidez

El riesgo de liquidez es el riesgo de que el Grupo no pueda cumplir con sus obligaciones financieras cuando lleguen a su vencimiento.

El Grupo monitorea su riesgo de faltante de fondos utilizando flujos de efectivo proyectados de operaciones y monitoreando el vencimiento de sus activos y pasivos financieros.

La siguiente tabla resume el perfil de vencimiento de los pasivos financieros del Grupo con base en pagos contractuales no descontados.

	Miles de US\$				
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	Total
Al día 31 de diciembre de 2018					
Préstamos que devengan intereses (nota 19)	46,267	92,534	92,534	800,000	1,031,335
Cuentas por pagar a proveedores y otras cuentas por pagar	97,169				97,169
Instrumentos financieros derivados – pasivos	3,807				3,807

	Miles de US\$				
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	Total
Al día 31 de diciembre de 2017					
Préstamos que devengan intereses (nota 19)	46,267	92,534	92,534	846,267	1,077,602
Cuentas por pagar a proveedores y otras cuentas por pagar	102,311	-	-	-	102,311
Instrumentos financieros derivados – pasivos	4,992	14,224	-	-	19,216

Los pagos revelados para instrumentos derivados financieros en la tabla anterior son los flujos de efectivo no descontados brutos. Sin embargo, estas cantidades pueden ser liquidadas en términos brutos o netos. La siguiente tabla muestra los flujos entrantes estimados correspondientes con base en los términos contractuales:

	Miles de US\$				
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	Total
Al día 31 de diciembre de 2018					
Flujos entrantes	12,608	4,310			16,918
Flujos salientes	(12,688)	(4,290)			(16,977)
Neto	(80)	20			(60)

	Miles de US\$				
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	Total
Al día 31 de diciembre de 2017					
Flujos entrantes	15,174	-	-	-	15,174

Flujos salientes	(14,884)	-	-	-	(14,884)
Neto	290	-	-	-	290

Las tablas de liquidez anteriores incluyen los flujos entrantes y flujos salientes esperados de los contratos de opción monetaria que el Grupo espera sean ejercidos durante 2019 al día 31 de diciembre de 2018 y durante 2018 al día 31 de diciembre de 2017, ya sea por el Grupo o la contraparte.

La administración considera que el Grupo tiene suficientes activos circulantes y pronostica efectivo de operaciones para administrar riesgos de liquidez derivados de pasivos circulantes y pasivos no circulantes.

Administración de capital

El objetivo primario de la administración de capital del Grupo es asegurarse de que mantenga una calificación crediticia sólida e índices de capital sanos que respalden sus operaciones y maximicen el valor para los accionistas. La administración considera que el capital consta de capital social y de algunos préstamos que devengan intereses, incluyendo préstamos de partes relacionadas, según se revela en el balance general, excluyendo ganancias o pérdidas no realizadas netas sobre la revaluación de coberturas de flujo de efectivo y activos financieros disponibles para venta. Para garantizar un rendimiento adecuado para el capital de accionistas invertido en el Grupo, la administración evalúa exhaustivamente todos los proyectos importantes y adquisiciones potenciales y los aprueba en su Comité Ejecutivo antes de entregarlos al Consejo para su aprobación a final de cuentas, cuando corresponda. La política de dividendos del Grupo se basa en la rentabilidad de las operaciones y crecimiento subyacente en las ganancias del Grupo, así como sus requisitos de capital y flujos de efectivo, incluyendo flujos de efectivo de Silverstream.

Al administrar su capital, el Grupo considera su posición de efectivo y otros activos líquidos como se establece a continuación:

	2018 Miles de US\$	2017 Miles de US\$
Efectivo y equivalentes de efectivo (nota 16)	560,785	876,034
Instrumentos financieros disponibles para venta mantenidos en fondos	-	19,877
Posición de efectivo y otros activos líquidos	560,785	895,911

Estado de Ingresos Globales de la Sociedad Matriz

Ejercicio terminado el día 31 de diciembre

	Ejercicio terminado el día 31 de diciembre de		
	Notas	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Utilidad del ejercicio	3	(571,022)	323,122
Otros ingresos globales			
<i>Partidas que pueden ser reclasificadas posteriormente a utilidad o pérdida:</i>			
Cambios en el valor justo de los activos financieros disponibles para venta	2 (b),16	-	8,808
Deterioro de los activos financieros disponibles para venta llevados a ingresos durante el ejercicio		-	36
<i>Efecto total de los activos financieros disponibles para venta</i>			
		-	8,844
Efecto del impuesto sobre la renta en partidas que pueden ser reclasificadas posteriormente a utilidad o pérdida			(2,653)
Otros ingresos globales netos que pueden ser reclasificados posteriormente a utilidad o pérdida:		-	6,191
<i>Partidas que no serán reclasificadas a utilidad o pérdida:</i>			
Cambios en el valor justo de inversiones de capital en FVOCI	2 (b)	(46,579)	-
Efecto del impuesto sobre la renta en partidas que no serán reclasificadas a utilidad o pérdida:	4	20,328	-
Otro gasto global neto que no será reclasificado a utilidad o pérdida		(26,251)	-
Otro (gasto)/ingreso global, neto de impuestos		(26,251)	6,191
Total ingresos globales del ejercicio, neto de impuestos		(597,273)	329,313

Balance General de la Sociedad Matriz

Al día 31 de diciembre

		Al día 31 de diciembre de	
	Notas	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
ACTIVO			
Activo no circulante			
Inversiones en subsidiarias	5	6,415,137	7,094,131
Instrumentos de capital en FVOCI	2 (b), 16	78,219	-
Activos financieros disponibles para venta	2 (b), 16	-	144,856
Instrumentos financieros derivados	16	20	-
Activo fiscal diferido	4	23,012	10,169
		6,516,388	7,249,156
Activo circulante			
Préstamos a partes relacionadas	13	895,315	590,286
Impuesto sobre la renta recuperable		259	632
Cuentas por cobrar a clientes y de otro tipo	6	4,336	8,139
Instrumentos financieros derivados	16	294	382
Efectivo y equivalentes de efectivo	7	4,560	133,370
		904,764	732,809
Activo total		7,421,152	7,981,965
CAPITAL Y PASIVO			
Capital y reservas atribuibles a los accionistas de la Sociedad			
Capital social	8	368,546	368,546
Prima accionaria	8	1,153,817	1,153,817
Reserva de fusión	8	4,627,260	5,353,146
Reserva de activos financieros disponibles para venta	8	-	46,916
Reserva de valor justo de activos financieros en FVOCI	8	16,488	-
Ganancias retenidas	8	105,430	231,455
Capital total		6,271,541	7,153,880
Pasivo no circulante			
Préstamos que devengan intereses	10	800,127	799,046
Instrumentos financieros derivados	16	-	14,224
		800,127	813,270
Pasivo circulante			
Cuentas por pagar a proveedores y de otro tipo	11	10,820	9,823
Instrumentos financieros derivados	16	3,807	4,992
Préstamos de partes relacionadas	13	334,857	-
		349,484	14,815
Total pasivo		1,149,611	828,085
Total capital y pasivo		7,421,152	7,981,965

La utilidad de la Sociedad es de US\$112.2 millones en el ejercicio terminado el día 31 de diciembre de 2018 (2017: utilidad de US\$323.1 millones). De conformidad con la exención otorgada conforme a la sección 408 de la Ley de Sociedades de 2006, no se ha presentado un estado de resultados separado de la Sociedad.

Estos estados financieros fueron aprobados por el Consejo de Administración el día 25 de febrero de 2019 y firmados en su representación por:

Arturo Fernández

Consejero No Ejecutivo

25 de febrero de 2019

Estado de Flujos de Efectivo de la Sociedad Matriz

Ejercicio terminado el día 31 de diciembre

	Ejercicio terminado el día 31 de diciembre de		
	Notas	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Efectivo neto generado por actividades de operación	15	10,606	20,063
Flujos de efectivo de actividades de inversión			
Aportación de capital a subsidiarias		(46,892)	(33,484)
Préstamos otorgados a partes relacionadas		(2,114,835)	(1,546,749)
Productos de la restitución de préstamos otorgados a partes relacionadas		1,809,356	1,437,453
Intereses recibidos		54,717	53,685
Dividendos recibidos		152,616	218,593
Compra de activos financieros disponibles para venta		-	(19,877)
Productos de la venta de inversiones de deuda		20,087	-
Otros pagos		-	(1,526)
Efectivo neto (usado en) generado por actividades de inversión		(124,951)	108,095
Flujos de efectivo de actividades de financiamiento			
Préstamos otorgados por partes relacionadas		465,443	31,366
Restitución de préstamos otorgados por partes relacionadas		(131,415)	(31,366)
Dividendos pagados		(298,068)	(236,560)
Intereses pagados		(46,981)	(47,720)
Efectivo neto usado en actividades de financiamiento		(11,021)	(284,280)
Neto en efectivo y equivalentes de efectivo durante el ejercicio		(125,366)	(156,122)
Efecto del tipo de cambio en el efectivo y equivalentes		(3,444)	1,756
Efectivo y equivalentes de efectivo al día 1 de enero		133,370	287,736
Efectivo y equivalentes de efectivo al día 31 de diciembre	7	4,560	133,370

Estado de Cambios en el Capital de la Sociedad Matriz

Ejercicio terminado el día 31 de diciembre

Miles de dólares estadounidenses								
	Notas	Capital social	Prima accionaria	Reserva para fusión	Reserva de activos financieros disponibles para venta	Reserva de valor justo de activos financieros en FVOCI	Ganancias retenidas	Capital total
Saldo al día 1 de enero de 2017		368,546	1,153,817	5,250,357	40,725		247,665	7,061,110
Utilidad del ejercicio		–	–	–	–	–	323,122	323,122
Otro gasto global neto de impuestos		–	–	–	6,191	–	–	6,191
Total pérdida global del ejercicio		–	–	–	6,191	–	323,122	329,313
Transferencia de reservas		–	–	102,789	–	–	(102,789)	–
Dividendos declarados y pagados	9	–	–	–	–	–	(236,543)	(236,543)
Saldo al día 31 de diciembre de 2017		368,546	1,153,817	5,353,146	46,916		231,455	7,153,880
Ajustes por aplicación inicial de la IFRS 9	2 (b)	–	–	–	(46,916)	42,739	17,553	13,376
Utilidad del ejercicio		–	–	–	–	–	(571,022)	(571,022)
Otro gasto global neto de impuestos		–	–	–	–	–	(26,251)	(26,251)
Total ingresos globales del ejercicio		–	–	–	–	–	(571,022)	(597,273)
Transferencia de reservas		–	–	(725,886)	–	–	725,886	–
Dividendos declarados y pagados	9	–	–	–	–	–	(298,442)	(298,442)
Saldo al día 31 de diciembre de 2018		368,546	1,153,817	4,627,260	–	16,488	105,430	6,271,541

1. Información de la Sociedad

Fresnillo plc (la 'Sociedad') es una sociedad pública limitada y está registrada en Inglaterra y Gales bajo el número 6344120 y es la sociedad controladora de las subsidiarias de Fresnillo detalladas en la nota 5. La Sociedad es residente mexicano para fines de imposición, con residencia fiscal ubicada en la Ciudad de México. Para mayor información consulte la nota 4.

Industrias Peñoles, S.A.B. de C.V. ('Peñoles') es actualmente propietario del 75 por ciento de las acciones de la Sociedad y la parte controladora en último término de la Sociedad es la familia Baillères, cuya participación usufructuaria es mantenida a través de Peñoles. México es el país de constitución de Peñoles. Se pueden obtener copias de las cuentas de Peñoles en www.penoles.com.mx.

La actividad primaria de la Sociedad es como sociedad controladora del Grupo Fresnillo de sociedades. Véase la nota 5.

Los estados financieros de la Sociedad del ejercicio terminado el día 31 de diciembre de 2018 fueron autorizados para su emisión por el Consejo de Administración de Fresnillo plc el día 25 de febrero de 2019.

2. Políticas contables significativas

(a) Base de elaboración y declaración de cumplimiento

Los estados financieros de la Sociedad han sido elaborados de conformidad con las Normas Internacionales de Informe Financiero (IFRS) adoptadas por la Unión Europea, en la medida que se apliquen a los estados financieros de la Sociedad de los ejercicios terminados los días 31 de diciembre de 2018 y 2017, y de conformidad con las disposiciones de la Ley de Sociedades de 2006.

Los estados financieros de la Sociedad han sido elaborados con base en costo histórico, exceptuando ciertos instrumentos financieros derivados y valores de capital que han sido medidos a valor justo.

Los estados financieros son presentados en dólares de los Estados Unidos de América (dólares estadounidenses o US\$) y todas las cantidades monetarias han sido redondeadas a la milésima más cercana (US\$000), a menos que se indique lo contrario.

