Well placed to address cyclical uncertainties

FRESNILLO®

Annual report 2014

The Fresnillo mine: a panoramic view of the largest primary silver mine in the world, as seen from the Ecological Park.

Well placed to address cyclical uncertainties

Fresnillo plc is the world's leading silver miner and Mexico's second largest gold producer.

In these challenging times, our priority is firmly on value creation. With a strong balance sheet, high quality assets and operational flexibility, we aim to optimise performance and deliver returns in current market conditions, while ensuring sustainable growth in the future through the disciplined development of new projects and on-going investment in high-potential exploration projects.

We will uphold our commitment to stakeholders by advancing our proven strategy in precious metals, which positions us to operate profitably and sustainably across precious metal price cycles.

Performance Highlights

Operational highlights

Annual silver production ahead of 43.0 moz guidance

45.0 moz +4.9%

Silver production
Silverstream Contract 4.6 moz
45.0 moz

Total attributable silver resources**
2,008.4 moz

Gold production*
595.9 koz

Gold resources*
34.1 moz

Read more on production in Operate **Pages 28-31** 1

Read more on resources in Explore **Pages 34-35** 3

Financial highlights

US$450m
acquisition of Newmont's 44% stake in Penmont

Adjusted revenue***
$1,545.0m

Profit from continuing operations
$245.6m

Gross profit
$521.1m

Adjusted EPS
$7.4 cents

EBITDA
$567.3m

Total dividends paid
$8.0 cents

Read more on our Financial KPIs **Pages 40-41**

- Annual silver production (including Silverstream) up 4.9% to 45.0 moz*, ahead of 43.0 moz guidance
- Annual gold production down 2.4% to 596 koz* due to stoppage of operations at Soledad-Dipolos, in line with revised guidance post Penmont acquisition
- Operations commenced at Saucito II on time and on budget; San Julián on track to start production in 4Q 2015
- Acquired 44% stake in Penmont (and associated companies), building on our leading position in the Herradura Corridor
- Despite lower price assumptions, total gold and silver reserves increased; gold resources rose; silver resources declined with the conversion of resources to reserves, mainly at Saucito and San Julián
- Positive drilling results at Herradura, Guanajuato and Rodeo
- The maturity of the Company's Health, Safety, Environment and Community Relations System advanced according to plan

- Financial performance under pressure from lower metal prices, decline in gold production
- Adjusted revenue*** of US$1,545.0 million, 12.3% lower than 2013
- Gross profit and EBITDA of US$521.1 million and US$567.3 million, down 32.1% and 22.3% vs 2013
- Profit from continuing operations of US$245.6 million, down 49.7% vs 2013
- Effective tax rate increased to 53.4% with an increase in deferred taxes resulting from foreign exchange movements
- Basic and diluted earnings per Ordinary Share from continuing operations of US$14.7 cents, 55.3% lower vs 2013
- Adjusted EPS of US$7.4 cents, down 80.6% vs 2013
- Financial strength and flexibility facilitated the US$450 million acquisition of Newmont's 44% stake in Penmont (and associated companies)

* All figures include 100% of production from the Penmont mines (Herradura, Soledad-Dipolos and Noche Buena). Pro forma reconciliation to the 2013 ownership structure (whereby the Group held 56% of the Penmont mines) is detailed on pages 254-255.

** Resources reflect attributable 56% ownership in Juanicipio.

*** Adjusted revenue is the revenue shown in the income statement adjusted to add back treatment and refining costs and lead and zinc hedging. The Company considers this is a useful additional measure to help understand underlying factors driving revenue in terms of volumes sold and realised prices.

Fresnillo Today
Who We Are

Fresnillo today

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

Alberto Baillères (left)
Non-executive Chairman

Octavio Alvídrez (right)
Chief Executive Officer


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Strategy

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

1

Maximise the potential of existing operations

We strive to operate at full capacity, replenish reserves each year, generate continuous improvements in productivity and cost controls, and leverage expansion opportunities.

2

Deliver growth through development projects

Once projects meet stringent criteria for mineral content and embedded cost, they are advanced towards development, construction, start-up and production.

3

Extend the growth pipeline

With continuous investment in exploration across price cycles, we deploy expert personnel and technology to ensure a pipeline of growth projects, striving to maintain reserves sufficient for at least ten years of operation.

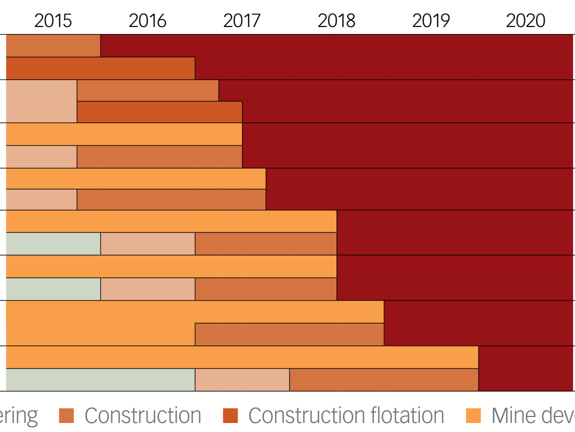
4

Advance and enhance the sustainability of our business

We focus on the safety and health of our employees, responsible environmental stewardship, the wellbeing of the communities where we operate, and adherence to best governance practices.

Performance

Advancing towards our ambitious production goals, profitably and sustainably.

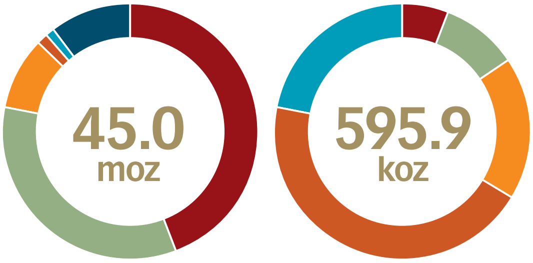


	Investment (US$m)[1]	Expected average annual production[2] Gold koz	Silver moz
San Julián	515	44	10.3
Pyrites Plant (optimisation project)	155	13	3.5
Ciénega 5,000 TPD (optimisation project)	55	15	1.3
Fresnillo 10,000 TPD (optimisation project)	100	N/A	8
Orisyvo	350	136	N/A
Juanicipio	300	30	10
Mega Centauro	155	280	N/A
Centauro Deep	365	225	N/A

[1] Estimated total investment. [2] Total average annual production.

Production by mine (%)

Silver Gold



	Silver	Gold
Fresnillo	44.7	6.0
Saucito	34.2	9.6
Ciénega	9.1	18.1
Herradura	1.5	44.6
Noche Buena	0.2	21.7
Silverstream	10.3	N/A

Our Business Model

"With price cycles much less predictable now, a company's strategy, business model and execution have become the barometers of value-creation and longevity."

Octavio Alvídrez
Chief Executive Officer

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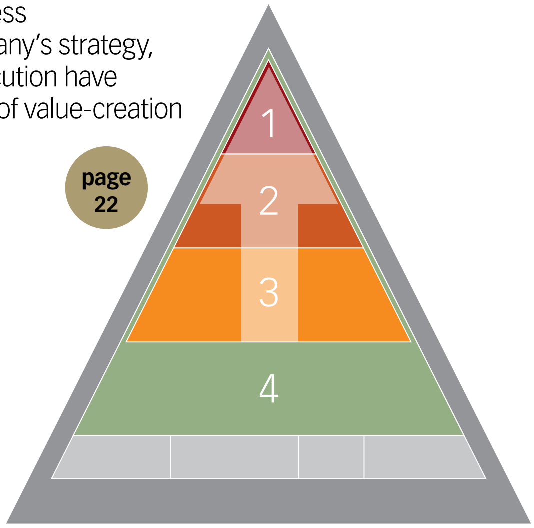

Social and Sustainability Report

Our communities are strategic partners. Maintaining their trust requires effectively engaging and being accountable for our impacts.

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Where We Do It

Our core operations are in Mexico, a country with significant geological resources, strong potential for continued growth, a skilled workforce and solid infrastructure. We will continue to seek and evaluate growth opportunities in Mexico and elsewhere in Latin America.

Read more:
Our Business Model **pages 22-26**

Mines in operation
Development and advanced exploration projects

1 Fresnillo

Silver reserves	**229.3 moz**
Gold reserves	**550,000 oz**
Mine life	**10.2 years**
2014 revenue	**US$460.3m**
Employees	**930**
Contractors	**830**

2 Saucito

Silver reserves	**115.6 moz**
Gold reserves	**500,000 oz**
Mine life	**6.0 years**
2014 revenue	**US$372.5m**
Contractors	**1,150**

3 Ciénega & San Ramón satellite

Silver reserves	**75.3 moz**
Gold reserves	**890,000 oz**
Mine life	**11.4 years**
2014 revenue	**US$206.0m**
Employees	**467**
Contractors	**358**

4 Herradura

Gold reserves	**5.3 moz**
Mine life	**9.4 years**
2014 revenue	**US$342.7m**
Employees	**1,270**
Contractors	**392**

5 Noche Buena

Gold reserves	**1.1 moz**
Mine life	**4.0 years**
2014 revenue	**US$163.5m**
Employees	**400**
Contractors	**656**

6 Soledad-Dipolos*

Gold reserves	**780,000 oz**
Mine life	**N/A**

7 San Julián

Probable reserves:

Silver	**162.2 moz**
Gold	**530 koz**

Indicated and inferred resources:

Silver	**190.9 moz**
Gold	**860 koz**

Status:
Under construction, start-up 4Q 2015

8 Mega Centauro (at Herradura)

Determined to be part of the natural evolution of the main pit at Herradura; resources included therein

9 Orisyvo

Measured, indicated and inferred resources:

Gold	**8.7 moz**
Silver	**11.4 moz**

Status:
Preliminary economic assessment

10 Juanicipio**

Indicated and inferred resources:

Silver	**114.6 moz**
Gold	**454 koz**

Status: In-mine exploration

11 Centauro Deep (at Herradura)

Indicated and inferred resources:

Gold	**2.8 moz**

Status: Intensive exploration

12 Las Casas-Rosario (at Ciénega)

Resources are included in Ciénega figures

Status:
In-mine exploration and preparation

13 Saucito II

Resources included in Saucito figures

Status: Completed in Dec 2014

* The Group suspended operations at Soledad-Dipolos in 2H 2013 following the Ejido El Bajío proceedings. See page 70 for more information.

** Resources reflect attributable 56% ownership.

A Strong Growth Pipeline

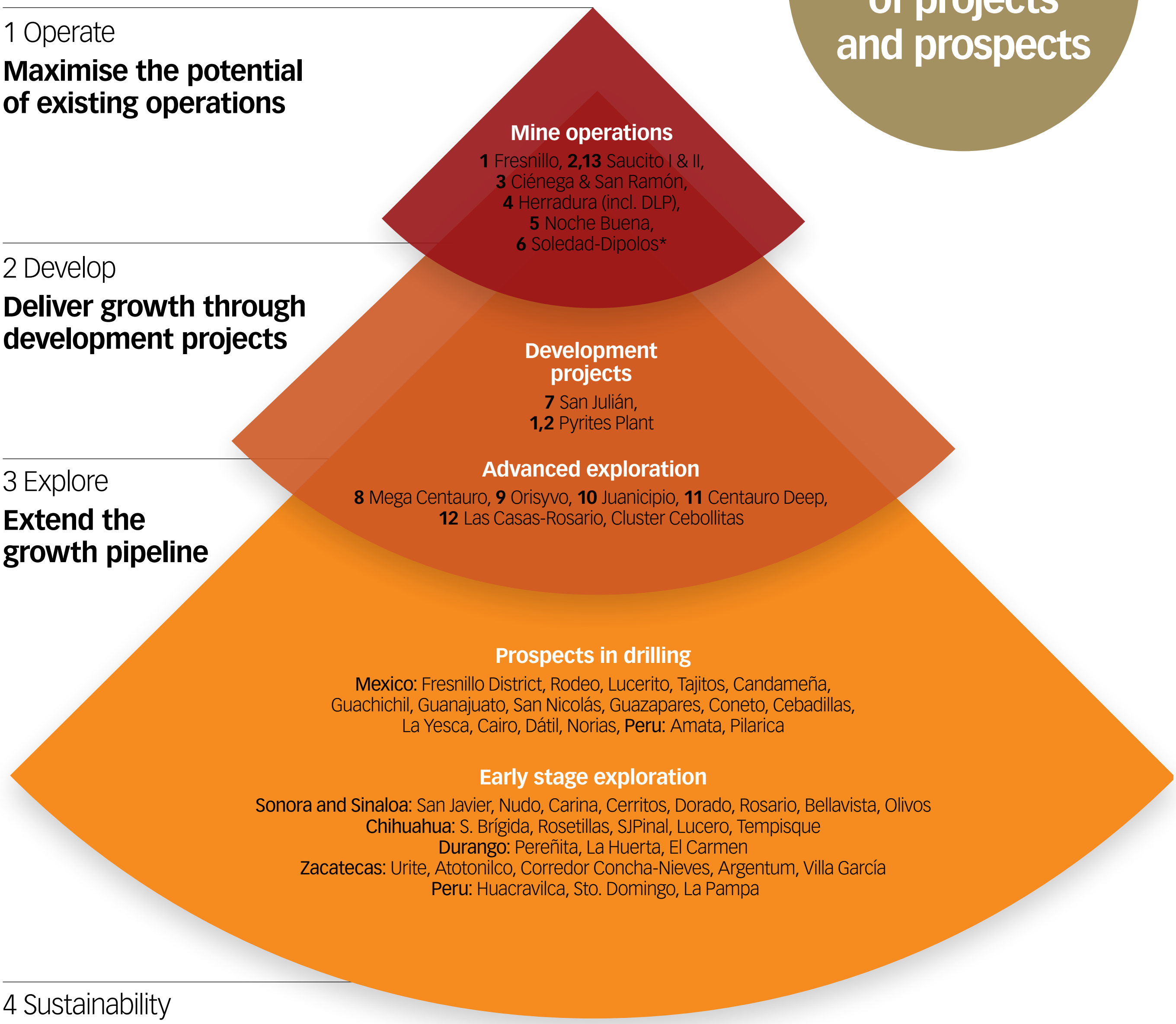
Our goal is to profitably and sustainably maintain the Group's position as the world's largest primary silver company and a leading gold producer in Mexico. We have an extensive portfolio of projects and prospects.

We have an extensive portfolio of projects and prospects

1 Operate
Maximise the potential of existing operations

2 Develop
Deliver growth through development projects

3 Explore
Extend the growth pipeline



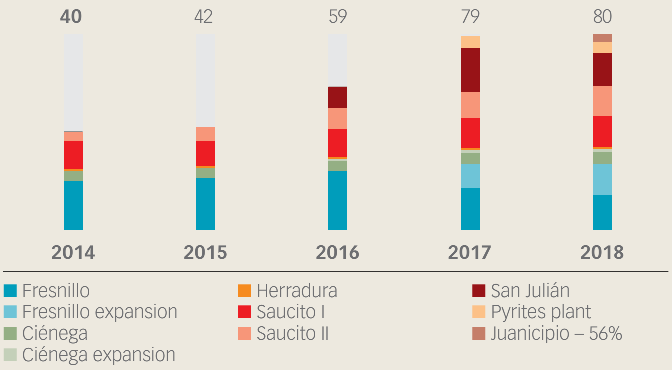
4 Sustainability
Advance and enhance the sustainability of our business

World-class assets and strong organic growth pipeline

We operate the world's largest primary silver mine and one of Mexico's largest open pit gold mines, along with a portfolio of low cost gold and silver mines, high potential development projects and advanced exploration prospects. We are amongst the largest concession holders in mineral-rich Mexico, and our district consolidation strategy saw us significantly strengthen our gold exploration pipeline this year.

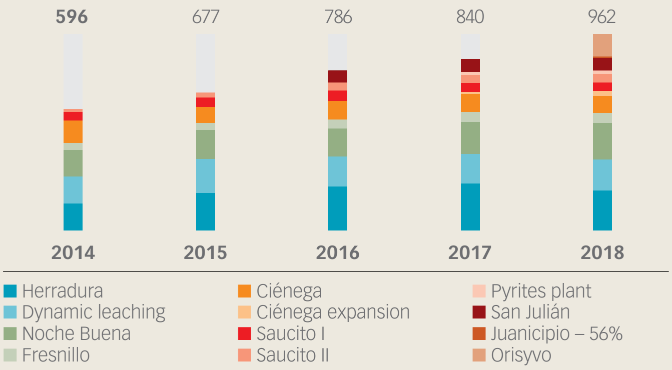
2014-2018 Silver production profile
Millions of ounces

2018 silver production target of 65 moz



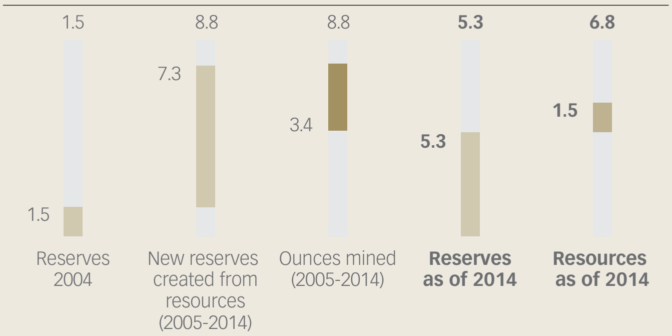
2014-2018 Gold production profile
Thousands of ounces

2018 gold production target of 750 koz



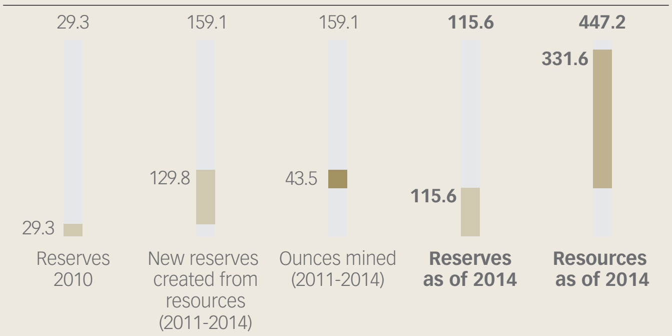
Conversion of resources into reserves – Herradura mine – Gold
Millions of ounces

6.8



Conversion of resources into reserves – Saucito mine – Silver
Millions of ounces

447.2



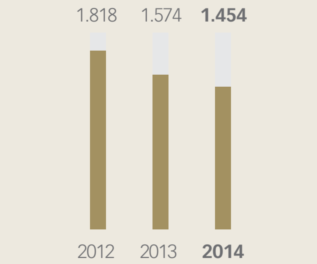
Operational excellence

We seek to optimise returns with a focus on continuous improvement in productivity and efficiency, lower unit consumption of operating materials and energy, and leverage our regional consolidation strategy via shared technology and infrastructure.

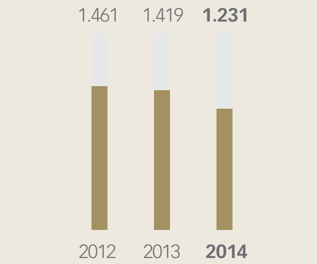
Competitive cash cost performance

Using the traditional methodology, cash costs at most of our mines were among the lowest in the industry thanks to stringent investment criteria and operational excellence.

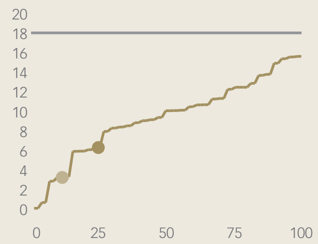
Consumption of explosives
kg/tonne
Ciénega



Consumption of steel balls
kg/tonne
Saucito



Silver cash cost curve
US$/ounce
Saucito — Silver price
Fresnillo

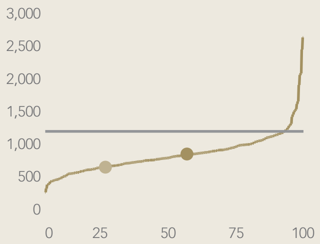


% of cumulative production

Note: nine month estimated silver TCC, reported quarterly

Source: Thomson Reuters, GFMS

Gold cash cost curve
US$/ounce
Ciénega — Gold price
Herradura



% of cumulative production

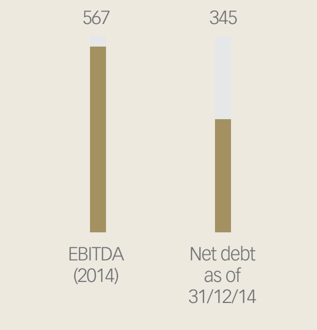
Note: Annual 2014E Gold TCC, Mine Economics

Source: Thomson Reuters, GFMS

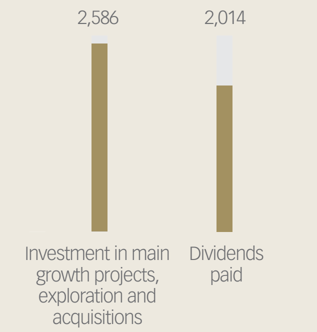
Financial strength and flexibility

A conservative and efficient balance sheet, combined with careful management of cash and assets, provides us with operational flexibility. At a time when many in our industry have been unable to invest in growth or return capital to shareholders, we acquired Newmont Mining's 44% stake in Penmont (and associated companies) in a US$450 million transaction, and paid US$36.8 million in special dividends.

Financial strength
US$ millions



Balancing growth and returns
US$ millions (2008-2014)



Strong community support

We aim to grow social value in line with economic value through our partnerships with local communities, at a time when such relationships are more crucial than ever for operational continuity. In spite of revenue reductions we have increased our commitment to social investment.

"Optimising performance in the current environment, with a commitment to long-term value creation."

Alberto Baillères
Non-executive Chairman


Alberto Baillères

2014 was another challenging year for precious metals producers. Geopolitics, global security concerns, economic uncertainties and market volatility, which may have driven investors to precious metals as a safe haven in the past, had no direct correlation to prices this year; gold and silver prices were both lower in the year. However, these circumstances provided us with an opportunity to acquire the remaining 44% of Penmont (and associated companies), substantially strengthening our gold production and resources.

The overall decline of precious metals equities affected all companies in the sector; however, Fresnillo's low cost operations, strong balance sheet, high quality assets and a solid pipeline of organic growth projects provided some defence. Nonetheless, the Company's financial performance in the year was affected by a 10.2% decline in our average realised gold price, which fell to US$1,257.7 per ounce, and an 18.4% fall in our average realised silver price, to US$18.6 per ounce.

Optimising performance through the cycle

Against this backdrop we also faced a number of internal challenges: lower ore grade at the Fresnillo mine, the stoppage of operations at Soledad-Dipolos, and processing capacity issues at Herradura. Yet, as outlined in the Chief Executive's report, these factors were mitigated by increased production at other mines and important measures taken to secure our 2018 production targets.

Silver production, including the Silverstream, of 45.0 moz exceeded our budget and 2013 production. Having acquired Newmont Mining's 44% interest in Penmont (and associated companies), we met the revised gold production target of 590 koz, producing 596 koz. Development projects advanced according to plan: Saucito II commenced operations in December 2014 and San Julián is set to start up in the 4Q 2015. This progress was achieved in the context of a maturing sustainability framework and a continuously improving safety culture.

Our strategy of continued investment in exploration to underpin organic growth yielded good results. We added 3.0 moz gold (+45.0%) and 102.2 moz silver (+21.3%) to our reserves, although lower price assumptions led to a narrower increase in gold resources (+1.7%) and a 6.2% decrease in silver resources. We were particularly encouraged by the strong increase in resources and reserves at Herradura, underscoring the value of our acquisition.

Fresnillo plc reported adjusted revenue of US$1,545.0 million in 2014, down 12.3% from 2013, and EBITDA of US$567.3 million, 22.3% lower than in the previous year. Profit attributable to equity shareholders, excluding Silverstream effects, was US$54.5 million, down 80.4%. These figures reflect the decline in average realised silver and gold prices, lower volumes of gold sold and increased stripping in the Herradura district in accordance with mine plans, all of which were partially mitigated by lower refining charges and the devaluation of the Mexican peso against the US dollar.

While profit margins declined in the period, cost control measures and certain efficiency improvements allowed us to maintain our position as a low cash cost producer.

Cash, cash equivalents and short-term investments totalled US$449.3 million at 31 December 2014, while total debt on the balance sheet was US$796.2 million, providing us with low leverage and significant financial flexibility.

I am confident that Fresnillo has the operational and financial strength to address the challenges we may face. Our financial flexibility, combined with management's ability to tailor mine plans, development expenditures and exploration parameters in accordance with external market conditions, ensures that we optimise performance in the current environment. At the same time, the quality of our asset base and commitment to sustainable growth offer a long-term value creation opportunity.

Strategically allocating capital to balance growth and returns

The approach of our Board has always been to take the long view, with a consistent value creation strategy independent of the external environment and short-term shifts in market dynamics. Notwithstanding, we must scrutinise every expenditure and investment in the face of an extended decline in metal prices and the rise of cost factors beyond our control.

On management's recommendation, the total investment in exploration for 2014 was reduced from the original US$225.0 million budget to US$184.5 million. However, as costs for contracted exploration and drilling have declined, the pace of progress was essentially unchanged from plan.

With the US$450.0 million acquisition of Newmont Mining's 44% interest in Penmont (and associated companies), all current operations, two key advanced exploration projects and a number of exploration targets in one of Mexico's most attractive gold belts are now fully attributable to the Group. As a result, our 2018 gold production target increased from 500,000 ounces to 750,000 ounces.

In line with our conservative growth strategy, Fresnillo initiated a one-off hedging programme to protect the value of the investment made in the Penmont acquisition, allowing for partial exposure to gold prices. This phased hedging programme was strictly limited to the 44% of Penmont (and associated companies) acquired, implemented at management's discretion depending on prevailing market conditions. The Group's hedging policy remains unchanged for the remainder of the portfolio, providing shareholders with full exposure to gold and silver prices.

Beyond the acquisition and investment in exploration, US$425.6 million in capex was allocated in 2014, primarily to the construction of the Saucito II and San Julián projects. Management continued to focus on efficiency gains and cost controls to maintain our cost position and margins.

In July 2014 the Board conducted a comprehensive review of the Company's current and future financial requirements and found that the balance sheet was well placed to meet capital expenditure plans and future potential growth opportunities. Thus, while the 2014 dividend was brought forward and paid in November 2013, a special dividend was declared in 2014 of 5.0 US cents per share, equivalent to US$36.8 million. Whilst industry conditions have clearly deteriorated since that time, we remain committed to prudent financial policies that ensure sufficient cash on hand to invest in existing operations, profitable growth, and shareholder returns.

Advancing our HSECR goals

The maturity of the Company's Health, Safety, Environment and Community Relations (HSECR) System advanced according to plan, as determined by an independent assessment, ensuring we meet our 2016 targets. Efforts to integrate Health, Safety and Environment under a single Integrated Management System resulted in Ciénega becoming the first business unit to achieve a joint (integrated) certification in OHSAS 18001/ISO 14001, followed by Fresnillo and Penmont, which achieved the certification later in the year.

Such certifications are important, of course, but it is the people behind the policies and practices who are most important. We have made much progress in safety matters, yet I am deeply saddened to report one fatality during the year; this led to extensive internal reviews with management and contractors. Safety must always be our number one priority, deeply embedded in our culture.

Social performance is another pillar of our business model and corporate strategy. In accordance with our corporate culture of continuous improvement, we set our sights on international best practices in the mining industry. The introduction of an integrated series of initiatives and programmes to strengthen social performance in 2015 marks a further step in the realisation of this vision. In addition to implementing policies designed to enhance stakeholder engagement and community development at our mining and exploration sites, we are exploring the possibility of forging an innovative programme in the area of global public health.

I encourage you to review the range of measures on which we report in our Social and Sustainability Performance, as set out on pages 80-95, including natural resource management, greenhouse gas emissions, and workforce diversity and retention, among others.

Looking ahead

I am hard pressed to recall a time in this industry with such marked uncertainty regarding precious metal prices. While longer-term cyclical patterns will likely remain, the short-term factors affecting their behaviour and timing are increasingly complex and opaque. There is little consensus today on where we are in the current cycle and which catalysts might bear most impact on pricing. In the face of such uncertainties, we choose to be conservative in our projections.

Notwithstanding, I remain committed to our proven strategy in precious metals. Our priority, for 2015 and beyond, is firmly set on value creation. Thus, management must continue to focus on managing ore grades, optimising capacity and throughput, bringing on new projects, and extending the growth pipeline, all while continuing to contain costs, enhance sustainability practices and uphold our commitment to stakeholders.

In light of that commitment, the Board has authorised a total budget of approximately US$170 million to be invested in exploration and early stage underground development in 2015, a decrease of 7.9% from the 2014 figure. This investment reflects our disciplined approach to allocating risk capital to the continued profitable growth of the Group.

Investing across price cycles will always be a hallmark of our strategy, but we must also take into account prevailing market conditions to ensure that investments are accretive for shareholders in the near term.