La base de elaboración y las políticas contables usadas al elaborar los estados financieros se establecen a continuación. Estas políticas contables han sido aplicadas de manera consistente a todos los períodos presentados, a menos que se establezca otra cosa.

(b) Cambios en las políticas contables

Las políticas contables aplicadas son consistentes con aquellas aplicadas en la elaboración de los estados financieros separados del ejercicio terminado el día 31 de diciembre de 2017, exceptuando lo siguiente:

El día 1 de enero de 2018, la Sociedad adoptó la IFRS 9, Instrumentos Financieros, que reemplazó a la IAS 39, Instrumentos Financieros: Reconocimiento y Medición utilizando el enfoque retrospectivo modificado; por lo tanto, la Sociedad no reexpresa períodos previos. Las diferencias entre las cantidades netas en libros previas utilizando las políticas contables divulgadas en la ARA 2017 y aquellas determinadas conforme a la IFRS 9 a la fecha de la aplicación inicial han sido incluidas en la apertura de ganancias retenidas.

La IFRS 9 ofrece un modelo actualizado para la clasificación y medición de los instrumentos financieros; un modelo de deterioro de pérdidas único esperado a futuro; y los cambios a la contabilidad de cobertura.

El modelo de clasificación y medición para los activos financieros en la IFRS 9 se basa en los modelos de negocios de la Sociedad para administrar sus activos financieros y si los flujos de efectivo contractuales representan únicamente pagos de suerte principal e intereses. Por lo general, los instrumentos de capital son clasificados y medidos como valor justo a través de utilidad o pérdida (FVPL). Sin embargo, con respecto a los instrumentos de capital que la Sociedad pretende mantener en el futuro previsible, la IFRS 9 permite que la Sociedad elija irrevocablemente al reconocimiento inicial o transición clasificar dichos activos como valor justo a través de otros ingresos globales (FVOCI). Los cambios en el valor justo de los instrumentos de capital que se elige serán clasificados como FVOCI no son reclasificados a utilidad o pérdida en los períodos futuros. La mayoría de los requisitos establecidos en la IAS 39 para clasificación y medición de pasivos financieros fueron trasladados a ejercicio nuevo en la IFRS 9.

Activos financieros a largo plazo

La adopción de la IFRS 9 tuvo como resultado algunos cambios a la clasificación de activos financieros clasificados previamente como activos financieros disponibles para venta (AFS). La Sociedad designó sus inversiones en inversiones de capital cotizadas como FVOCI y las inversiones clasificadas en fondos como FVPL:

	1 de enero de 2018	31 de diciembre de 2018
	(en miles de dólares estadounidenses)	
Activos financieros disponibles para venta	-	144,856
Instrumentos de deuda a valor justo a través de utilidad o pérdida	19,877	-

Instrumentos de capital a valor justo a través de otro ingreso global	<u>124,979</u>	_____ -
	<u>144,856</u>	<u>144,856</u>

Al momento de la transición, el saldo en la reserva AFS relativo a inversiones en fondos fue clasificado de otros ingresos globales acumulados (OCI) a ganancias retenidas por la cantidad de US\$46.9 millones. Además, las cantidades reconocidas en las ganancias retenidas relacionadas con el deterioro histórico de AFS que ahora son clasificadas como FVOCI han sido reclasificadas a la reserva de FVOCI por la cantidad de US\$6.0 millones.

Deterioro

La adopción del nuevo modelo de deterioro de “pérdida crediticia esperada” conforme a la IFRS 9, en comparación con un modelo de pérdida crediticia asumida conforme a la IAS 39, tuvo un impacto poco considerable en las cantidades netas en libros de los activos financieros de la Sociedad en la fecha de transición debido a la probabilidad de incumplimiento determinada para sus subsidiarias, véase la nota 2(f). Al día 1 de enero de 2018, la pérdida crediticia esperada era poco considerable.

Reconocimiento de ingresos

El día 1 de enero de 2018, la Sociedad adoptó la IFRS 15, Ingresos de Contratos con Clientes, que reemplaza a la IAS 18, Ingresos. La IFRS 15 establece el marco de un modelo único en cinco pasos para determinar la naturaleza, cantidad, temporalidad e incertidumbre de los ingresos y flujos de efectivo derivados de un contrato celebrado con un cliente. La IFRS 15 requiere que las personas morales reconozcan ingresos cuando el control de bienes o servicios es transferido al cliente, en tanto que la norma anterior, la IAS 18 requiere que las personas morales reconozcan los ingresos cuando los riesgos y recompensas de los bienes o servicios son transferidos al cliente. La Sociedad concluyó que no hubo cambio alguno en la temporalidad del reconocimiento de ingresos de las regalías por marcas comerciales conforme a la IFRS 15 en comparación con la norma previa, ya que el punto de transferencia de los riesgos y recompensas de los bienes y servicios y la transferencia de control tienen lugar al mismo tiempo. Por lo tanto, no se requirió ajuste alguno a los estados financieros de la Sociedad.

Exceptuando la reforma mencionada anteriormente, no hay normas nuevas significativas que la Sociedad haya estado obligada a adoptar a partir del día 1 de enero de 2018.

Normas, interpretaciones y reformas emitidas pero que aún no se encuentran en vigor

Las normas e interpretaciones que han sido emitidas, pero aún no se encuentran en vigor, hasta la fecha de emisión de los estados financieros de la Sociedad, son divulgadas más adelante. La Sociedad pretende adoptar estas normas, aplicables a los estados financieros de la Sociedad cuando entren en vigor, excepto cuando se indique.

Arrendamientos conforme a la IFRS 16

La IFRS 16 introduce un modelo contable de arrendatario único y requiere que el arrendatario reconozca los activos y pasivos de todos los arrendamientos por un plazo de más de 12 meses, a menos que el activo subyacente sea de un valor bajo. Un arrendatario está obligado a reconocer un activo de derecho de uso que represente su derecho a usar el activo arrendado subyacente y un pasivo de arrendamiento que represente su obligación de hacer pagos de arrendamiento. La IFRS 16 impulsa sustancialmente los requisitos contables del arrendador en la IAS 17. Por consiguiente, un arrendador sigue clasificando sus arrendamientos como arrendamientos operativos o arrendamientos financieros, contabilizando estos dos tipos de arrendamiento de manera diferente. Estas reformas son efectivas por períodos anuales a partir o después del día 1 de enero de 2019, y se permite una aplicación anticipada. Al día 31 de diciembre de 2018, la Sociedad no tiene contratos de arrendamiento como arrendador o como arrendatario; por lo tanto, no se espera un impacto en las políticas contables, posición financiera o desempeño de la Sociedad.

Incertidumbre sobre tratamientos de Impuesto sobre la Renta conforme a la IFRIC 23

Esta interpretación aclara cómo aplicar el reconocimiento y requisitos de medición establecidos en la IAS 12 cuando hay incertidumbre sobre los tratamientos del impuesto sobre la renta. La interpretación será aplicada a la determinación de la utilidad gravable (pérdida fiscal), bases fiscales, pérdidas fiscales no usadas, créditos fiscales no usados y tasas de impuestos cuando hay incertidumbre sobre los tratamientos de impuestos sobre la renta. La aplicación de la ley fiscal puede ser compleja y requiere criterio para evaluar el riesgo y estimar los resultados cuando la cantidad del impuesto pagadero o recuperable es incierta. La Sociedad evaluó las posiciones fiscales inciertas potenciales conforme a los requisitos de la interpretación y no ha identificado ningún impacto en los estados financieros de la Sociedad. La IFRIC 23 es aplicable por períodos anuales, comenzando a partir o después del día 1 de enero de 2019.

El IASB ha emitido otras reformas a las normas, incluyendo aquellas que son resultado de mejoras a las IFRS que la administración considera no tienen impacto en las políticas contables, posición financiera o desempeño de la Sociedad.

La Sociedad no ha adoptado anticipadamente ninguna norma, interpretación o reforma que haya sido emitida pero que aún no se encuentre en vigor.

(c) Juicios, estimaciones y suposiciones contables significativas

La elaboración de los estados financieros de la Sociedad de conformidad con las IFRS requiere que la administración haga juicios, estimaciones y suposiciones que afectan las cantidades reportadas de activos, pasivos y pasivos contingentes a la fecha de los estados financieros. Estos juicios y estimaciones se basan en el conocimiento por parte de la administración de hechos y circunstancias relevantes con respecto a la experiencia previa, pero los resultados reales pueden ser diferentes de las cantidades incluidas en los estados financieros. Las políticas contables y las notas de los estados financieros incluyen información acerca de dichos juicios y estimaciones.

Juicios

Un área de juicio, aparte de aquellas que involucran estimaciones, que tienen el efecto más significativo en las cantidades reconocidas en los estados financieros es:

- Contingencias (nota 12):

Por su naturaleza, las contingencias serán resueltas únicamente cuando ocurran o no ocurran uno o más hechos futuros inciertos. La evaluación de la existencia y cuantía potencial de las contingencias involucra de manera inherente el ejercicio de juicio significativo y el uso de estimaciones en relación con el resultado de hechos futuros.

Estimaciones y suposiciones

Un área significativa de estimación de incertidumbre hecha por la administración al elaborar las declaraciones de información financiera es:

- El deterioro y reversión posterior del deterioro de inversiones en subsidiarias (notas 2(e) y 5):

La Sociedad evalúa las inversiones en subsidiarias anualmente para determinar si existe cualquier indicación de deterioro. Cuando exista un indicador de deterioro, se hace una estimación formal de la cantidad recuperable, que se considera la más alta entre el valor justo menos los costos de enajenación (FVLCD) y el valor en uso. Debido a la naturaleza de las subsidiarias, la evaluación de la cantidad recuperable es por lo general determinada con base en el valor actual neto de los flujos de efectivo futuros relacionados con las subsidiarias que requieren el uso de estimaciones y suposiciones tales como precios de mercancías a largo plazo, reservas y recursos y los perfiles de producción asociados, tasas de descuento, requisitos futuros de capital, potencial de exploración y desempeño operativo. Estos flujos de efectivo son descontados usando una tasa de descuento que refleja las evaluaciones actuales del valor del dinero en el tiempo y los riesgos específicos del activo. La determinación de esta tasa requiere ciertos juicios.

Cuando se haya reconocido previamente un cargo por deterioro, la Sociedad evalúa al final de cada período de informe si hay cualquier indicación de que la pérdida por deterioro puede ya no existir o puede haber disminuido. Si existe dicha indicación, la Sociedad estima la cantidad recuperable de dicha inversión, requiriendo estimaciones y suposiciones similares a aquellas establecidas para determinar un cargo por deterioro. Al día 31 de diciembre de 2018, la Sociedad reconoció una pérdida por deterioro de US\$725.9 millones (2017: reversión de deterioro de US\$102.8 millones) al reconocimiento de un deterioro acumulativo relativo a las subsidiarias de US\$1,162.3 millones (2017: US\$436.4 millones)

(d) Conversión de divisas

Los estados financieros de la Sociedad son presentados en dólares estadounidenses, que son la moneda funcional de la Sociedad. La moneda funcional de la Sociedad es determinada por la moneda del ambiente económico primario en el cual opera.

Las transacciones denominadas en monedas distintas a la moneda funcional de la Sociedad son convertidas al tipo de cambio prevaleciente en la fecha de la transacción. Los activos y pasivos

monetarios denominados en divisas son convertidos nuevamente al tipo de cambio prevaleciente en la fecha del balance general. Todas las diferencias que surjan son registradas en el estado de resultados. Las partidas no monetarias que son medidas en términos de costo histórico en una divisa son convertidas usando los tipos de cambio a las fechas de las operaciones iniciales. Las partidas no monetarias medidas a valor justo en una divisa son convertidas a dólares estadounidenses usando el tipo de cambio a la fecha de determinación del valor justo.

(e) Inversiones en subsidiarias

Las subsidiarias son personas morales que la Sociedad controla debido a que está expuesta o tiene derecho a rendimientos variables de su participación con la persona moral y tiene la capacidad de afectar dichos rendimientos a través de su poder sobre la persona moral. Las inversiones en subsidiarias son reconocidas a costo de adquisición menos cualquier reserva para deterioro. Los cargos por deterioro y reversiones hasta el valor de la reserva de fusión son reclasificados de las ganancias retenidas a la reserva de fusión.

Cuando la Sociedad aumenta su inversión de capital en, o cuando hay un rendimiento del capital social de sus subsidiarias, dichos movimientos son reconocidos como una adición a o rendimiento del costo original reconocido en la inversión en subsidiarias. Los dividendos son reconocidos como otros ingresos en el estado de resultados cuando el derecho de pago ha sido establecido.