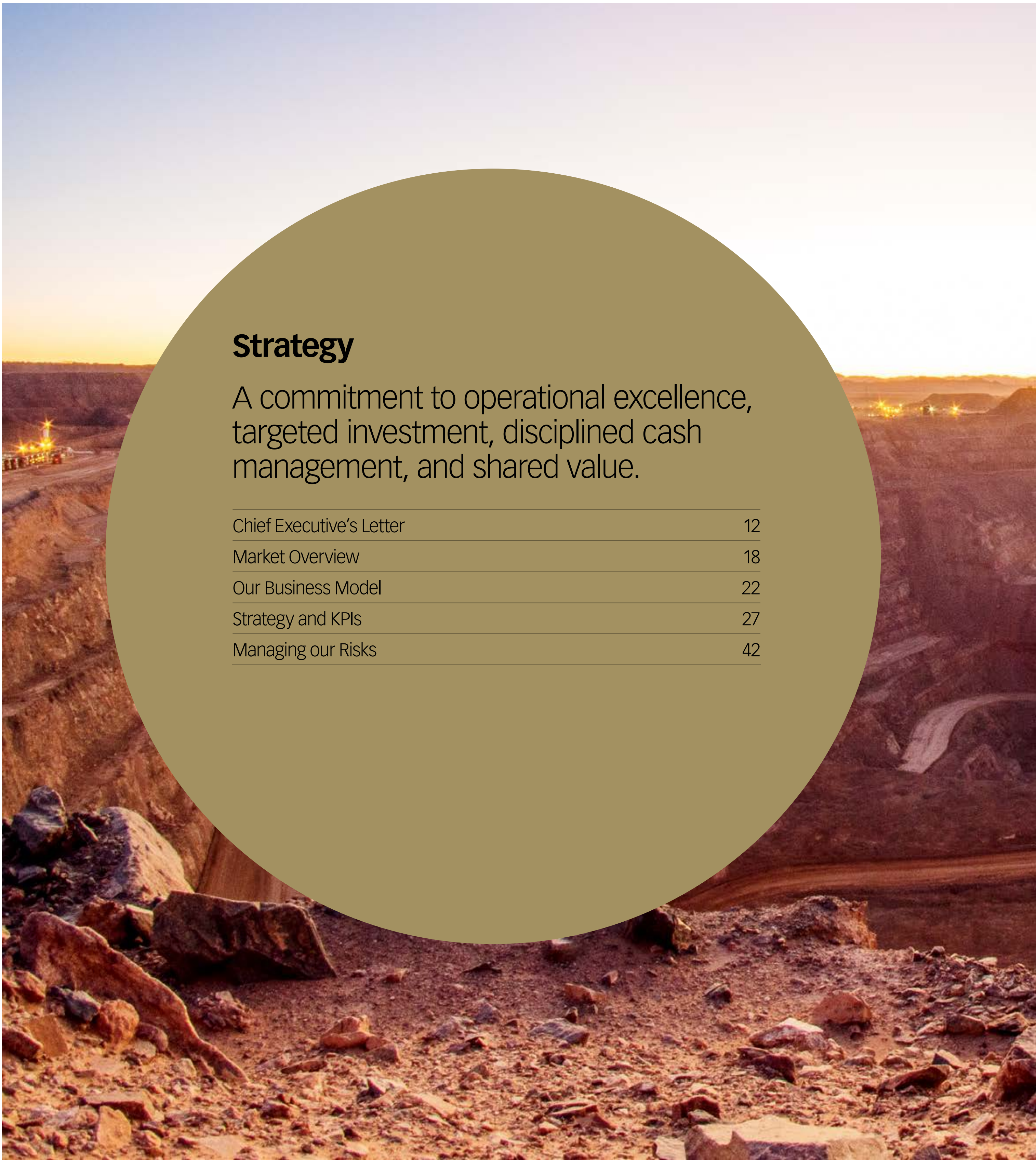
Our current budget, as reviewed in February 2015, calls for 2015 capex to be in the region of US$700 million, compared to US$425.6 million in 2014. Funds will be allocated primarily to mining works at Herradura, Fresnillo and Saucito, construction of a pyrites plant in the Fresnillo District, construction at San Julián, sustaining capex at current mines and, pending approval and market conditions, expansions at Ciénega and Herradura. Should silver and gold prices continue to decline for an extended period of time, management has prepared mitigating actions, including the deferral of certain projects, reviewed and approved by the Board, to safeguard the Group's cash balances.

Board changes

We welcomed Bárbara Garza Lagüera, Jaime Serra and Charles Jacobs to the Board in 2014, whose diverse backgrounds and significant experience will greatly support the Company and the Board. I look forward to continued collaboration with all my Board colleagues, whose insights and engagement I deeply value. I am also grateful for the service of the three members who stood down from the Board in 2014: Fernando Solana, Javier Fernández, and Lord Cairns, who served on the Board for six, five and six years respectively.

I would like to extend my appreciation to the people of Fresnillo plc for their efforts and commitment to sustainable growth and value creation. It is to their credit that we are well placed to address today's cyclical uncertainties.

Alberto Baillères
Non-executive Chairman



Strategy

A commitment to operational excellence, targeted investment, disciplined cash management, and shared value.

"Targeted investment, disciplined cash management, and a commitment to shared value."

"As always, we will focus on operational excellence by seeking additional efficiencies, investing in productivity and controlling costs to maintain our cost position and world-class margins."

Octavio Alvídrez
Chief Executive Officer

"Our mines are set to yield returns even in a low metal price environment"

When I first entered the mining industry, the typical price cycle was fairly predictable: rising demand led to higher prices, which encouraged producers to expand capacity; then eventually rising inventories led back to softer prices. Today, however, we see another set of fundamentals driving precious metal prices: global macroeconomic conditions that influence exchange-traded funds and investment demand for metals.

Case in point: the Fed's tapering programme and expected rate hike, as well as the strengthening of the US dollar, put downward pressure on gold and silver prices in 2014. While there was no shortage of geopolitical risk in the year, which may have offered price support to gold in the past given its safe haven status, the impact was muted compared to prior periods of turmoil.

Strategy drives value creation

With price cycles much less predictable now, a company's strategy, business model and execution have become the barometers of value-creation and longevity. We know that sheer size alone does not determine success – but that operational excellence, targeted investment, disciplined cash management, and a commitment to shared value just may. In that regard, I remain confident that we are on the right path.

For Fresnillo, production goals have always been set according to our ability to profitably maximise operations, develop new projects and build the growth pipeline, rather than as a straight response to market dynamics. Our value chain sets strategic relationships directly in the centre, with the recognition that shared value creates the support required to sustain our business model.

How is this reflected in our performance? By design, our mines are set to yield returns even in a low metal price environment. All-in sustaining costs (AISC) on a life of mine basis in most of our mines are amongst the lowest in the industry, and in most cases significantly lower than current and projected market prices for gold and silver. This is a clear competitive advantage, as it allows us to maintain operating continuity in times of depressed prices. In 2014 we continued to generate solid profit margins at our silver underground mines, whilst profit margins at our gold open pit mines were reasonable considering the temporarily higher stripping ratios and lower gold prices.

Our high-potential development projects meet stringent criteria for mineral content and embedded costs from the start. Thus Saucito II and San Julián, which advanced according to plan this year, are expected to contribute to our future profitable growth.

Exploration remains core to our organic growth strategy and a key element in extending mine life; by investing through the price cycle, we saw gold and silver reserves increase by 45.0% and 21.3% respectively over 2013 levels.

Challenge creates opportunity

This is not to say we did not encounter internal challenges in the year. However, as I lay out below, these have in fact provided us with an opportunity to adapt, innovate, modify and enhance our operations such that our long-term outlook is secure.

The first key challenge was at the Fresnillo mine, where we faced the natural and expected decline of silver ore grades; this was further exacerbated by dilution due to rock conditions and a delay in development activities as a result of mechanical failures with contractor equipment, limiting access to some stopes in the first quarter of the year.

Combined, these factors clearly had an impact on the mine's silver production, down 11.7% year on year, but it also prompted us to adjust mining methods, change drilling layouts, bring in new contractors, and implement stricter controls on development rates, all of which will support production volumes next year. Furthermore, cost per tonne decreased in the year as a result of our efficiency initiatives and greater economies of scale.

Second, as you may recall, we entered 2014 with a suspended explosives permit at our subsidiary Minera Penmont, arising from the legal challenge raised by the Ejido El Bajío agrarian community in 2013, who contested the ownership of the surface land of the Dipolos pit and the beneficiation plant of the Soledad-Dipolos mine. The resolution of this case ultimately led to a full suspension of mining and beneficiation activities at Soledad-Dipolos and halted mining activity at Herradura until March 2014.

As gold production ramped up again at Herradura, the new dynamic leaching plant concurrently reached full-scale operations, albeit with technical issues involving an excess of solids in solution. We recognised that processing capacity at Herradura would have to be enhanced in

Gold reserves
+45.0%

Silver reserves
+21.3%

order to efficiently process the solution produced at both the leaching pads and the dynamic leaching plant and thus enable us to achieve our long-term targets. Our focus at Herradura is three-fold for 2015: the installation of a second Merrill Crowe plant, relocated from our currently inactive operations at Soledad-Dipolos, additional investment to increase the solution processing capacity, and technical modifications to the dynamic leaching plant. Combined, these are expected to allow this mine to achieve steady state production by the fourth quarter of 2015.

Strengthening our precious metals position

We went on to significantly bolster our gold outlook during the year. In October we acquired Newmont Mining's 44% interest in Penmont (and associated companies), allowing us to take full ownership of the assets we already operated, and strengthening our regional footprint in one of Mexico's richest gold belts. Not only was the US$450 million transaction immediately accretive to net asset value, it also allowed us to increase our 2018 production target from 500,000 ounces to 750,000 ounces. Our 2018 silver production target of 65 million ounces remains in place.

We made progress towards those ambitious goals this year. Silver production including the Silverstream of 45.0 million ounces came in 4.9% ahead of guidance. The aforementioned decline at Fresnillo was mitigated by increased throughput at Saucito, with additional ore processed from development activities at Saucito II, as well as increased production from the Silverstream.

Gold production of 596 thousand ounces reflected the stoppage at Soledad-Dipolos and the temporary disruptions at Herradura, mitigated by the acquisition of the Penmont assets. This figure was slightly above our revised target, which had taken into account the delay in ramp-up at Herradura due to the aforementioned technical issues and capacity constraints.

Construction of Saucito II was completed on time and on budget, and the new mine formally commenced operations in December. This US$235 million project is anticipated to produce 8.4 million ounces of silver and 35,000 ounces of gold per year once it reaches full capacity, which we now expect to happen ahead of the previously indicated three-year timeframe. The San Julián project is progressing as expected and remains on track to start production in the fourth quarter of 2015. This US$515.0 million silver-gold project is expected to produce an average of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity.

We allocated US$184.5 million to exploration during the year. While this was somewhat below the original budget, we identified a number of promising new targets in the mining districts where we operate, an approach that has proven to deliver cost-effective discoveries as infrastructure is already in place. We also explored in other high-potential districts where initial drilling was successful. We are particularly excited about results obtained in the Herradura District and at Orisyvo and Guanajuato.

The increase in total reserves included a significant conversion of resources into reserves, most notably 162 million ounces of silver and 533 thousand ounces of gold at San Julián, and 2.5 million ounces of gold at Herradura, the latter following an intensive infill drilling campaign and the revised parameters in calculating the deep ore in the pit. Total gold resources increased 1.7% while silver resources declined 6.2% due to lower price assumptions and the conversion of resources into reserves.

Full ownership of the Penmont assets, progress on development projects and the increase in reserves uphold our view that Fresnillo is well positioned to address cyclical challenges while delivering long-term value creation.

Financial performance

The Group's financial performance was negatively impacted by the decline in precious metal prices. Our average realised silver and gold prices decreased by 18.4% and 10.2% respectively compared to 2013. We were also affected by the reduced sales volumes of gold resulting from the suspended operations at Soledad-Dipolos and the temporary halt in production at Herradura. The combined impact of these factors drove adjusted revenues down by 12.3% to US$1,545.0 million.

2018 silver production target
65
moz

2018 gold production target
750
koz

Adjusted production costs increased 19.4% due to higher variable costs recorded as a result of the resumed operations at Herradura; the start-up of the dynamic leaching plant; the temporarily higher stripping ratios at Herradura and Noche Buena; and the increased volumes processed at a number of our mines. These were partially mitigated by the efficiencies achieved at several of our mines, costs not incurred at Soledad-Dipolos, and the favourable impact of the 4.1% devaluation of the average Mexican peso/US dollar exchange rate.

Gross profit decreased by 32.1% to US$521.1 million. Reduced exploration expenses helped narrow the decline in EBITDA to 22.3%, while the EBITDA margin decreased from 45.2% to a still robust 40.1%.

The revaluation effect of the Silverstream Contract was a US$77.0 million gain to the Group's financial results despite lower silver price assumptions, reflecting a number of factors including increased resource grade at Sabinas, a lower discount rate, better than expected production in 2014 and unwinding of the discount.

Income tax expense declined by 2.7% as a result of lower profits generated in the year, offset by an increase in deferred income taxes generated by the greater differences arising between the carrying value of assets and liabilities (denominated in US dollars) and their tax bases (denominated in Mexican pesos). The effective tax rate, excluding the special mining right, was 47.1%, or 53.4% including the effects of the US$15.7 million recorded on the income statement for the special mining right.

Net profit for the period was US$117.1 million, a 55.1% decrease, while profit attributable to equity shareholders totalled US$108.4 million, a 54.9% decrease over 2013.

Cash flow generated by operations, before changes in working capital, decreased by 24.2% to US$568.5 million, mainly as a result of the lower profits generated. Working capital increased US$183.4 million due to an increase in income tax and VAT receivables and higher volumes sold to Met-Mex; and higher inventories in the Herradura District. Capital expenditures totalled US$425.6 million, a decrease of 25.6%, with investments primarily allocated to construction of the Saucito II and San Julián projects, purchase of components for mobile equipment at Herradura and Fresnillo, development works at Saucito and Ciénega, and construction of leaching pads at Noche Buena.

HSECR performance, and a revised risk assessment

We know that robust sustainability practices make good business sense on multiple levels: along with underpinning our licence to operate, they lower operating risk and often drive better operating performance overall. We see the Group's HSECR strategy as essential to creating long-term value.

But there is still work to be done on a number of fronts, most vitally to fulfil our zero fatality commitment. To reinforce our safety efforts, we launched a new programme focusing on the human factors involved in the majority of incidents and injuries. This complements the Group's 'No More Accidents' programme and a range of initiatives aimed at embedding safety in our culture. Indeed, we must ensure that our workplace culture places adherence to safety above all other outcomes. I remain personally committed to improving our indicators in 2015.

Our environmental performance in energy and greenhouse gas emissions largely reflected longer haulage distances and the start-up of the dynamic leaching plant, although good progress was made in water utilisation rates. In fact, our water footprints per ounce of silver at Saucito and Fresnillo are among the best in the industry.

Thankfully, our track record on environmental incidents remains solid, but by no means are we immune from the consequences of such events that befall others in our industry. In 2014, several environmental incidents occurred. As a result of these incidents, amendments to Mexican laws on environmental liability have been proposed with a view to raising sanctions on violations, from higher fines to permanent suspensions of mining concessions. As a result, we have elevated the risk rating of potential actions by the government (see '2014 risk assessments' pages 43-45).

No More Accidents programme

Unsurprisingly, the impacts of these incidents extended to the social sphere. Multiple organisations called for the closure of related mining operations and launched acts of civil defiance to pressure authorities. We felt this warranted the elevation of the public perception against mining risk as well.

I would like to state unequivocally that Fresnillo supports its communities' rights, not just to environmental health but also to the due benefits of a strategic partner. In 2014 we conducted our biennial community perception and reputation survey, and for the first time included focus groups in the formal consultation process of reviewing and enhancing our community investment strategy and policies.

We are now taking a fresh look at how we approach community relations, and have brought in an external consultant to support this effort. In line with our commitment to adopting international best practices – as delineated by such organisations as the International Finance Corporation (IFC) and the International Council on Mining and Metals (ICMM), we will provide detailed information as we progress with that effort. As well as putting in place policies designed to enhance stakeholder engagement and community development, we are exploring the possibility of a public health programme. Although still in its discovery phase, this programme links silver to the production of safe drinking water, in line with the soon-to-be-published United Nations 2015 Sustainable Development Goals. This initiative, which positively connects mining to a humanitarian cause, is meant to serve both as an emblem and as an inspiration for Fresnillo's general sustainability plan.

Even as we seek to understand and meet changing community expectations, mining companies in Mexico have continued to face a rise in the number of conflicts with local landowners, as with our own experience in the Penmont litigation of 2013. Our approach is always to ensure respectful land acquisition processes and grievance mechanisms, but we recognise that access to land is a rising strategic risk.

As one of the leading precious metals companies, we aspire to have a well-established ethics culture within Fresnillo. In 2014 we implemented an Ethics and Integrity Programme guided by UK best practices, which incorporates the Group's values and Code of Conduct, and supports decision-making at all levels of the organisation. All executives, senior and middle managers, employees and key contractors have participated in workshops.

A look ahead at 2015

While our strategic objectives remain unchanged, we must be sensitive to market dynamics as they relate to our budgeting and cash management strategies. For 2015 we have given priority to optimising output from the Fresnillo and Ciénega mines, ramping up Saucito II, delivering San Julián on time and on budget, advancing our assessment of Orisyvo, evaluating mine plan options for Mega Centauro as the natural evolution of Herradura's Centauro pit, and progressing our advanced exploration projects.

We will continue to monitor changes to our operating assumptions, always favouring actions that accelerate cash flow and deferring expenditures that do not sacrifice the optimal timing of our projects. Our current expected capex outlay for the year is in the region of US$700 million, while risk capital to be invested in exploration is budgeted at around US$170 million. We believe our current balance sheet is well placed to meet these plans and still provide us with sufficient flexibility to take advantage of any opportunities that may arise.

As always, we will focus on operational excellence by seeking additional efficiencies, investing in productivity and controlling costs to maintain our cost position and world-class margins.

I have tremendous respect and gratitude for our suppliers, contractors, clients and other stakeholders and especially for our people and communities, whose wellbeing we will continue to prioritise in all that we do. Our belief in creating shared value for all our stakeholders helps drive our strategy and gives me confidence in our ability to deliver returns in 2015 and beyond.

Octavio Alvídrez
Chief Executive Officer

2015 Exploration
$170m

2015 Capex
$700m

What we said we would do in 2014	What we did in 2014	What we plan to do in 2015	More info
Continuous improvement in safety performance; meet our zero fatalities target	One fatality (vs two in 2013); improvement in other indicators	Zero fatalities, continuous improvement in safety	Pages 83-85
Silver production of 43 moz, including Silverstream	Exceeded target at 45 moz	45-47 moz silver, including Silverstream	Page 6
Attributable gold production of 450,000 oz	Target was revised to 590,000 oz reflecting the stoppage at Soledad-Dipolos and disruptions at Herradura, mitigated by the purchase of the remaining stake in Penmont (and associated companies); actual production totalled 596 oz	670-685 koz gold	Page 6
Conclude construction of Saucito II in 4Q 2014, advance San Julián towards 2015 start-up	Saucito II commenced operations in December, San Julián remains on track	San Julián stage 1 start-up in 4Q 2015	Page 71
Continue optimisation at Ciénega and initiate expansion of milling capacity; conduct detailed engineering for the pyrites plant in the Fresnillo District, and pending Board approval, initiate construction in 2H 2014	Milling efficiencies achieved at Ciénega, expansion deferred to 2015; commenced detailed preparatory engineering for the pyrites plant	Launch next phase of growth at Ciénega: start construction of plant expansion, build tailing dam #3, conduct pre-feasibility study of mine expansion for Board approval; finalise detailed engineering of the pyrites plant and commence construction	Pages 62-64, 72
Exploration budget of US$225.0 million (including capitalised exploration expenses), focused on converting resources to reserves	Risk capital invested in exploration reduced to US$184.5 million	Exploration budget of approximately US$170.0 million, focused around current mines and advanced exploration projects	Page 73
Conclude evaluation for expansion of the Mega Centauro pit; pending approval, initiate stripping activities; increase resources at the Centauro Deep project	Acquired Newmont's 44% interest in Penmont (and associated companies); evaluated Centauro pit expansion as natural evolution of the main Herradura pit; continued exploration activities at Centauro Deep	Evaluate mine plan option for Mega Centauro; continue exploration of Centauro Deep	Pages 65-67, 74
Review and upgrade our energy and climate change, water, land and biodiversity strategies	Approached NGOs to launch a review of our water stewardship and biodiversity strategies	Adapt water stewardship and biodiversity strategies	Pages 86-91
Continue to advance the maturity of our HSECR system	HSECR system reached overall maturity of 84% (vs 77% in 2013)	Further advance maturity of HSECR system towards fully integrated system by 2016 target	Page 80

Market Overview

Our strategy arises from the context of the silver and gold mining industry and the business environment in Mexico.

Fresnillo plc is a major silver and gold mining company, and the majority of our people and operations are located in Mexico. As such, we are exposed to the market dynamics common to the global precious metals industry, as well as to those specific to companies operating in Mexico.

Competitive environment

For Fresnillo plc, silver and gold contribute in nearly equal parts to adjusted revenues, unique amongst major precious metal mining companies.

Silver

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

Peer group comparison

	2014	2013	2012	2011
Primary silver producers Production in moz				
Fresnillo plc	**45**	**43**	**41**	**42**
Coeur Mining	17	17	18	19
Hochschild Mining	16	14	14	15
Hecla	11	9	6	9
Silver Standard Resources	9	8	9	7
Silver Corp Metals	5	5	5	6
Global silver producers, by-product and primary Production in moz				
Fresnillo plc	**45**	**43**	**41**	**42**
KGHM Polska Miedz	40	37	41	41
Goldcorp Inc.	37	30	30	28
BHP Billiton	34	37	39	39
Pan American Silver Corp.	26	26	25	22

Gold

In gold we benchmark our performance against medium-sized global gold miners with similar levels of annual production. The acquisition of the 44% stake in Penmont (and associated companies) has not shifted our peer group positioning.

Medium-size gold producers Attributable production in koz				
Agnico Eagle	1,429	1,100	1,044	985
Randgold	1,147	910	795	696
Petropavlovsk	945	805	589	443
Polymetal	625	741	710	630
Fresnillo plc[1]	**596**	**611**	**687**	**663**
OceanaGold	307	326	233	252
Coeur Mining	249	262	226	221
Hochschild Mining	101	116	112	127
Kazakhmys plc	74	103	129	151

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

The precious metals market

Our performance and that of our peers is driven by the price of precious metals and ultimately the supply and demand dynamics that drive those prices. Our production goals are based on what we believe we can profitably extract and sell; because costs in most of our mines remain below current and projected market prices for gold and silver, we continue to operate in line with our stated 2018 production targets.

However, we do monitor metal price movements and market dynamics, using primarily third party analyses and forecasts, in order to support our financial projections and cash management strategies. As such, the decline in metal prices since late 2012 has coloured our budget considerations in areas such as exploration and the timing of certain capital expenditures. With value creation as our key priority, we must remain open to the possibility of adjusting long-term production targets in accordance with evolving market conditions.

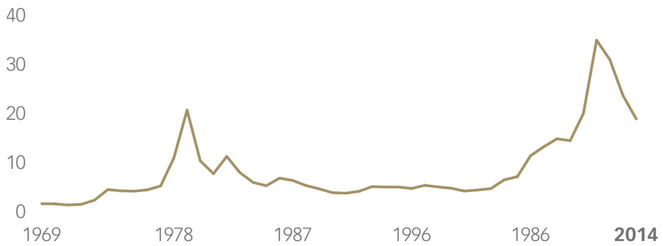
Supply and demand in silver and gold

Demand for silver is primarily driven by fabrication – industrial applications, photography, jewellery and other applications – and investment, either directly through coins and bullion, or via Exchange Traded Funds (ETFs). A recovering global economy should sustain fabrication demand, while investment demand has traditionally proven less volatile than in gold.

In 2014, however, industrial fundamentals failed to provide price support for silver, and the metal strongly underperformed gold, leading to the largest gold-silver ratio in recent years. While a correction in the ratio could provide upward momentum, a stronger US dollar and resulting weakness in gold price could in turn affect silver further.

Average annual silver prices 1969-2014
US$ in nominal prices

19.08/ounce



Mine output provides the majority of silver supply, while recycling and scrap account for most of the remainder, with government sales a minor and unpredictable source. Global mine production of silver in 2014 was approximately 868 million ounces, compared to 836 million ounces in 2013.

For gold, demand 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 strong cultural allure, with China and India leading the demand for gold jewellery.

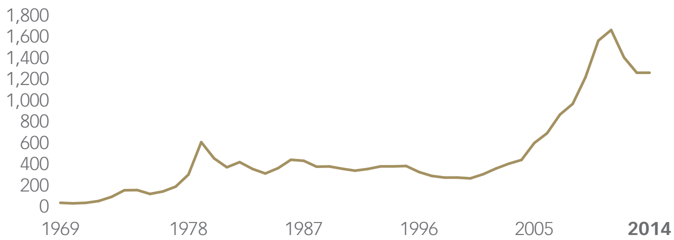
In 2014, increased geopolitical tensions and growth concerns in the first half of the year supported a rise in the gold price, but a stronger dollar and weaker oil prices put downward pressure on gold in the second half, with continued ETF outflows, limited central bank purchases and de-stocking by China. However, prices inched up again at year end, as India rescinded its controls on gold imports, and despite Switzerland voting against a proposal to boost its gold reserves.

Mine output accounts for the majority of the global gold supply, with the remainder coming from recycling. In a weak price environment, recycling flows are depressed and many miners cannot produce profitably; such supply constraints may once again drive positive investor sentiment.

Our mining experience and long view of the cyclical nature of the precious metals industry gives us confidence that the core drivers for demand will prevail, notwithstanding the material impact of metal price declines on our financial performance in 2014.

Average annual gold prices 1969-2014
US$ in nominal prices

1,266.19/ounce



Benchmarking performance in the industry

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

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

Market Overview continued

Gold supply and demand

(tonnes)	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014E**
Supply										
Mine production	2,561	2,496	2,499	2,429	2,611	2,740	2,841	2,869	3,051	3,114
Scrap	903	1,133	1,006	1,352	1,728	1,713	1,662	1,653	1,262	1,122
Net hedging supply	–92	–434	–432	–357	-234	–106	18	–40	–39	42
Total supply	**3,372**	**3,195**	**3,072**	**3,424**	**4,105**	**4,347**	**4,522**	**4,482**	**4,273**	**4,278**
Demand										
Jewellery	2,721	2,301	2,425	2,306	1,816	2,030	2,030	2,004	2,385	2,153
Industrial fabrication	440	472	478	465	414	470	458	416	408	389
…of which electronics	286	316	322	312	275	326	320	285	279	267
…of which dental and medical	62	61	58	56	53	48	43	39	36	34
…of which other industrial	92	94	98	97	86	95	95	92	93	87
Net official sector	-663	–365	–484	–235	–34	77	457	544	409	477
Retail investment	418	430	437.55	918	832	1,222	1,569	1,343	1,765	1,064
…of which bars	263	238	237.83	661	550	935	1,243	1,039	1,385	808
…of which coins	155	192	199.71	257	283	287	326	304	380	256
Physical demand	**2,916**	**2,837**	**2,856**	**3,453**	**3,029**	**3,799**	**4,514**	**4,306**	**4,968**	**4,083**
Physical surplus/deficit	**456**	**358**	**216**	**–30**	**1,076**	**548**	**7**	**176**	**–694**	**195**
ETF inventory build	208	260	253	321	623	382	185	279	–880	–159
Exchange inventory build	29	32	–10	34	39	54	–6	–10	–98	1
Net balance	**219**	**65**	**–27**	**-385**	**414**	**112**	**–171**	**–93**	**284**	**354**
Gold price, US$/oz	**443.87**	**603.56**	**695.39**	**871.96**	**972.35**	**1,224.52**	**1,571.69**	**1,668.98**	**1,411.23**	**1,266.40**

Source: GFMS, Thomson Reuters

Silver supply and demand

(Moz)	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Supply										
Mine production	639.7	642.7	666.1	683.1	713.8	751.0	754.6	792.8	836.0	867.7
Net government sales	65.9	78.5	42.5	30.5	15.6	44.2	12.0	7.4	7.9	–
Scrap	202.6	206.2	203.0	200.8	199.8	225.7	258.9	252.8	190.4	163.2
Net hedging supply	45.9	–11.6	–24.1	–8.7	–17.4	50.4	12.2	–47.0	–34.3	–
Total supply	**954.2**	**915.7**	**887.5**	**905.8**	**911.8**	**1,071.2**	**1,037.8**	**1,006.0**	**1,000.1**	**1,030.9**
Demand										
Jewellery	188.9	177.0	184.2	179.3	178.3	191.8	190.0	187.8	197.9	189.2
Coins and bars	51.6	48.7	51.2	187.3	87.5	143.3	210.6	138.0	241.6	191.6
Silverware	68.3	62.2	60.3	58.5	53.3	51.8	47.3	43.9	49.5	46.2
Industrial fabrication	637.8	645.0	657.1	653.7	540.5	641.6	622.4	586.7	588.0	577.5
…of which electrical and electronics	229.0	241.3	261.4	270.5	225.9	298.1	286.8	263.4	262.9	259.7
…of which brazing alloys and solders	52.4	54.4	58.1	61.3	53.3	60.6	62.4	60.3	62.4	58.1
…of which photography	160.3	142.2	117.0	100.1	78.4	68.8	61.7	54.3	50.3	47.3
…of which other industrial	196.1	207.0	220.7	221.8	182.9	214.1	211.5	208.7	212.5	212.4
Physical demand	**946.6**	**932.9**	**952.9**	**1,078.8**	**859.6**	**1,028.5**	**1,070.4**	**956.4**	**1,077.0**	**1,004.5**
Physical surplus/deficit	**7.5**	**–17.2**	**–65.4**	**–173.0**	**52.2**	**42.7**	**-32.6**	**49.6**	**–77.0**	**26.3**
ETF inventory build	–	126.8	54.8	101.3	156.9	129.5	–24.0	55.1	1.6	16.0
Exchange inventory build	15.9	–9.0	21.5	–7.1	–15.3	–7.4	12.2	62.2	8.8	4.3
Net balance*	**–8.3**	**–135.0**	**–141.7**	**–267.2**	**–89.5**	**–79.3**	**–20.7**	**–67.7**	**–87.3**	**6.0**
Silver price, US$/oz	**7.31**	**11.55**	**13.38**	**14.99**	**14.67**	**20.19**	**35.12**	**31.15**	**23.79**	**19.00**

Source: GFMS, Thomson Reuters

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

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

Our 2014 resource estimate, which uses higher cut-off grades in line with lower metal prices, indicates continued growth in total reserves, higher gold resources, and a decline in silver resources (see 'Reserves and resources' pages 249-253).

Industry trends

The global mining industry faces a number of underlying trends that impact competitiveness and viability. The key trends below are those that also affect Fresnillo, and are discussed in greater detail in 'Managing our risks' pages 42-53.

- Pressures on productivity, performance, and operational effectiveness resulting from commodity price and currency volatility and uncertainty, rising costs and maturing mines with declining ore grades.
- Managing and optimising capital in an environment of changing rates of return on capital projects and shareholder demands for returns.
- Rising social pressures such as local demands and activism regarding ownership, profit sharing, sustainability and environmental concerns, combined with greater governmental interest in deriving additional revenue from the sector.

Country environment

Mexico is the largest producer of silver in the world and a top global producer of gold, copper and zinc, amongst other minerals. The country has a long mining tradition, and still vast reserves of unexploited minerals. According to the Ministry of Economy, 70% of the Mexican territory is suitable for the development of mining projects. Mining contributes approximately 4% of the country's GDP, accounting for over 300,000 jobs and remains the fourth largest source of revenue after oil exports and the automotive and electronic industries.

The 2014 Behre Dolbear Group ranking of the most attractive countries for investment in the mining industry places Mexico fifth, behind Canada, the US, Australia and Chile. This is based on their assessment of the country's political system, economic and tax policy, social issues affecting mining, speed of obtaining permits, corruption and currency stability.

The President's National Development Programme for 2013-2018 positions the continued promotion of the mining industry as a goal of the federal government. In 2014 the Ministry of Economy issued the Mining Development Programme, which sets forth certain guidelines to promote investment and financing in the mining sector, additional support to small and mid-size companies for mineral exploration and exploitation activities, and efforts to modernise the institutional legal framework for administrative procedures in the granting of mining concessions.

Notwithstanding the importance of the mining industry to the country and its promotion by the federal government, developments in the recent years have affected the attractiveness and competitiveness of mining in the country. These are outlined below and discussed in greater detail in 'Managing our risks' pages 42-53.

New duties on the mining industry

As part of the fiscal reforms passed by the Mexican Government in 2013, new duties on the mining industry took effect in 2014: 7.5% of a figure similar to EBITDA and 0.5% of gold and silver sales. We see some contradiction between the Government's aims of promoting investment and job creation and the new financial burden placed on the precious metals industry in particular, given declining metal prices and investments in exploration.

Land access and ownership

Mining concessions confer no rights to the surface land above the mineral resources in the subsoil. Concession holders must negotiate private agreements with landowners, including communally held land as recorded in the National Agrarian Registry. Inconsistent registration and enforcement of inherited ownership rights for communal land has led some opportunistic parties to disavow previously signed agreements – some dating back several decades – in order to seek greater compensation. A number of high profile conflicts with landowners occurred in 2014 – albeit with no new cases affecting Fresnillo plc during the year – regarding issues such as renegotiation of land agreements, increased rent for land and water supply and occupancy agreements, some of which resulted in temporary suspension of mining activities.

Pressure to amend environmental liability laws

In 2014 a spillage of 40,000 m^3 of acid solution in a Sonora river by a copper mining company drove numerous organisations and social groups to demand the closure of those mining operations, as academic groups portrayed the accident as a destruction of the ecosystem. The resulting rise in public perception against mining was concurrent with a review of the Mining Law, and amendments were proposed to environmental liability laws with a view to significantly raise sanctions on environmental accidents, from fines to the permanent suspension of mining concessions.

Changing labour landscape

In 2014 a Mexican court exonerated a powerful exiled labour leader, Napoleón Gómez Urrutia, head of the SNTMM (Mining and Metalworkers Union), of all charges related to a 2006 embezzlement indictment. Gómez Urrutia has maintained control of SNTMM's members from Canada, and his potential return to Mexico may complicate labour relationships with mining companies and inflame intra-union dynamics. For example, 14,000 SNTMM members recently left the union to create a new syndicate, the ANM (National Mining Partnership). Fresnillo plc has long enjoyed respectful relations with the SNMMNGS (Napoleón Gómez Sada National Mining and Metallurgic Union).

Security

Crime and violence, much of it fuelled by drug cartels, affect many parts of the country. Federal police and armed forces have increased their enforcement activities, as have private citizen groups. Despite the escalation of enforcement, the security situation in Mexico remains an issue.

Labour and skills shortage

While overall university enrolment has increased recently and the Government has passed new education reforms, there is a deficit of geosciences professionals in Mexico.

Our Business Model

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

Fresnillo value chain

Gold and silver mining is the heart of our business; we explore prospects, develop new projects and operate mines.

1 Operate
Maximise the potential of existing operations

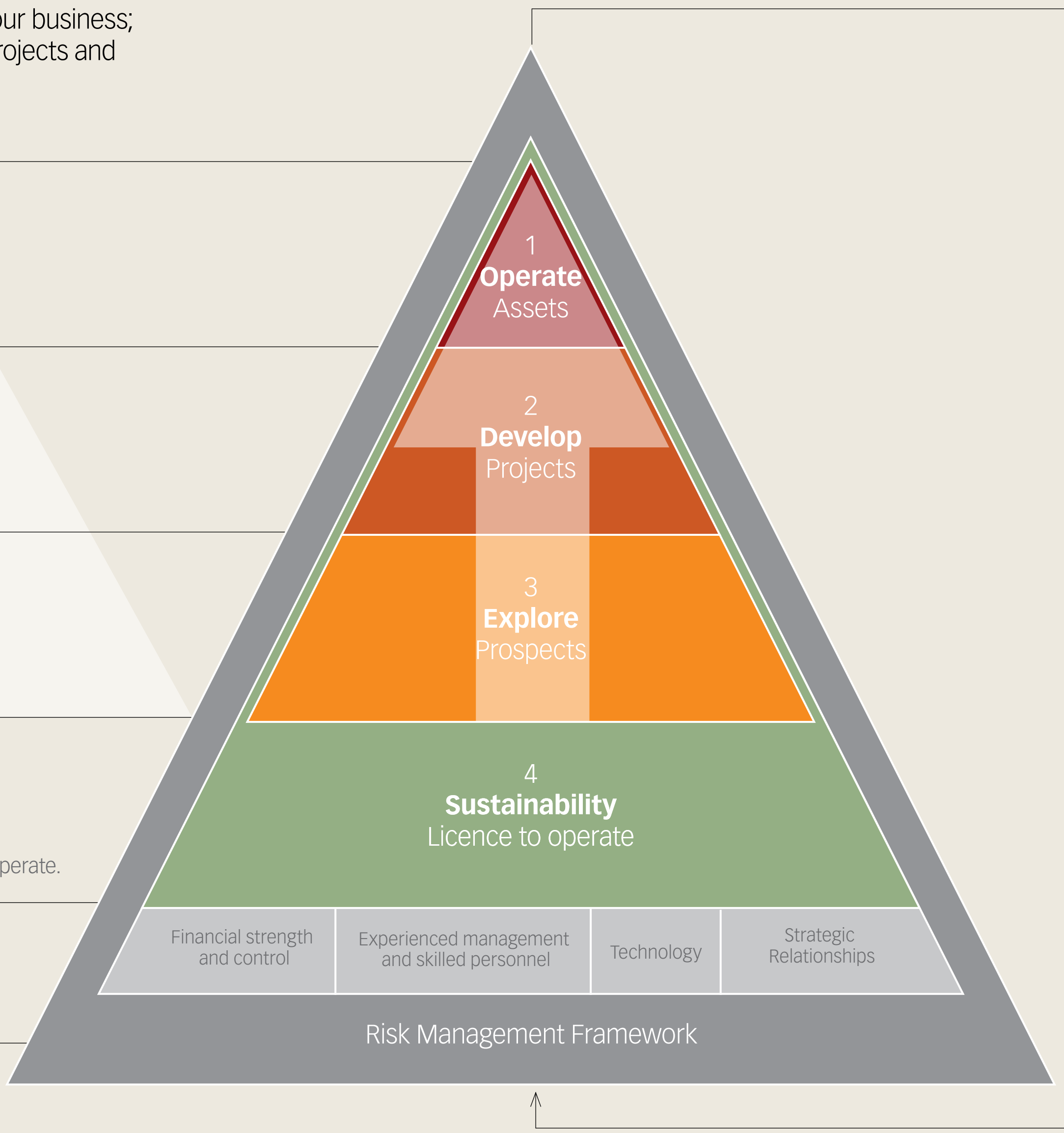
2 Develop
Deliver growth through development projects

3 Explore
Extend the growth pipeline

4 Sustainability
Advance and enhance the sustainability of our business
Sustainable development practices shape our operations and underpin our social licence to operate.

Strategic Enablers
Strategic resources and relationships support the continuity of our business and execution of our strategy.

Risk Management Framework
A comprehensive risk management framework assesses and mitigates the risks to our business.



Precious metal value chain

Fresnillo plc

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

Value creation

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

Strategic Relationships

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

Stakeholder support

Our Business Model continued
Business model components

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

Strategic focus

Maximise the potential of existing operations

Key assets

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

Our operating mines are located within prime gold and silver mining districts in Mexico where we seek to consolidate our position and derive synergies from shared infrastructure. We primarily rely on our own expert personnel for key functions such as engineering, mine planning, explosives handling and safety oversight, while skilled mining labour is generally contracted for excavation, stripping, hauling and processing work.

The workforce is largely drawn from the communities around our mines. In most of our mines, all-in sustaining costs (AISC) on a life of mine basis are significantly lower than current and projected market prices for gold and silver, positioning our cost performance competitively amongst industry peers.

[1] The Group suspended operations at Soledad-Dipolos in 2H 2013 following the Ejido El Bajío proceedings. See page 70 for more information.

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

Strategic focus

Deliver growth through development projects

Key assets

Commissioned in 2014: Saucito II	
Secondary underground mine at Saucito	Estimated 8.4 moz silver per year
In process: San Julián	
Underground mine in the prospective San Julián District	Estimated 10.3 moz silver and 44,000 oz gold per year; start-up 4Q 2015
Merrill Crowe plant	
Second beneficiation plant at Herradura to improve efficiency	Support higher ore volumes; start-up 4Q 2015
Pyrites treatment plant	
Facility at Fresnillo to process historical and on-going tailings from Fresnillo and Saucito mines to increase metal recovery rates	Annual production expected at 4 moz silver and 18,000 oz gold; construction begins 2H 2015, plant start-up 2017

All projects meet stringent viability criteria, including environmental impact, sustaining capital expenditures and rates of return. For greenfield projects in new mining districts such as San Julián, we also consider eventual expansion and synergy potential with our other prospects in the district.

Development work is generally conducted by specialised contract engineering and construction teams, whose services we contract from Peñoles (see 'Suppliers' page 26 and 'Shared Services Agreement' page 139).

Key risks: Read more on our Risk **pages 42-53**

1.	Impact of global macroeconomic developments	●	●
2.	Access to land	●	●
3.	Potential actions by the government	●	●
4.	Security	●	●
5.	Public perception against mining	●	●
6.	Projects (performance risk)		●
7.	Safety		
8.	Exploration		
9.	Union relations	●	●
10.	Human resources	●	●
11.	Environmental incidents		

3 Explore

The search for ore deposits that expand our resource base

Strategic focus

Extend the growth pipeline

Key assets

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

Our pipeline of organic growth projects extends across the prospecting, geological studies, drilling and resource definition stages. Prospects must have a minimum potential of 100 million ounces of silver or 2 million ounces of gold equivalent and meet strict criteria on ore grades, metallurgical recoveries and environmental impact. We acquire concessions that advance our district consolidation strategy; the Group currently holds one of the largest land positions in Mexico. We also pursue early stage partnerships and make selective acquisitions in Mexico and potentially elsewhere in Latin America.

Our own team of geologists work from five regional exploration offices to identify new areas of mineralisation and analyse core samples, while relying on skilled contractors to conduct drilling campaigns.

4 Sustainable Development

Policies and practices that ensure the responsible operation of our business and value creation for stakeholders, without compromising future generations

Strategic focus

Advance and enhance the sustainability of our business

Key pillars

Health	**Safety**
Environment	**Community Relations**

Our licence to operate relies on the effectiveness of our HSECR (health, safety, environment, community relations) policies, procedures, programmes, equipment, training, monitoring, execution and controls; our value creation criteria, and thus executive compensation, encompass sustainability metrics.

With Board-level oversight, we rely on our own executives and staff to develop, train, implement and monitor HSECR policies and programmes, and work closely with employees, contractors, unions, communities, governmental agencies, industry organisations, NGOs and other third parties to ensure that our performance adheres to the standards, needs and aspirations of our stakeholders.

Our Business Model continued
Strategic Enablers: The key inputs required to sustain our value creation model, and Risk Management Framework

Strategic resources

Financial strength and control

Strict control of cash, assets, costs and expenses to retain our competitive position as a low cost producer, ensure operational continuity and deliver shareholder returns.

Experienced management and skilled personnel

Selection, recruitment, training, development, compensation and retention of personnel with the requisite knowledge, skills and experience to execute our strategy.

Technology

Data, tools and systems that support exploration, increase productivity, reinforce sustainability, enhance accountability, and support decision-making and financial planning processes.

Strategic relationships

Contract and unionised labour

Contract and union workers, who comprise approximately 84% of our total workforce, are fully integrated into our employee management systems and training programmes. We rely on their skills and labour for key exploration, development and mining functions to meet our strategic objectives. We are committed to providing a safe, equitable and fair work environment.

We strive to maintain mutually respectful relations with local labour unions through continuous dialogue and collaboration, including yearly contract negotiations with the unionised workforce. To date, Fresnillo plc has not experienced a work stoppage or industrial action as a consequence of labour disputes with the Group, or with Group companies with whom labour unions have collective agreements.

Communities

Healthy community relations require a deep respect for and knowledge of the customs, cultures, needs and expectations of each community where we operate. Engagement efforts begin at the earliest phases of exploration and continue throughout the lifecycle of a project, including beyond mine closure. We invest directly and through partnerships in a range of initiatives that aim to enhance the quality of life and long-term wellbeing of our communities, with a focus on environment, education, health and social integration, entrepreneurship, and social infrastructure.

We are taking a fresh look at our approach to community relations in 2015 to ensure our policies are designed to enhance stakeholder engagement and community development; we are also exploring the possibility of a public health programme.

Suppliers

We negotiate long-term purchase agreements with key suppliers to secure better pricing and ensure timely availability of key equipment, materials and services.

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

Customers

Almost all of the primary products originating from our mines in 2014 were sold to the Met-Mex Peñoles, S.A. de C.V. refining and smelting facility in Torreón, Coahuila (Mexico) under a series of supply agreements that enable us to benefit from relatively low transport costs associated with the proximity of their operations. The terms of the supply agreements with Met-Mex are set on an arm's length basis based on international benchmarks. The Group has sold to other refiners and smelters in the past and may do so in the future if conditions warrant.

Shareholders and note holders

The major shareholder in Fresnillo plc is Peñoles, which holds 75% of the issued share capital of the Company. Peñoles has been the principal investor in Group assets for over 50 years and is committed to our long-term growth and development. Peñoles is also a significant supplier to and customer of the Company, as described herein.

25% of Fresnillo plc shares trade on the London and Mexican Stock Exchanges, and bondholders own US$800 million of Senior Secured Notes due 2023. The Group maintains a regular dialogue with its independent investors and note holders as described in the Corporate Governance Report.

Partners

The Group owns a 56% interest in Minera Juanicipio S.A. de C.V., with MAG Silver Corporation holding 44%; the agreement was entered into for the development of the Juanicipio concession. We also partner with a number of junior exploration companies to conduct early stage prospecting. In 2014, we acquired the 44% interest in Minera Penmont S. de R.L. de C.V. held by Newmont USA.

Membership organisations

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

Authorities and regulators

In Mexico and Peru, we must secure mining concessions from the federal governments in order to explore for and exploit mineral deposits. We are subject to the laws and regulations governing all companies, and those for natural resources and mining companies in particular, including environmental, construction, explosives and labour laws, among others.

As a publicly traded company on the London and Mexico stock exchanges, the Company is subject to issuer requirements from these exchanges as well as financial and regulatory oversight from securities regulators in the UK and Mexico.

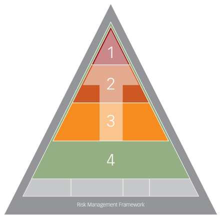
Risk Management Framework

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

Risk identification, assessment and mitigation are performed at all levels of the organisation, including the Board. Risk management processes and internal controls operate across our mine sites, exploration and development projects, and corporate offices, as well as across functional areas including finance, HSECR, human resources, procurement, IT, legal, security and insurance management.

Strategy and KPIs

Our value creation strategy is intrinsically linked to the business model.



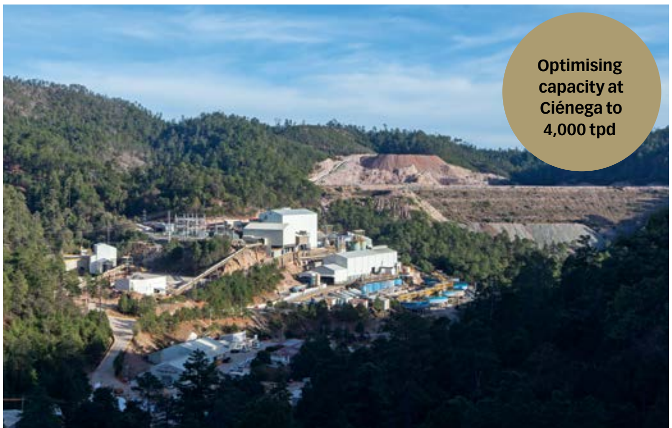
Strategic objective	Strategic priorities	KPIs
1 Operate: Maximise the potential of existing operations		Pages 28-31
Maintain our position as a leading low cost precious metals producer	– Optimise capacity and recovery rates by refining mining methods and beneficiation processes – Replenish reserves – Generate continuous improvements in productivity and cost controls – Leverage expansion opportunities	– Production by metal – Cost per tonne by mine – Productivity by mine (ore milled or moved per person) – Proven and probable reserves by metal
2 Develop: Deliver growth through development projects		Pages 32-33
Advance new projects towards commissioning, while optimising cash flow and returns	– Adhere to strict delivery timelines and capex budgets	– Project delivery against budget/timeline
3 Explore: Extend the growth pipeline		Pages 34-35
Ensure business continuity by expanding total resources and maintaining reserves sufficient for at least ten years of operation	– Allocate funding across metal price cycles – Advance prospects and projects along the exploration pipeline (from early stage to drilling to advanced) – Convert resources to reserves	– Total attributable resources by metal
4 Sustainability: Advance and enhance the sustainability of our business		Pages 36-39
Uphold our licence to operate	– Fully integrate the HSECR System across the organisation – Improve and maintain the health of our people – Eliminate unsafe workplace conditions and behaviours – Enforce and enhance environmental management practices – Engage the communities where we operate – Attract, retain and develop our people	– Fatal injuries – Fatal injury frequency rate – Lost time injury frequency rate – GHG emissions and intensity – Water input and intensity – Community investment
Financial value creation		Pages 40-41
Ensure profitable growth and shareholder returns	– Maintain our competitive low cash cost position – Maintain flexible capital funding options – Maximise free cash flow available for growth and returns	– Cash cost per ounce by mine – EBITDA and EBITDA margin – Cash flow from operating activities before changes in working capital – Earnings per share

1 Operate

Maximise the potential of existing operations

Silver production increased with higher ore throughput and maintenance efficiencies at Saucito and higher volumes at Ciénega, mitigating lower ore grades at Ciénega and Fresnillo, and higher dilution and stope preparation delays at the latter. Gold production benefited from an increase in ore deposited at Noche Buena and higher contribution from Saucito, but the stoppage at Soledad-Dipolos, lower ore grades at Ciénega, and technical and capacity issues associated with the ramp-up of operations at Herradura led to a slight decline in annual production. Strict cost controls contributed to lower cash costs at almost every mine this year.

Productivity indicators improved at Ciénega and Saucito



Optimising capacity at Ciénega to 4,000 tpd

Ciénega mine

Read more on Ciénega
Pages 62-64

What we said we would do in 2014

Optimise capacity and recovery rates by refining mining methods and beneficiation processes

- Increase the rate of stope development at Fresnillo to supply 10,000 tpd throughput
- Deepen the San Carlos shaft to reduce haulage costs from the deeper levels of the mine
- Increase mine development on the Jarillas vein at Saucito in preparation for the Saucito II expansion
- Continue to ramp up capacity to 75,000 attributable gold ounces at Noche Buena (based on 56% ownership; equivalent to 133,929 ounces at 100% ownership)

Generate continuous improvements in productivity and cost controls

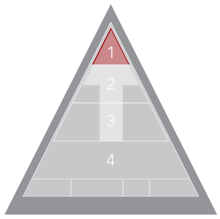
- In underground mines, optimise blasting, reduce ore dilution, increase usage of plants and equipment; at open pit mines, increase haulage efficiency

Replenish reserves

- On-going in-mine and area of influence exploration to increase reserves by converting resources

Leverage expansion opportunities

- Conduct detailed engineering for the pyrites plant, and pending approval, initiate construction in 2H 2014
- Conclude detailed engineering for expansion of milling capacity at Ciénega to 5,000 tpd and initiate construction in 2H 2014
- Evaluate Centauro pit expansion at Herradura; pending approval, initiate stripping activities



What we did in 2014	What we plan to do in 2015
– Fresnillo: increased development to 3,300 metres per month; began preparatory work for deepening San Carlos shaft – Saucito: completed Saucito II expansion – Ciénega: optimised milling capacity to 4,000 tpd (+8.0%) – Herradura: started up new dynamic leaching plant (DLP); worked to resolve issue of excess suspended solids in solution; ramped up mine production post-temporary suspension – Noche Buena: reached full capacity following plant expansion	– Fresnillo: increase development to 4,000 metres per month; continue preparatory works to deepen San Carlos shaft – Saucito: continue to ramp up at Saucito II – Herradura: install second Merrill Crowe plant; increase solution processing capacity – Noche Buena: expand smelting capacity
– Productivity indicators improved at Saucito, Ciénega and Herradura	– Increase efficiency and control costs
– Silver reserves rose 21.3% and gold 45.0% despite lower price assumptions for both metals	– Replenish and increase reserves
– Deferred construction of pyrites plant and Ciénega expansion to 2015 – Evaluated Centauro pit expansion as natural evolution of the main Herradura pit	– Begin construction of pyrites plant as a development project – Conclude evaluation of optimal capacity expansion alternatives at Ciénega; complete engineering and commence construction – Conclude evaluation of the expansion of the Centauro pit at Herradura

1 Operate KPIs

Production

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

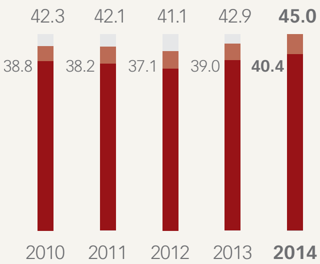
2014 Results

Silver production increased 4.9% resulting mainly from higher ore throughput at Saucito and increased production from the Silverstream, which mitigated lower silver ore grade at Fresnillo and Ciénega.

Attributable gold production decreased 2.4%, reflecting the stoppage of operations at Soledad-Dipolos, as well as lower ore grade at Ciénega, and technical and capacity issues associated with the ramp-up of operations at Herradura. However, an increase in ore deposited at Noche Buena and a higher contribution from Saucito supported gold production levels.

Silver production
Millions of ounces

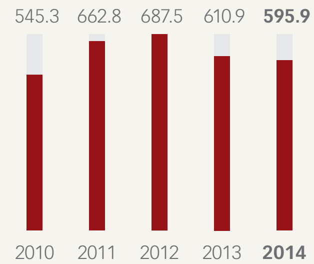
45.0



Graph illustrates silver production from our own mines, with shaded portion representing ounces relating to the Silverstream Contract.

Gold production
Thousands of ounces

595.9



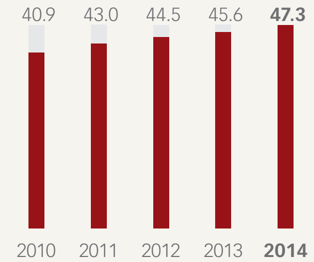
Cost per tonne

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

2014 Results

Fresnillo
US$/tonne milled

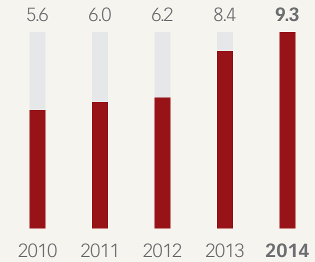
47.3



The increase is due to the lower volume of ore processed, higher fees paid to contractors, more contractors hired to increase development rates, the rise in wages to unionised personnel, increases in the unit prices of diesel and electricity, and maintenance conducted on in-mine equipment.

Herradura
US$/tonne deposited

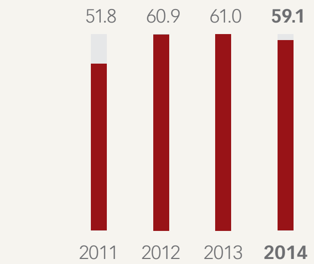
9.3



The increase is due mainly to the additional costs from the start-up of the DLP, a higher stripping ratio, a regrouping of the number of components at the pit, higher unit prices of diesel and electricity, and the increase in contractor fees. These factors were partially mitigated by efficiencies obtained from the increased volumes processed, and the favourable effect of the exchange rate.

Saucito
US$/tonne milled

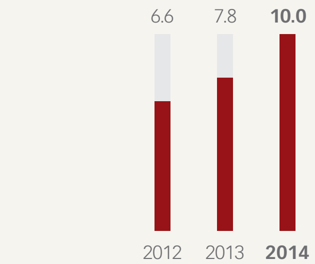
59.1



The decrease reflects economies of scale obtained from the increased volumes of ore processed, and to a lesser extent, the favourable effect of the exchange rate, partially offset by the special mining right, increases in contractor fees and higher insurance fees.

Noche Buena
US$/tonne deposited

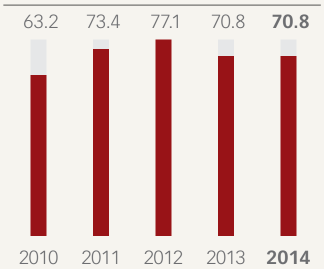
10.0



The increase is mainly due to the higher stripping ratio and higher unit prices of diesel and electricity.

Ciénega & San Ramón
US$/tonne milled

70.8



Unchanged on 2013.

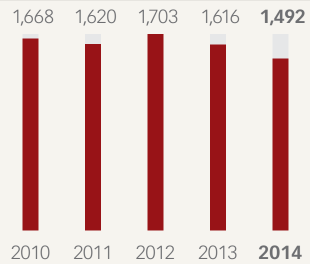
Productivity

Tonnes of ore milled per person, including contractors, at underground mines; and tonnes of ore deposited and waste material moved per person, including contractors, at open pit mines. Figures are provided for mines in commercial operation for the full years 2013 and 2014 for accurate comparability purposes.

2014 Results

Fresnillo
Ore milled per person (tonnes)

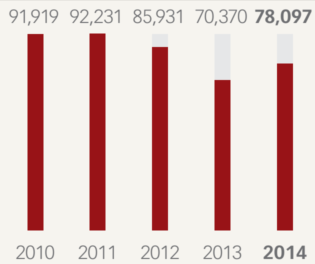
1,492



The decrease is due to the lower volume of ore processed; this was the result of equipment malfunction that led to contractor delays and thus a delay in development works at the mine.

Herradura
Ore/waste moved per person (tonnes)

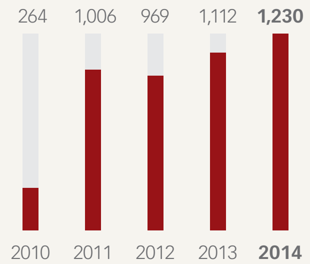
78,097



The increase results from the resumption of operations at this mine and increased volumes of both ore and waste material moved, whereas in 2013 this indicator was affected by the unionised personnel from the Soledad-Dipolos mine who were transferred and absorbed by Herradura for training and to carry out development.

Saucito
Ore milled per person (tonnes)

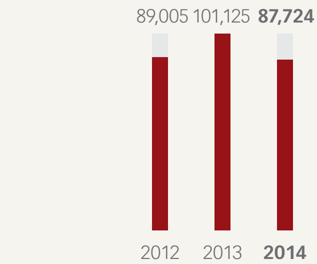
1,230



The increase is due to the additional ore from development activities at Saucito II, which allowed us to process increased volumes of ore.

Noche Buena
Ore/waste moved per person (tonnes)

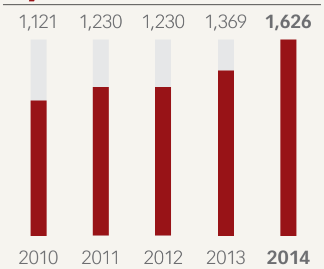
87,724



The decrease was due to the increased number of contractors hired for the expansion of the plant and preparatory works.

Ciénega & San Ramón
Ore milled per person (tonnes)

1,626



The increase is due to optimisation of the milling process.

Proven and probable reserves

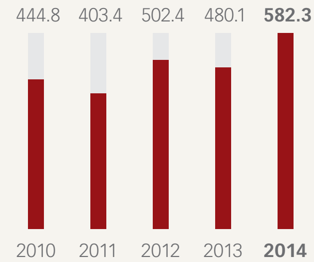
A measure of the quality of the Group's operating assets and our ability to extend the life of operating mines at profitable levels. Our goal is to have 650 million ounces of silver and 7.5 million ounces of gold in reserves by 2018.

2014 Results

Despite lower price assumptions, the first ore reserves estimate at San Julián contributed to the 21.3% rise in silver reserves.

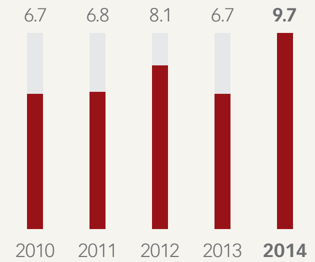
Silver reserves
Millions of ounces

582.3



Gold reserves
Millions of ounces

9.7



2 Develop

Deliver growth through development projects

The Saucito II mine was completed on time and on budget in 2014, and we advanced the development of San Julián towards its planned 4Q 2015 completion. We also initiated construction of a new Merrill Crowe plant at Herradura to increase efficiency and processing capacity.

What we said we would do in 2014

Adhere to strict delivery timelines and capex budgets

- Conclude Saucito II construction and commence operations in 4Q
- Continue construction of the leaching plant and development of the veins at San Julián
- Initiate expansion of milling capacity at Ciénega
- Conclude evaluation for expansion of the Mega Centauro pit; pending approval, initiate stripping activities

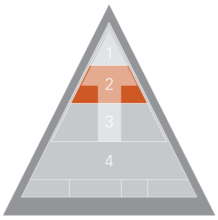
DLP at Herradura completed on time and on budget

Read more on Herradura
Pages 65-67

2 Develop KPIs

Project delivery

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



What we did in 2014

- Delivered Saucito II on time and on budget
- San Julián mine construction on track
- Deferred Ciénega expansion to 2015
- Continued exploration activities at Mega Centauro

What we plan to do in 2015

- Pyrites plant: finalise detailed engineering and commence construction
- Herradura: install second Merrill Crowe plant; increase solution processing capacity
- San Julián: conclude construction of leaching plant; continue mining works at the veins; advance construction of water reservoir and initiate construction of the flotation plant
- Ciénega: conclude evaluation of the optimal capacity expansion alternatives; complete engineering and commence construction
- Mega Centauro: conclude evaluation of Centauro pit as natural evolution of the pit

2014 Results


Saucito II

Original capex budget:
US$
235m

Total capex to date:
US$
180m

Revised budget:
US$
235m

Original timeline:
2013-2016

Variation from timeline:
–6 months: capex reprioritisation led to rapid pace of development and earlier than planned start-up


San Julián

Original capex budget:
US$
500m

Total capex to date:
US$
211m

Revised budget:
US$
515m

Original timeline:
2012-2014

Variation from timeline:
+1 year, revised mid-project, to optimise capex allocation, ensure sufficient water supply for two plants, and to reinforce security

3 Explore

Extend the growth pipeline

The 2014 exploration programme was focused on our mining districts, advanced projects, and new areas with potential. The resource and reserve estimation process was carried out in 19 properties in Mexico and Peru. Despite the lower precious metal prices used, gold resources increased 1.7% in the year, while silver resources decreased 6.2% due to higher cut-off grades and more restrictive geological model in several veins. Good mineralisation at a number of sites warrants continued drilling in 2015.