En cada fecha de informe, se hace una evaluación para determinar si hay indicadores de deterioro. Cuando existe un indicador de deterioro, se hace una estimación de la cantidad recuperable de la inversión en la subsidiaria, que se considera la más alta entre el valor justo menos costos de enajenación y el valor en uso. Normalmente, la Sociedad determina el valor justo con base en el valor actual neto de los flujos de efectivo futuros relacionados con sus subsidiarias. Si la cantidad neta en libros de una inversión excede la cantidad recuperable, se registra una reserva en el estado de resultados para reflejar la inversión a la cantidad recuperable.

Cuando se haya reconocido previamente un cargo por deterioro, se hace una evaluación al final de cada período de informe, ya sea que haya cualquier indicación de que la pérdida por deterioro pueda ya no existir o pueda haber disminuido. Si existe dicha indicación, se hace una estimación de la cantidad recuperable. Una pérdida por deterioro es revertida a utilidades o pérdidas en la medida en que el valor neto en libros aumentado de la inversión en la subsidiaria no exceda aquel que habría sido determinado si no se hubiera reconocido una pérdida por deterioro para el activo en años previos.

(f) Activos y pasivos financieros

A partir del día 1 de enero de 2018, la Sociedad clasifica sus activos financieros en las siguientes categorías de medición:

- aquellos a ser medidos a costo amortizado
- aquellos a ser medidos posteriormente a valor justo a través de OCI, y
- aquellos a ser medidos posteriormente a valor justo a través de utilidad o pérdida.

La clasificación depende del modelo de negocios de la Sociedad para administrar los activos financieros y los términos contractuales de los flujos de efectivo.

Para activos medidos a valor justo, las ganancias y pérdidas serán registradas en utilidades o pérdidas u OCI para inversiones en instrumentos de capital que no sean mantenidos para operación, esto dependerá de que el grupo haya hecho una elección irrevocable al momento del reconocimiento inicial para dar cuenta de la inversión de capital a valor justo a través de otro ingreso global (FVOCI).

La Sociedad reclasifica las inversiones de deuda cuando y únicamente cuando su modelo de negocios para administrar estos activos cambie.

Las compras y ventas de activos financieros de la manera regular son reconocidas en la fecha de operación, la fecha en que el grupo se comprometa a comprar o vender el activo.

Al reconocimiento inicial, la Sociedad mide un activo financiero a su valor justo más, en el caso de un activo financiero que no esté a valor justo a través de utilidades o pérdidas (FVPL), costos de transacciones que sean atribuibles directamente a la adquisición del activo financiero. Los costos de transacciones de activos financieros registrados en FVPL son gastados en utilidades o pérdidas.

Los activos financieros con derivados integrados son considerados en su totalidad al determinar si sus flujos de efectivo son únicamente pago de suerte principal e intereses.

La medición posterior de los instrumentos de deuda depende del modelo de negocios de la Sociedad para administrar el activo y las características del flujo de efectivo del activo. Existen tres categorías de medición en las que la Sociedad clasifica sus instrumentos de deuda.

Costo amortizado

Los activos que son mantenidos para cobranza de flujos de efectivo contractuales cuando dichos flujos de efectivo representan únicamente pagos de suerte principal e intereses son medidos a costo amortizado. Los ingresos de intereses de estos activos financieros están incluidos en los ingresos financieros utilizando el método de tasa de interés efectiva. Cualquier ganancia o pérdida que surja cuando se termine el reconocimiento es reconocida directamente en utilidades o pérdidas y presentada en otras ganancias/(pérdidas) junto con ganancias y pérdidas de divisas. Las pérdidas por deterioro se presentan como una partida de línea separada en el estado de resultados.

Los activos financieros de la Sociedad a costo amortizado incluyen cuentas por cobrar de préstamos otorgados a partes relacionadas.

Valor justo a través de otros ingresos globales

Los activos que son mantenidos para cobranza de flujos de efectivo contractuales y para venta de activos financieros cuando los flujos de efectivo de los activos representen únicamente pagos de suerte principal e intereses son medidos a FVOCI. Los movimientos en la cantidad neta en libros son tomados a través de OCI, exceptuando el reconocimiento de ganancias o pérdidas por deterioro, ingresos de intereses y ganancias y pérdidas cambiarias que sean reconocidas en

utilidades o pérdidas. Cuando el activo financiero deje de ser reconocido, la ganancia o pérdida acumulativa reconocida previamente en OCI es reclasificada de capital a utilidad o pérdida y reconocida en otras ganancias/(pérdidas). Los ingresos de intereses de estos activos financieros se incluyen en los ingresos financieros usando el método de tasa de interés efectiva. Las ganancias y pérdidas cambiarias son presentadas en otras ganancias/(pérdidas) y los gastos por deterioro se presentan como una partida de línea separada en el estado de resultados.

En transición a la IFRS 9, la Sociedad tuvo ciertos activos financieros que fueron contabilizados como instrumentos de deuda a valor justo a través de otros ingresos globales; sin embargo, a la fecha del informe, no existían dichos activos.

Instrumentos de capital designados como valor justo a través de otros ingresos globales

Al reconocimiento inicial, la Sociedad puede elegir clasificar irrevocablemente sus inversiones de capital como instrumentos de capital designados a valor justo a través de OCI cuando cumplan con la definición de capital conforme a la IAS 32, Instrumentos Financieros: Presentación, y no se mantengan para operación. La clasificación es determinada instrumento por instrumento.

Las ganancias y pérdidas sobre estos activos financieros nunca son recicladas a utilidades o pérdidas. Los dividendos son reconocidos como otros ingresos en el estado de resultados cuando el derecho de pago haya sido establecido, excepto cuando la Sociedad se beneficie de dichos productos como recuperación de parte del costo de los activos financieros, en cuyo caso, dichas ganancias son registradas en OCI. Los instrumentos de capital designados a valor justo a través de OCI no están sujetos a evaluación de deterioro.

La Sociedad eligió clasificar irrevocablemente sus inversiones de capital inscritas conforme a esta categoría.

Valor justo a través de utilidad o pérdida

Los activos que no cumplan con los criterios para costo amortizado o FVOCI son medidos a FVPL. Una ganancia o pérdida sobre una inversión de deuda que sea medida posteriormente a FVPL es reconocida en utilidad o pérdida y presentada neto dentro de otras ganancias/(pérdidas) en el período en el que surja.

Los cambios en el valor justo de los activos financieros a FVPL son reconocidos en otras ganancias/(pérdidas) en el estado de resultados, según corresponda.

Los instrumentos financieros derivados de la Sociedad son clasificados a valor justo a través de utilidad o pérdida.

Desconocimiento de activos financieros

Los activos financieros son desconocidos cuando los derechos a recibir flujos de efectivo de los activos financieros hayan vencido o hayan sido transferidos y la Sociedad haya transferido sustancialmente todos los riesgos y recompensas de la propiedad.

Deterioro de activos financieros

A partir del día 1 de enero de 2018, la Sociedad evalúa a futuro las pérdidas crediticias esperadas relacionadas con instrumentos de deuda registrados a costo amortizado y FVOCI. La metodología de deterioro aplicada depende de que haya un aumento significativo en el riesgo crediticio.

Para préstamos otorgados a las subsidiarias, la Sociedad evalúa la pérdida de crédito esperada usando una probabilidad de un año de incumplimiento correspondiente a la industria minera, determinada por una institución financiera especializada y considerando una gravedad adecuada con base en el costo de capital del Grupo.

Para otras cuentas por cobrar a clientes, la Sociedad aplica el enfoque simplificado permitido por la IFRS 9, que requiere que las pérdidas de tiempo de vida esperadas sean reconocidas desde el reconocimiento inicial de las cuentas por cobrar.

(g) Efectivo y equivalentes de efectivo

Para objetos del balance general, el efectivo y equivalentes de efectivo comprenden efectivo en el banco, efectivo disponible y depósitos a corto plazo mantenidos con bancos que sean convertibles fácilmente en cantidades conocidas de efectivo y que estén sujetas a riesgo insignificante de cambios en valor. Los depósitos a corto plazo devengan intereses a las tasas de depósito a corto plazo respectivas entre un día y cuatro meses. Para objetos de la declaración del flujo de efectivo, el efectivo y equivalentes de efectivo, según se definen anteriormente, se muestran neto de sobregiros bancarios insolutos.

(h) Capital social

Las acciones ordinarias emitidas por la Sociedad son registradas a la cantidad de productos netos recibida, que es el valor justo de la contraprestación recibida menos costos que sean asumidos en relación con la emisión accionaria. El valor nominal de las acciones emitidas es llevado a la cuenta de capital accionario y cualquier excedente es registrado en la cuenta de primas accionarias, incluyendo los costos asumidos con la emisión de acciones.

(i) Reconocimiento de ingresos

Los ingresos son reconocidos en la medida en que sea probable que los beneficios económicos fluyan a la Sociedad y los ingresos puedan ser medidos de manera confiable. Los ingresos son medidos al valor justo de la contraprestación recibida, excluyendo descuentos, rebajas y otros impuestos sobre ventas.

Regalías de marcas comerciales

Los ingresos de regalías de marcas comerciales son reconocidos únicamente al momento en que sea probable que las cantidades relacionadas con ciertos derechos sean recibidas.

(j) Impuesto sobre la renta

Impuesto sobre la renta vigente

Los activos y pasivos de impuestos sobre la renta circulantes para los períodos en curso y previo son medidos a la cantidad que se espera sea recuperada de o pagada a las autoridades fiscales. Las tasas de impuestos y leyes fiscales usadas para calcular la cantidad son aquellas promulgadas o promulgadas sustantivamente para la fecha del balance general.

Impuesto sobre la renta diferido

El impuesto sobre la renta diferido es proporcionado utilizando el método de pasivo en diferencias temporales a la fecha del balance general entre las bases fiscales de activos y pasivos y sus cantidades registradas para objetos de informe financiero.

Los pasivos de impuestos sobre la renta diferidos son reconocidos para todas las diferencias temporales gravables, exceptuando:

- cuando el pasivo de impuesto sobre la renta diferido se derive del reconocimiento inicial del crédito mercantil o de un activo o pasivo en una transacción que no sea una combinación y, al momento de la transacción, no afecte la utilidad contable ni la pérdida por utilidad gravable; y
- con respecto a las diferencias temporales gravables relacionadas con inversiones en subsidiarias, asociados y participaciones en asociaciones en participación, cuando la temporalidad de la reversión de las diferencias temporales pueda ser controlada y sea probable que las diferencias temporales no se reviertan en el futuro previsible.

Los activos de impuesto sobre la renta diferidos son reconocidos para todas las diferencias temporales deducibles, trasladados a ejercicio nuevo de créditos fiscales no usados y pérdidas fiscales no usadas, en la medida en que sea probable que la utilidad gravable esté disponible contra la cual el deducible tenga diferencias temporales, y el traslado a ejercicio nuevo de créditos fiscales no usados y pérdidas fiscales no usadas pueda utilizarse, excepto:

- cuando el activo de impuesto sobre la renta diferido relativo a diferencias temporales deducibles se derive del reconocimiento inicial de un activo o pasivo en una transacción que no sea una combinación de operaciones y, al momento de la transacción, no afecte la utilidad contable ni la utilidad o pérdida gravable; y
- con respecto a las diferencias temporales deducibles relacionadas con inversiones en subsidiarias, asociados y participaciones en asociaciones en participación, los activos de impuesto sobre la renta diferidos son reconocidos únicamente en la medida en que sea probable que las diferencias temporales se reviertan en el futuro previsible y la utilidad gravable estará disponible, contra la cual se podrán usar las diferencias temporales.

La cantidad neta en libros de los activos de impuesto sobre la renta diferidos es revisada en cada fecha del balance general y reducida en la medida en que ya no sea probable que la utilidad gravable suficiente esté disponible para permitir que la totalidad o parte del activo de impuesto sobre la renta diferido sea utilizada.

Los activos de impuesto sobre la renta diferidos no reconocidos son reevaluados en cada fecha del balance general y son reconocidos en la medida en que llegue a ser probable que la utilidad gravable futura permita que el activo fiscal diferido sea recuperado.

Los activos y pasivos de impuesto sobre la renta diferidos son medidos a las tasas fiscales que se espera se apliquen al ejercicio cuando el activo sea realizado o el pasivo sea liquidado, con base en las tasas fiscales (y las leyes fiscales) que hayan sido promulgadas o promulgadas sustantivamente en la fecha del balance general.

El impuesto sobre la renta diferido relacionado con partidas reconocidas directamente en capital es reconocido en capital y no en el estado de resultados.