Gold resources
+1.7%

Exploration remains a top priority

Read more on Exploration
Pages 73-79

What we said we would do in 2014

Allocate continuous funding across metal price cycles

- US$225.0 million budgeted for exploration, including capitalised expenses

Advance prospects and projects along the exploration pipeline

- Advance exploration activities at Cebollitas cluster in the Ciénega District
- Continue exploration at Centauro Deep and Noche Buena; conclude evaluation for expansion of the Mega Centauro pit in the Herradura District

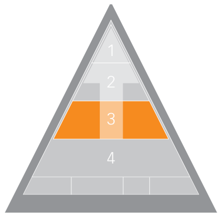
Convert resources to reserves

- Continue to upgrade resources at Saucito to proven and probable reserves in preparation for expansion

3 Explore KPIs

Total resources (attributable)

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



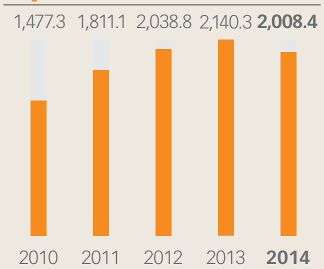
What we did in 2014	What we plan to do in 2015
– US$184.5 million allocated to exploration, with lower contractor costs allowing for similar rates of advancement	– US$170 million budgeted for exploration, including capitalised expenses
– Cebollitas (Ciénega) exploration yielded good results – Las Casas-Rosario veins (Ciénega): initiated preparation of these areas with good progress – Increased resources at Guanajuato – Exercised purchase option at Candameña	– Juanicipio: continue construction of the decline and further geological investigation – Orisyvo: conclude preliminary economic assessment – Las Casas-Rosario (Ciénega): advance vein preparation for 2016 processing – Advance exploration at key sites, including Herradura (Mega Centauro) and Centauro Deep, Ciénega District, Guanajuato, Lucerito, Pilarica
– Upgraded 102 million ounces of silver resources to reserves at San Julián	– Continue our exploration programme to gradually convert resources into reserves at our mines and at key projects

2014 Results

Lower prices and higher cut-off grades and more restrictive geological models in several veins, resulted in a 6.2% decrease in silver resources. However, despite the lower prices, gold resources increased 1.7%, primarily as a result of positive exploration results at Herradura.

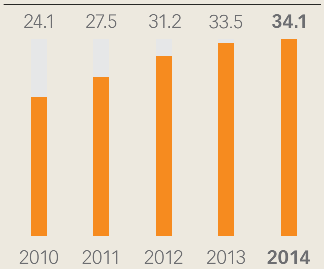
Attributable silver resources
Ounces

2,008.4m



Gold resources
Ounces

34.1m



4 Sustainability

Advance and enhance the sustainability of our business

We advanced the maturity of our HSECR system to 84% (77% in 2013) against our 2011-2016 action plan objectives. Our Integrated Management Systems at Ciénega, Penmont and Fresnillo obtained joint certification in ISO 14001 (Environment) and OSHAS 18001 (Health & Safety). We are on track to achieving a fully integrated HSECR system by our 2016 target.

As one of the leading precious metals companies, we aspire to have a well-established ethics culture, demonstrated by our behaviours and actions. Our ethics and integrity programme included a series of workshops designed to engage our people to do the right thing even when no one is watching. Safety is a value and a moral imperative; we mourned one fatality in the year, and hold ourselves accountable to our commitment of zero fatalities.

Good community relations rely on knowing the community.

Read more on community relations
Pages 92-93

What we said we would do in 2014

Fully integrate the HSECR System across the organisation

- Further advance the maturity of the HSECR system and position IT to support HSECR processes and performance

Improve and maintain the health of our people

- Pursue certification of all operating units in the Occupational Health and Safety Management (OHSAS) 18001 System

Eliminate unsafe workplace conditions

- Zero fatalities
- Certification of all operating units in the OHSAS 18001 System
- Evaluate IT systems to support our safety business processes

Enforce and enhance environmental management practices

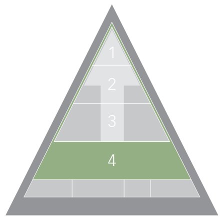
- Obtain Clean Industry certification at Saucito, Cyanide Code at Ciénega
- Review and upgrade energy and climate change, water, land and biodiversity strategies

Engage the communities where we operate

- Conduct a perception/reputation survey and re-assessment of community capabilities and opportunities; include focus groups for the first time in the formal consultation process
- Review and upgrade our community investment strategy and policies

Attract, retain and develop our people

- Conduct workplace satisfaction survey and prepare action plans based on outcomes
- Review and enhance gender diversity initiatives



What we did in 2014	What we plan to do in 2015
– Advanced the maturity level of the HSECR System to 84%, as validated by PwC	– Further advance the maturity of the HSECR system towards a fully integrated system by the 2016 target
– Obtained OHSAS 18001 certification at Penmont, Ciénega and Fresnillo – Obtained the Mexican 'Healthy Company' certification at Penmont and exploration headquarters in Chihuahua	– Enforce occupational health practices of contractors in line with our own policies – Seek 'Healthy Company' and 'Smoke-free Company' certifications in all remaining units
– One fatal injury – Obtained OHSAS 18001 certification at Penmont, Ciénega and Fresnillo – Launched 'SafeStart' programme at Fresnillo and Ciénega to complement existing behavioural safety initiatives	– Zero fatalities – Roll out 'SafeStart' programme across all units
– Submitted Saucito's application for Clean Industry certification; Ciénega to resume Cyanide Code process once capacity expansion is complete – Approached NGOs to launch a review of our water stewardship and biodiversity strategies	– Update contingency response plans, including simulations – Set carbon emissions and water targets – Adapt water stewardship and biodiversity strategies
– Updated community investment priorities, strategy and policies – Conducted a qualitative assessment of community perception; re-assessed opportunities and capabilities	– Match our business units with NGOs to increase collaboration and partnerships on projects to benefit communities – Continue identifying and adopting best practices in stakeholder engagement; consolidate those adopted in 2014
– Gender balance improved; continued identifying and removing obstacles – Conducted a Great Place to Work® survey to assess workplace satisfaction	– Formalise an action plan with feedback from the workplace survey – Advance the ethics and integrity programme by engaging union leaders and training unionised workers

4 Sustainability KPIs

Fatal injuries

Loss of life of any of the Group's employees – full or part-time, direct or subcontracted, union or non-union – during any work-related activities.

2014 Results

Any preventable loss of life is unacceptable. We remain committed to achieving a fatality-free operation.

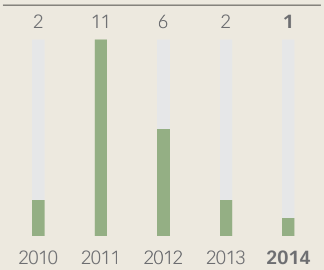
Fatal injuries
Number of fatal injuries to employees or contractors.

Fatal Injury Frequency Rate (FIFR)
Number of fatal injuries to employees or contractors per 200,000 hours worked.

Lost Time Injury Frequency Rate (LTIFR)
The number of lost-time injuries and fatalities per 200,000 hours worked. Lost-time injuries are work-related injuries rendering any of the Group's employees – full or part-time, direct or subcontracted, union or non-union – unable to perform his/her regular duties for one shift or more.

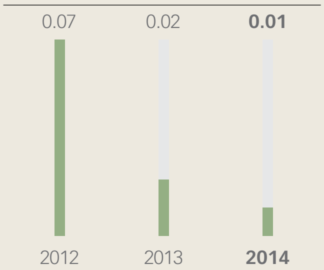
Fatal injuries

1



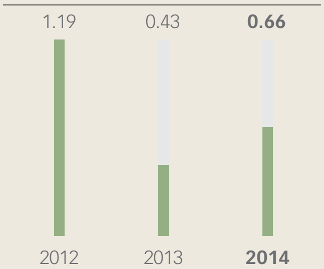
Fatal Injury Frequency Rate (FIFR)

0.01



Lost Time Injury Frequency Rate (LTIFR)

0.66

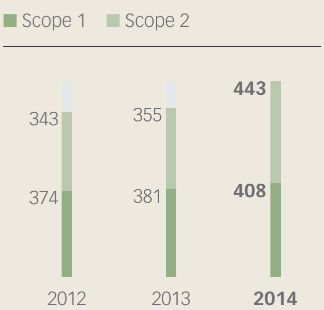


Greenhouse gases

2014 Results

Higher emissions resulting from Scope 1 fuel consumption reflected increased production and longer hauling distances. Higher emissions from Scope 2 electricity purchases were due to the start-up of the DLP at Herradura. As energy intensity increases in our industry, we must identify alternatives to mitigate greenhouse gas emissions.

GHG emissions
Kilo tonnes of CO_2e

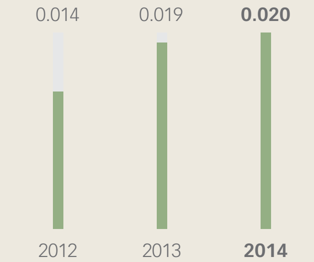


Scope 1 (Direct Emissions):*
Combustion of fuel
(mobile and stationary sources)

Scope 2 (Indirect Emissions):*
Electricity purchased from the Mexican National Grid (CFE) and Thermoelectric Peñoles (TEP)

GHG Intensity
Tonnes CO_2e/tonne processed

0.020



* Note: After thorough review of the 'operating control' criteria of the GHG protocol, we determined that emissions of mining contractors that had previously been reported in Scope 3 should be accounted for and reported in Scope 1. Consequently, Scope 1 emissions and intensity for previous periods have been restated accordingly.

Water input

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

Community investment

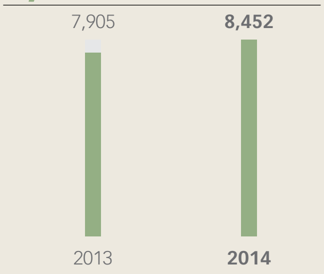
Contributions made to support the communities where we operate, develop projects and explore. Our contributions comprise cash, in-kind support and administration costs. Our efforts target five strategic levers: education, social welfare (public health, social interaction and sports), environmental awareness,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

2014 Results

The rise in water input was driven by an increase in mine water use at Saucito to boost production levels. We adopted a better framework to account for and report water in the mining industry (see 'Water' pages 87-88).

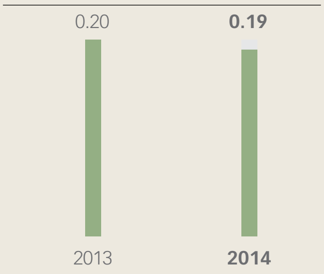
Water input
ML

8,452



Water intensity
m³/tonne of mineral processed

0.19

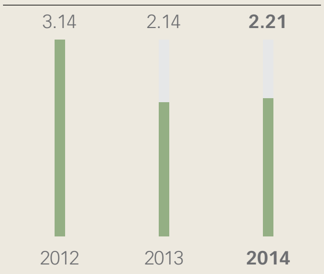


2014 Results

In spite of revenue reductions we increased our commitment to social investment.

Community Investment
US$

2.21m



'Adopt a School'

We have partnered with neighbouring communities in the Herradura district on infrastructure projects: our 'Adopt a School' programme provided infrastructure support to two local schools and we provided additional support to the communities of El Coyote, Desemboque and Alameda.

Read more on community relations at Penmont
Page 67

Financial KPIs

Cash cost per ounce

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

Cash costs overall were affected by higher mining costs as explained in the cost per tonne KPI. Other mine-specific factors are indicated herein. Despite the decline in precious metals prices during the year, both silver and gold prices remained at levels that allowed us to continue operating profitably across our mines.

2014 Results

Fresnillo: Lower silver refining charges; higher by-product credits; and lower profit sharing were partially offset by lower volumes of silver sold, reflecting the decline in ore grade; and the increase in cost per tonne.

Saucito: Lower silver refining charges; higher by-product credits; lower cost per tonne; and the favourable effect of the higher silver grade.

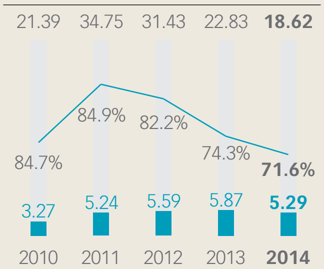
Ciénega: Lower gold grade and lower by-product credits were mitigated by lower silver refining charges and lower profit sharing.

Herradura: Higher gold grades; additional gold ounces from the dynamic leaching plant and recovered from the leaching process; lower unproductive costs; efficiencies obtained from the higher recovery rate and increased speed of recovery; and lower profit sharing. These positive effects were partially offset by the higher cost per tonne.

Noche Buena: Higher cost per tonne; lower gold grade; and higher profit sharing were partially mitigated by lower carrying costs from previous layers, which benefited the average cost at which the gold ounces were being sold in the current year; not incurring unproductive costs this year compared to the previous year; higher by-product silver credits and lower refining charges per ounce.

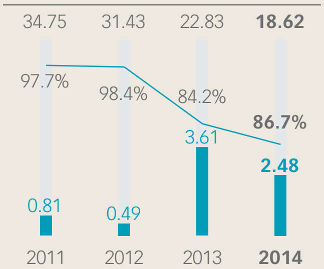
Fresnillo cash cost: silver
US$/ounce

5.29



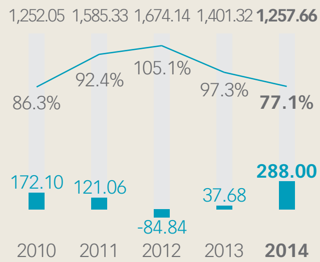
Saucito cash cost: silver
US$/ounce

2.48



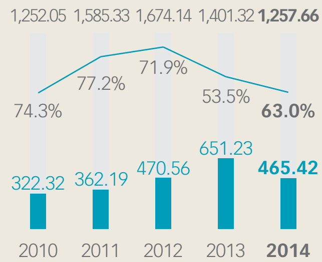
Ciénega & San Ramón cash cost: gold
US$/ounce

288.00



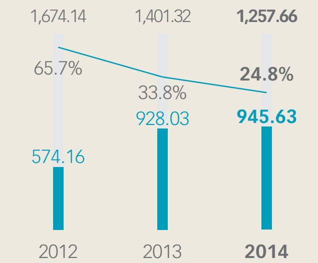
Herradura cash cost: gold
US$/ounce

465.42



Noche Buena cash cost: gold
US$/ounce

945.63



Gold/silver price
Cash cost

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

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

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

2014 Results

Lower gross profit partially mitigated by lower exploration expenses. EBITDA margin declined accordingly, from 45.2% in 2013 to 40.1% in 2014.

Cash flow generated by operations before changes in working capital decreased mainly as a result of the lower profits generated.

Earnings per share excluding post-tax Silverstream revaluation effects

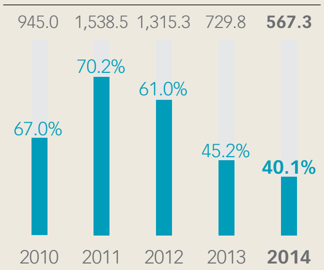
Attributable profit available to equity shareholders, excluding the revaluation effects of the Silverstream Contract divided by the weighted average number of shares in issue during the period. Monitors net profit levels generated for equity shareholders.

2014 Results

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

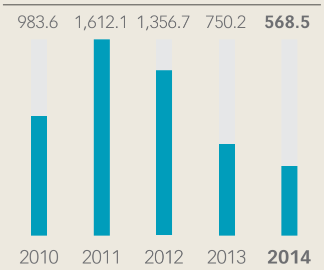
EBITDA and EBITDA margin
US$

567.3m



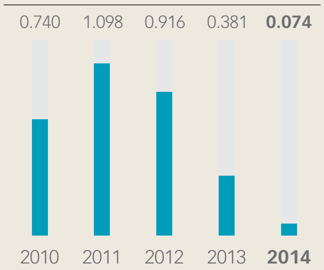
Cash flow
US$

568.5m



Earnings per share
US$

0.074



Managing our Risks

Fresnillo plc recognises that risk is inherent in all business activities. Successful management of these risks, therefore, is key to accomplishing our strategic goals. As such, we maintain a comprehensive risk management framework that serves to identify, assess and respond to our principal risks.

Our approach to risk management is not intended to eliminate risk entirely, but rather to provide the structural means to identify, prioritise and manage the risks involved in our activities.

Specifically, we continue to embed a culture of risk awareness through an effective risk governance structure and increasingly efficient risk management processes within each functional area, including finance, HSECR, human resources, procurement, IT, legal, security and insurance management, as well as across all mine sites, exploration and development projects.

Governance

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

The Audit Committee supports the Board of Directors in monitoring our risk exposures and is responsible for reviewing the effectiveness of our risk management and internal control systems. Internal Audit supports the Audit Committee in evaluating the design and operating effectiveness of our risk mitigation strategies and the internal controls implemented by management.

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

Risk management framework diagram

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

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

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

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

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

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

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

Maturity of the risk management system

The annual and on-going elements of the risk management process have been formalised, including the risk identification, assessment and monitoring processes. We continue working towards embedding a risk management culture amongst all employees, who show increasingly greater awareness.

Key developments in 2014 included: 'risk management' competency being incorporated into annual staff performance reviews and the implementation of software to automate the assessment of risks in all our business units, projects and exploration offices. We continued to report quarterly on key risk indicators (KRIs) for our principal risks in order to detect and analyse trends, thereby allowing us to mitigate them more effectively.

We will continue to build on our existing risk management framework, enhancing risk governance and management across the business in line with the changes to the UK Corporate Governance Code. In order to support the Board responsibilities of i) monitoring and reviewing risk management and internal control systems; ii) satisfying itself that they are functioning effectively; and iii) that corrective action is being taken where necessary, in addition to the permanent risk management activities, our priorities for 2015 are to:

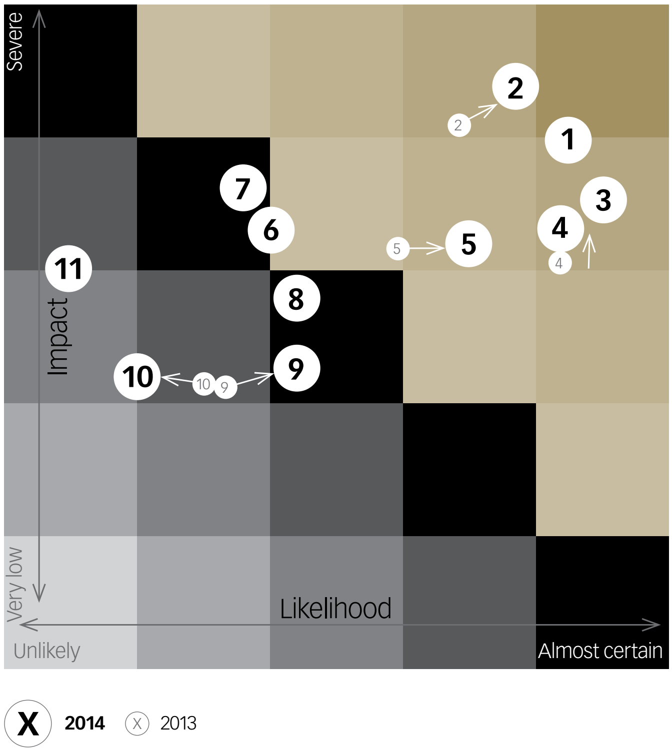
– develop a continuous monitoring process consisting of validating the effectiveness of current controls;
– continue promoting process ownership at the business unit level (first line of defence) through periodic reporting of the effectiveness of controls that mitigate process risks; and
– increase the scope and robustness of the risk framework for project development governance.

2014 risk assessment

The annual risk assessment exercise across all our operations, advanced projects, exploration offices, support and corporate areas identified and evaluated 104 risks in 2014. This universe was narrowed down into major risks monitored by Executive Management and the Audit Committee, and then further consolidated into the principal risks monitored by Executive Management and the Board of Directors.

For the bottom-up process, the teams in charge of each business unit determined the perceived level of risk for their individual unit. Executive Management then reviewed and challenged each perceived level through the evaluation of certain controls and relative risk levels, and compared it to Fresnillo plc's risk universe as a whole. The same risk analysis was conducted on advanced projects, detailing the specific risks faced by each project according to the unique characteristics and conditions of each site.

We believe a number of events in the Mexican mining industry in 2014, including major environmental incidents, on-going land access issues and labour union developments, have the potential to adversely impact the entire industry. As such we determined that certain risks facing Fresnillo plc have changed; the risk rating levels have increased for potential actions by the government, public perception against mining, and access to land; we also designated union relations as a separate principal risk from human resources, within which it had previously been included. As with all our key risks, the Board and the Executive Committee continue to closely follow these.



Risk*

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

* Bold text indicates those risks which have changed during 2014.

Managing our Risks continued

Current order (change from 2013)	Risk	Risk appetite	Risk rating 2013	Risk rating 2014	Change	Description of risk change
1. (1)	Impact of global macroeconomic developments	High	Very high	Very high	=	Most industry and financial analysts who follow metal prices continue to foresee lower average silver and gold prices for 2015 and high volatility in their five-year forecasts.
2. (2)	Access to land	Medium	Very high	Very high	▲	There has been a significant increase in the number of conflicts between mining companies and landowners, both in Mexico and internationally. In Mexico specifically, examples include Ejido leaders who blocked access to mines, demanding the renegotiation of their land agreements; and local communities who blocked facilities or access routes, demanding to renegotiate the sale of their lands, or increased rent for their land or water infrastructure supply. Additionally, judicial authorities in Mexico are more proactive in the social arena, placing more emphasis on citizens' rights issues, thereby increasing litigation risk in the industry.
3. (3)	Security	Low	Very high	Very high	=	Although we have not experienced any material adverse impacts on our operations, the general state of insecurity in areas near our operations and exploration projects remains negative as in previous years.
4. (4)	Potential actions by the government, e.g. implementation of a tax on mining companies in Mexico, more stringent regulations for obtaining permits etc.	Low	Very high	Very high	▲	The impact of the environmental incident in which acid solution spilled into the Bacanuchi river (Sonora, Mexico) has been, and we expect will continue to be, considerably negative for the entire mining industry in Mexico. Moreover, the timing of the incident was concurrent with the Mining Law review, and combined with other prevailing political interests, led to proposed amendments to the law on environmental liability, with a view to raising sanctions and preventing environmental accidents from going unpunished. This issue has become more of a focus for the media than politicians; our advisers do not consider the new Mining Law a priority for politicians in the 2015 state elections. Stricter environmental protocols could make it more difficult to obtain and maintain environmental impact permits. Increased sanctions may vary from fines to permanent suspension of mining concessions. We also expect greater involvement and pressure from the three levels of government (federal, state and municipal) for the conduct and enforcement of environmental affairs.

Current order (change from 2013)	Risk	Risk appetite	Risk rating 2013	Risk rating 2014	Change	Description of risk change
5. (5)	Public perception against mining	Low	High	High	▲	The rise of social activism is a growing issue within the global mining sector, with the potential to impact all our strategic areas as well as our ability to maintain the social licence to operate within the communities near our operations. There have been several examples impacting other mining companies in Mexico. In addition, an increasing number of organisations and social and academic groups against mining are demanding the closure of certain mining operations, including the use of civil disobedience to pressure authorities.
6. (6)	Projects (performance risk)	Medium	Medium high	Medium high	=	Our strict investment governance process and system of capital project controls remain in place, safeguarding our ability to deliver growth through development projects on time and on budget. Overall we feel there is sufficient availability of equipment, machinery and contractors within the industry, and with the information available we do not expect additional cost pressure.
7. (7)	Safety	Low	Medium high	Medium high	=	We have continued to reinforce our safety strategy while our major accident indicators (including fatalities) are improving; however, we have not reached all our safety goals for the remaining indicators.
8. (8)	Exploration	Medium	Medium	Medium	=	Continued investment in exploration puts this risk on a stable level, and we foresee no change in status based on available information.
9. (previously included in HR risk)	Union relations	Low	N/A	Medium low	◆	In August 2014, the Fourth Collegiate Court of Criminal Law determined that the warrant against the leader of the 'National Workers Union of the Mining, Metallurgic, Steel and Similar of the Mexican Republic' was unconstitutional and he was fully acquitted. Fresnillo's relations with the 'National Workers Union of the Mining and Metallurgic Napoleón Gómez Sada' could be affected as a consequence of the actions that the former leader might take. Furthermore, 14,000 workers have left the 'National Workers Union of the Mining, Metallurgic, Steel and Similar of the Mexican Republic' and set up their own union 'National Mining Partnership', thus there is additional uncertainty regarding the impact of inter-union politics on Fresnillo.
10. (9)	Human resources	Medium	Medium low	Low	▼	Competition for skilled personnel has become less intense and we continue to see results from our on-going university recruitment activities and employee retention strategies.
11. (10)	Environmental incidents	Low	Low	Low	=	Our environmental management system, environmental expenditures and training of personnel are key factors to reduce the risk of major preventable incidents.

Risk description and context	Risk response/mitigation	Risk and strategy
1. Impact of global macroeconomic developments		
There could be an adverse impact on our sales and profit, and potentially the economic viability of projects, from macroeconomic developments such as: – A decrease in precious metal prices (primary driver of the risk); this was the case for silver and gold in 2014, with a decline of 18.5% and 10.3% respectively, in their annual average price over the previous year. – Continued volatility in gold and silver prices. – Adverse fluctuations in MXN/USD exchange rates or other foreign currencies. – General inflation in Mexico, which was 4.08% in Mexican pesos in 2014; the specific inflation affecting the Company was 1.6% in US dollar terms. – A decrease in the price of by-products. This was the case for lead in 2014 with a decline of 3.8% in the annual average price over the previous year.	Fresnillo´s hedging policy remains guided by the principle of providing shareholders with full exposure to gold and silver prices. However, following shareholder approval for the acquisition of 44% of Penmont (and associated companies), we initiated a one-off hedging programme to protect the value of the investment made in the acquisition, using a collar structure to allow partial exposure to gold prices. The volume associated with this phased hedging programme is strictly limited to up to the 44% on production at the acquired Penmont assets and will not be extended to other assets in the Group. For more details, see Financial Review page 97. Fresnillo is not precluded from entering into derivatives to minimise its exposure to changes in the prices of lead and zinc by-products. In 2014, the Group entered into a zero cost collar structure to mitigate the risk related to the sale of lead and zinc, hedging 2,261 tonnes and 8,911 tonnes respectively. See note 33 in the Financial Statements page 214. Furthermore, we have hedging policies in place for foreign exchange risk, including currencies impacting equipment purchase commitments denominated in euros and Swedish krona. The Company entered into a number of foreign exchange contracts with a closing position of (US$121) thousands of euro-denominated forward contracts and (US$359) thousands of Swedish krona-denominated contracts. See note 33 in the Financial Statements page 213. In response to inflationary pressures we engage suppliers in long-term contracts to maintain our position as a low cost producer and control the impact of the rising cost of our main inputs.	**Link to strategy** 1 Operate 2 Develop 3 Explore **Key risk indicators** – Gross profit sensitivity to % change in metals price – EBITDA sensitivity to % change in metals price
2. Access to land		
Given our growth strategy and exploration plan, failure or significant delays in accessing the surface over our mineral concessions and other land of interest is a persistent risk with a potentially high impact on our objectives. Potential barriers to land access include: – Rising expectations of land owners. – Refusal to acknowledge prior land acquisition terms and conditions by members of an agrarian community. – Influence of multiple special interests in land negotiations. – Conflicts in land boundaries with an often arduous resolution process. – Succession issues among land owners resulting in a lack of clarity about the legal entitlement to possess and sell land. – Litigation risk i.e. greater activism by judicial authorities. Furthermore, insecurity and conflicts in our exploration/operation areas increase the complexity of land access.	Fresnillo plc acquired 481 hectares of surface land for the San Julián project and 321 hectares of surface land for other exploration projects/prospects in 2014. To maximise our opportunities for successful land access we: – Plan well in advance for land requirements and acquisitions (e.g. anticipating any issues with a potential land purchase before intensive exploration). In certain areas of interest, leasing agreements with purchase options are negotiated. – Foster strong community relations through investment in community programmes and infrastructure. Such investments totalled US$2.21 million in 2014. – Always seek tri-party cooperation between the government, community and ourselves in securing access to land. – Early involvement of the community relations teams during negotiation and acquisition processes. – As previously reported, the Company continues to conduct a comprehensive review of the legal status of its land rights in order to mitigate or eliminate litigation risk. This review is on-going and certain legal aspects have been identified. We are in the process of implementing measures to manage this risk on a case-by-case basis. As part of these measures, in November 2014, the Company purchased the land known as 'Cerro de la Herradura', which forms part of the Penmont unit, working with the agrarian community to extract the land from the agrarian domain and placing it into the commercial domain ('dominio pleno'). – Continue working with our land negotiation teams, comprising six negotiators hired directly by Fresnillo and seven provided by Peñoles as part of the service agreement.	**Link to strategy** 1 Operate 2 Develop 3 Explore **Key risk indicators** – Percentage of land required for advanced exploration projects that has been purchased (overall and by project) – Total US$ and percentage of project budget spend on HSECR activities, including community relations (at projects and exploration)

Risk description and context	Risk response/mitigation	Risk and strategy
3. Potential actions by the Government		
We face the risk of implementation of new governmental requirements that will have an adverse impact on us, such as the Mexican Tax Reform as well as the special mining right approved in 2013, or other potential, not yet materialised, new or more stringent ecological or explosives regulations (e.g. banning open pit mining, the use of cyanide etc.). The potential likelihood of new ecological regulation is currently highly uncertain. However, stricter regulation on explosives is expected, due to the link with security risk and misuse by criminal groups.	There are several legislative initiatives that have been presented to the Chamber of Deputies and to the Chamber of Senators. There is a threat of a more stringent Mining Law; however, due to political timing, our advisers believe that in 2015 the initiatives with potential to cause more impact to the mining industry will not be a priority on the political agenda. Notwithstanding, we continue to actively participate in industry and government meetings and events to continuously monitor the political and regulatory environment. To mitigate the risk of governmental actions we underwent a corporate restructuring to re-group our assets. We collaborate with other members of the mining community via the Mexican Mining Chamber to lobby against new detrimental taxes/royalties or regulations. We also support the industry's lobbying efforts to improve the general public's understanding of the Mining Law. At the same time we strive for maximum resilience by maintaining low cost of production and a strong capital position. We maintain strict controls on receiving, handling, storing and dispatching explosives in each of our operations and projects.	**Link to strategy** 1 Operate 2 Develop 3 Explore 4 Sustainability **Key risk indicators** – Number of media mentions related to mining regulations (i.e. tax/royalties/banning of mining activities in protected areas) and profile of those quoted (political parties, government officials, etc.)
4. Security		
Our people face the risk of kidnapping, extortion or harm due to security conditions in the regions where we operate. We face the risk of restricted access to operations/projects and theft of assets. The growing influence of drug cartels, other criminal elements and general lawlessness in the regions where we operate, combined with our exploration and project activities in areas of transfer or cultivation of drugs, makes working in these areas of particular risk for us.	We closely monitor the security situation, maintain clear internal communications and coordinate work in areas of higher insecurity, along with the following practices to manage our security risks and prevent possible incidents: – We maintain close relations with authorities, including army encampments installed nearby our operations. We also reinforce our relationship with the army secretariat at the regional level in order to align and coordinate efforts. – Travel management e.g. travel in convoy, use aircraft versus land travel (when possible) and avoid known insecure areas. – In 2014 we defined a minimum standard of technological and physical security measures that would be implemented in 2015 in all of our business units. – We defined a profile for security personnel (internal and contractors) to improve the efficiency of our security strategy. – We continued to utilise logistics controls in 2014 to further reduce the probability of theft of mineral concentrate, including the use of real-time tracking technology and the use of guard services and control checkpoints in a 'safe corridor', and reduced authorised stops in order to optimise delivery times and reduce convoys to exposure. – We invest in community programmes, infrastructure improvements, and government initiatives to support development of lawful local communities and discourage criminal acts. – In order to ensure the security of our personnel, access to the San Nicolás del Oro prospect remains suspended because of the state of insecurity in Guerrero state, and we have also postponed certain prospecting activities in certain regions of Michoacán.	**Link to strategy** 1 Operate 2 Develop 3 Explore 4 Sustainability **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

Risk description and context	Risk response/mitigation	Risk and strategy
5. Public perception against mining		
Public opinion globally is increasingly concerned with the potential adverse social and environmental consequences of opening and developing mining operations. This growing sentiment manifests itself through increased regulatory obligations for mining companies and increased social activism by communities and other grass roots organisations.	Communities are our strategic partners and having their trust requires understanding and engaging with them effectively and being accountable for our impact. Our programme for community engagement includes: – Conducting community perception studies across all our operating units. These perception audits have allowed each of the business units to update their social risks and opportunities. – Following the guidelines set out by the International Finance Corporation and the International Council of Mining and Metals. – Implementing a state-of-the-art information system to support community relations and social investment, which includes analysis and logs of activities organised by the Company for the communities, and contribution requests made by the communities. – Monitoring public opinion within local and international media (newspapers, radio stations, local channels). – Working with communities at an early exploration stage to understand their needs and communicate the benefits of developing and operating a mine in terms of social welfare and quality of life. – Flawless environmental behaviour is key to maintain communities' trust. – The Company collaborates with peers in the international and Mexican mining community to pursue an industry response to this risk.	**Link to strategy** 1 Operate 2 Develop 3 Explore 4 Sustainability **Key risk indicators** – Number of local actions by NGOs or other local social groups against mining, by region – Number of actions by NGOs or other local social groups against mining in the Americas

Risk description and context	Risk response/mitigation	Risk and strategy

6. Projects

Risk description and context

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

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

Risk response/mitigation

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

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

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

In 2012, the Board approved the San Julián silver-gold project with an investment of US$515 million; San Julián is expected to produce an average of 10.3 million ounces of silver and 44,000 ounces of gold per year once at full capacity. At the end of 2014, the physical advance was 45%, according to plan; the expenses incurred and committed were on budget. The major risk factor specific to this project is to determine a sufficient water supply for when the mine becomes operational; the Company has begun to develop engineering plans as well as obtaining permits for the construction of a dam and/or a deep well.