Los activos de impuesto sobre la renta diferidos y pasivos de impuesto sobre la renta diferidos son compensados, si existe un derecho ejecutable legalmente de compensar los activos fiscales circulantes contra los pasivos de impuesto sobre la renta circulantes y los impuestos sobre la renta diferidos se relacionen con la misma persona moral gravable y la misma autoridad impositiva.

(k) Instrumentos financieros derivados y cobertura

La Sociedad celebra contratos de derivados para administrar ciertos riesgos de mercado derivados de cambios en divisas y precios de productos básicos que tienen un impacto en las transacciones financieras y comerciales de sus subsidiarias. Dichos instrumentos financieros derivados son reconocidos inicialmente a valor justo en la fecha en que se celebra un contrato de derivados y son medidos posteriormente a valor justo. Los derivados son registrados como activos cuando el valor justo sea positivo y como pasivos cuando el valor justo sea negativo.

En los estados financieros consolidados del Grupo, algunos de estos instrumentos derivados son designados como coberturas de flujo de efectivo, pero para objetos de los estados financieros independientes de la Sociedad, las partidas cubiertas relacionadas no son mantenidas por la Sociedad, de modo que no califican como coberturas de flujo de efectivo.

Cualesquiera ganancias y pérdidas derivadas de cambios en el valor justo de los derivados durante el ejercicio que no califiquen para contabilidad de cobertura son llevadas directamente al estado de resultados.

Los derivados son valuados utilizando enfoques y metodologías de valuación (tales como Black Scholes y Valor Actual Neto) aplicables al tipo específico del instrumento derivado. El valor justo de los contratos de monedas a futuro es calculado mediante referencia a los tipos de cambio a futuro vigentes para contratos con perfiles de madurez similares.

(l) Medición de valor justo

La Sociedad midió los instrumentos financieros a valor justo en cada fecha del balance general. Los valores justos de los instrumentos financieros medidos a costo amortizado son divulgados en las notas 16 y 17.

El valor justo es el precio que sería recibido por la venta de un activo o pagado para transferir un pasivo en una operación ordenada entre participantes del mercado en la fecha de medición. La medición de valor justo se basa en la suposición de que la transacción para vender el activo o transferir el pasivo tiene lugar:

- En el mercado principal del activo o pasivo; o
- En ausencia de un mercado principal, en el mercado más ventajoso para el activo o pasivo.

La suerte principal o el mercado más ventajoso debe ser accesible para la Sociedad.

El valor justo de un activo o pasivo es medido usando las suposiciones que los participantes del mercado usarían al establecer el precio del activo o pasivo, asumiendo que los participantes del mercado actúen de acuerdo con su mejor interés económico.

Una medición de valor justo de un activo no financiero toma en cuenta la capacidad de un participante de mercado para generar beneficios económicos utilizando el activo en su uso más alto y mejor o vendiéndolo a otro participante de mercado que usaría el activo en su uso más alto y mejor.

La Sociedad usa técnicas de valuación que son adecuadas bajo las circunstancias y para las cuales existen suficientes datos disponibles para medir el valor justo, maximizando el uso de los datos observables relevantes y minimizando el uso de los datos no observables.

Todos los activos y pasivos cuyo valor justo sea medido o divulgado en los estados financieros son clasificados dentro de la jerarquía de valor justo descrita de la siguiente manera con base en el dato de nivel más bajo que sea significativo para la medición del valor justo en su conjunto:

Nivel 1 — Precios de mercado cotizados (no ajustados) en mercados activos para activos o pasivos idénticos

Nivel 2 — Técnicas de valuación para las cuales el dato de nivel más bajo que sea significativo para la medición de valor justo sea directa o indirectamente observable

Nivel 3 — Técnicas de valuación para las cuales el dato de nivel más bajo que sea significativo para la medición de valor justo sea inobservable

Para activos y pasivos reconocidos en los estados financieros de manera recurrente, la Sociedad determina si han tenido lugar transferencias entre niveles en la jerarquía reevaluando la clasificación (con base en el dato de nivel más bajo que sea significativo para la medición de valor justo en su conjunto) al final de cada período de informe.

Para objetos de divulgaciones de valor justo, la Sociedad ha determinado clases de activos y pasivos con base en la naturaleza, características y riesgos del activo o pasivo y el nivel de la jerarquía de valor justo explicada anteriormente. La información adicional sobre valores justos se describe en la nota 16.

(m) Distribución de dividendos

Los dividendos pagaderos a los accionistas de la Sociedad son reconocidos como un pasivo en los estados financieros en el período en el cual los dividendos sean aprobados por los accionistas de la Sociedad.

La Ley del Impuesto sobre la Renta mexicana establece una retención del 10% sobre ganancias a partir de 2014 y, posteriormente, por dividendos pagados a residentes extranjeros y personas físicas mexicanas.

Los dividendos pagados no son objeto de impuesto sobre la renta si son pagados con la Cuenta de Utilidades Fiscales Netas (CUFIN). Los dividendos pagados que excedan la CUFIN están sujetos a un impuesto sobre la renta pagadero a una tasa del 30%. El impuesto es pagadero por la Sociedad y puede ser acreditado contra el impuesto sobre la renta normal pagadero por la Sociedad en el ejercicio en el que se paguen los dividendos o en los siguientes dos ejercicios. Los dividendos pagados con ganancias gravadas previamente no están sujetos a retención o pago de impuestos adicional.

3. Informe por segmentos

La información por segmentos no es presentada en los estados financieros independientes de la Sociedad, ya que es presentada en los estados financieros consolidados del Grupo.

4. Impuesto sobre la Renta

(a) Impuesto sobre la renta reportado en otros ingresos globales

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
<i>Crédito(cargo) de impuesto sobre la renta diferido relacionado con partidas reconocidas directamente en otros ingresos globales:</i>		
Cambios en el valor justo de inversiones de capital en FVOCI (nota 2 (b))	20,328	-
Cambio en el valor justo de activos financieros disponibles para venta (nota 2 (b))	-	(2,642)
Deterioro de activos financieros disponibles para venta llevados a ingresos durante el ejercicio	-	(11)
Efecto fiscal de ingreso(gasto) reportado en otros ingresos globales	20,328	(2,653)

(b) Los movimientos en el pasivo de impuesto sobre la renta diferido son los siguientes:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Activo neto de apertura	10,169	9,691
Crédito de estado de (gastos)/ingresos	(7,485)	3,131

Crédito/(cargo) neto relacionado con partidas cargadas directamente a ingresos globales (nota 2(b))		20,328	(2,653)
Activo neto de cierre		23,012	10,169

Los activos y pasivos de impuesto sobre la renta diferidos son compensados cuando hay un derecho legalmente ejecutable de compensar los activos fiscales vigentes contra los pasivos fiscales vigentes.

La cantidad de activos y pasivos de impuesto sobre la renta diferidos antes de la compensación al día 31 de diciembre considerando la naturaleza de las diferencias temporales es la siguiente:

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Pagos anticipados y otros activos	(579)	(614)
Acumulación por pérdidas crediticias esperadas sobre préstamos otorgados a subsidiarias	374	
Instrumentos financieros derivados	1,098	5,603
Pérdidas trasladadas a ejercicio nuevo	18,608	21,998
Instrumentos de capital en FVOCI	3,511	-
Activos financieros disponibles para venta	-	(16,818)
Activo fiscal diferido neto	23,012	10,169

(c) Impuesto diferido no reconocido sobre inversiones en subsidiarias

La Sociedad no ha reconocido todo el pasivo fiscal diferido con respecto a reservas distribuibles de sus subsidiarias porque las controla y únicamente se espera que una parte de las diferencias temporales se reviertan en el futuro previsible. Las diferencias temporales para las que no se ha reconocido un pasivo fiscal diferido totalizan US\$1,430 millones (2017: US\$1,723 millones).

(d) Impuesto sobre la Renta (ISR)

La Sociedad es residente mexicano para objetos de imposición. La tasa de impuesto sobre la renta empresarial vigente es del 30%.

5. Inversiones en subsidiarias

	Ejercicio terminado el día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Saldo de apertura	7,094,131	6,957,858
Deterioro	(725,886)	-
Reversión de deterioro	-	102,789
Adiciones	46,892	33,484
Saldo al cierre	6,415,137	7,094,131

Durante 2018, debido a la disminución en los precios del oro y la plata, la Sociedad hizo una evaluación de deterioro para determinar si el valor neto en libros de cada una de sus subsidiarias era recuperable al día 31 de diciembre de 2018. Como resultado de lo anterior, se reconoce una pérdida por deterioro acumulativa de US\$1,162.3 millones con respecto a parte de la inversión de la Sociedad en subsidiarias (2017: US\$436.4 millones). La cantidad recuperable fue estimada con base en el modelo de Valor Justo Menos el Costo de Enajenación (FVLCD) (2017: FVLCD).

Las tablas siguientes proporcionan información relevante con respecto a cada subsidiaria deteriorada:

	Ejercicio	Deterioro	Ejercicio terminado el día 31 de diciembre de 2018		
			Cantidad recuperable	Tasa de descuento	
	en Miles de dólares estadounidenses	acumulativo	en Miles de dólares estadounidenses		
Minera Fresnillo, S.A. de C.V.	578,642	578,642	3,982,547		
Minera Mexicana la Ciénega, S.A. de C.V.	140,3	501,1	496,394		

Exploraciones Mineras Parreña, S.A. de C.V.	5 8	4 9	139 ,78 4		
	6 , 8 8 6	8 2 , 5 4 9			
	7 2 5 , 8 8 6	1 , 1 6 2 , 3 4 0			

Al determinar la FVLCD, es necesario hacer una serie de suposiciones para estimar los flujos de efectivo futuros, incluyendo reservas y volúmenes de recursos y perfil de producción relacionado, suposiciones de precios, estimaciones de costos y tasa de descuento. Por consiguiente, el valor justo es clasificado como Nivel 3 en la jerarquía de valor justo. Las suposiciones de precios usadas para calcular el FVLCD se determinan con referencia al consenso de los analistas de precios a largo plazo. Al día 31 de diciembre de 2018, la Sociedad usó suposiciones de precios a largo plazo de US\$1,310/onza y US\$19.25/onza para oro y plata, respectivamente.

		Ejercicio terminado el día 31 de diciembre de 2017		
	Ejercicio	Deterioro Acumulado por deterioro	Cantidad recuperable Miles de dólares	Tasa de descuento
	Perdida por deterioro Miles de dólares	Miles de dólares	estados Unidos	

	st a d o u n i d e n s e s	a d o u n i d e n s e s			
Minera Fresnillo, S.A. de C.V.	(9 4 , 7 4 7)	-	4,4 40, 269		
Minera Mexicana la Ciénega, S.A. de C.V.		3 6 0 , 7 9 1	571 ,43 9		
Exploraciones Mineras Parreña, S.A. de C.V.	(8 , 0 4 2)	7 5 , 6 6 3	146 ,67 0		
	(1 0 2 , 7 8 9)	4 3 6 , 4 5 4			

Al determinar el FVLCD, es necesario hacer una serie de suposiciones para estimar los flujos de efectivo futuros, incluyendo reservas volúmenes de recursos y perfil de producción relacionado, suposiciones de precios, estimaciones de costos y tasa de descuento. Por consiguiente, el valor justo es clasificado como Nivel 3 en la jerarquía de valor justo. Las suposiciones de precios usadas para calcular el FVLCD se determinan con referencia al consenso de los analistas de los precios a largo plazo. Al día 31 de diciembre de 2017, la Sociedad usó suposiciones de precios de US\$1,300/onza y US\$19/onza para oro y plata, respectivamente.

Análisis de sensibilidad

Al día 31 de diciembre de 2018, la administración ha realizado un análisis de sensibilidad para aquellas subsidiarias cuyo deterioro acumulativo pueda verse afectado por un cambio razonablemente posible en los precios de la plata y el oro. La administración ha considerado una disminución en la plata y el oro del 15% y 10%, respectivamente (2017: 10% plata y oro). La sensibilidad tuvo como resultado un deterioro adicional en Minera Fresnillo, S.A. de C.V. de US\$719.9 millones (2017: US\$448.2 millones), Minera Mexicana la Ciénega, S.A. de C.V. US\$102.1 millones (2017: US\$110.6) y Minera Saucito, S.A. de C.V. US\$134.5 millones (2017: US\$49.5).

Las subsidiarias en las que se tienen inversiones directas al día 31 de diciembre de 2018 y 2017 son las siguientes:

Sociedad legal	Actividad principal	País de constitución	Participación % Ejercicio terminado el día 31 de diciembre de	
			2018	2017
Minera Fresnillo, S.A. de C.V.	Producción de plomo/plata y concentrados de zinc	México ³	100	100
Minera Penmont, S. de R.L. de C.V. ¹	Producción de barras de doré (oro/plata)	México ³	56	56
Minera Mexicana La Ciénega, S.A. de C.V.	Producción de concentrados de plomo y zinc y precipitados de plata	México ³	100	100
Minera Saucito, S.A. de C.V.	Producción de concentrados de plomo y zinc	México ³	100	100
Desarrollos Mineros Canelas, S.A. de C.V.	Extracción y venta de mineral	México ³	100	100
Desarrollos Mineros Fresne, S. de R.L. de C.V. ¹	Extracción y venta de mineral	México ³	56	56
Desarrollos Mineros el Águila, S.A. de C.V.	Extracción y venta de mineral	México ³	100	100
Metalúrgica Reyna, S.A. de C.V.	Extracción y venta de mineral	México ³	100	100
Equipos Mineros Nazas, S.A. de C.V.	Arrendamiento de equipo minero	México ³	100	100
Proveedora de Equipos Fresne, S de R.L. de C.V. ¹	Arrendamiento de equipo minero	México ³	56	56
Equipos Mineros la Hacienda, S.A. de C.V.	Arrendamiento de equipo minero	México ³	100	100
Proveedora de Equipos Jerez, S.A. de C.V.	Arrendamiento de equipo minero	México ³	100	100
Minera Juanicipio, S.A. de C.V.	Proyecto minero	México ³	56	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Tiene los derechos sobre la producción de plata de la mina Sabinas polimetálica de Peñoles a través del contrato de Silverstream	México ³	100	100
Exploraciones Mineras Parreña, S.A. de C.V.	Servicios de exploración	México ³	100	100
Exploraciones y Desarrollos Mineros	Servicios de exploración	México ³	55	55

Coneto, S.A. P. I. de C.V.				
Minera El Bermejil, S. de R.L. de C.V.	Arrendamiento de equipo minero	México ³	100	100
Compañía Minera Las Torres, S.A. de C.V.	Proyecto minero	México ³	100	100
Servicios Administrativos Fresnillo, S.A. de C.V.	Servicios administrativos	México ³	100	100
Operaciones Fresnillo, S.A. de C.V.	Servicios administrativos	México ³	100	100
Servicios de Exploración Fresnillo, S.A. de C.V.	Servicios administrativos	México ³	100	100
Fresnillo Management Services, Ltd.	Servicios administrativos	Reino Unido ⁴	100	100
Fresbal Investments, Ltd.	Sociedad controladora para inversiones mineras	Canadá ⁵	100	100
Fresnillo Perú, S.A.C.	Servicios de exploración	Perú ⁶	100	100
Pareña Perú, S.A.C.	Servicios de exploración	Perú ⁶	100	-
Fresnillo Chile, SpA	Servicios de exploración	Chile ⁷	100	100
Minera Capricornio, SpA	Servicios de exploración	Chile ⁷	100	-
Caja de Ahorros Fresnillo, S.C. ²	Servicios administrativos	México ³	-	-

La lista de subsidiarias presentada en esta nota representa la lista completa de subsidiarias que debe ser presentada conforme a la Sección 409 de la Ley de Sociedades de 2006.

- 1 La participación restante del 44% en estas sociedades es mantenida por Comercializadora de Metales Fresnillo, S.A. de C.V., una subsidiaria en propiedad total de la Sociedad.
- 2 Aunque Fresnillo plc no tiene una propiedad directa en Caja de Ahorros Fresnillo, S.C., el capital social completo de la sociedad es mantenido a través de sus subsidiarias.
- 3 El domicilio registrado de todas las subsidiarias mexicanas está ubicado en: Calzada Saltillo 400 No. 989, Torreón, Coahuila 27250.
- 4 El domicilio registrado es: Second Floor, 21 Upper Brook Street, Londres W1.
- 5 El domicilio registrado es: 355 Burrard Street, Suite 1800, Vancouver, Columbia Británica, V6C 2G8.
- 6 El domicilio registrado es: República de Colombia 643, Piso 9, Distrito San Isidro, Lima 27.
- 7 El domicilio registrado es: Apoquindo 4775 oficina 1002 – Las Condes, Santiago de Chile.

6. Cuentas por cobrar a clientes y de otro tipo

		Ejercicio terminado el día 31 de diciembre de	
		2018 Miles de dólares esta doun nide nses	2017 Miles de dólares esta doun dens es
Otras cuentas por cobrar de partes relacionadas (nota 13)		4,176	7,958
Pagos anticipados		157	159
Otros		3	22
		4,336	8,139

Al día 31 de diciembre de cada ejercicio presentado, las otras cuentas por cobrar de partes relacionadas no habían llegado a su vencimiento ni se habían deteriorado. Al determinar la recuperabilidad de una cuenta por cobrar, la Sociedad hace un análisis de riesgo considerando el tipo y antigüedad de la cuenta por cobrar insoluble y la solvencia de la contraparte.

7. Efectivo y equivalentes de efectivo

		Ejercicio terminado el día 31 de diciembre de	
		2018	2017
		Miles de dólares estadounidenses	Miles de dólares estadounidenses
Efectivo en el banco y en caja		104	6
Depósitos a corto plazo		4,456	133,364
Efectivo y equivalentes de efectivo		4,560	133,370

El efectivo en el banco devenga intereses a tasas flotantes basadas en depósitos bancarios diarios. Los depósitos a corto plazo son hechos por períodos variables de entre un día y cuatro meses, dependiendo de los requisitos de efectivo inmediatos del Grupo, y devengan intereses a las tasas de depósito a corto plazo respectivas. Los depósitos a corto plazo pueden ser retirados mediante aviso con poca anticipación sin penalidad o pérdida de valor.

8. Capital

Capital social y prima accionaria

		Al día 31 de diciembre de			
		2018		2017	
Clase de acción	Número	Cantidad	Número	Cantidad	
Acciones Ordinarias de US\$0.50 cada una	1,00	\$50	1,00	\$50	
	0,00	0,00	0,00	0,00	
	0,00	0,00	0,00	0,00	
	0	0	0	0	
Acciones Ordinarias Diferidas en Libras Esterlinas de £1.00 cada una	50,00	£50,000	50,00	£50,000	

El capital social emitido de la Sociedad es el siguiente:

	Acciones Ordinarias		Acciones Ordinarias Diferidas en Libras Esterlinas	
	Número	Dólares	Número	Libras Esterlinas

		c a		
Al día 1 de enero de 2017	7 3 6 , 8 9 3 , 5 8 9	\$ 3 6 8 , 5 4 5 , 8 8 6		5 0 , 0 0 0
Al día 31 de diciembre de 2017	7 3 6 , 8 9 3 , 5 8 9	\$ 3 6 8 , 5 4 5 , 8 8 6		5 0 , 0 0 0
Al día 31 de diciembre de 2018	7 3 6 , 8 9 3 , 5 8 9	\$ 3 6 8 , 5 4 5 , 8 8 6		5 0 , 0 0 0

A los días 31 de diciembre de 2018 y 2017, todas las acciones emitidas con un valor nominal de \$0.50 cada una han sido totalmente pagadas. Los derechos y obligaciones correspondientes a estas acciones son regidos por ley y los estatutos de la Sociedad. Las acciones ordinarias tienen derecho a recibir aviso de y asistir y hablar en la asamblea general de la Sociedad. No hay restricciones sobre la transferencia de acciones ordinarias.

Las Acciones Ordinarias Diferidas en Libras Esterlinas únicamente dan derecho al accionista al momento de la liquidación o al momento de un rendimiento de capital al pago de la cantidad pagada después de la restitución a los Accionistas Ordinarios. Las Acciones Ordinarias Diferidas en Libras Esterlinas no dan derecho al tenedor al pago de cualquier dividendo o a recibir aviso o a asistir y a votar en cualquier asamblea general de la Sociedad. La Sociedad también puede, a su opción, amortizar las Acciones Ordinarias Diferidas en Libras Esterlinas a un precio de £1.00 o, como custodio, comprar o cancelar las Acciones Ordinarias Diferidas en Libras Esterlinas o requerir que el tenedor transfiera las Acciones Ordinarias Diferidas en Libras Esterlinas. Excepto a opción de la Sociedad, las Acciones Ordinarias Diferidas en Libras Esterlinas no son transferibles.

Reservas

Prima accionaria

Esta reserva registra la prima de contraprestación por acciones emitidas a un valor que exceda su valor nominal.

Reserva para fusión

La reserva para fusión representa la diferencia entre el valor de los activos netos adquiridos como parte de la reorganización antes de la IPO y el valor nominal de las acciones emitidas conforme al Contrato de Fusión. Los movimientos en esta reserva durante 2018 y 2017 representan las pérdidas por deterioro y las reversiones del valor neto en libros de las inversiones de Fresnillo en subsidiarias transferidas de ganancias retenidas.

Reserva de activos financieros disponibles para venta

Al día 31 de diciembre de 2017, esta reserva registró cambios en valor justo sobre inversiones disponibles para venta neto de impuestos. Al momento de la enajenación o al deterioro, los cambios acumulativos en el valor justo fueron reciclados al estado de resultados. Estos activos fueron reclasificados al momento de la adopción de la IFRS9; para mayores detalles, véase la nota 2(b).

Reserva de valor justo de activos financieros en FVOCI

La Sociedad ha elegido reconocer cambios en el valor justo de ciertas inversiones en valores de capital en OCI, como se explica en la nota 2(b). Estos cambios son acumulados dentro de la reserva FVOCI dentro del capital. La Sociedad transfiere cantidades de esta reserva a las ganancias retenidas cuando los valores de capital correspondientes son desconocidos.

Ganancias retenidas

Esta reserva registra los resultados acumulados de la Sociedad, menos cualesquiera distribuciones y dividendos pagados.

9. Dividendos declarados y pagados

Los dividendos declarados y pagados durante los ejercicios terminados los días 31 de diciembre de 2018 y 2017 son los siguientes:

	Cen- tavo s de dóla- r esta- dou- nide- nse por Acci- ón Ordi- nari- a	Can- tida- d Mie- s de dóla- res esta- dou- nide- nse s
Ejercicio terminado el día 31 de diciembre de 2018		
Dividendo final para 2017 declarado y pagado durante el ejercicio ¹	29. 8	21 9,5 94

Dividendo provisional para 2018 declarado y pagado durante el ejercicio ²	10. 7	78, 84 8
	40. 5	29 8,4 42
Ejercicio terminado el día 31 de diciembre de 2017		
Dividendo final para 2016 declarado y pagado durante el ejercicio ³	21. 5	15 8,4 32
Dividendo provisional para 2017 declarado y pagado durante el ejercicio ⁴	10. 6	78, 111
	32. 1	23 6,5 43

- 1 Este dividendo fue aprobado por el Consejo de Administración el día 30 de mayo de 2018 y pagado el día 4 de junio de 2018.
- 2 Este dividendo fue aprobado por el Consejo de Administración el día 3 de septiembre de 2018 y pagado el día 7 de septiembre de 2018.
- 3 Este dividendo fue aprobado por el Consejo de Administración el día 23 de mayo de 2017 y pagado el día 26 de mayo de 2017.
- 4 Este dividendo fue aprobado por el Consejo de Administración el día 31 de julio de 2017 y pagado el día 8 de septiembre de 2017.

10. Préstamos que devengan intereses

Pagarés Senior

El día 13 de noviembre de 2013, el Grupo finalizó su oferta de los Pagarés Senior por una suerte principal total de US\$800 millones al 5.500% con vencimiento en 2023 (los "Pagarés").

El siguiente es un análisis de la deuda reconocida en el balance general:

	Al día 31 de diciembre de	
	2018	2017
	Miles de dólares estadounidenses	Miles de dólares estadounidenses
Saldo de apertura	799,046	79,807
Intereses devengados	46,267	46,267
Intereses pagados ¹	(46,267)	(46,267)
Amortización de descuento y costos de transacciones	1,081	1,019
Saldo al cierre	800,127	79,906

- 1 Los intereses devengados son pagaderos semestralmente los días 13 de mayo y 13 de noviembre.

El Grupo tiene las siguientes restricciones derivadas de la emisión de los Pagarés:

Cambio de control:

Si la calificación de los pagarés senior es disminuida como resultado de un cambio de control (que se define como la venta o transferencia del 35% o más de las acciones ordinarias, la transferencia de todos o sustancialmente todos los activos del Grupo; iniciando un proceso de disolución o liquidación; o la venta de la mayoría del consejo de administración, el Grupo está obligado a recomprar los pagarés a un precio equivalente al 101% de su valor nominal más los intereses devengados a la fecha de recompra, si así lo solicita cualquier acreedor.