In 2013 the Board approved the Saucito II project with an investment of US$235 million; Saucito is expected to produce 8.4 million ounces of silver and 35,000 ounces of gold per year once at full capacity. In December 2014, the treatment plant commenced operations, and we expect to ramp up production according to plan in 2015.

At the Centauro Deep project exploration continued in 2014, but additional exploration activities are required to accurately define the ore bodies. The major risk driver at the Orisyvo project is metallurgical recovery. We continue researching and performing tests on mineral processing options.

Risk and strategy

Link to strategy

2 Develop

Key risk indicators

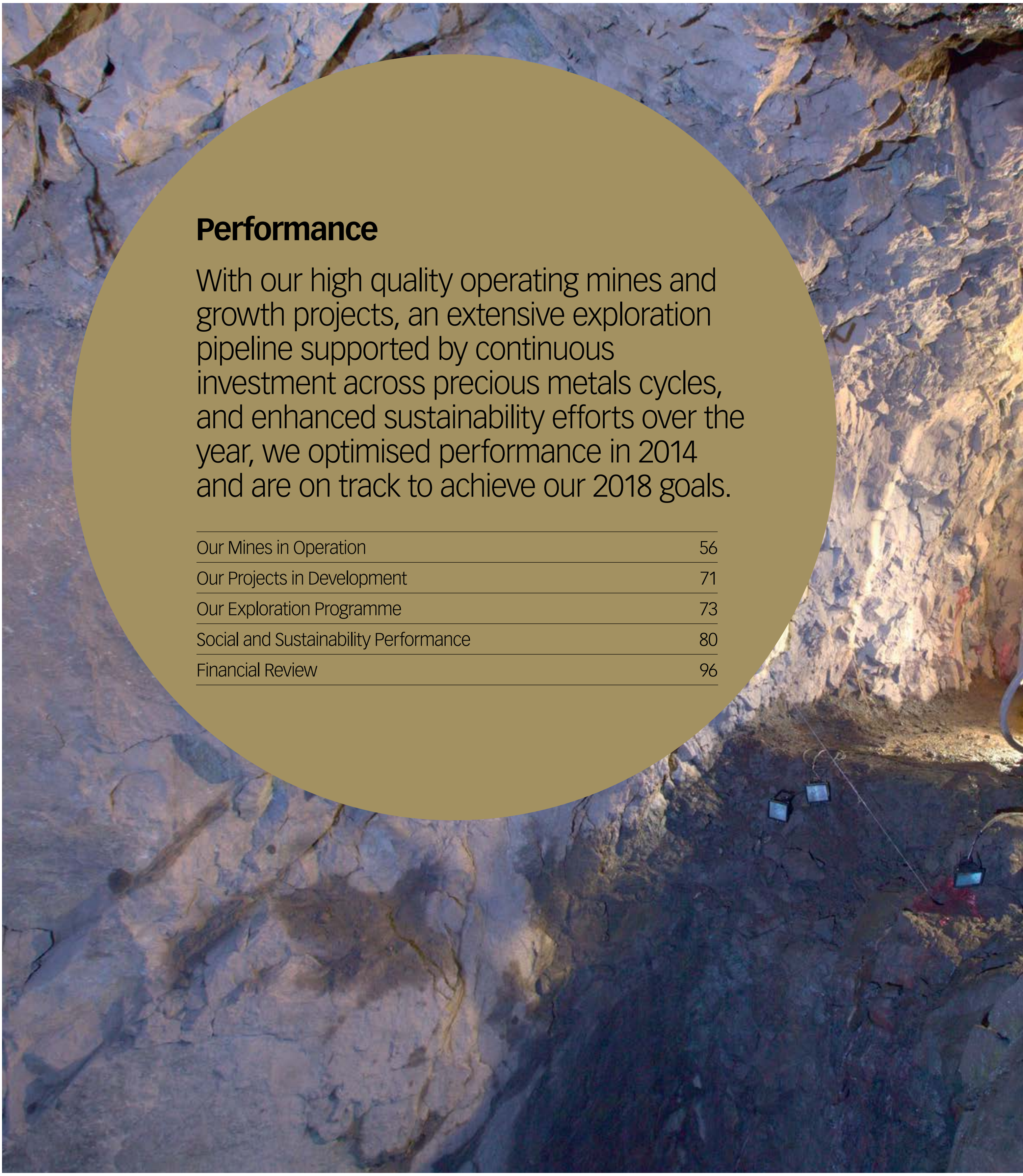
- Earned value (rate of financial advancement rate vs physical advancement)
- Percentage of major equipment ordered and received according to plan
- Percentage of completion of mine development

Risk description and context	Risk response/mitigation	Risk and strategy
7. Safety		
Inherent to our industry is the risk of incidents due to unsafe acts or conditions causing injuries or fatalities to our people. Our people face risks of fire, explosion, electrocution and carbon monoxide poisoning, as well as risks specific to each mine site and development project, for example rock falls caused by geological conditions, collisions of equipment in large operations, cyanide contamination, collisions between equipment and people and smaller vehicles.	We are committed to offering a safe workplace to our workers and contractors. We aspire to a safety culture where our personnel have the knowledge, competence and desire to work safely. Our strategy is based on: – Managing our knowledge of safety through identifying and analysing risks, evaluating controls, performing situational assessments, and monitoring performance. – Engaging our stakeholders through the 'No more accidents' process, which has become a permanent programme to reinforce the safety culture. This programme includes 'Leaders for Safety', 'Behavioural Change', 'Operational Discipline', 'Rules that Save Lives' and Comprehensive Accident Investigation. – Launching initiatives to embed safety in our culture. Safety culture is routinely monitored to assess the attitudes, behaviours and disciplined elimination of unsafe conditions. In 2014 the Total Recordable Injury Frequency rate slightly increased to 3.77 (vs 3.22 in 2013, however compared with 4.66 in 2012, we achieved a better performance) and the Lost Time Injury Frequency Rate increased to 0.66 (vs 0.43 in 2013, and 1.19 in 2012). Other mitigating activities include: – Implementing, with the support of DuPont, the 'SafeStart' project which focuses on the human factors that are involved in the majority of incidents and injuries. – Training, for both employees and contractors. The average of workforce training in 2014 was 87 hours, of which 57 were related to HSECR training. See 'Safety' pages 83-85 for more on our safety strategy.	**Link to strategy** 4 Sustainability **Key risk indicators** – Safe behaviour index = percentage of work observed that is executed safely (in accordance with the Company's safety procedures) – Unsafe conditions eliminated index = percentage of unsafe conditions observed and recorded that have been eliminated – Operational procedures availability index = percentage of required safety procedures that are available

Risk description and context	Risk response/mitigation	Risk and strategy
8. Exploration		
We are highly dependent on the success of the exploration programme to meet our targets in terms of strategic value-creation and our long-term production and reserves goals. Risk factors that may impact prospecting and converting inferred resources (apart from the growing level of insecurity and access to land) include not having a robust portfolio of prospects in our pipeline with sufficient potential in terms of indicated and inferred resources, and insufficient concession coverage in target areas. Also there could be a risk of losing purchase opportunities due to insufficient speed in decision-making. As our production escalates and more mines approach the end of their lives, it becomes increasingly challenging to replenish their reserves.	Exploration expenses in 2014 totalled US$185 million, below budget; this was in accordance with the Group's decision to reduce exploration expenses in light of current market conditions. Our exploration objectives for 2015 include a budgeted risk capital invested in exploration of approximately US$170 million, with 30% to be spent in operating mines and 38% in advanced exploration projects. We also ensure we have: – A focus on increasing the regional exploration drilling programmes to intensify exploration efforts in the districts with high potential. – For local exploration, aggressive in-field exploration to upgrade the resources category and to convert inferred resources into reserves. – A team of highly trained and motivated geologists, both employees and long-term contractors. – Advisory technical reviews by international third party experts – up-to-date and integrated GIS databases, remote sensing imagery and software for identifying favourable metallogenic belts and districts to be field-checked by the team. – Drill-ready high priority projects. Given the good results we have achieved at Candameña this year, we exercised the option to acquire 100% of the project in Chihuahua and drilling has resumed on this open pittable gold-silver target. During 2014 we revised our portfolio of concessions and determined that some did not have the expected potential; thus we voluntarily relinquished 332,743 hectares in order to focus our efforts on areas of greater potential. See 'Exploration' pages 73-79 for more on our exploration programmes and investment.	**Link to strategy** 3 Explore **Key risk indicators** – Drill programmes completed (overall and by project)
9. Union relations		
Although we have a risk of union action or degradation of union relations at some sites, our overall relationship continues to strengthen; however, internal union politics could impact us negatively.	We have clearly assigned responsibilities and programmes for maintaining close relationships with unions at mine site and at the national level. We engage experienced legal counsel, both internal and external, to support us. We are proactive and timely in our responses to the needs of the unions, and experienced no labour-related work stoppages in 2014. We will continue closely monitoring union and labour developments.	**Link to strategy** 1 Operate 2 Develop **Key risk indicators** Not applicable

Risk description and context	Risk response/mitigation	Risk and strategy
10. Human resources		
Our people are critical to delivering our objectives. We face risks in selecting, recruiting, training and retaining the people we need. The lack of reliable contractors with adequate infrastructure, machinery, performance and skilled people is also a risk that might affect our ability to develop and construct mining works.	**Recruitment:** We assessed our hiring requirements for key positions in the 2012-2018 period, and aim to meet openings through internal training and promotion, and by recruitment through: – Our close relationships with universities offering earth sciences programmes (we have dedicated programmes to identify potential candidates based on performance, who may be hired as interns and/or residents on graduation). – CETEF (Centre for Technical Studies Fresnillo) which teaches specific mining operational skills; ten of the 12 graduates from 2014 joined the Company as full-time employees. We welcomed the new cohort of mining technicians with 13 students who will graduate in 2015. – CETLAR (the Peñoles Centre for Technical Studies) which trains mechanics and electrical technicians; five of the 2014 graduates joined the Company as full-time employees. We expect to receive nine students in 2015. **Retention:** We provide a stable labour environment, strong corporate culture committed to our people, good working conditions, competitive benefits and career development opportunities. **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 62 of our contractor companies in their integration into the Self-Management Programme on Safety and Health at Work (PASST), promoted by the Mexican Secretariat of Labour and Social Welfare (STPS).	**Link to strategy** 1 Operate 2 Develop 3 Explore 4 Sustainability **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

Risk description and context	Risk response/mitigation	Risk and strategy
11. Environmental incidents		
Inherent to our industry is the risk of environmental incidents such as overflow/collapse of tailing dams, cyanide spills and dust emissions, among others, any of which could have a high potential impact on our people, communities and business.	Our environmental management system ensures effective compliance with Mexican regulations, ensures transparency and supports initiatives that reduce our environmental footprint. The Group was recognised with the GEI2 national award for the disclosure and auditing of its greenhouse gas inventory. Additionally, we disclosed our performance in the water and climate change programmes of the Carbon Disclosure Project. See 'Environment' pages 86-91 for more results on our environmental strategy and indicators. At the end of December 2014, 72 m³ of rich leaching solution with a cyanide concentration of less than 20 parts per million leaked from the leaching pads of Noche Buena. This leakage was appropriately contained, employing our internal environment protocols without impact to any water channels, streams or natural soil. Mexican environmental authorities inspected the site and stated that the Company "acted properly when implementing the standards established in the International Management Cyanide Code." All our mining units are certified under ISO 14001 and have Clean Industry certification except for Saucito, which advanced in the process of obtaining both and is expected to do so in 2015. The efforts to integrate Health, Safety and Environment under a single integrated management system brought the first positive outcomes with Ciénega becoming the first business unit to achieve a joint certification in OSHAS 18001-ISO 14001. The Herradura mine is certified in the International Cyanide Management Code while at Ciénega the process is on hold, set to resume once expansion at the processing plant is complete. We rigorously adhere to the requirements established by each project's environmental permit (Environmental Impact Manifest). We also continue to support contractors in their efforts to integrate environmental management systems.	**Link to strategy** 4 Sustainability **Key risk indicators** – Number of business units (BUs) with ISO 14001:2004 certification – Number of BUs with Clean Industry certification – Number of BUs with International Cyanide Code certification – Number of BUs with OSHAS 18001: 2007 certification – Number of BUs integrated into the Self-Management programme of the Mexican Secretariat of Labour and Social Welfare (STPS) – Number of environmental permits for all advanced exploration projects (according to schedule)



Performance

With our high quality operating mines and growth projects, an extensive exploration pipeline supported by continuous investment across precious metals cycles, and enhanced sustainability efforts over the year, we optimised performance in 2014 and are on track to achieve our 2018 goals.

Review of Operations

The challenges encountered this year provided us with an opportunity to adapt, innovate, modify and enhance our operations such that our long-term outlook is secure.

We produced a record 45.0 million ounces of silver in 2014 (including the Silverstream) mainly as a result of higher ore throughput and maintenance efficiencies at Saucito and greater contribution from the Silverstream; these factors more than offset the expected lower ore grade at Fresnillo and higher dilution and development delays in some of that mine's stopes, as well as lower than expected silver ore grade at Ciénega.

Gold production of 596 thousand ounces declined slightly from 2013, mainly as a result of the stoppage of operations at Soledad-Dipolos and the expected lower ore grade at Ciénega, as well as technical and capacity issues associated with the ramp-up of operations at Herradura; an increase in ore deposited at Noche Buena and higher contribution from Saucito supported gold production levels.

We took vital steps to increase development rates and mitigate the decrease in ore grades at Fresnillo; optimised milling capacity at Ciénega; started up the dynamic leaching plant at Herradura and ramped up production at the mine following the temporary explosives suspension from the previous year, putting in place the steps to address technical and capacity issues in 2015; acquired Newmont's 44% stake in Penmont, consolidating our position in one of Mexico's richest gold belts; and ramped up capacity at Noche Buena following an expansion of the processing plant.

Our development projects advanced according to plan, with the completion of Saucito II on time and budget, and construction advancing at San Julián toward its expected commencement in 4Q 2015. Exploration mainly focused on areas of influence at current operating mines and key exploration projects, with notable findings at Mega Centauro, Centauro Deep, Guanajuato and Rodeo. Despite the lower price assumptions used to estimate resources and reserves, gold resources and reserves increased 1.7% and 45.0% respectively; silver reserves rose 21.3% and resources declined 6.2%.

We also obtained OHSAS 18001 certification at Fresnillo, Penmont and Ciénega, an international occupational health and safety standard; implemented safety action plans following situational assessment audits at every unit; adopted new industry best practices in stakeholder engagement within our communities; and improved the gender balance in our operations.

Despite the increase in unit prices of key materials such as diesel and electricity, as well as the 5.5% increase in wages paid in Mexican pesos, our focus on efficiency gains and cost controls, combined with the benefit of the 4.1% devaluation of the average Mexican peso/US dollar exchange rate, allowed us to reduce cash cost per ounce of metal produced at almost every mine this year, maintaining our position as a low cost producer.

Fresnillo

Fresnillo is the largest primary silver mine in the world and one of the world's oldest continuously operating mines; it produced 44.7% of the Group's total silver in 2014, compared to 53.1% in 2013, and generated 29.8% of adjusted revenue.

Average silver ore grades have continued their natural and expected declines, exacerbated by higher dilution and contractor delays. To stabilise production throughout the remaining mine life, we plan to adjust mining methods and blasting techniques as required, increase the development rate to regain flexibility at operating stopes, continue preparing the mine for expansion, adapt the plant to process higher lead and zinc grades, increase recovery rates by processing tailings, continue exploration, and ensure a sufficient number of trained contractors operating effectively with adequate machinery.

2014 highlights

Adjusted revenue
US$
460.3m

Capital expenditure
US$
175.9m

Segment profit
US$
271.9m

Exploration
US$
5.6m

Ownership: **100% Fresnillo plc**	Location: **Zacatecas**
In operation since: **1554**	Mine life (years): **10.2** (2013: 11.8)
Facilities: **Underground mine and flotation plant**	
Milling capacity (2014): **8,000 tpd/2,640,000 tpy**	
Workforce: **930 employees, 830 contractors**	

	2014	2013	% change
Mine production			
Ore milled (kt)	**2,625**	2,703	(2.9)
Silver (koz)	**20,098**	22,764	(11.7)
Gold (oz)	**35,676**	33,079	7.9
Lead (t)	**13,888**	15,552	(10.7)
Zinc (t)	**15,199**	14,914	1.9
Total reserves			
Silver (moz)	**229.25**	277.55	(17.4)
Gold (oz)	**550,000**	667,000	(17.5)
Average ore grade in reserves			
Silver (g/t)	**266**	271	(1.8)
Gold (g/t)	**0.64**	0.65	(1.5)
Cut-off grade (g/t Ag Eq)	**165**	125	32.0
Total resources			
Silver (moz)	**752.98**	800.16	(5.9)
Gold (moz)	**1.56**	1.69	(7.7)
Average ore grade in resources			
Silver (g/t)	**354**	358	(1.1)
Gold (g/t)	**0.73**	0.76	(3.9)
Cut-off grade (g/t Ag Eq)	**103**	83	24.1


100 women group

We partnered with local authorities to strengthen collaboration with the '100 women group'. The group, comprising women from neighbouring communities, participated in a variety of activities including an entrepreneurship course, handcrafting, psychological and legal advice.

Read more on our community relations
Pages 92-93

What we said we would do in 2014

Increase development rate to 3,300 metres per month

Conduct detailed engineering for the pyrites plant; pending approval, initiate construction in 2H 2014

Start the engineering to deepen the San Carlos shaft in order to reduce haulage costs and gain access to deeper ore reserves

What we did in 2014

Increased rate of stope development to 3,320 metres per month; however, access to several stopes was limited by contractor delays

Took measures to increase development rates and mitigate decrease in ore grades

Commenced detailed preparatory engineering for the pyrites plant; approved

Began basic engineering and preparatory mining works for deepening the San Carlos shaft

Obtained OHSAS 18001 certification

What we plan to do in 2015

Further increase rate of development at Fresnillo to 4,000 metres per month

Finalise detailed engineering of pyrites plant and commence construction

Continue preparatory works to deepen San Carlos shaft

Expand tailings dam

2014 Adjusted revenue US$
460.3m
–21.8%

2014 Capex US$
175.9m
+9.3%

Key developments in the year

Annual silver production fell 11.7% from its 2013 level mainly due to lower ore grades, from 285 g/t in 2013 to 258 g/t in 2014. This was due to:

- the expected natural decline in silver ore grade;
- higher dilution in some stopes at the San Carlos and San Mateo areas due to rock conditions; and
- limited access to a number of stopes at the San Carlos, San Mateo and San Alberto areas as a result of the delay in development activities; this was due to contractor delays caused by equipment malfunction.

In contrast, gold production in 2014 increased 7.9% due to higher ore grades and, to a lesser extent, higher recovery rates.

We are confident that we have clearly identified the measures necessary to address the issues experienced at Fresnillo, and have appointed an external consultant to verify our findings. To control dilution we will minimise the height of mine stopes (banks), conduct further blasting training and decrease stope lengths to improve precision in the drilling activities. Additional contractors were brought on to increase development rates and ensure the continuity of development activities.

Over the year, we increased development rates to 3,320 metres per month; however, access to a number of stopes was limited due to the aforementioned contractor delays. We expect to increase the rate of development to 4,000 metres per month in 2015, ahead of the capacity expansion at Fresnillo to 10,000 tpd. In addition, we plan to finalise the detailed engineering for the pyrites plant and commence its construction, as well as continue the preparatory works to deepen the San Carlos shaft, a project that is expected to conclude in 2018 (four years of construction).

We expect silver ore grades to average approximately 250 g/t in 2015, and approximately 265 g/t in the long term. We expect the volumes of ore milled in 2015 to increase due to efficiencies in the milling process and the additional volumes of ore processed from the development works at the mine.

Silver contained in resources decreased by 5.9% to 753.0 million ounces whilst in terms of reserves, silver content decreased by 17.4% to 229.3 million ounces. This resulted from the 7.7% decrease in silver price used to calculate reserves and resources, as well as delayed development.

Capital expenditures

Total capex of US$175.9 million in 2014 was allocated mainly to mine development and sustaining capex. This figure does not include mining works at San Julián and acquisition of equipment at Orisyvo (wholly owned by Minera Fresnillo) where US$112.3 million and US$1.2 million, respectively, were invested in 2014.

In 2015 capex will be allocated to equipment replacement, preparation of new stopes and the continuation of preparatory works to deepen the San Carlos shaft, which will reduce haulage costs and increase access to ore reserves at deeper levels of the mine. Based on the progress of mine stope development, we expect to commence the expansion of milling capacity in 2015 and commercial production to start in 2017. This will include the adjustments necessary to process higher lead and zinc ore grades.

The construction of a pyrites plant to increase gold and silver recovery from tailings at Fresnillo and Saucito is discussed in more detail on page 72.

Our Mines in Operation continued
1 Operate: Maximise the Potential of Existing Operations

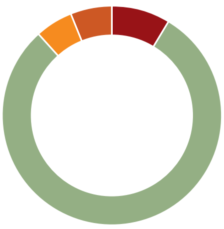
Financial performance

Adjusted revenue, excluding inter-segment sales, declined 21.8% to US$460.3 million due to the 18.4% decrease in the price of silver and 10.1% decline in silver volumes sold.

Productivity decreased due to the lower volume of ore processed; this was the result of equipment malfunction that led to contractor delays and thus a delay in development works at the mine. The lower volumes processed impacted cost per tonne milled at this mine, which increased 3.7% over 2013, to US$47.3. In addition, the 8.1% increase in fees paid to contractors in Mexican pesos, and the higher number of contractors hired to increase development rates, further affected cost per tonne. Other factors impacting this indicator were the 5.5% rise in wages in Mexican pesos to unionised personnel, increases in the unit prices of diesel and electricity and maintenance conducted on in-mine equipment. These increases were mitigated by the 4.1% devaluation of the average Mexican peso/US dollar exchange rate.

Cash cost per silver ounce decreased 9.9% to US$5.3 (2013: US$5.9). Margin per ounce decreased 21.8% to US$13.3, and expressed as a percentage of silver price declined to 71.6% in 2014, from 74.3% in 2013.

Adjusted revenue (%)
US$
460.3m



Gold	8.7
Silver	79.7
Lead	5.7
Zinc	6.0

Adjusted production costs (%)
US$
124.2m

Operating materials	20.3
Contractors	19.5
Personnel	19.4
Electricity	17.4
Maintenance	14.7
Others	5.2
Diesel	2.4
Freight	0.9

Fresnillo mine

Social and sustainability highlights

Health

Our rehabilitation facilities have led to a reduction in the recovery times of injured workers at Fresnillo. The unit obtained the 'Smoke-Free' certification and we made progress in the 'Healthy Company' certification. We provided support to a local hospital with equipment for an early stimulation facility to treat children with disabilities, and encouraged the adoption of healthier lifestyles with a group of employees who joined a pilot programme focused on changing habits for weight loss. A vaccination campaign was implemented in neighbouring communities to prevent influenza among the vulnerable population (children and elderly).

Safety

Our Integrated Health, Safety and Environmental Management System was certified in OHSAS 18001 and ISO14001. DuPont's 'SafeStar' programme commenced with a situational assessment to detect behavioural aspects relevant to safety. DuPont consultants trained a group of trainers among our employees who then delivered 7,264 training hours for employees and contractors. In addition, the 'Walking together' workshop trained 150 supervisors to further develop their decision-making skills. Supervisors received further training in the 'STOP' and 'Operating Discipline' programmes. Training efforts also targeted the safety coordinators of contractors and the members of the Health and Safety Commissions.

Environment

Our Environmental Management Unit (UMA) continued collaborating with local authorities to provide temporary shelter to animals confiscated by the environmental protection authorities. The ecological park, a reclaimed tailing pond complex, and the UMA obtained the 'Environmental Quality' certification awarded by the Mexican Authorities. The Fresnillo mine is regularly visited by national and local authorities interested in reclamation best practices. In 2014, our operation was visited by the National Environmental Prosecutor and representatives of the Water and Forest authorities. The use of wastewater from the municipality of Fresnillo contributes to minimising the use of fresh water in our processes.

Community relations

We partnered with local authorities to strengthen collaboration with the '100 women group'. The group, comprising women from neighbouring communities, participated in a variety of activities including an entrepreneurship course, handcrafting, psychological and legal advice. A 5K run was organised to strengthen the bonds of the community, attracting 1,000 runners. We maintained our commitment to support education with infrastructure, and formalised the mechanism to contribute to the construction of schools.

Saucito

Saucito, along with the Saucito II expansion, is one of the Group's key growth drivers and critical to achieving our 2018 production target of 65 million ounces of silver.

Our efforts are currently focused on ramping up Saucito II towards full capacity by ensuring the efficient development of new areas, accelerating the conversion of resources to reserves in order to maintain a mine life of at least ten years, and constructing a third tailings dam to support the expanded operations.

Ownership: **100% Fresnillo plc**	Location: **Zacatecas**
In operation since: **2011**	Mine life (years): **6.0** (2013: 8.8)
Facilities: **Underground mine and flotation plants**	
Milling capacity (2014): **3,000 tpd/990,000 tpd (nominal capacity)**	
Workforce: **1,150 contractors**	

	2014	2013	% change
Mine production			
Ore milled (kt)	**1,535**	1,182	29.9
Silver (koz)	**15,397**	11,581	33.0
Gold (oz)	**57,227**	45,177	26.7
Lead (t)	**9,967**	5,605	77.8
Zinc (t)	**10,501**	4,509	132.9
Total reserves			
Silver (moz)	**115.57**	128.53	(10.1)
Gold (oz)	**500,000**	600,000	(16.7)
Average ore grade in reserves			
Silver (g/t)	**389**	384	1.3
Gold (g/t)	**1.70**	1.80	(5.6)
Cut-off grade (g/t Ag Eq)	**216**	145	49.0
Total resources			
Silver (moz)	**447.18**	517.99	(13.7)
Gold (moz)	**1.64**	2.05	(20.0)
Average ore grade in resources			
Silver (g/t)	**352**	363	(3.0)
Gold (g/t)	**1.29**	1.44	(10.4)
Cut-off grade (g/t Ag Eq)	**136**	98	38.8

2014 highlights

Adjusted revenue
US$
372.5m

Capital expenditure
US$
114.4m

Segment profit
US$
235.0m

Exploration
US$
3.2m

Plant nursery at Saucito

As progress was made in the construction of the next tailings dam, species collected from the area were relocated to the slopes of the embankments and other appropriate locations within our facilities.