Prenda sobre activos:

El Grupo no otorgará en prenda ni permitirá una prenda sobre cualquier propiedad que pueda tener un impacto importante en el desempeño del negocio (activos clave). Sin embargo, el Grupo puede otorgar en prenda las propiedades antes mencionadas a condición de que la restitución de los Pagarés mantenga el mismo nivel de prioridad que la prenda sobre dichos activos.

11. Cuentas por pagar a proveedores y de otro tipo

	Ejercicio terminado el día 31 de diciembre de	
	2 0 1 8 M il e s d e d ó l a r e s e s t a d o u n i d e n s e s	2 0 1 7 M il e s d e d ó l a r e s e s t a d o u n i d e n s e s
Otras cuentas por pagar a partes relacionadas (nota 13)	1 , 5 9 2	3 , 8 9 5
Otros impuestos y aportaciones	8 , 4 9 0	5 , 3 3 2
Gastos devengados	7 3 8	5 9 6
	1 0 , 8	9 , 8

		2	2
		0	3

El valor justo de las cuentas por pagar a clientes y otras cuentas por pagar se aproxima a sus valores netos en libros. La exposición de la Sociedad al riesgo de moneda y liquidez relacionado con cuentas por pagar a proveedores y de otro tipo se divulga en la nota 17.

12. Contingencias

Al día 31 de diciembre de 2018, la Sociedad tiene las siguientes contingencias:

— La Sociedad está sujeta a varias leyes y reglamentos que, de no ser cumplidas, podrían dar origen a penalidades.

— Los períodos fiscales están abiertos a revisión por parte de las autoridades fiscales mexicanas (el SAT) con respecto al impuesto sobre la renta por cinco años después de la fecha de la presentación de las declaraciones de impuesto sobre la renta empresarial, en cuyo plazo las autoridades tienen derecho a hacer gravámenes adicionales, incluyendo penalidades e intereses. Bajo ciertas circunstancias, las revisiones pueden cubrir períodos más largos. Como tal, existe un riesgo de que las transacciones y, en particular, las transacciones con partes relacionadas que no hayan sido impugnadas en el pasado por las autoridades, puedan ser impugnadas por las mismas en el futuro.

— Salvo por aquello analizado más adelante, las inspecciones fiscales que habían sido iniciadas por el SAT en años previos fueron cerradas o resueltas a través de un Contrato Concluyente en 2018 o a principios de 2019. De acuerdo con el Artículo 69-H del Código Fiscal Mexicano, los arreglos alcanzados y celebrados por los contribuyentes y la autoridad no pueden ser impugnados en modo alguno. Dichos arreglos únicamente serán efectivos entre las partes y no constituirán un precedente en ningún caso.

— Con respecto a las inspecciones fiscales de 2012 y 2013 de Minera Penmont, el día 11 de julio de 2018, la Sociedad presentó ante las autoridades fiscales una apelación administrativa de fondo contra la tasación de impuestos y el día 3 de septiembre de 2018 presentó documentación adicional ante las autoridades fiscales y está esperando su respuesta.

— El día 22 de octubre de 2018, se nos notificaron las conclusiones del SAT con respecto a las inspecciones fiscales de 2015 y 2016 de Minera Penmont. La Sociedad considera que proporcionó toda la documentación requerida para demostrar que las deducciones fiscales que están siendo impugnadas son adecuadas y está esperando la respuesta del SAT.

— El día 1 de febrero de 2019, se nos notificó que el SAT llevará a cabo una inspección del certificado fiscal de 2013 de Minera Saucito.

— No es posible determinar la cantidad de cualquier pretensión potencial o la probabilidad de cualquier resultado desfavorable derivado de éstas o cualquier inspección futura que pueda ser iniciada. Sin embargo, la administración considera que la interpretación de la legislación relevante

es adecuada y que el Grupo ha cumplido con todos los reglamentos y ha pagado o devengado todos los impuestos y retenciones aplicables.

— El día 8 de mayo de 2008, la Sociedad y Peñoles celebraron el Contrato de Separación (el “Contrato de Separación”). Este contrato se relaciona con la separación del Grupo Fresnillo (el “Grupo”) y el Grupo Peñoles, y rige ciertos aspectos de la relación entre el Grupo Fresnillo y el Grupo Peñoles después de la oferta pública inicial en mayo de 2008 (la “Admisión”). El Contrato de Separación establece indemnizaciones cruzadas entre la Sociedad y Peñoles, de modo que, en el caso de Peñoles, se mantenga en paz y a salvo contra pérdidas, pretensiones y pasivos (incluyendo pasivos fiscales) atribuibles a las operaciones de metales preciosos del Grupo y, en el caso de la Sociedad, sea mantenida en paz y a salvo por Peñoles contra pérdidas, pretensiones y pasivos que no sean atribuibles a las operaciones de metales preciosos. Exceptuando cualquier pasivo que surja en relación con impuesto, el pasivo total de cualquiera de las partes conforme a cualquiera de las indemnizaciones no excederá la cantidad de US\$250 millones en total.

— Peñoles ha acordado indemnizar al Grupo Fresnillo en relación con (i) cualquier cargo fiscal, sujeto a ciertas excepciones, en que la Sociedad pueda incurrir como resultado de la Reorganización Previa a la IPO (incluyendo como resultado de una transacción posterior a la Admisión de un miembro del Grupo Fresnillo, a condición de que Peñoles haya confirmado que la transacción propuesta no dará origen a un cargo fiscal, o como resultado de una transacción de un miembro del Grupo Peñoles o después de la Admisión), la Oferta Global o Admisión y (ii) ciertos aspectos fiscales de ciertas transacciones previas a la Admisión. La responsabilidad de Peñoles conforme a estas indemnizaciones y con respecto a los pasivos fiscales generales que surjan antes de la Admisión que no sean adecuadamente atribuibles a las operaciones de metales preciosos del Grupo Fresnillo no excederán la cantidad de US\$500 millones. Si un miembro del Grupo Fresnillo que forme parte de la consolidación fiscal de Peñoles paga un dividendo intragrupo que exceda su Cuenta de Utilidad Fiscal Neta (“CUFIN”) después de la Admisión y sea relevada como resultado del impuesto como resultado de la consolidación, debe pagar a Peñoles una cantidad con respecto a dicho impuesto.

— En relación con el asunto del ejido El Bajío, reportado previamente por la Sociedad:

- En 2009, cinco miembros del ejido El Bajío, en el Estado de Sonora, que reclamaron los derechos de cierto terreno superficial cercano a las operaciones de Minera Penmont (“Penmont”), entablaron una demanda ante el Tribunal Unitario Agrario para hacer que Penmont evacúe un área de estos terrenos superficiales. El terreno en controversia abarca una parte del área superficial donde parte de las operaciones de la mina Soledad-Dipolos están ubicadas. El litigio tuvo como resultado un mandato judicial definitivo conforme al cual se ordenó a Penmont evacuar 1,824 hectáreas de terreno. El terreno en controversia fue devuelto en julio de 2013 teniendo como resultado la suspensión de operaciones en Soledad-Dipolos

- El Tribunal Agrario hizo notar en ese mismo año que eran necesarias ciertas actividades de remedio para cumplir con los requisitos reguladores correspondientes y solicitó la guía de la SEMARNAT a este respecto. Además, el Tribunal Agrario emitió un mandato procesal en ejecución de este fallo, determinando, entre otros aspectos, que Penmont debe remediar los terrenos para restablecerlos a su estado previo a la ocupación por parte de Penmont.

- En opinión de la Sociedad, esta orden procesal fue excesiva, debido a que este nivel de remedio no era parte del fallo agrario original y también debido a que el mandato procesal parecía no tener en cuenta el hecho de que Penmont realizó sus actividades conforme a concesiones mineras válidas y permisos de impacto ambiental válidos. En diciembre de 2016, el Tribunal Agrario emitió un mandato procesal posterior en el que el tribunal reconoció que Penmont cumplió con el fallo agrario habiendo devuelto el terreno en controversia, y además, que las actividades de remedio serán realizadas de conformidad con los lineamientos y reglamentos ambientales federales, supervisados por las autoridades federales competentes. Las actividades de remedio a este respecto están pendientes, ya que los miembros agrarios aún no han permitido a Penmont el acceso físico a los terrenos. Penmont ya ha presentado un plan conceptual de cierre y remedio de mina ante el Tribunal Agrario con respecto a las aproximadamente 300 hectáreas donde Penmont realizó actividades mineras. El Ejido del Bajío apeló este mandato procesal del Tribunal Agrario y un Tribunal de Distrito Federal rechazó la apelación. El Ejido presentó en el mes de agosto un último recurso adicional contra este fallo del Tribunal de Distrito Federal y el resultado final se encuentra pendiente.

- Además, como lo informó previamente la Sociedad, los demandantes en el asunto de El Bajío presentaron otras demandas contra los contratos de ocupación que celebraron con Penmont, cubriendo terrenos separados del terreno descrito anteriormente. Penmont no tiene operaciones mineras significativas o intereses geológicos específicos en los terrenos afectados y estos terrenos, por lo tanto, no se consideran estratégicos para Penmont. Como se informó previamente, el Tribunal Agrario emitió fallos declarando dichos contratos de ocupación sobre dichos terrenos nulos e inválidos y que Penmont debe devolver dichos terrenos a su estado antes de la ocupación de Penmont y devolver cualesquiera minerales extraídos de esta área. Debido a que Penmont no ha realizado operaciones mineras significativas ni tiene un interés geológico específico en estos terrenos, cualquier contingencia relativa a estos terrenos no se considera importante por la Sociedad. El caso relacionado con las pretensiones sobre estos terrenos sigue estando sujeto a finalización.

- Se han entablado varias demandas y contrademandas entre las partes relevantes en el asunto de El Bajío. Aún hay incertidumbre considerable en cuanto a la finalización y resultado final de este procedimiento legal.

— En 2011, hubo una inundación en la mina Saucito, tras lo cual el Grupo presentó una reclamación de seguro en respuesta al daño causado (y con respecto a la interrupción de operaciones). A principios de 2018, el proveedor de seguro notificó al Grupo que la reclamación había sido aceptada; sin embargo, hay un desacuerdo acerca de la cantidad adecuada a ser pagada. En octubre, el Grupo recibió US\$13.6 millones con respecto a la reclamación de seguro; sin embargo, esto no constituye un arreglo definitivo y la Administración sigue buscando un reembolso del seguro más alto. Debido a que las negociaciones se encuentran en curso y hay incertidumbre con relación con la fecha en que se llegará a un acuerdo con la aseguradora, no es posible determinar actualmente la cantidad que se espera sea recuperada.

— El día 11 de febrero de 2019, el Tribunal Supremo de México emitió un fallo relativo a una cuestión constitucional específica presentada por la administración anterior del Gobierno Federal que impugnó la capacidad del Estado de Zacatecas de imponer impuestos ambientales sobre aspectos tales como (i) la extracción de rocas; (ii) emisiones al aire, (iii) descargas de residuos industriales y (iv) desechos industriales.

El fallo del Tribunal Superior establece que, desde un punto de vista constitucional, no hay una limitación expresa que otorgue al Estado Mexicano a nivel federal la facultad exclusiva de gravar dichos impuestos; por lo tanto, el Estado de Zacatecas tiene el derecho conjunto a crear estos impuestos. No obstante lo anterior, el Tribunal no agotó el análisis de la legalidad de cada impuesto en particular creado por el Estado de Zacatecas.

La Sociedad había impugnado previamente la legalidad de dichos impuestos, y en 2017 obtuvo un mandato judicial de un Tribunal Federal. El Estado de Zacatecas ha apelado este fallo y el resultado final se encuentra pendiente.

13. Saldos y operaciones con partes relacionadas

Las partes relacionadas son aquellas personas morales propiedad de o controladas por la parte controladora a final de cuentas, e incluyen a las subsidiarias de la Sociedad divulgadas en la nota 5, así como aquellas personas morales que tengan una participación minoritaria en las sociedades de Grupo Fresnillo. Los saldos de las partes relacionadas serán liquidados en efectivo. Todos los saldos a los días 31 de diciembre de 2018 y 2017 y las transacciones relacionadas con partes relacionadas en los ejercicios terminados en dichas fechas corresponden a las subsidiarias.

(a) Cuentas por cobrar y por pagar con partes relacionadas

	Cuentas por cobrar miles de dólares estadounidenses		Cuentas por pagar miles de dólares estadounidenses	
	31 de diciembre de 2018	31 de diciembre de 2017	31 de diciembre de 2018	31 de diciembre de 2017
Préstamos con partes relacionadas ¹	895,3	590,2	334,8	-

	1	8	5	
	5	6	7	
Servicios administrativos	4	7	1	2
	,	,	,	,
	1	9	5	8
	0	1	9	8
	1	1	0	8
Regalías de marca comercial	-	-	-	7
				3
				3
Otros	7	4	2	2
	5	7		7
				4
Subtotal	8	5	3	3
	9	9	3	,
	9	8	6	8
	,	,	,	9
	4	2	4	5
	9	4	4	
	1	4	9	
Menos parte circulante	8	5	3	3
	9	9	3	,
	9	8	6	8
	,	,	,	9
	4	2	4	5
	9	4	4	
	1	4	9	
Parte no circulante	-	-	-	-

1 Las cuentas por cobrar derivadas de préstamos con partes relacionadas son neto de reservas por pérdida de crédito esperada de US\$1.2 millones (2017: cero) véase la nota 2(f).