Read more on our environmental initiatives
Pages 86-91

1 Operate: Maximise the Potential of Existing Operations

What we said we would do in 2014

- Conclude construction of Saucito II in 4Q 2014
- Increase development mainly in the west area of the Jarillas vein
- Convert resources to reserves
- Obtain Clean Industry and ISO 14001 certifications

What we did in 2014

- Saucito II plant commenced operations on time and on budget in 4Q 2014
- Mine development on the Jarillas vein at Saucito was increased in preparation for the Saucito II expansion; additional material was processed from these development activities, partly at the Fresnillo beneficiation plant
- Reserves decreased as a result of lower price assumptions, despite significant conversion of resources into reserves
- Advanced process to obtain Clean Industry and ISO 14001 certifications

What we plan to do in 2015

- Continue development at Saucito II to support ramp-up; we now expect to reach full capacity ahead of the three-year timeframe previously anticipated
- Continue converting resources into reserves
- Initiate construction of the third tailings dam
- Obtain Clean Industry and ISO 14001 certifications

2014 Adjusted revenue US$
372.5m
+14.2%

2014 Capex US$
114.4m
+60.7%

Key developments in the year

Annual silver production increased 33.0% to 15.4 million ounces, as a result of higher ore throughput due to additional material processed from the development activities at Saucito II; part of this material was also processed at the Fresnillo beneficiation plant (236,000 tonnes). This additional volume enabled us to take advantage of available capacity at the Fresnillo beneficiation plant, and efficiencies in the Saucito plant.

Saucito II successfully commenced operations on time and on budget in the fourth quarter of 2014, with an incurred capex of US$180 million as of December 2014. The remaining US$55 million for the total anticipated capex of US$235 million is expected to be spent in 2015 on in-mine development. Saucito II will contribute an additional 8.4 million ounces of silver and 35,000 ounces of gold per year once at fully capacity, which we now expect to reach ahead of the three-year timeframe previously anticipated. The total production at Saucito (including Saucito II once at full capacity) is expected to average approximately 20 million ounces of silver and 75,000 ounces of gold per year.

In 2015, the average silver ore grade at Saucito is expected to be around 290 g/t and going forward, is expected to average approximately 350 g/t.

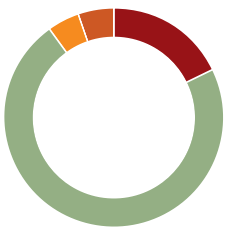
Silver reserves decreased 10.1% as a result of lower price assumptions, despite significant conversion of resources into reserves. Similarly, gold reserves decreased by 16.7% as a result of the lower price assumptions and lower gold ore grade encountered in the mine development on the Saucito vein.

Capital expenditures

Capital expenditures totalled US$114.4 million which were primarily allocated to the construction of the flotation plant at Saucito II and mine development, and the remainder to acquire components for in-mine equipment.

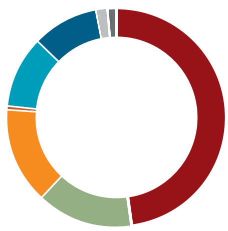
In 2015, capex will be allocated to mining works and sustaining capex. In the future we will evaluate a project to further increase milling capacity at Saucito through an investment in shaking tables.

Adjusted revenue (%)
US$
372.5m



Gold	17.8
Silver	72.3
Lead	4.8
Zinc	5.1

Adjusted production costs (%)
US$
90.8m



Contractor	47.9
Operating materials	14.3
Electricity	14.1
Diesel	0.7
Maintenance	10.5
Others	9.6
Personnel	1.7
Freight	1.3

Financial performance

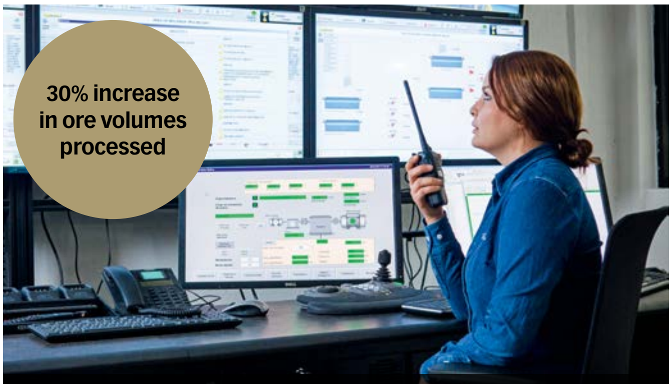
Adjusted revenues at Saucito increased by 14.2% to US$372.5 million as a result of the 32.6% increase in silver sales volume, which was partially offset by the adverse effect of lower metal prices. The mine's participation in consolidated silver revenues rose from 29.9% in 2013, to 37.7% in 2014, underscoring Saucito's growing importance to the Group's silver profile. Gold remains an important revenue driver for the mine, however its participation to Saucito's revenue decreased from 24.1% in 2013 to 17.8% in 2014.

Saucito is operated by contractors, which affects the mine's cost structure, including certain operating materials, depreciation and diesel included in the cost of contracting.

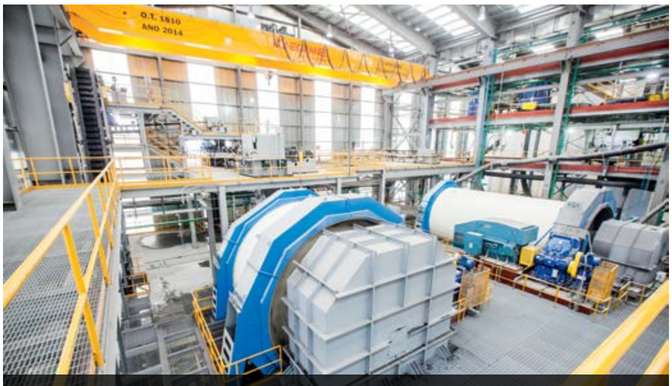
Productivity increased in the year due to the additional ore from development activities at Saucito II, which allowed us to process increased volumes of ore.

Cost per tonne decreased 3.1% to US$59.1 as a result of the economies of scale obtained from the increased volumes of ore processed, and to a lesser extent, the favourable effect of the exchange rate. This was partially offset by the adverse effect of the special mining right, the 7.0% increase in contractor fees, and the higher insurance fees paid as a result of higher premiums in exchange for lower deductibles and the increased risk of flooding due to the presence of additional water in the mine.

Cash cost per silver ounce decreased to US$2.5 per ounce (2013: US$3.6 per silver ounce). Margin per ounce decreased 16.1% from US$19.2 in 2013 to US$16.1 in 2014, whilst expressed as a percentage of silver price the margin was 86.7%.



Controlling the beneficiation plant at Saucito


Saucito II plant

Social and sustainability highlights

Health

We implemented regular check-ups for our workforce and launched a campaign to complete their vaccination schedule. The rehabilitation facility has resulted in shorter recovery times from accident injuries that otherwise would need to be treated in the public health system.

Safety

We have engaged our contractors by organising cross audits, whereby contractors visit the workplaces of other contractors to detect deviations and opportunities for improvement. The 'Operating Discipline' programme has been an area of focus, with positive progress. Implementing alcohol tests as a requirement to enter the facilities of Saucito has shown a positive effect on safety performance.

Environment

As progress was made in the construction of the next tailing pond, species collected from the area were relocated to the slopes of the embankments and other appropriate locations within our facilities. We made progress in our management system in order to work towards the ISO 14001 certification. In addition, we completed the application process to obtain Clean Industry certification. The optimisation of beneficiation processes has allowed for a reduction in the use of water per tonne of mineral processed. Real-time monitoring systems allow us to dynamically adapt the dosage of flocculants, optimising water clarification.

Community relations

We engaged with our communities in partnership with local authorities by offering workshops to develop handcrafting skills, and launched a project to develop family orchards for self-consumption, funding the irrigation system and providing training and regular follow-ups from an agronomist. We aided community leaders in their request for local authorities to build a sewage system for Saucito and Valdecañas.

1 Operate: Maximise the Potential of Existing Operations

Ciénega

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

In order to maintain equivalent gold production and compensate for lower average gold ore grade compared to historical levels, we have optimised milling capacity and are evaluating various alternatives for an expansion of the plant. We are intensifying exploration at other areas of influence such as the Cebollitas cluster, which are expected to contribute as satellite mines to Ciénega's production in the future. We plan to build a new tailings dam (#3) to support increased operating levels.

2014 highlights

Adjusted revenue
US$
206.0m

Capital expenditure
US$
37.9m

Segment profit
US$
97.0m

Exploration
US$
27.6m

Ownership: **100% Fresnillo plc**	Location: **Durango**
In operation since: **1992**	Mine life (years): **11.4** (2013: 11.9)
Facilities: **Underground mine, flotation and leaching plant**	
Milling capacity (2014): **4,000 tpd/1,340,000 tpy**	
Workforce: **467 employees, 358 contractors**	

	2014	2013	% change
Mine production			
Ore milled (kt)	**1,341**	1,242	8.0
Silver (koz)	**4,075**	4,240	(3.9)
Gold (oz)	**108,211**	112,053	(3.4)
Lead (t)	**4,736**	4,811	(1.6)
Zinc (t)	**6,000**	5,459	9.9
Total reserves			
Silver (moz)	**75.32**	67.38	11.7
Gold (oz)	**890,000**	809,000	10.0
Average ore grade in reserves			
Silver (g/t)	**154**	142	8.5
Gold (g/t)	**1.82**	1.71	6.4
Cut-off grade (g/t Ag Eq)	**196**	177	10.7
Total resources			
Silver (moz)	**142.40**	144.04	(1.1)
Gold (moz)	**1.58**	1.61	(1.9)
Average ore grade in resources			
Silver (g/t)	**148**	141	5.0
Gold (g/t)	**1.64**	1.58	3.8
Cut-off grade (g/t Ag Eq)	**156**	124	25.8


New clinic in Ciénega

The new clinic commenced operations with the capacity and equipment necessary to provide basic healthcare to our workforce, contractors and the community.

Read more on our health initiatives
Pages 81-82

What we said we would do in 2014

- Continue optimising milling capacity to reach 4,000 tpd by year end
- Evaluate and initiate construction on milling capacity expansion to 5,000 tpd
- Conclude engineering and initiate construction of the third tailings dam
- Continue exploration of the Cebollitas cluster with direct mine development work
- Initiate mine development at Rosario-Las Casas

What we did in 2014

- Optimised milling capacity to reach 4,000 tpd
- Initiated evaluation of the expansion at different capacity levels
- Concluded engineering for the tailings dam; applied for the environmental permits
- Exploration of the Cebollitas cluster continued with a 1.2 kilometres access tunnel developed to reach the Taspana vein
- Mine development advanced at Rosario (95%) and Las Casas (50%)
- Obtained OHSAS 18001 certification
- The Cyanide Code certification process is on hold and will resume once capacity expansion of the plant is complete

What we plan to do in 2015

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

Key developments in the year

Annual gold production decreased 3.4% from 2013 as a result of the expected lower ore grade that reflected the depletion of higher gold ore grades and wider stopes, as well as higher dilution. These effects were partially mitigated by an increase in ore processed, resulting from the optimisation of the milling process via the addition of a tertiary crusher, increased pumping capacity and longer residence time at the flotation tanks.

Silver production decreased 3.9% with lower ore grades resulting from increased dilution due to narrower veins at San Ramón. However, this effect was partly mitigated by an increase in ore processed.

As expected, average gold ore grade decreased in the year, from 2.9 g/t in 2013 to 2.6 g/t (–10.3%), and silver ore grade fell 10.7% to 108.5 g/t. The average gold ore grade for 2015 is expected to be around 2.1 g/t, and the average silver ore grade around 120 g/t. Gold ore grades are expected to continue declining over time towards the reserve grade of 1.8 g/t.

We continued our exploration of the Cebollitas cluster in the year, with direct mine development mainly at the Taspana vein, and advanced development at the Rosario-Las Casas areas. Additional resources were also converted to reserves at the San Ramón vein. This resulted in a 9.9% and 11.8% increase in gold and silver reserves respectively.

Based on the results of our exploration programme and the potential seen at the Cebollitas cluster, we have decided to defer the expansion, and evaluate the increase in the milling capacity at different levels ranging from 5,000 tpd to 6,000 tpd. This evaluation and engineering are expected to be concluded in 2015, with construction commencing immediately thereafter.

We submitted permit applications for the construction of the tailings dam; however, this process has taken longer than expected due to stricter industry-wide protocols in place following environmental incidents in the year (See 'Country environment' page 21).

2014 Adjusted revenue US$
206.0m
–17.8%

2014 Capex US$
37.9m
–36.1%

Our Mines in Operation continued

1 Operate: Maximise the Potential of Existing Operations

Capital expenditures

Capital expenditures declined 36.1% from the previous year, to US$37.9 million, with resources allocated to development and mine work at Ciénega and surrounding areas, optimisation of the milling process, and replacement of equipment. Capex in 2015 will be allocated to conclude the evaluation and engineering to expand milling capacity, initiate the construction of the third tailings dam, and mining works.

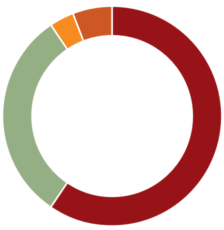
Financial performance

Adjusted revenue decreased 17.8% to US$206.0 million in 2014, reflecting lower volumes of gold, silver and lead sold and the decrease in gold and silver prices. Ciénega is the Group's most polymetallic mine, as evidenced by the 40.5% contribution from silver, lead and zinc (2013: 41.3%).

Productivity continued to increase in 2014 due to optimisation of the milling process. Cost per tonne milled at Ciénega remained unchanged at US$70.8 reflecting the positive impact of the 8.0% increase in ore milled and the devaluation of the Mexican peso/US dollar exchange rate. These benefits were offset by i) the 12.4% increase to contractor fees in Mexican pesos negotiated as part of the regular annual review; ii) higher personnel costs due to the 5.5% rise in wages, overtime paid, and training in safety ('SafeStart' programme, see 'Safety' pages 83-85; iii) the special mining right; and iv) higher consumption of some reagents due to the increased volumes of oxides processed.

Cash cost per gold ounce increased to US$288.0. Margin per ounce decreased from US$1,363.6 in 2013 to US$969.7 in 2014, whilst expressed as a percentage of gold prices the margin decreased to 77.1% (2013: 97.3%).

Adjusted revenue (%)
US$
206.0m



Gold	59.5
Silver	31.2
Lead	3.6
Zinc	5.7

Adjusted production costs (%)
US$
95.0m

Contractors	39.4
Operating materials	20.0
Personnel	13.6
Electricity	9.7
Diesel	1.3
Maintenance	7.9
Others	5.8
Freight	2.3

Social and sustainability highlights

Health

A campaign for the early detection of cervical cancer was launched amongst women from local communities and the families of our employees. In collaboration with the local health authorities we implemented two campaigns to complete the vaccination schedule of our workforce and the wider community. The new clinic commenced operations with the capacity and equipment necessary to provide basic healthcare to our workforce, contractors and the community. We continued to work with local schools to raise awareness of personal and oral hygiene, contraception and dehydration. The 'Alert-On' programme continued, with alcohol and drug testing, and we emphasised the monitoring of those employees and contractors working at higher elevations.

Safety

Ciénega became the first unit of the group with an Integrated Management System certified in ISO 14001 and OHSAS 18001. In addition, Ciénega became the second unit deploying DuPont's 'SafeStart' programme to address human factors leading to accidents.

Environment

We increased the size of our Sustainable Forest by 100 hectares, planting 100,000 trees and adding 124 filter strips to streams in our area of influence. We reclaimed 6,000 m^2 of waste rock piles and relocated 117 endemic trees. Wastewater recycling and reuse in our operation has helped reduce discharges to the Carmen Creek.

Community relations

We raised environmental awareness amongst our people and the local communities by celebrating World Environment Day with visits to the sustainable forest, drawing contests and talks. The children's reading room installed in our library hosted reading sessions for children and youngsters. As in previous years, we sponsored cultural and sport activities and a horse parade as part of the Our Lady of La Ciénega festival. We partnered with the Cultural Institute of the State of Durango to bring artists to perform during the festivities. To further develop the skills of local entrepreneurs, we organised a workshop in partnership with the Pro-Employment Foundation.

Herradura

Herradura is one of Mexico's largest open pit gold mines and in 2014, we consolidated our position in the Herradura District with the acquisition of the 44% interest in Penmont (and associated companies) previously held by Newmont USA Ltd. The mine recommenced full operations in March 2014 following a temporary explosives suspension as a result of a court order regarding the Ejido El Bajío litigation impacting the Soledad-Dipolos mine.

We conducted an extensive infill drilling campaign and continued to evaluate the expansion of the Centauro pit, seeing it as the natural evolution of the current mine pit. We will conduct on-going exploration at the Centauro Deep project (below the main pit of Herradura, which has the potential to be developed as an underground mine), as well as at the mine's areas of influence and across the District. Given the vast potential of the District, any evaluation of capacity expansion will take into account expected future production.

2014 highlights

Adjusted revenue
US$
342.7m

Capital expenditure
US$
63.1m

Segment profit
US$
170.3m

Exploration
US$
14.7m

Ownership: **Minera Penmont** (100% Fresnillo Group following the 2014 acquisition of Newmont USA Ltd's 44% interest in Penmont and associated companies)

Location: **Sonora**

In operation since: **1997** Mine life (years): **9.4** (2013: 7.4)

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

Workforce: **1,270 employees, 392 contractors**

	2014	2013	% change
Mine production			
Ore deposited (kt)	**22,305**	14,363	55.3
Silver (koz)	**679**	299	127.1
Gold (oz)	**265,564**	264,562	0.4
Total reserves			
Gold (moz)	**5.32**	2.71	96.3
Average ore grade in reserves			
Gold (g/t)	**0.79**	0.80	(1.3)
Cut-off grade (g/t Ag Eq)	**Multiple**	0.30	–
Total resources			
Gold (moz)	**6.79**	5.13	32.4
Average ore grade in resources			
Gold (g/t)	**0.79**	0.71	11.3
Cut-off grade (g/t Ag Eq)	**Multiple**	0.30	–

All figures include 100% ownership of the Penmont assets

One of Mexico's largest open pit gold mines

Herradura at sunrise

Our Mines in Operation continued
1 Operate: Maximise the Potential of Existing Operations

What we said we would do in 2014

- Conclude evaluation for expansion of the Mega Centauro pit; pending approval, initiate stripping activities
- Increase the resource base at the Centauro Deep project
- Increase the overall resource base through extensive exploration
- Conclude OHSAS 18001 certification process

What we did in 2014

- Acquired full ownership of the Minera Penmont assets
- Resumed production at Herradura in March 2014 post temporary explosives suspension
- Start-up of dynamic leaching plant (DLP) in March 2014
- Ramped up production; however, inventories built up due to processing capacity constraints
- Resolved issue of excess suspended solids in solution at DLP
- Continued exploration activities at Mega Centauro and Centauro Deep
- OHSAS 18001 certification obtained at Penmont

What we plan to do in 2015

- Install a second Merrill Crowe plant, partly taken from inactive operations at Soledad-Dipolos
- Expect to reach 'steady state' by 4Q 2015
- Construct eleventh leaching pad at Herradura
- Conclude evaluation of the expansion of the Centauro pit as the natural evolution of the pit
- Continue exploration at Centauro Deep to prepare a preliminary economic assessment

Key developments in the year

In March 2014 full operations resumed at Herradura following a temporary explosives suspension as a result of a court order regarding the Ejido El Bajío litigation process. In the same month, we saw the start-up of the dynamic leaching plant at the mine.

Full year gold production (having acquired full ownership of the Penmont assets) remained at similar levels to 2013 (+0.4%) as a result of the gold production ramp-up at Herradura, the contribution of ore processed at the DLP following its start-up, and higher ore grade. These factors mitigated the adverse impacts of: i) expected lower production from the heap leaching process during its ramp-up to the pads reaching their 'steady state' post the temporary suspension of explosives; ii) an excess of suspended solids in solution resulting from the start-up of the new DLP; and iii) the need to increase processing capacity at Herradura in order to efficiently process the solution produced at both the pads and the DLP.

2014 Adjusted revenue US$
342.7m
–9.7%

2014 Capex US$
63.1m
–51.3%

In 2015 we plan to install a second Merrill Crowe plant at Herradura, partly taken from the currently inactive operations at Soledad-Dipolos. The total expected capital expenditure for this project is estimated at US$24.5 million. The production process is expected to reach 'steady state' status by 4Q 2015, with average annual output at Herradura, via heap leaching and DLP, estimated at 360,000 ounces.

Gold ore grades at Herradura increased from 0.61 g/t in 2013 to 0.72 g/t in 2014. For 2015, grades are expected to remain at similar levels to those seen in 2014 and to average 0.72 g/t through the remaining life of the pit, with small fluctuations depending on the timing of the potential Mega Centauro and Centauro Deep projects.

In 2014 we continued to evaluate the Mega Centauro project. Based on current information and subject to concluding our evaluation and obtaining approval, we now see this major expansion as the natural evolution of the pit with an increased life of mine, albeit with slightly lower weighted average grades reflecting the combined grade from heap leaching and DLP. Stripping activities and preparatory works are expected to commence in late 2015 with production expected in 2019.

Exploration at the Centauro Deep project continued in 2014 but additional exploration activities are required to accurately define the ore bodies.

Gold reserves and resources increased 96.3% and 32.4% respectively due to infill drilling and the revised parameters in calculating the deep ore in the pit.

Capital expenditures

Capital expenditures decreased 51.3% to US$63.1 million in 2014, with funds allocated to stripping activities at the Centauro pit, purchase of surface land, sustaining capex and technical adjustments to the plants.

Exploration expenses of US$14.7 million were incurred to intensify drilling activities at the Centauro pit and its surrounding areas in order to fully assess the viability of the expansion of this mine.

Gender diversity at Penmont

At 12%, Penmont has the largest participation of women among our units. Here we see an operator at the new DLP.

Read more on our people
Pages 94-95

Financial performance

Adjusted revenue decreased 9.7% to US$342.7 million due to lower prices.

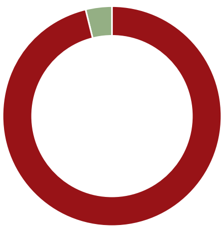
Adjusted production costs increased in absolute terms reflecting the additional months in operation, compared to 2013, given that normal operations were disrupted for two and a half months in 2014 compared to five and a half months in 2013. Certain unproductive costs incurred in 1Q 2014, which are not reflected in the cost per tonne, were still recorded in the income statement.

Productivity in 2014 increased as a result of resuming operations at this mine and increased volumes of both ore and waste material moved, whereas in 2013 this indicator was affected by the unionised personnel from the Soledad-Dipolos mine who were transferred and absorbed at Herradura for training and to carry out development.

Cost per tonne for the full year increased 10.8% to US$9.3 due mainly to the additional costs from the start-up of the DLP, higher stripping ratio in accordance with the mine plan and a regrouping of the number of components at the pit. The higher unit prices of diesel and electricity and the 9.7% increase in contractor fees further affected cost per tonne at this mine. However, these adverse effects were partially mitigated by the efficiencies obtained by the increased volumes of ore processed both through the heap leaching and the dynamic leaching plant; and to a lesser extent, the positive effect of the higher Mexican peso/US dollar exchange rate. Cost per tonne of ore and waste material moved decreased by 11.3% to US$2.4 due to the increased volumes hauled from the upper banks of the pit.

Cash cost per gold ounce was US$465.4, which represented a 28.5% decrease compared to 2013. Margin per ounce was US$792.3, or 63.0% if expressed as a percentage of gold prices.

Adjusted revenue (%)
US$
342.7m



Gold	96.3
Silver	3.7

Adjusted production costs (%)
US$
207.2m

Operating materials	27.7
Diesel	21.1
Contractors	18.3
Maintenance	15.6
Personnel	11.1
Electricity	5.9
Others	0.3

Social and sustainability highlights (all Minera Penmont mines)

Our people

At 12%, Penmont has the largest participation of women among our units. To promote best practices the local HSECR team has been holding monthly meetings with Senior Operation and HSECR corporate managers to review the performance of the HSECR programmes.

Health

Health authorities recognised our occupational health practices and promotion of healthier lifestyles with the 'Healthy Company' certification. In addition, our management system obtained the OHSAS 18001 certification. We raised awareness of preventive care and lifestyle changes with health check-ups, portion moderation and an exercise campaign, the 'Eating well' meal option, and a successful voluntary programme combining motivational and nutritional guidance.

Safety

Our Integrated Health, Safety and Environmental Management System was certified in OHSAS 18001 and ISO 14001. Monthly meetings with supervisors were implemented to increase their involvement and accountability on safety. Supervisors and senior operation managers gave safety talks to promote visible leadership. Senior operation managers were also involved in the follow-up of the remediation to the findings of the Employee Health and Safety Commission. Disciplinary measures were reviewed and standardised for their application to non-unionised employees, unionised workers and contractors disregarding safety protocols. Safety awareness was promoted through a theatre piece performed by volunteers from our operations. We continued our engagement efforts to enrol and guide contractors in the voluntary Health & Safety Self-Management programme of the Labour Ministry.

Environment

We obtained the ISO 14001 certification for our environment management system. In 2014 we added a water treatment facility with a capacity of 130 m^3/day to treat the wastewater from our offices and mine camp. Two additional monitoring wells have been added to the perimeter of our leaching pads to enhance our cyanide monitoring programme, and we added the SUPERKON dust suppression system to the rock crushing and grinding equipment of our DLP, which benefits both the environment and the health of our employees. We obtained the environmental permit for a sanitary landfill and the construction of a Merrill Crowe plant for the DLP. In addition, we renewed our cooperation agreement with the Ecology and Sustainable Development Commission of the State of Sonora (CEDES) to provide funding for the conservation efforts of the Sonoran pronghorn.

Community relations

We raised environmental awareness amongst local communities with activities such as World Water Day and World Environment Day. In addition, we implemented health campaigns in the neighbouring communities (cervical cancer detection, densitometries, glucose levels, cholesterol, hypertension and nutrition talks), and collaborated with the eye clinic of the Lions Club International to support cataract surgery for seniors. In addition, we have partnered with neighbouring communities on infrastructure projects: our 'Adopt a School' programme provided infrastructure support to two local schools and we supported the community of El Coyote with a sanitary landfill, the community of Desemboque with an ambulance, and Alameda with a dike to prevent floods.

Noche Buena

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

Gold production at this mine has reached expanded capacity. Given the low ore grade profile of this mine, focusing on containing costs is critical. Exploration activities in the areas of influence continue, mainly at the Tajitos and Bella Vista prospects, which could generate economies of scale should these prospects become operational mines in the future.

2014 highlights

Adjusted revenue
US$
163.5m

Capital expenditure
US$
20.9m

Segment profit
US$
25.8m

Exploration
US$
10.1m

Ownership: **Minera Penmont** (100% Fresnillo Group following the 2014 acquisition of Newmont USA Ltd's 44% interest in Penmont and associated companies)

Location: **Sonora**

In operation since: **2012** Mine life (years): **4.0** (2013: 5.2)

Facilities: **Open pit mine, heap leach and Merrill Crowe plant**

Workforce: **400 employees, 656 contractors**

	2014	2013	% change
Mine production			
Ore deposited (kt)	**15,607**	12,284	27.1
Silver (koz)	**102**	49	108.2
Gold (oz)	**129,242**	108,729	18.9
Total reserves			
Gold (moz)	**1.11**	1.12	(0.9)
Average ore grade in reserves			
Gold (g/t)	**0.55**	0.54	1.9
Cut-off grade (g/t Ag Eq)	**0.30**	0.30	–
Total resources			
Gold (moz)	**1.29**	1.75	(26.3)
Average ore grade in resources			
Gold (g/t)	**0.53**	0.52	1.9
Cut-off grade (g/t Ag Eq)	**0.30**	0.30	–

All figures include 100% ownership of the Penmont assets.


Capacity ramp up at Noche Buena

What we said we would do in 2014

Continue to increase average annual gold production to the target 75,000 attributable ounces (based on 56% ownership; equivalent to 133,929 ounces at 100% ownership)

Complete the construction of the 1,600 m³/hour processing plant

Obtain the International Cyanide Management Code certification and OHSAS 18001

Continue infill exploration drilling programme

What we did in 2014

Ramped up capacity to 129,242 ounces, up 18.9% on 2013 (100% basis post Penmont acquisition)

Completed construction of the 1,600 m³/hour processing plant; reached full capacity

Completed construction of fourth and fifth leaching pads

What we plan to do in 2015

Implement measures to increase efficiency and control costs

Expand smelting capacity at Merrill Crowe plant

Key developments in the year

Full year gold production (having acquired full ownership of the Penmont assets) increased 18.9% to 129,242 ounces, mainly as a result of an increase in ore deposited due to the ramp-up to the expanded capacity and the temporary explosives suspension that affected operations in 3Q 2013.

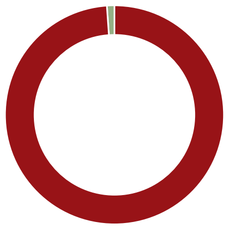
However, production volumes were partly impacted by lower ore grade of 0.51 g/t in 2014, from 0.54 g/t in 2013. In 2015, it is expected that the average gold ore grade at Noche Buena will be around 0.45 g/t. Ore grades through the life of the mine are expected to average 0.53 g/t, which is lower than our previous estimates as a result of the increased volumes of resources added, albeit with lower grades.

During the year, we completed construction of the 1,600 m³/hour processing plant; full capacity has been reached. In addition, we completed construction of fourth and fifth leaching pads at Noche Buena.

2014 Adjusted revenue US$
163.5m
+10.2%

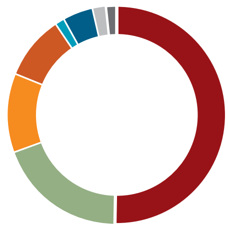
2014 Capex US$
20.9m
–60.0%

Adjusted revenue (%)
US$
163.5m



Gold	98.9
Silver	1.1

Adjusted production costs (%)
US$
155.7m



Contractors	50.5
Operating materials	19.2
Maintenance	11.6
Diesel	9.4
Electricity	1.3
Personnel	4.5
Others	1.9
Freight	1.6

Gold reserves and resources decreased due to lower gold price assumptions. Infill drilling converted resources to reserves, partially compensating for this reduction.

In 2015, as part of our cost containing programme, we plan to relocate waste dumps nearer to the mine, thus reducing haulage distances and associated costs.

Capital expenditures

Capital expenditures of US$20.9 million were allocated to construction of leaching pads, development activities and expansion of processing capacity at the beneficiation plant.

Financial performance

Adjusted revenues at Noche Buena were US$163.5 million due to higher sales volumes that partially mitigated lower gold prices in 2014.

Productivity indicators for 2014 decreased due to increased number of contractors hired for the expansion of the plant and preparatory works.

Cost per tonne at this mine was US$10.0/tonne, a 27.2% increase mainly due to an increase in the stripping ratio and higher unit prices of diesel and electricity.

In 2014 cash cost per gold ounce increased a slight 1.9% to US$945.6. Margin per ounce was US$312.1, and margin expressed as a percentage of gold price declined from 33.8% in 2013 to 24.8% in 2014.

Social and sustainability highlights

Performance for this mine is included in reporting for the entire Penmont business unit. See Herradura highlights on page 67.

Soledad-Dipolos

Located 8 kilometres northwest of the Herradura mine, Soledad-Dipolos faced a court-ordered stoppage in 2H 2013 stemming from the legal challenge raised by the Ejido El Bajío agrarian community, who contested the ownership of the surface land of the Dipolos pit and the beneficiation plant of the Soledad-Dipolos mine. Following the cessation of operations, most of this mine's personnel and equipment were relocated to the Herradura and Noche Buena mines.

Ownership: **Minera Penmont** (100% Fresnillo Group following the 2014 acquisition of Newmont USA Ltd's 44% interest in Penmont and associated companies)
Location: **Sonora**
In operation: **2010-2013**

	2014	2013	% change
Total reserves			
Gold (koz)	**780**	780	0.0
Average ore grade in reserves			
Gold (g/t)	**0.64**	0.64	0.0

Our Projects in Development

2 Develop: Deliver Growth Through Development Projects

Saucito II

Commissioned in 2014

Ownership: **100% Fresnillo plc**	
Location: **Zacatecas, 8km SW of the Fresnillo mine**	
Facilities: **Underground mine and flotation plant**	
Commercial production: **4Q 2014**	
Anticipated production: **Annual average production of 8.4 moz silver and 35,000 oz gold**	
Capex: **US$235.0 million**	
Mineral resources at Saucito II are included in the total estimates for Saucito.	

About the project and key developments 2014

The construction of the beneficiation plant was concluded, and the plant commenced operations in 4Q 2014 on time and in line with budget. The total approved capex for this project was US$235.0 million. As of December 2014, approximately US$180 million had been spent on this project, with the remaining US$55 million expected to be invested in 2015 as part of the on-going development of the mine.

This project is a key contributor to the Company's growth with a production of an additional 8.4 million ounces of silver and 35,000 ounces of gold per year when it reaches full capacity, which we expect to reach ahead of the three-year timeframe previously anticipated.

San Julián

In progress

Ownership: **100% Fresnillo plc**	
Location: **Chihuahua/Durango border**	
Facilities: **Underground mine, flotation plant and a dynamic leaching plant**	
Commercial production: **4Q 2015**	
Anticipated production: **Annual average production of 10.3 moz silver and 44,000 oz gold**	
Capex: **US$515.0 million**	
Indicated and inferred resources: **190 moz silver, 860 koz gold**	

About the project

The San Julián silver-gold project is vital to advancing the Company's production goals, and management believes there is sufficient geological potential in the region to establish a new mining district in the future.

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

Key developments in 2014

In 2014, construction of the first phase of the San Julián project progressed as expected. We initiated the construction of the dynamic leaching plant, tailings dam and wastewater treatment plant. Mining works at the vein system continued, whilst diamond drilling of approximately 20,000 metres converted a portion of the mineral resources into the reserve category, equivalent to 162.2 million ounces of silver and 530,000 ounces of gold.

The first stage of this project, which comprises the leaching plant and mining activities at the vein system, remains on track to start operations in 4Q 2015. The construction of the flotation plant and processing of the ore from the disseminated ore body comprises the second stage of San Julián, which is expected to conclude in the second half of 2016.

2015 priorities

- Conclude construction of leaching plant
- Continue mining works at the veins
- Advance construction of water reservoir and initiate construction of the flotation plant

2 Develop: Deliver Growth Through Development Projects

Second Herradura Merrill Crowe Plant

In progress

Ownership:	**Minera Penmont (100% Fresnillo Group)**
Location:	**Sonora**
Facilities:	**Precipitates production plant**
Commercial production:	**4Q 2015**
Anticipated production:	**To contribute to Herradura's increased average annual production of 360,000 ounces of gold**
Capex:	**US$24.5 million**

About the project

This facility will enhance processing capacity at Herradura for the solution produced at both the leaching pads and the dynamic leaching plant, producing precipitates. This will contribute to Herradura's increased average annual production of 360,000 ounces of gold once steady state is reached, and advances our objective to maximise production in the Herradura District.

Key developments in 2014

As gold production ramped up at Herradura following the temporary suspension lifted in March 2014, the new dynamic leaching plant concurrently reached full-scale operations and there was insufficient capacity at the existing Merrill Crowe plant to efficiently process the solution from both the leaching pads and the DLP. We began the process of installing the second Merrill Crowe plant in the year, relocated from the currently inactive operations at Soledad-Dipolos.

2015 priorities

- Conclude installation, construction and testing
- Reach 'steady state' processing capacity at Herradura by 4Q

Fresnillo Pyrites Treatment Plant

In planning

Ownership:	**100% Fresnillo plc**
Location:	**Zacatecas, Fresnillo District**
Facilities:	**Leaching plant**
Commercial production:	**2017**
Anticipated production:	**Annual average production of 3.5 moz silver and 13,000 oz gold**
Capex:	**US$155.0 million**

About the project

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

Key developments in 2014

We continued detailed engineering works and the project has now been approved by the Board. Based on this, estimated capex for the project has been set at US$155.0 million and expected average production to be in the range of 3.5 million ounces of silver and 13 thousand ounces of gold per year.

2015 priorities

- Conclude detailed engineering; initiate construction

Our Exploration Programme

3 Explore: Extend the Growth Pipeline

Exploration is one of the top priorities for Fresnillo plc.

We have built an experienced exploration team of 76 geologists and 55 technicians and administrative staff, and employ 350 local community members at our project sites. We focus on the discovery and potential acquisition of large, low cost silver and gold ore bodies in Latin America, in regions with the greatest geological potential and mining tradition such as Mexico and Peru.

2014 highlights

Total risk capital invested in exploration was US$184.5 million, a 20.9% decrease compared to 2013, but sufficient to carry out similar levels of drilling as in the previous year, due to lower contracting costs.

Exploration was mainly focused on areas of influence at current operating mines, which may contribute to cost-effective discoveries as infrastructure is already in place, as well as at key exploration projects such as Mega Centauro, Orisyvo, the Cebollitas cluster and Juanicipio.

Specifically, diamond drilling and reverse circulation drilling at Mega Centauro resulted in a 32.4% increase in gold resources and doubled gold reserves at Herradura as a whole; we now envisage the project as a natural evolution of the Centauro pit (see page 66).

At Orisyvo, we increased diamond drilling to obtain additional information for the preparation of a preliminary economic assessment, which we expect to conclude in the first half of 2015. We also continued exploring in Guanajuato, where further interesting results were obtained, giving us confidence that there is sufficient geological potential at this project to move it from the stage of prospects in drilling to advanced exploration.

2014 Geologists
76

2014 Technicians and administrative staff
55

2014 Local community members
350

Reserves and resources

To calculate reserves and resources in 2014, we again used the 2012 Edition of the JORC Code. Price assumptions were decreased for the second consecutive year, to US$1,150 per gold oz and to US$18.00 per silver oz (US$1,250 and US$19.50 in 2013). Despite the lower prices, gold resources and reserves increased 1.7% and 45.0% respectively, primarily as a result of positive exploration results at Herradura and Rodeo. For silver, higher cut-off grades and more restrictive geological models resulted in a 6.2% decrease in resources, although reserves rose 21.3% to 582.3 million ounces.

Social and sustainability highlights

Health

Our Chihuahua headquarters obtained the 'Healthy Company' certification of the Health Ministry that recognises our efforts to promote occupational health and healthier lifestyles. In 2014, 501 employees and 446 contractors benefited from a health check-up for early detection of chronic diseases. Healthier lifestyles have been promoted to prevent the risks caused by obesity.

Safety

The Exploration Division enrolled in the Voluntary Health & Safety Self-Management programme of the Ministry of Labour. The 'Operating Discipline' programme has been implemented, reaching 97% availability of procedures and manuals for the exploration machinery we operate. The focus on raising awareness and training (11,045 HSECR training hours) has contributed to halving the accident rate from 1.5 in 2013 to 0.74 in 2014.

Security

Protecting the physical safety of our personnel and contractors is a priority. Recognising we operate in remote locations, all our vehicles have a GPS, and 94 'SPOT' systems have been purchased for personnel geolocation. We continuously monitor security incidents to provide the Corporate Risk Manager with an assessment of security conditions.

Environment

Securing the environmental permits for exploration is a critical success factor. Our ISO 14001-certified Environmental Management System has been key to ensure compliance and reclamation of the exploration footprint. In 2014 our reclamation efforts included replanting 17,187 trees and relocating 1,394 plants of sensitive species.

Community relations

We engage respectfully with landowners to secure temporary access to their land. We support community-building activities through the institutional agenda consisting of events such as World Water Day, World Environment Day, and World Health Day, among others. We maintain an on-going campaign to donate native trees to communities and schools.

2015 outlook

Risk capital invested in exploration of US$170 million was approved for 2015, of which approximately US$150 million is expected to be recorded in the income statement, with 30% of the total budget spent in operating mines and 38% in advanced exploration projects.

3 Explore: Extend the Growth Pipeline

Key exploration projects and prospects

Fresnillo District
Minera Juanicipio

Ownership: **56% Fresnillo plc, 44% MAG Silver**	
Location: **Zacatecas, 8km SW of the Fresnillo mine**	
Indicated and inferred resources (attributable): **114.6 moz silver, 454,000 oz gold**	

Juanicipio's mineral zones are located in silver-gold rich sulphide ore shoots of the veins, with base metal contents increasing with depth. In 2014, we conducted 23,053 metres of surface diamond drilling and 686 metres of drifting to complete the infill drilling programme, as recommended by mining consultancy AMC to provide further confidence in resources. Further progress in the construction of the decline and additional geological investigation is planned for 2015.

Other sites in the Fresnillo Corridor

Drilling continues in a number of targets surrounding the Fresnillo District, which resulted from integrated geochemical, geophysical and structural studies vectoring towards the most favourable locations in the region for finding additional veins.

Herradura District
Centauro Deep

Ownership: **Minera Penmont (100% Fresnillo plc following acquisition of Newmont USA Limited's 44% interest in Penmont)**	
Location: **Sonora, below the Centauro main pit at Herradura**	
Indicated and inferred resources: **4.3 moz gold**	

We carried out 98,982 metres of combined surface and underground exploration diamond drilling, and 4,350 metres of drifting in 2014, which resulted in extended mineralised structures to the west and north. Notwithstanding, additional exploration is required to determine the ore bodies in the coming years, thus deferring this advanced exploration project until more detailed information is obtained.

Ciénega District

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

Location: **Durango**

An intensive programme of drilling and mine workings continued at the San Ramón satellite operation and in the Cebollitas cluster, delivering good results and supporting the expansion of the Ciénega beneficiation plant. Mapping and sampling in the Ciénega Sur area outlined additional targets that will be drill tested in 2015.

Las Casas-Rosario

Preparation of these areas began in 2014, with significant advances at Rosario and good progress at Las Casas, which is expected to continue in 2015. Mineralisation from these veins was accessed through crosscuts from the main Ciénega mine workings so that this sector is now fully integrated with the main operation. While the development work has confirmed grade and thickness of the veins, the use of higher cut-off grades resulted in a decrease of 19% in total gold equivalent content at these structures.

San Ramón satellite mine

Core drilling covered 29,000 metres in 2014. Exploration was focused on determining the full extent of the Porvenir-Bandera and Republicana ore shoots, both along strike and at depth. Additional smaller resources with good gold and silver grades were delineated at the newly discovered San Gregorio, Ramal Republicana, Campo 2, and Campo 3 veins. As a result, the total gold equivalent ounces showed an 8% increase.

Cebollitas Cluster

Surface and underground exploration drilling delivered a 22% increase in gold equivalent ounces, mostly from the main Taspana Oriente and Tajos veins. A decline to reach Taspana Oriente started late in 2014, advancing 121 metres; it is expected to reach the vein in mid-2015. In the southern part of the district, the Hidalgo adit was advanced to 1,023 metres to explore an outcropping vein swarm carrying good gold and silver grades at the surface.

Ciénega Sur

Seven kilometres south of the main mine operations, geological mapping and sampling has identified the Durazno-Pachuca and Metate vein systems. Anomalous gold and silver has been found along 1 kilometre strike, and a drill programme has been designed. Social and environmental permits are in progress; drilling is expected to start in the second half of 2015.

Our Exploration Programme continued
3 Explore: Extend the Growth Pipeline
Other prospects in Mexico

Orisyvo

Ownership:	**Minera Fresnillo, S.A. de C.V. (100% Fresnillo plc)**
Location:	**Chihuahua**
Indicated and inferred resources:	**8.7 moz gold, 11.4 moz silver**

We conducted 17,023 metres of diamond drilling and 1,768 metres of drifting and raises in 2014, successfully confirming grade continuity both in the oxide and sulphide zones, and converting inferred resources into the indicated category. This information is being used to prepare a preliminary economic assessment that is expected to be concluded in the first half of 2015, and then become a pre-feasibility study once detailed engineering has been completed in 2016. The consideration for these assessments is an 8,000 tpd mine with a dynamic leaching processing facility, focusing in the higher grade zones of the total 8.7 million ounces of gold resources.

Guanajuato District

Ownership:	**Minera Saucito, S.A. de C.V. (100% Fresnillo plc)**
Location:	**Guanajuato**
Indicated and inferred resources:	**485 koz gold, 34.4 moz silver**

Guanajuato is a large historic silver-gold mining district with over 1.5 billion ounces silver equivalent produced. It consists of a group of volcanic hosted epithermal veins, including the famous Veta Madre vein, which is mineralised along 12 kilometres reaching widths up to 40 metres. The Fresnillo holdings in this district comprise several areas currently under exploration; the two most advanced are Opulencia and La Gloria, where collectively 24,460 metres of surface diamond drilling was performed in 2014, and La Joya.

At Opulencia, which forms part of the central and northwesternmost extension of the La Luz silver-gold vein system, over 1.5 kilometres along strike has been drilled, defining an ore shoot of 800 by 350 metres, with widths up to 8 metres. During 2014, environmental and permitting work, as well as partial surface land acquisition, took place; limited infill drilling was carried out.

At La Gloria, which lies east of the Veta Madre vein, several new ore shoots averaging widths of 1.5 metres were discovered in 2014 by drilling in the Calicanto, El Hallazgo and San Gregorio veins.

At La Joya, a newly discovered emerging sub-district located about 20 kilometres southeast of the Guanajuato District, 15,010 metres of drilling were carried out and mineralisation remains open along strike.

Lucerito

Ownership: **55% Minera Mexicana La Ciénega, S.A. de C.V.; 45% Minera Saucito, S.A de C.V.**	
Location: **Durango**	
Indicated and inferred resources: **2.0 moz gold, 140.2 moz silver**	

This prospect is amenable to low strip ratio open pit mining and flotation processing technologies in a location with excellent physical infrastructure. Additional metallurgical test work was conducted in 2014, focusing on the recovery of refractory gold. Although mineralisation remains open both along strike and at depth, additional drilling has been postponed until more information on gold metallurgy and financial scoping becomes available. A preliminary economic assessment is being prepared and results are expected in the first half of 2015.

Candameña

Ownership: **Minera Fresnillo, S.A. de C.V. (100% Fresnillo plc)**	
Location: **Chihuahua**	
Indicated and inferred resources: **1.0 moz gold, 39.1 moz silver**	

Candameña is a low strip ratio open pittable ore deposit, containing gold and silver mineralisation in a high-sulphidation epithermal environment. We commenced operations at Candameña in 2010, committing to spend at least US$1 million per year on exploration. Given the consistently good results achieved each year, the option to acquire 100% of this project was exercised in 2014. Exploration work conducted in 2014 includes 8,819 metres of core drilling, which successfully identified extensions of the mineralisation in the east and southeast; an updated resource estimation is scheduled for second half of 2015.

Guachichil

Ownership: **Minera Saucito, S.A. de C.V. (100% Fresnillo plc)**	
Location: **Zacatecas**	
Indicated and inferred resources: **0.73 moz gold, 11.3 moz silver**	

The drilling campaign continued and certain geophysical targets were tested. However, resources decreased due to lower gold price assumptions. We have reached an agreement with the Ejido to continue drilling this project.

3 Explore: Extend the Growth Pipeline

Other prospects in Mexico

Exploraciones Minera Parreña

Ownership: **100% Fresnillo plc**

Cebadillas-La Yesca (Nayarit)

Our Cebadillas claim block includes two main mineralised wide structures (up to 20 metres) with good potential. During 2014, geological mapping and sampling defined two new potential drill targets. At La Yesca, an historic underexplored silver-gold mining district with good potential, we drill tested the Zapopan vein and the ore shoot discovered still remains open at depth and along strike.

San Nicolás (Guerrero)

Located in an emerging district discovered by Fresnillo in recent years, this prospect lies to the west of the central Guerrero gold belt; our claim block comprises 106,063 hectares. Mineralisation remains open along strike, and there are other targets pending drill testing. Drilling programmes have been on standby due to the current security conditions in this part of Mexico.

Rodeo (Durango)

23,886 metres of diamond drilling allowed an initial resource estimation delivering 730 thousand ounces of gold in inferred resources. Preliminary bottle-roll metallurgical testing shows promising gold recoveries; column test work is underway.

Tajitos (Sonora)

15,614 metres of reverse circulation drilling increased resources to 79 thousand ounces of gold (indicated) and 173 thousand ounces of gold (inferred).

Coneto (Durango), an association with Orex Minerals

11,745 metres of drilling were completed to evaluate the extent of the Santo Niño, La Bufa, Loma Verde and Promontorio and Impulsora veins; we plan to complete the drilling programme to earn a 55% stake in 2015.

El Cairo (Durango)

4,450 metres of core drilling were carried out in 2014, which allowed for better definition of the extension of the gold mineralisation from the El Castillo mine into Fresnillo ground; additional shallow silver and gold mineralisation was discovered to the northeast, along with low grade gold and copper at depth in the sulphide zone, which will be followed up in 2015.

Guazapares (Chihuahua)

Epithermal gold and silver mineralisation is found at Guazapares in a number of prospect areas. Precious-metal bearing quartz veins locally accompanied by zinc, lead and copper values are hosted in a volcanic sequence, intruded by rhyolite dykes. 19,267 metres of core drilling tested in 2014 several gold-silver veins; the Don Ese and Dana veins identified near Coeur's Palmarejo mine show interesting exploration potential to be followed up in 2015.

Peru
Pilarica

Ownership:	**100% Fresnillo plc**
Location:	**Ayacucho, Peru**
Indicated and inferred resources:	**35.4 moz silver**

At an elevation of 3,200 metres, this area has excellent infrastructure, allowing for year-round exploration seasons. In 2014, 19,350 metres of core drilling led to the definition of two silver 'mantos' and outlined targets for future exploration.

La Pampa (Lambayeque)

Mapping and sampling of an epithermal gold- and silver-bearing vein system has defined drill targets; social and environmental permits are in process.

Santo Domingo (Antabamba)

This prospect is located in the Andes Mountains of south-central Peru at a 4,500 metre elevation. After obtaining permits from the communities for geological reconnaissance activities, an extensive silver and gold vein field has been mapped and sampled over 3 x 2 kilometres area; additional gold targets have been identified in limestone-hosted silicic alteration. An intensive social engagement programme is active on-site, aiming at obtaining full permits for conducting preliminary drilling in 2015.

Social and Sustainability Report

4 Sustainability: Advance and enhance the sustainability of our business

Mining is an essential activity that creates value at the local and global level. Yet, as the social and environmental challenges facing the industry grow, finding solutions to these challenges requires exceptional commitment, operational excellence and innovation.

Maturity of our HSECR system

We rely on a sound management system to support our sustainability performance. To monitor the maturity of this system, an independent audit is conducted semi-annually by PricewaterhouseCoopers (PwC), which assesses progress made on the strategy, structure, processes, people and technology. The system was determined to have reached a maturity level of 84% (76% in 2013) against our 2011-2016 action plan objectives; we are on track to achieving a fully integrated HSECR system by our 2016 target.

We are also committed to operating in conformity with ISO 14001 (environmental impact) and OHSAS 18001 (occupational health and safety) standards; these management systems combine well into one integrated system. Ciénega, Penmont and Fresnillo obtained their integrated certification in 2014, while Saucito made significant progress.

Culture and ethics

Fresnillo's Code of Conduct is a set of rules and principles that guide our behaviours and actions. The cornerstone of this Code is our values:

Trust
Responsibility
Integrity
Loyalty
Safety

Training our people to make better decisions has been a crucial element of our anti-bribery and anti-corruption strategy; the scope of our online training programme and evaluation has broadened to cover money laundering and fraud.

Workshops help embed ethics and integrity into our culture. In 2014 PwC London guided the design of masterclasses and employee workshops, and rolled out training for our managers, 20 of whom were selected to become trainers in the employee workshops. From a practical standpoint, the workshops reinforce how to apply Fresnillo policies and where to go for additional support, with an emphasis on using the behavioural compass for decision-making. Managerial workshops went further to stress the practical requirements of their role as leaders in enabling and supporting business ethics and integrity.

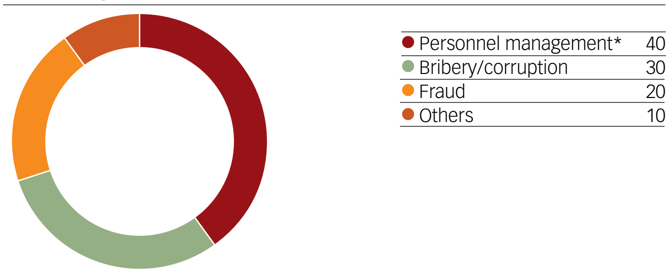
The ethics and integrity programme in numbers:

91% of our people in leadership roles took the masterclass session with professional trainers from PwC London
20 leaders were trained as trainers for the employee workshops
96% of all non-unionised employees were trained and 88% of our engineer interns

In 2015 we will extend the training programme to unionised workers and contractors, and conduct a review of HR processes to address ethics and integrity considerations.

The Honour Commission received 38 reports of unethical behaviour in the year. Of these, 36 were received via the 'Fresnillo Plays Fair' whistleblowing line, one by safe mail, and another communicated directly. The reports were grouped into 21 cases for investigation once duplicates were eliminated; one case was deemed trivial and ruled out, and of the remaining 20 cases investigated, 12 were resolved and eight remain under investigation. Sanctions were levied in seven cases while four required reinforcements of controls. In one case the Commission did not find conclusive evidence of unethical behaviour.

Honour Commission (%)
Case investigation



* Personnel management includes harassment, malfeasance and conflict of interest, among others.

Awards

In 2014 Fresnillo plc was recognised by the Mexican Confederation of Industrial Chambers (CONCAMIN) with its prestigious 'Ethics and Values in Industry' award. We were also recognised with the 'Socially Responsible Company' award granted by the Mexican Centre for Philanthropy (CEMEFI). Other awards and certifications granted in 2014 are as detailed herein under their relevant categories.

Other reports

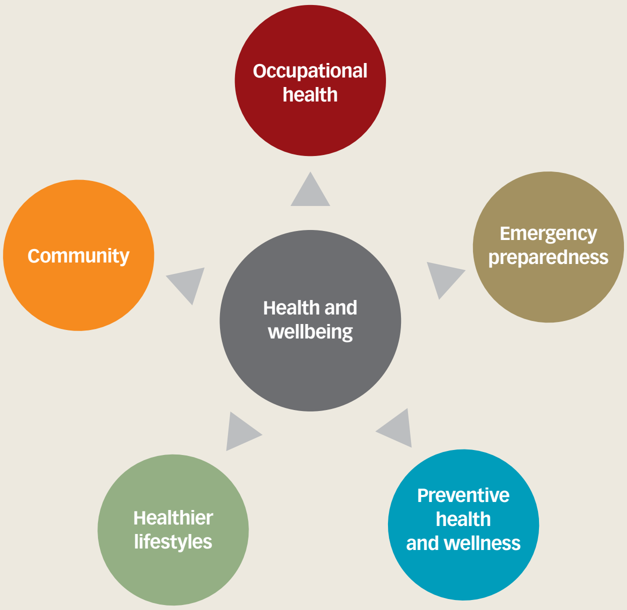
We participate in the climate change and water programmes of the Carbon Disclosure Project (CDP) and the Mexican GHG disclosure programme 'GEI México'.

Health

The health and wellbeing of our employees is a key component of our social licence to operate. We strive to limit new cases of occupational diseases and to promote healthier lifestyles.

Strategy

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



Certifications	Fresnillo	Saucito	Ciénega	Penmont
OHSAS 18001	Certified	In process	Certified	Certified
Sets out criteria for international best practice in occupational health and safety management.				
Healthy Company	In process	Initiate in 2015	In process	Certified
Certification by Mexican health authorities for the implementation of best practice in occupational health and preventive care, including the promotion of healthier lifestyles.				

What we said we would do in 2014

- Pursue efforts to obtain OHSAS 18001 certifications in all units
- Launch the process to obtain 'Healthy Company' and 'Smoke-free Company' certifications (Mexican Ministry of Health) in all units
- Standardise occupational health processes across our units
- Complete the implementation of the Health Information System to support our processes
- Implement and monitor indicators to track progress and coverage of health training
- Launch campaign to motivate healthier lifestyles to reduce obesity and related morbidity

What we did in 2014

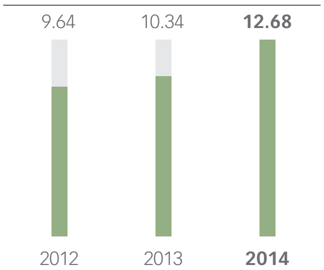
- Fresnillo, Penmont and Ciénega obtained OHSAS 18001 certification
- 'Smoke-free' certification obtained by Fresnillo, Penmont and the Torreón and Chihuahua offices. Penmont and the Chihuahua office obtained 'Healthy Company' certification
- Occupational health processes documented and standardised across units
- All units implemented a Health Information System
- Units revised health risks against training requirements matrices
- Penmont and Fresnillo implemented programmes for adoption of healthier lifestyles

What we plan to do in 2015

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

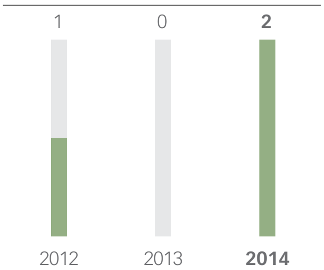
Investment in health
US$

12.68m



New cases of occupational diseases*

2



* An illness caused or aggravated by work activities or workplace conditions.

4 Sustainability: Advance and enhance the sustainability of our business

Occupational health

The occupational health programme works proactively to eliminate work-related illnesses through robust risk analysis, guidelines, procedures, protective equipment, awareness campaigns and customised training. We are committed to enforcing the occupational health practices of our contractors in line with our own standards.

Our main occupational health risks relate to: inhalable hazards (mainly emissions and dust), noise, fatigue, ergonomic stress, vibrations, light, heat stress and contact with chemicals.

Employee health is monitored with regular check-ups, with vulnerable workers relocated to reduce their exposure. The 'Alert-On' programme helps prevent alcohol and drug-related accidents, and also verifies other signs to determine fitness for work in critical activities such as high elevation work or mine shaft elevators. At exploration units, which often operate in remote locations, we train on the risks of dehydration, venomous snakes and spiders. We prioritise first aid training and compliance with vaccination schemes.

In 2014, the Governor of the State of Durango and Octavio Alvídrez, CEO, inaugurated a new clinic at Ciénega, which provides healthcare service both to our workforce and the surrounding community. Our units updated their workforce training requirements to match corresponding health risks, and we standardised business processes related to occupational health (routine check-ups, doctor visits, accidents etc.) across our units. Contractors will be asked to use our information system to better monitor their performance and compliance with our health policies.

We regret to report two new cases of occupational diseases as determined by the National Health Authority, of a single employee who was diagnosed with a 30% disability due to pneumoconiosis (restrictive lung disease) and a 35% disability due to hearing loss.

Emergency preparedness

Competent response teams are fundamental to effective emergency preparedness. Our teams develop and practise emergency response strategies involving core Company functions. We benchmark our skills against the industry by participating in national and international competitions and training.

Preventive health and wellness

Our preventive health programme seeks to prevent chronic diseases such as diabetes and high blood pressure. Health check-ups allow for early identification and monitoring, while the 'Alert-On' programme can detect chronic diseases with potential impact on safety performance. A set of preventive indicators was designed and implemented in our units, and we intend to enhance our Health Information System accordingly.

We continue to seek 'Healthy Company' and 'Smoke-free Company' certifications for all our units, which evaluate how companies promote healthier lifestyles and their ability to manage preventive and occupational health.

Psychological health risks have a bearing on safety performance; our 'Behavioural Change' workshops facilitated by psychologists address stress and personal issues that could compromise awareness in the workplace and lead to accidents. We are committed to identifying and addressing these risks across our units.

Healthier lifestyles

Mexico ranks first worldwide in overweight/obese children and second in adults. Poor dietary habits, sedentary lifestyles and lack of access to nutritious food are among the major determinants of excess weight and obesity.

In line with the strategy of the country's National Health Authorities, we help raise our employees' awareness of the importance of preventive care, emphasising current health, moderate portion sizes and regular exercise. In addition, a group of employees at our Fresnillo and Penmont units joined pilot programmes focused on changing habits to achieve weight loss. We aim to extend weight loss programmes to all our units.

Communities

We operate in some regions where appropriate access to healthcare is a stakeholder concern. Our community support includes vaccination campaigns, breast and cervical cancer screening, educational talks on dietary habits, personal hygiene and contraception. We also reach out to local schools to raise awareness of childhood obesity and support local authorities in efforts to complete youth vaccination programmes.

Protective equipment worn by DLP workers as part of occupational health programme

Safety

Safety is a core Fresnillo value and a way of life. We are committed to offering a safe workplace to our workers and contractors, and aspire to a safety culture where they have the knowledge, competence and desire to work safely.

Strategy

Our strategy is based on managing our knowledge of safety, engaging stakeholders through the 'No More Accidents' programme and embedding safety in our culture. Effective safety management systems are essential for compliance and to standardise processes, action plans and communication. We seek to certify all our units in OHSAS 18001 and the Self-Managed Safety Programme of the Mexican Labour Ministry.