Las tasas de interés efectivas sobre préstamos otorgados a partes relacionadas en dólares estadounidenses varían de 4.26% a 4.74% (2017: 3.23% a 3.43%); en el margen en pesos mexicanos 9.98% a 10.36% (2017: 9.04% a 9.44%).

(b) Las transacciones principales con partes relacionadas (aparte de dividendos, inversiones adicionales y rendimientos de capital) son las siguientes:

		Ejercicio terminado el día 31 de diciembre de	
		2018 miles de US\$	2017 miles de US\$
Ingresos:			
Regalías de marcas comerciales		16,860	32,111
Intereses sobre préstamos a partes relacionadas		54,270	52,163
Ingresos totales		71,130	84,274

		Ejercicio terminado el día 31 de diciembre de	
		2018 miles de US\$	2017 miles de US\$
Gastos:			
Servicios administrativos		5,168	8,517

Intereses sobre préstamos sobre partes relacionadas		1,439	1,451
Otros		97	-
Gasto total		6,704	9,968

(c) Compensación del personal administrativo clave de la Sociedad

El personal administrativo clave consta de Consejeros No Ejecutivos. En 2018, su remuneración fue de US\$0.7 millones (2017: US\$0.7 millones). Esta remuneración pagada se divulga en el Informe de Remuneración de los Consejeros.

14. Remuneración del auditor

La remuneración del auditor de la Sociedad fue por US\$1.3 millones (2017: US\$1.2 millones) con respecto a la auditoría de sus estados financieros junto con una proporción de los honorarios en relación con la auditoría de Grupo Fresnillo.

Los honorarios pagados a Ernst & Young LLP y sus asociados por servicios que no son de auditoría a la Sociedad misma no son divulgados en los estados financieros independientes ya que los estados financieros del Grupo son elaborados e incluyen estos honorarios de manera consolidada.

15. Notas del estado de flujos de efectivo

	Notas	Ejercicio terminado el día 31 de diciembre de	
		2018 miles de US\$	2017 miles de US\$
Reconciliación de la utilidad del ejercicio con efectivo neto generado por actividades de operación			
Utilidad del ejercicio		(571,022)	323,122
Ajustes para reconciliar la utilidad del periodo con flujos entrantes de efectivo neto de actividades de operación			
Reversión de deterioro de inversión en subsidiarias	5	725,886	(102,789)
Ingresos por dividendos		(152,616)	(218,593)
Gastos de impuestos sobre la renta		1,753	(3,131)
Otros gastos		-	1,526
Deterioro de activos financieros disponibles para venta		-	36
(Ganancia)/pérdida financiera neta		(3,200)	36,668
Pérdida cambiaria		3,444	(852)
Ajustes de capital de trabajo			
Disminución/(aumento) en cuentas por cobrar a proveedores y de otro tipo		5,293	(7,930)
Aumento en pagos anticipados y otros activos		-	(159)
Disminución/(aumento) en cuentas por pagar a proveedores y de otro tipo		1,162	(7,241)
Efectivo generado por operaciones		10,700	20,657
Impuesto sobre la renta pagado		(94)	(594)
Efectivo neto generado por actividades operativas		10,606	20,063

16. Instrumentos financieros

(a) Categoría de valor justo

Al día 31 de diciembre de 2018

Miles de US\$					
Activos financieros:			C o s t o a m o r t i z a d o	Va l o r j u s t o a t r a v é s d e O C I	Val o r j u s t o a t r a v é s d e u t i l i d a d o p é r d i d a
Cuentas por cobrar a clientes y de otro tipo			4 , 3 3 6	-	-
Préstamos a partes relacionadas			8 9 6 , 5 6 2	-	-
Otros activos financieros			-	78,2 19	-
Instrumentos financieros derivados			-	-	314
Pasivos financieros:				A c o s t o a m o r t i z a d o	Val o r j u s t o a t r a v é s d e u t i l i d a d o p é r d i d a
Préstamos que devengan intereses			-	800, 127	-
Cuentas por pagar a proveedores y de otro tipo			-	1,59 2	-
Instrumentos financieros derivados			-	-	3,80 7
Al día 31 de diciembre de 2017					
Miles de US\$					
Activos financieros:			A v a l o r	Inv e r s i o n e s d i s	Pr é s t a m o s y

			ju s t o a t r a v é s d e u t i l i d a d o p é r d i d a	po n i b l e s p a r a v e n t a a v a l o r j u s t o a t r a v é s d e O C I	cu e n t a s p o r c o b r a r
Cuentas por cobrar a clientes y de otro tipo			-	-	8,138
Préstamos a partes relacionadas			-	-	590,286
Activos financieros disponibles para venta			-	144,856	-
Instrumentos financieros derivados			382	-	-
Pasivos financieros:				A v a l o r j u s t o a t r a v é s d e u t i l i d a d o p é r d i d a	A c o s t o a m o r t i z a d o
Préstamos que devenguen intereses				-	799,046

		8	,	8	,
		0	2	0	2
		7	1	7	1
			6		6

1 Los préstamos con partes relacionadas son clasificadas en el Nivel 3 de su jerarquía de valor justo.

2 Los préstamos que devengan intereses son clasificados en el Nivel 1 de la jerarquía de valor justo.

Los activos y pasivos financieros medidos a valor justo son clasificados en la jerarquía de valor justo al día 31 de diciembre de la siguiente manera:

Al día 31 de diciembre de 2018 Miles de dólares estadounidenses				
Medición de valor justo usando				
	Precios cotizados en mercados activos Nivel 1 Miles de dólares estadounidenses	Observable significativo Nivel 2 Miles de dólares estadounidenses	Significativo inobservable Nivel 3 Miles de dólares estadounidenses	Total Miles de dólares estadounidenses
Activos financieros:				
Instrumentos financieros derivados:				
Contratos de productos básicos de opción (nota 16(c))	-	240	-	240
Contratos de opción y de divisas a futuro	-	74	-	74
Otros activos financieros:				
Inversiones de capital	78,219	-	-	78,219
	78,219	314	-	78,533
Pasivos financieros:				
Instrumentos financieros derivados:				
Contratos de productos básicos de opción (nota 16(c))	-	3,660	-	3,660
Contratos de opción y de divisas a futuro	-	147	-	147
	-	3,807	-	3,807

Al día 31 de diciembre de 2018 Miles de dólares estadounidenses				
Medición de valor justo usando				
	Precios cotizados en mercados activos Nivel 1 Miles de dólares estadounidenses	Observable significativo Nivel 2 Miles de dólares estadounidenses	Significativo inobservable Nivel 3 Miles de dólares estadounidenses	Total Miles de dólares estadounidenses
Activos financieros:				
Instrumentos financieros derivados:				
Contratos de productos básicos de opción (nota 16(c))	-	71	-	71
Contratos de opción y de divisas a futuro	-	311	-	311
Inversiones financieras disponibles para venta:				
Inversiones cotizadas	144,856	-	-	144,856
	144,856	382	-	145,238

Pasivos financieros:

Instrumentos financieros derivados:

Contratos de productos básicos de opción (nota 16(c))	-	19,179	-	19,179
Contratos de opción y de divisas a futuro	-	37	-	37
	-	19,216	-	19,216

No ha habido transferencias significativas entre el Nivel 1 y el Nivel 2 de la jerarquía de valor justo y no ha habido transferencias dentro y fuera del Nivel 3 de las mediciones a valor justo.

El valor justo de los activos y pasivos financieros está incluido a la cantidad a la que el instrumento podría ser intercambiado en una transacción vigente entre partes dispuestas, excepto en una venta forzada o liquidación.

Las siguientes técnicas de evaluación fueron utilizadas para estimar los valores justos:

Contratos de opción y de divisas a futuro

La Sociedad celebra instrumentos financieros derivados con varias contrapartes, principalmente instituciones financieras con calificaciones crediticias de grado de inversión. Los contratos a futuro de divisas (Nivel 2) son medidos con base en los tipos de cambios *spot* observables, las curvas de rendimiento de las monedas respectivas, así como los márgenes de base de moneda entre las monedas respectivas. Los contratos de opción de divisas son valuados usando el método Black Scholes, las aportaciones significativas a las cuales incluyen tipos de cambio *spot*, tasas de interés y volatilidad de la moneda.

Contratos de productos básicos de opción

La Sociedad celebra instrumentos financieros derivados con varias contrapartes, principalmente instituciones financieras con calificaciones crediticias de grado de inversión. Los contratos de productos básicos de opción (Nivel 2) son medidos con base en los precios de productos básicos *spot* observables, las curvas de rendimiento de los productos básicos respectivos, así como los márgenes de base de productos básicos entre los productos básicos respectivos. Los contratos de opción son valuados usando el modelo Black Scholes, las aportaciones significativas a los cuales se incluyen precios de productos básicos *spot* observables, tasas de interés y la volatilidad del producto básico.

Inversiones de capital:

El valor justo de las inversiones de capital se deriva de los precios de mercado cotizados en los mercados activos. (Nivel 1)

Préstamos que devengan intereses

El valor justo del préstamo que devenga intereses de la Sociedad se deriva de los precios de mercado cotizados en los mercados activos. (Nivel 1)

Préstamos con partes relacionadas

El valor justo de préstamos de la Sociedad a una parte relacionada es determinado usando un método de flujo de efectivo descontado con base en las tasas de interés de mercado en cada fecha de reporte.

(c) Instrumentos financieros derivados

La Sociedad celebra ciertos contratos a futuro y de opción para administrar la exposición de sus subsidiarias al riesgo cambiario derivado de las actividades de estas subsidiarias. También la Sociedad celebra contratos de opción para administrar la exposición de sus subsidiarias a riesgo de precios de productos básicos relacionado con las ventas de oro. En los estados financieros consolidados del Grupo, algunos de estos derivados son designados coberturas de flujo de efectivo, pero para objetos de los estados financieros autónomos de la Sociedad las partidas cubiertas relacionadas no son mantenidas por la Sociedad, así que no califican como coberturas de flujo de efectivo.

Las siguientes tablas resumen el valor justo de los instrumentos financieros derivados mantenidos a los días 31 de diciembre de 2018 y 2017.

Activos financieros	Al día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Contratos de opción		
Oro	194	-
Plomo	46	71
Total activos relacionados derivados	240	71
Menos – Parte circulante	240	71
Parte no circulante	-	-

Pasivos financieros	Al día 31 de diciembre de	
	2018 Miles de dólares estadounidenses	2017 Miles de dólares estadounidenses
Contratos de productos básicos		
Oro	3,660	18,096
Zinc	-	1,083
Total pasivos relacionados derivados	3,660	19,179
Menos – Parte circulante	3,660	4,992
Parte no circulante	-	14,187

¹ Los contratos de opción operan como operaciones promedio a costo cero.

² La parte no circulante corresponde a los contratos de opción de oro que vencen en un período de más de un año a partir de la fecha de informe.

17 Administración del Riesgo Financiero

Generalidades

Los activos y pasivos financieros principales de la Sociedad, exceptuando derivados, constan de cuentas por cobrar a clientes, efectivo, activos financieros disponibles para venta, préstamos a y de partes relacionadas, préstamos que devengan intereses y cuentas por pagar a proveedores.

La Sociedad celebra ciertas transacciones con derivados con el objeto de administrar el riesgo cambiario que se deriva de la actividad y las transacciones de sus subsidiarias.

La Sociedad tiene exposición a los siguientes riesgos a partir del uso de sus instrumentos financieros:

- Riesgo de mercado, incluyendo riesgos de divisas, tasa de interés y precio de capital
- Riesgo crediticio
- Riesgo de liquidez

Esta nota presenta información acerca de la exposición de la Sociedad a cada uno de los riesgos anteriores y los objetivos, políticas y procesos de la Sociedad para evaluar y administrar el riesgo. Se incluyen divulgaciones cuantitativas adicionales a lo largo de los estados financieros.

El Consejo de Administración tiene responsabilidad general del establecimiento y supervisión del marco de administración de riesgos de la Sociedad.

Las políticas de administración de riesgos de la Sociedad han sido establecidas para identificar y analizar los riesgos a los que se enfrenta la Sociedad, para establecer límites y controles de riesgo adecuados y para dar seguimiento a riesgos y cumplimiento con los límites. Las políticas y sistemas de administración de riesgos son revisadas regularmente para reflejar cambios en las condiciones de mercado y las actividades de la Sociedad. La Sociedad, a través de sus normas y procedimientos de capacitación y administración; pretende desarrollar un ambiente de control disciplinado y constructivo en el cual todos los empleados entiendan sus funciones y obligaciones.

El Comité de Auditoría de Fresnillo es responsable de supervisar cómo la administración da seguimiento al cumplimiento de las políticas y procedimientos de administración de riesgos de la Sociedad y revisa la suficiencia del marco de administración de riesgos en relación con los riesgos a los que se enfrenta la Sociedad. El Comité de Auditoría es asistido en su función de supervisión por Auditoría Interna, que realiza revisiones regulares y ad hoc de los controles y procedimientos de administración de riesgos, cuyos resultados son reportados al Comité de Auditoría.

(a) Riesgo de mercado

El riesgo de mercado es el riesgo de que los cambios en los factores del mercado tales como tipos de cambio o tasas de interés afecten los ingresos de la Sociedad o el valor de sus instrumentos financieros.

El objetivo de la administración de riesgos de mercado es administrar y controlar las exposiciones a riesgo de mercado dentro de parámetros aceptables, al tiempo que se optimiza el rendimiento sobre el riesgo.

Riesgo de divisas

La Sociedad está expuesta al riesgo de divisas sobre operaciones y saldos denominados en monedas distintas al dólar estadounidense. Las transacciones en divisas incluyen la compra de servicios, pago o recibo de dividendos y otras partidas. Por consiguiente, la Sociedad tiene pasivos financieros denominados en monedas distintas a la moneda funcional y tiene efectivo y equivalentes de efectivo en pesos mexicanos.

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros a un cambio razonablemente posible en el tipo de cambio del dólar estadounidense contra el peso mexicano, reflejando el impacto en las utilidades antes de impuestos de la Sociedad, manteniéndose constantes todas las variables. Se asume que el mismo cambio porcentual en los tipos de cambio es aplicado a todos los períodos aplicables. No hay impacto en el capital de la Sociedad exceptuando el cambio equivalente en ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en la utilidad antes de impuestos: aumento/(disminución) miles de dólares estadounidenses
2018	10%	(399)
	(10%)	487
2017	20%	(88)
	(10%)	59

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros a un cambio razonablemente posible en el tipo de cambio del dólar estadounidense comparado con la corona sueca, reflejando el impacto de la utilidad antes de impuestos de la Sociedad, manteniéndose todas las demás variables constantes. Se asume que el mismo cambio porcentual en los tipos de cambio es aplicado a todos los períodos correspondientes. No hay impacto en el capital de la Sociedad distinto al cambio equivalente en las ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en la utilidad antes de impuestos: aumento/(disminución) miles de dólares estadounidenses
2018	10%	(172)
	(10%)	258
2017	10%	(335)
	(10%)	500

La siguiente tabla demuestra la sensibilidad de los activos financieros y pasivos financieros a un cambio razonablemente posible en el dólar estadounidense en comparación con el euro, reflejando

el impacto sobre la utilidad antes de impuestos de la Sociedad, manteniéndose constantes todas las demás variables. Se asume que el mismo cambio porcentual en los tipos de cambio es aplicado a todos los períodos aplicables. No hay impacto en el capital de la Sociedad, excepto el cambio equivalente en ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Fortalecimiento/ (debilitamiento) del dólar estadounidense	Efecto en la utilidad antes de impuestos:	
		aumento/(disminución) miles de dólares estadounidenses	
2018	10%	1,460	
	(10%)	(1,453)	
2017	10%	1,058	
	(10%)	(1,056)	

Riesgo de productos básicos

Las subsidiarias de la Sociedad tienen exposición a cambios en los precios de metales (específicamente oro, plomo y zinc) que tienen un efecto significativo en los resultados de la Sociedad. Estos precios están sujetos a condiciones económicas globales y ciclos relacionados con la industria.

La Sociedad usa instrumentos derivados para protegerse contra exposición al precio de productos básicos de metales preciosos en sus subsidiarias, véase la nota 16(c).

La siguiente tabla refleja la sensibilidad total relativa a cambios en el valor justo de contratos de derivados de productos básicos de activos y pasivos financieros, reflejando el impacto en la utilidad de la Sociedad antes de impuestos, manteniéndose constantes todas las demás variables. No hay impacto en el capital de la Sociedad, excepto el efecto sobre la utilidad antes de impuestos.

Ejercicio terminado el día 31 de diciembre de	Aumento/(disminución) en los precios de productos básicos				Efecto en la utilidad antes de impuestos: aumento/(disminución) miles de dólares estadounidenses
	Oro	Plata	Zinc	Plomo	
2018	10%	15%	25%	20%	(8,703)
	(10%)	(15%)	(20%)	(15%)	14,910
2017	10%	10%	20%	15%	(50,854)
	(10%)	(10%)	(20%)	(15%)	31,725

Riesgo de tasa de interés

La Sociedad está expuesta al riesgo de tasa de interés debido a la posibilidad de que los cambios en las tasas de interés afecten los flujos de efectivo futuros o los valores justos de sus instrumentos financieros. Las ganancias de la Sociedad son sensibles a cambios en las tasas de interés en cualquier elemento flotante de los préstamos con las partes relacionadas e intereses devengados sobre saldos en efectivo. Los préstamos que devengan intereses son a tasa fija; por lo tanto, la posibilidad de un cambio en la tasa de interés únicamente afecta su valor justo, pero no su cantidad neta en libros. Por lo tanto, los préstamos que devengan intereses y los préstamos de partes relacionadas son excluidos de la siguiente tabla.

La siguiente tabla demuestra la sensibilidad de todos los activos financieros y pasivos financieros a un cambio razonablemente posible en las tasas de interés aplicadas a un año entero a partir de la fecha del balance general. No hay impacto en el capital de la Sociedad, excepto el cambio equivalente en las ganancias retenidas.

Ejercicio terminado el día 31 de diciembre de	Aumento/(disminución) de puntos base en la tasa de interés	Efecto en la utilidad antes de impuestos: aumento/(disminución) miles de dólares estadounidenses
2018	75	34
	(75)	(34)
2017	90	1,200
	(50)	(667)

Riesgo del precio de capital

La Sociedad tiene exposición a cambios en el precio de instrumentos de capital que mantiene como activos financieros disponibles para venta.

La siguiente tabla demuestra la sensibilidad de los activos disponibles para venta a un cambio razonablemente posible en el precio de mercado de estos instrumentos de capital, reflejando el efecto de la utilidad antes de impuestos y capital de la Sociedad.

Ejercicio terminado el día 31 de diciembre de	Aumento/(disminución) en el precio de capital	Efecto en la utilidad antes de impuestos: aumento/(disminución)	Efecto en el capital: aumento/(disminución) miles de dólares estadounidenses
2018	40%	-	31,288
	(40%)	-	(31,288)
2017	40%	-	28,972
	(65%)	-	(65,408)

(b) Riesgo crediticio

La exposición al riesgo crediticio surge como resultado de las transacciones en el curso ordinario de operaciones de la Sociedad y es aplicable a todos los activos financieros e instrumentos financieros derivados. Los activos financieros son cuentas por cobrar a clientes y de otro tipo, préstamos intersociedad, efectivo y equivalentes de efectivo y activos financieros disponibles para venta.

Las políticas de la Sociedad tienen por objeto minimizar las pérdidas como resultado del incumplimiento de las obligaciones de las contrapartes. Se da seguimiento a las exposiciones individuales con clientes con sujeción a los límites de crédito para asegurarse de que la exposición de la Sociedad a deudas incobrables no sea significativa. La exposición de la Sociedad al riesgo crediticio es principalmente influida por las características individuales de cada contraparte. Los activos financieros de la Sociedad son con contrapartes que la Sociedad considera tienen una calificación crediticia adecuada. Como se establece en la nota 13, las contrapartes con una proporción significativa de estos activos financieros son partes relacionadas. En cada fecha del

balance general, los activos financieros de la Sociedad no se habían deteriorado ni estaban vencidos. Las políticas de la Sociedad tienen por objeto minimizar las pérdidas de los contratos de cobertura de divisas y productos básicos. Los contratos de derivados de divisas y productos básicos de la Sociedad son celebrados con instituciones financieras importantes con calificaciones de crédito sólidas.

Los fondos excedentes de la Sociedad son administrados por Servicios Administrativos Fresnillo, S.A. de C.V., que administra efectivo y equivalentes de efectivo invertidos en una variedad de instituciones financieras. Para minimizar la exposición al riesgo crediticio, la Sociedad únicamente deposita efectivo y equivalentes de efectivo con instituciones financieras con una calificación crediticia de M-1 (Moody's) y mxA-1+ (Standard and Poors) y superior, y únicamente por períodos de menos de cuatro meses.

La exposición máxima a crédito en la fecha de informe de cada categoría de activo financiero anterior es el valor neto en libros detallado en las notas relevantes. Véase la nota 2(b) para la máxima exposición crediticia para otros activos financieros, la nota 8 para efectivo y equivalentes de efectivo y la nota 13 para saldos de partes relacionadas.

(c) Riesgo de liquidez

El riesgo de liquidez es el riesgo de que la Sociedad no pueda cumplir con sus obligaciones financieras a medida que llegan a su vencimiento. La Sociedad da seguimiento a su riesgo de un faltante de fondos utilizando los flujos de efectivo proyectados y dando seguimiento a la madurez tanto de sus activos como de sus pasivos financieros.

La siguiente tabla resume el perfil de madurez de los pasivos financieros de la Sociedad con base en los pagos no descontados contractuales.

	Miles de dólares estadounidenses				Total
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	
Al día 31 de diciembre de 2018					
Préstamos que devengan intereses	46,267	92,534	92,534	800,000	1,031,335
Instrumentos financieros derivados – pasivos	3,660	-	-	-	3,660
Cuentas por pagar a proveedores y de otro tipo	3,807	-	-	-	3,807

	Miles de dólares estadounidenses				Total
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	
Al día 31 de diciembre de 2017					
Préstamos que devengan intereses	46,267	92,534	92,534	846,267	1,077,602
Instrumentos financieros derivados – pasivos	4,992	14,224	-	-	19,216
Cuentas por pagar a proveedores y de otro tipo	2,888	-	-	-	2,888

Los instrumentos financieros derivados divulgados en la tabla anterior son los flujos de efectivo brutos no descontados. Sin embargo, estas cantidades pueden ser liquidadas en términos brutos o netos. La tabla siguiente muestra los flujos entrantes estimados correspondientes con base en los términos contractuales.

	Miles de dólares estadounidenses				Total
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	
Al día 31 de diciembre de 2018					
Flujos entrantes	12,608	4,310	-	-	16,918
Flujos salientes	(12,688)	(4,290)	-	-	(16,978)
Neto	(80)	20			(60)

	Miles de dólares estadounidenses				Total
	Dentro de 1 año	2-3 años	3-5 años	> 5 años	
Al día 31 de diciembre de 2017					
Flujos entrantes	15,174	-	-	-	15,174
Flujos salientes	(14,884)	-	-	-	(14,884)
Neto	290	-	-	-	290

Las tablas de liquidez anteriores incluyen flujos entrantes y flujos salientes esperados de instrumentos financieros derivados que la Sociedad espera vayan a ser ejercidos durante 2019 al día 31 de diciembre de 2018 y durante 2018 al día 31 de diciembre de 2017, ya sea por la Sociedad o por la contraparte.

La administración considera que la Sociedad tiene suficientes activos y efectivo pronosticado de operaciones para administrar riesgos de liquidez derivados de los pasivos circulantes y pasivos no circulantes.

Administración de capital

El principal objetivo de la administración de capital de la Sociedad es asegurarse de que mantenga una calificación crediticia sólida y proporciones de capital sanas que respalden sus operaciones y maximicen el valor de los accionistas. La administración considera que el capital consta de fondos propios y algunos préstamos que devengan intereses como se divulga en el balance general, excluyendo ganancias y pérdidas no realizadas netas sobre reevaluación de coberturas de flujo de efectivo y otros activos financieros. Para garantizar un rendimiento adecuado del capital de los accionistas invertido en la Sociedad, la administración evalúa exhaustivamente todos los proyectos importantes y las adquisiciones potenciales y las aprueba en su Comité Ejecutivo antes de la presentación al Consejo para su aprobación final cuando corresponda. La política de dividendos de la Sociedad se basa en la rentabilidad de las operaciones y crecimiento subyacente en las ganancias del Grupo, así como sus requisitos de capital y flujos de efectivo.