Manage our knowledge
- Identify and analyse risks
- Evaluate controls
- Situational assessments (audits)
- Monitor performance
- Assess supporting tools

Engage stakeholders

'No More Accidents' programme:
- Leadership and Commitment
- Behavioural Change
- Operational Discipline
- Rules that Save Lives
- Comprehensive Accident Investigation
- 'SafeStart'
- Self-Management Programme

Safety culture
- Attitudes
- Behaviour
- Elimination of unsafe conditions
- Operational performance

What we said we would do in 2014

- Certify all units and key contractors in OHSAS 18001 and the Self-Managed Safety Programme
- Reach the working cycles phase of our 'Operational Discipline' programme in all units
- Enforce strict compliance with the risk analysis mechanism for all units and contractors
- Reinforce field inspections to ensure compliance with 'Rules that Save Lives'
- Enforce strict compliance with action plans resulting from situational assessment audits
- Implement internal mechanism of legal compliance audits
- Restructure our 'STOP' (Stop, Think, Observe and Plan) programme to reinforce behavioural change
- Reinforce mechanism of accountability meetings with contractors
- Implement information system to support all safety business processes

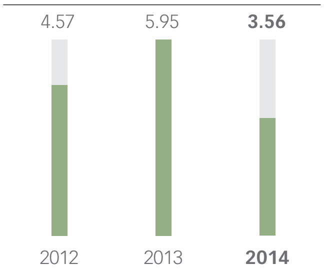
What we did in 2014

- Penmont, Ciénega and Fresnillo obtained OHSAS 18001 certification. Key contractors joined 'Self-Managed Safety Programme'
- Units reached the working cycles phase of the 'Operational Discipline' programme
- Situational assessment audits corroborated compliance with risk analysis mechanism; all units implemented action plans resulting from these audits
- Legal compliance audits conducted across all operations
- 'STOP' programme was used in conjunction with other initiatives to foster behavioural change
- Regular meetings with contractors covered safety performance evaluation and discussion
- In-house information system implemented to support safety business processes

What we plan to do in 2015

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

Investment in safety
US$
3.56m



Safety investment covers the purchase of safety equipment and capital expenditures (capex). While the level of investment in safety equipment was nearly unchanged in 2014, less capex was allocated with respect to 2013.

4 Sustainability: Advance and enhance the sustainability of our business

Manage our knowledge

We seek to pre-emptively identify and manage the safety risks to which our workforce is exposed, with training that considers their risk exposure in order to develop specific knowledge and competence to work safely. To identify and correct systemic non-conformities, the corporate safety team conducts situational assessments in all our units that lead to specific action plans with clear deadlines and accountabilities. Additionally, our controls and supporting tools are regularly assessed to ensure effectiveness. The management team and HSECR Committee closely monitor performance, with a newly implemented information system to support our business processes.

Engage our stakeholders: 'No More Accidents' programme

The 'No More Accidents' initiative became a permanent programme to engage our stakeholders in order to reinforce a safety culture. Components include:

Leadership and Commitment

We expect our operations managers, union leaders and their local chapters, contractors and government authorities to have a leadership role in our safety culture. The 'Leaders for Safety' programme, organised jointly with unions, aims at positioning safety as a core value and a way of life. Accountability of our operations managers is monitored through situational assessments that evaluate their level of engagement and responsibility, with gaps addressed in specific action plans.

Behavioural Change

The Behavioural Change process aims at persuading our people to work safely. The 'Behavioural Change' workshop, facilitated by psychologists, provides guidance and counsel on how to handle personal issues that reduce mental awareness in the workplace and may lead to accidents. Our behavioural change objective is also supported by the 'STOP' (Stop, Think, Observe and Plan) programme, paying special attention to supervisors in an effort to engage them and develop better attitudes and behaviours.

SafeStart

Fresnillo launched DuPont's 'SafeStart' programme to reinforce safety awareness and develop personal safety skills for employees and contractors. This programme focuses on the human factors involved in the majority of incidents and accidents; training raises awareness that our own actions account for the majority of our own injuries, with rushing, frustration, fatigue and complacency leading to unintentional errors that increase the risk of injuries on or off the job. Participants develop specific critical error reduction techniques (CERTs) and habits they can work on to decrease the risk of injury.

The programme was launched in Fresnillo and Ciénega with a situational assessment, the outcomes of which were used to customise the training. This was followed by a train-the-trainer session, and then training for employees and contractors. Each unit has a team charged with implementing the programme.

Operational Discipline

Operational Discipline in safety aims at doing the right thing all the time. It relies on the availability of procedures and their quality, training, evaluation of work cycles and continuous improvement. Our units are reaching the fourth element of Operational Discipline – the evaluation of work cycles.

Rules that Save Lives

Rules that Save Lives are those deemed safety-critical and for which there is zero tolerance for deviation. These behaviours are well known by workers, and are becoming strongly embedded in our safety culture. There is a process in place to review these rules and propose the inclusion of new ones.

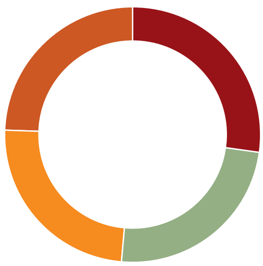
Comprehensive Accident Investigation

Root cause analysis has been applied in a consistent and disciplined manner, and has delivered relevant information and valuable outcomes for preventing similar accidents. We are implementing an information system that formalises and supports a robust business process for root cause analysis in accident investigations.

Self-Management Programme

We work with our contractors to enlist in the 'Health and Safety Self-Management Programme' of the Mexican Labour Ministry. The main objective of this voluntary programme is to encourage the implementation of safety and healthy management systems. The Labour Ministry seeks to generate a self-evaluation culture and a continuous improvement mind-set for health and safety. By participating in the programme, companies can significantly reduce the number of mandated safety inspections; 38 of our contractors have taken the initial step to sign up, and 24 have reached the first level of the programme.

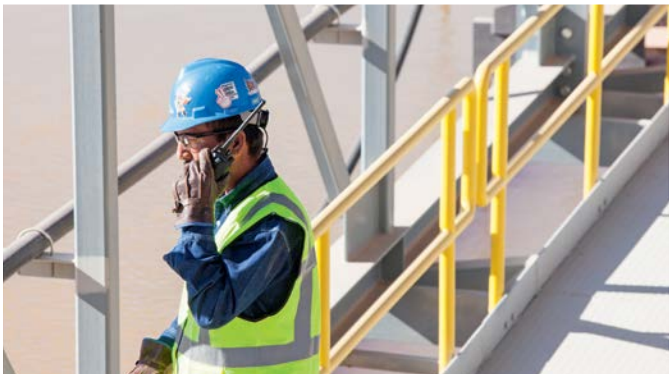
Contractors
Enrolled in the Self-Management Programme



Fresnillo	17
Penmont	15
Ciénega	15
Saucito	15

Safety culture

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

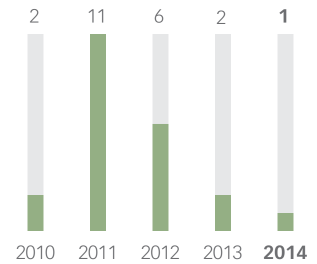


Accountability of operations managers

Performance

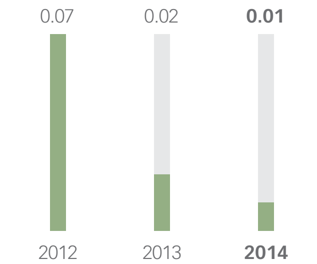
Fatal injuries
To employees or contractors

1

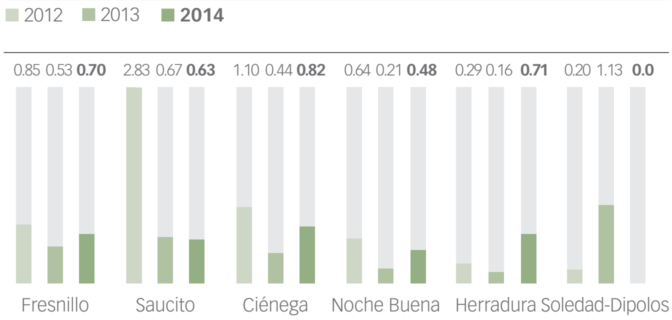


Fatal Injury Frequency Rate (FIFR)
per 200,000 hours worked

0.01

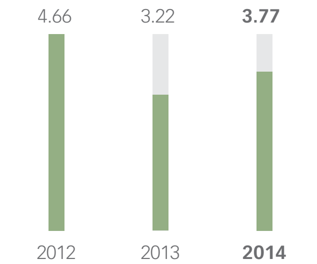


Lost Time Injury Frequency Rate (LTIFR)



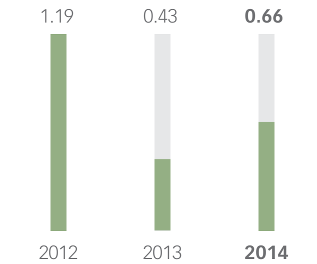
Total Recordable Injury Frequency (TRIF)
The number of fatalities + lost-time cases + restricted work cases + medical treatment cases per 200,000 hours worked

3.77

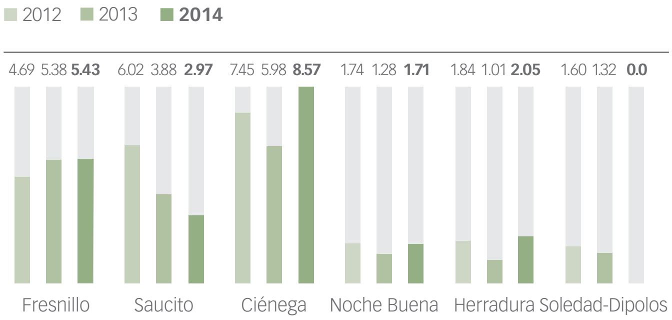


Lost Time Injury Frequency Rate (LTIFR)
The number of lost-time injuries + fatalities per 200,000 hours worked

0.66

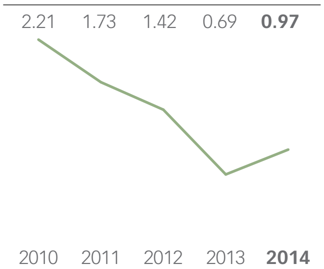


Total Recordable Injury Frequency (TRIF)



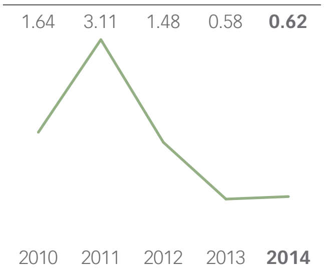
Accident rate
The number of accidents divided by the total number of employees and contractors

0.97



Lost workday rate
The number of days lost to accidents divided by the total number of employees and contractors

0.62



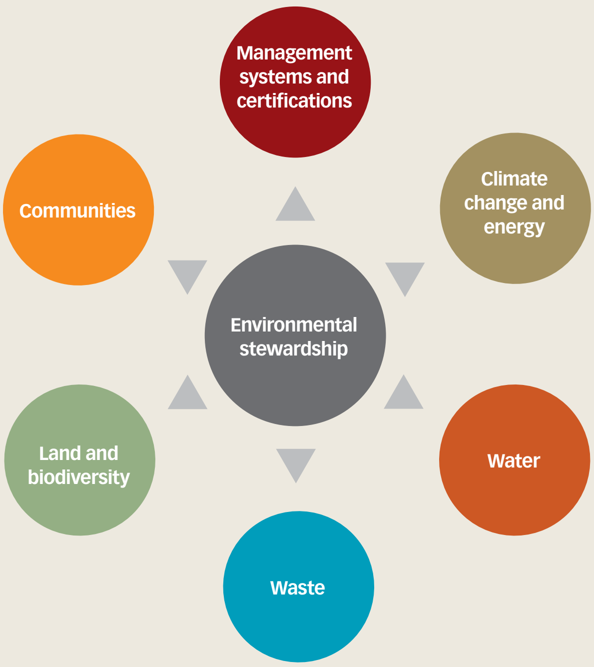
LTIFR decreased to 0.63 at Saucito

Environment

Mining and processing precious metals, while essential to the global economy, consume water, disturb land and produce waste and greenhouse gases in the ordinary course of business. Minimising the impact of our activities, and being accountable and transparent regarding our environmental footprint, are crucial to gaining and maintaining our social licence to operate.

Strategy

Our environmental management system ensures effective compliance with regulations and supports initiatives to reduce our environmental footprint. Operational excellence, innovation and continuous improvement are recognised by our 'Value Creation Programme', which rewards teams for improving processes, many of which have achieved valuable reductions in our environmental footprint.



What we said we would do in 2014

- Obtain Clean Industry certification at Saucito, Cyanide Code at Ciénega
- Review and upgrade our energy and climate change, water, land and biodiversity strategies
- Support our business processes, documents and indicators with information systems

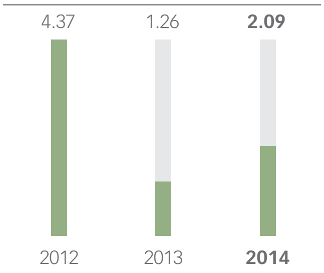
What we did in 2014

- Cyanide Code certification process on hold at Ciénega, set to resume once capacity expansion of the processing plant is complete; Saucito advanced process to obtain integrated ISO 14001-OHSAS 18001 and Clean Industry certifications
- We approached NGOs to launch a review of our water stewardship and biodiversity strategies
- Implemented document management system for key environmental documents and indicators

What we plan to do in 2015

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

Investment in environment
US$
2.09m



Certifications

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

* The process will resume once capacity expansion of Ciénega's processing plant is complete.

Water

Precious metals mining and beneficiation require large volumes of water, thus securing water supply is a critical business success factor. We operate in water-scarce regions where water resources are also a socio-economic concern for communities. We recognise the strategic value of water and are committed to responsible stewardship of this resource. Our water management approach is based on operational excellence and cooperation with stakeholders, notably communities, authorities and NGOs. Recognition as a trustworthy water steward is critical to maintaining our social licence to operate.

Units	Watershed scarcity level projection for 2025 by the World Resources Institute (WRI)
Fresnillo, Ciénega, Saucito	Scarcity
Penmont	Extreme scarcity

Methodology:
The Global Water Tool version 2012.1 of the WBCSD was used to characterise water-stressed regions.

Transparency in water usage is a priority. We have adopted the Water Accounting Framework for the Minerals Industry, designed by the Sustainable Minerals Institute of the University of Queensland and the Minerals Council of Australia. This framework has helped standardise concepts internally and facilitates benchmarking among our operations and with other mining companies. As most of the accounting elements were already recorded by our operations, it has required only simple realignment to promote consistency. However, some new elements are now accounted for, such as ore entrainment and water entrained in concentrates.

Saucito was the main driver of the increase of mine water consumption and the reduction of wastewater used in ore processing. To reduce the risk of floods, mine water replaced wastewater at Saucito. This reduced the amount of water to be diverted from mine de-watering (see below). At Penmont, despite the start-up of the dynamic leaching plant, water withdrawn from wells (bore fields) decreased due to lower volumes of solution processed at Merrill Crowe plants.

Statement of water inputs and outputs in megalitres
for the period 1 January 2014 to 31 December 2014

Category	Element	Sub-element	2014	2013
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Mine water	**4,230**	2,528
		Bore fields	**2,995**	3,633
		Ore entrainment	**269**	210
	Third party	Wastewater	**958**	1,534
Total water inputs			**8,452**	7,905
Output	Surface water	Discharges	**170**	159
	Other	Water entrained in concentrates	**19**	19
Total water outputs			**189**	178

Notes:
1 megalitre = 1,000 m^3.
Ore entrainment is a new category of water input that was not being considered in previous years. Ore entrainment refers to humidity in the ore to be processed.
Water entrained in concentrates is a new category of water output that was not being considered in previous years. It refers to the water present in the lead and zinc concentrates that are sent to the Met-Mex metallurgical complex.
Our Fresnillo unit collects and treats municipal wastewater to supply the processing plants of Fresnillo and Saucito. The wastewater figure reported in our 2013 Annual Report erroneously double-counted the wastewater supplied to Saucito.

Our underground mines require de-watering (draining groundwater by pumping) to allow access to the ore. The mine water that is not used in our operations is treated before being discharged in order to comply with Mexican water quality standards, mainly to remove sediment. We have not detected negative downstream impacts on the ecosystems due to our groundwater intake or surface water discharge. Some of our neighbouring communities benefit from the mine water we discharge, using it for irrigation purposes.

Water deviations in megalitres
for the period 1 January 2014 to 31 December 2014

Category	Element	Sub-element	2014	2013
Input	Surface water	Rivers and creeks	**0**	0
	Groundwater	Aquifer interception (dewatering)	**8,989**	12,437
Total water inputs			**8,989**	12,437
Output	Surface water	Discharges	**8,118**	11,514
		Supply to third party (donation)	**82**	98
		Loss (evaporation, infiltration etc.)	**790**	825
Total water outputs			**8,989**	12,437

Notes:
1 megalitre = 1,000 m^3.

Most of the water we use (82% in 2014) is reused in our beneficiation plants and heap leaching processes but the remainder is lost in our process circuits, trapped in concentrates (products) and tailings ponds, or evaporates or infiltrates when used to suppress dust. To compensate for this water, we add new water to the mine system.

Statement of operational efficiency
for the period 1 January 2014 to 31 December 2014

	Unit	2014	2013
Total volume to tasks	megalitre	**42,715**	45,423
Total volume of reused water	megalitre	**35,085**	38,647
Reuse efficiency	%	**82.14%**	85.08%
Total volume of recycled water	megalitre	**1,240**	1,665

Notes:
1 megalitre = 1,000 m^3.

Intensity

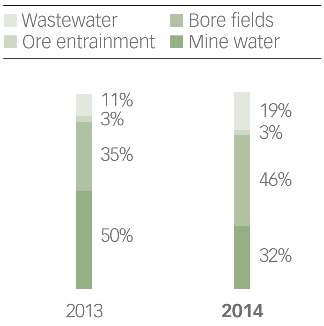
Intensity measurement:		
Water input (in m^3) per tonne of mineral processed	0.19 m^3/tonne	0.20 m^3/tonne
Fresh water input (in m^3) per tonne of mineral processed	0.17 m^3/tonne	0.16 m^3/tonne

Notes:
The water intensity figures for 2013 have been reviewed to consider ore entrainment as a new category of water input and the error made by double-counting the wastewater supplied to Saucito.

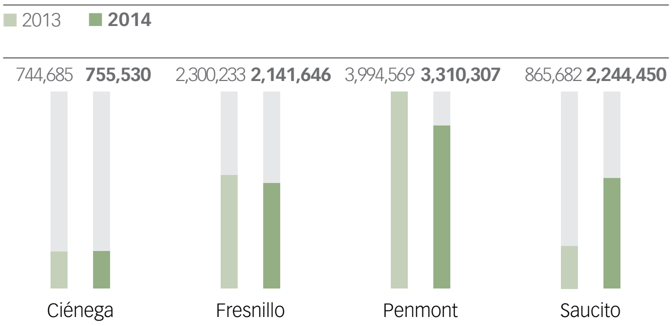
4 Sustainability: Advance and enhance the sustainability of our business

We have approached the Nature Conservancy for support in developing a comprehensive water stewardship strategy in 2015. As members of the Council for Sustainable Development for the Private Sector (CESPEDES), we have been supporting the partnership between CESPEDES and the Nature Conservancy to create a Mexican Alliance for Sustainable Use of Water. Through CESPEDES we have participated in the consultation process of the Mexican Government for reforming the National Water Law.

Sources of water input



Water input in m³
By business unit



Climate change and energy

Climate change is both an environmental and a business challenge. Changes such as higher temperatures or lower annual rainfall may result in adverse impacts to our operations and the communities where we operate.

There are also business implications of actual and potential economic regulations in a carbon constrained economy. In 2012 Mexico enacted its General Law on Climate Change, formalising its commitment to reduce GHG emissions by 30% by 2020 and 50% by 2050. Recently, a carbon price has become embedded in the price of fossil fuel-based energy; moreover, in 2014 Mexico introduced a Registry of Greenhouse Gas emissions that will require mandatory disclosures for companies emitting more than 25,000 tonnes of CO_2e.

The recent energy reform foresees a transition from a state monopoly to a competitive electricity market. Although the specific rules will be developed in 2015, it is expected to offer more flexibility for qualified users (>5 MW/year) to purchase electricity from producers. The Mexican Government expects the new market mechanism will also contribute to decarbonising 35% of the electricity supply by 2024, a target of the General Law on Climate Change.

We expect the new electricity market will offer opportunities to reduce the carbon footprint of our electricity supply. In addition, a project to convert heavy trucks from diesel to natural gas is under review to take advantage of the new pipeline that will supply north-western Mexico with natural gas from the US.

Our total greenhouse gas emissions increased 16% with respect to 2013 (19% with respect to 2012) following an overall increase of 7% in the energy intensity of our operations (20% with respect to 2012). Our footprint reflects the use of electricity (52%), notably at our mineral processing plants and the combustion of fossil fuels in mining operations (48%), mainly in inbound logistics. The new dynamic leaching plant has been the main driver of the increase in our electricity demand.

Our climate change and energy management approach is based on operational excellence, transparency and cooperation with authorities. The CAT Minestar system and innovative fuel additives have been beneficial in optimising logistics and improving combustion of the truck fleet of the Herradura pit. Both projects have helped limit the effect of hauling longer distances resulting from the increase in the depth of the pit.

Global GHG emissions
for the period 1 January 2014 to 31 December 2014

	GHG emissions (tonnes of CO_2e)		Energy (MWhe)	
	Reporting year 2014	Comparison year 2012	**Reporting year 2014**	Comparison year 2012
Scope 1 (direct emissions): Combustion of fuel (mobile and stationary sources)	**407,569**	374,336	**1,586,019**	1,385,448
Scope 2 (indirect emissions): Electricity purchased from the Mexican National Grid (CFE) and Thermoelectric Peñoles (TEP)	**443,153**	343,497	**577,332**	420,615
Intensity measurement: Emissions and energy reported above per tonne of mineral processed	**0.020**	0.014	**0.050**	0.034

Notes:

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).

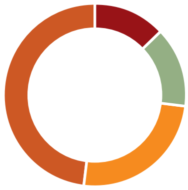
Changes to the comparison year:

The Global Warming Potential (GWP) coefficients have been updated following the 2013 IPCC Fifth Assessment Report (CO_2=1, CH_4=28 and N_2O=265). The tonnes of CO_2e have been recalculated using these coefficients.

Emissions and energy of contractors assigned to mining operations were reported last year in Scope 3. After a careful review of the criteria of the GHG protocol we determined to account and report this emissions in Scope 1. In essence, these contractors are either under our operational control or Fresnillo has the possibility to set the operating rules.

Energy – Greenhouse gas profile for 2014

Energy – GHG profile (%)
Energy

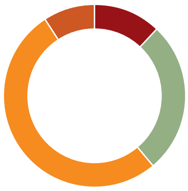


Electricity from TEP	13
Electricity from the National Grid	14
Combustion of fossil fuels (contractors)	25
Combustion of fossil fuels	48

Energy – GHG profile (%)
GHG

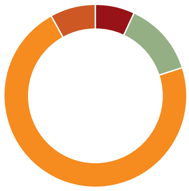
Electricity from TEP	34
Electricity from the National Grid	18
Combustion of fossil fuels (contractors)	16
Combustion of fossil fuels	32

GHG (%)
By business unit (scope 1 and 2)



Ciénega	12
Fresnillo	27
Penmont	52
Saucito	9

Energy (%)
By business unit



Ciénega	7
Fresnillo	13
Penmont	72
Saucito	8

Sewage water treatment plant at Fresnillo


CAT Minestar system limiting the effect of hauling longer distances

Social and Sustainability Report continued
4 Sustainability: Advance and enhance the sustainability of our business

Cyanide management

Cyanide is used in the mining industry to extract gold efficiently. Sodium cyanide (NaCN) is used in an aqueous solution to dissolve and extract gold from ore-bearing rock. However, high concentrations of cyanide can be dangerous to the health of humans and many living organisms. We are deeply committed to the safe and responsible management of cyanide in order to ensure safe conditions for our people, contractors, neighbouring communities and the environment. The Herradura mine is certified in the Cyanide Code, which sets out best practices for transporting, storing, using, and disposing of cyanide, as developed by the International Cyanide Management Institute (ICMI).

To comply with the Cyanide Code, we purchase sodium cyanide exclusively from ICMI-certified manufacturers, and it is transported and delivered to our facilities by ICMI-certified transporters, following appropriate protocols. Sodium cyanide is supplied to our operations either as a liquid or as solid briquettes. Liquid sodium cyanide (~30% aqueous solution) is transported in tanker trucks and off-loaded on-site into our storage tank. Solid briquettes (~98% purity) are transported in ISO-containers designed so that the cyanide can be safely dissolved in a high-pH solution. The high pH value of cyanide solutions is maintained during dissolution to prevent the volatilisation of hazardous hydrogen cyanide (HCN) gas. The resulting solution is then pumped to our storage tank. We apply strict health and safety measures throughout the unloading of sodium cyanide to prevent spills and any exposure of our employees and contractors to cyanide. Likewise, we mobilise our response teams to be ready to contain releases or respond to any incidents of cyanide exposure.

Gold is extracted by heap and dynamic leaching processes. In *heap leaching*, the ore is stacked in layers on an impermeable membrane known as a leach pad. The cyanide solution – water containing a very low concentration of sodium cyanide (~0.05%) – is dripped onto the heap by a drip irrigation system. The solution percolates through the heap, leaching the gold from the ore. The leach pad is made of an impermeable liner cover made of high-density polyethylene (HDPE) to recover the pregnant solution and protect groundwater from seepage. The pH is controlled throughout the process (pH > 10.5 – strongly alkaline) using lime to ensure that when the cyanide solution is added, hydrogen cyanide (HCN) gas is not generated and cyanide remains in solution, ready to dissolve the gold. The resultant gold-bearing solution is collected on the leach pad and channelled to the Merrill Crowe plant for further processing.

In the *dynamic leaching* process, the mineral ore is crushed and ground sufficiently to form a slurry that is leached in large tanks. The pregnant solution is separated from the slurry and the solution passes to Merrill Crowe plant for further processing.

	2014	2013
Sodium cyanide (NaCN) (tonnes)	**6,810**	5,830

In December 2014, an abnormal level of pregnant solution was detected in the collection ditch at the base of heap number 4 of the Noche Buena mine. In response, staff shut off the flow of the sprinkler system and constructed a dike to prevent any overflow. The pregnant solution, containing less that 20ppm of sodium cyanide, was successfully contained. Part of the pregnant solution was pumped to another leach pad and the remaining portion was transported by tanker trucks for safe disposal. The soil used to build the dike was also removed and safely disposed. The site was characterised and soil samples were analysed by an independent laboratory under the oversight of the environmental authorities. The results of the site characterisation and monitoring wells around the leach pad perimeter showed no negative consequences to the environment.

Waste

Our operations generate mineral and non-mineral hazardous waste. Mineral waste can be either mining waste, processing waste or metallurgical waste. Mining waste either does not contain ore or the concentration cannot be processed economically (below the cut-off grade); it includes the waste rock or overburden of open pit operations and waste rock or gangue excavated from ground work in underground operations. Mining waste is transported and deposited in waste rock piles. Most of the mineral waste (98% in 2014) is generated by our open pit operation at Penmont.

Mineral processing or beneficiation aims at crushing, grinding, milling and concentrating the ore mineral. Processing waste refers to the portion of the processed ore that is considered too poor to be processed further. Tailings are a fine-grained sediment-water slurry that results as a by-product of mineral processing. Tailings are deposited in sedimentation ponds also known as tailing ponds. The decanted water from tailings ponds is recovered for use in mineral processing. To ensure effective and safe storage of tailings, our facilities are regularly monitored and audited.

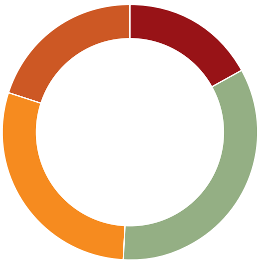
We perform metallurgical extraction of gold with both heap leaching and dynamic leaching processes. The heap leaching process leaves piles of spent ore as by-product of gold extraction, while dynamic leaching generates tailings. In both cases, cyanide-bearing mineral waste is safely disposed. The use of an impermeable membrane in heaps and tailings ponds prevent seepage to groundwater.

Herradura mine Cyanide Code certified

The open pit operation of Penmont is the main driver of mineral waste production. The increase in tailings is mainly due to the start-up of the dynamic leaching plant at Penmont. Less overburden had to be removed at Penmont leading to less mining waste sent to the waste rock piles, whereas more mineral was deposited to ramp up production of the heap leaching process.

		Unit	2014	2013
Mine waste	Waste rock	Tonne	**127,711,136**	185,008,043
Processing waste	Tailings	Tonne	**7,526,184**	4,972,893
	Heaps	Tonne	**35,699,818**	33,531,602

Tailings (%)
By business unit



Ciénega	17
Fresnillo	34
Penmont	29
Saucito	20

We believe that progressive rehabilitation of mineral waste facilities is the best path for responsible mining. Rehabilitation of stockpiles and tailings ponds at our Ciénega and Fresnillo business units are success stories that help us to address the concerns of our stakeholders with respect to mineral waste management. The Pyrites plant will process both historical and on-going tailings from Fresnillo and Saucito, thereby increasing production while reusing mineral waste.

Non-mineral hazardous waste management is subject to strict regulation from the Mexican authorities at storage facilities in our operations and at hazardous waste receiving facilities. Non-mineral hazardous wastes are materials used to support our mining and processing operations such as tyres, used lube oil, materials impregnated with grease and oil, cans etc. Our management systems include policies to reduce and reuse, such as spent lube oil used in blasting at Penmont, as well as procedures and facilities to store non-mineral wastes effectively.

	Unit	2014	2013
Non-mineral hazardous solid waste	Tonne	**3,509**	4,350
Non-mineral hazardous liquid waste (lube oil)	Litres	**1,544,487**	1,360,410

Land and biodiversity

We recognise expectations evolve over time with respect to land stewardship and biodiversity, trending toward greater scrutiny by communities, NGOs and regulators. We aim to responsibly manage the land and its biodiversity throughout the lifecycle of our operations, as stewardship is a key component of our social licence to operate.

	Unit	2014	2013
Rehabilitated land	Ha	**208.21**	156.05
Conservation land	Ha	**1,653.05**	1,565.17

Our Penmont unit, located in the desert region of north-western Mexico, provides funding to support the conservation efforts of the Ecology and Sustainable Development Commission of the State of Sonora (CEDES), which runs a conservation programme for the endangered Sonoran pronghorn. In addition, we are a founding member of WildCorp's 'A business commitment', an action-oriented forum to further advance the protection of wilderness and its value for human society, led by Naturalia, the Mexican partner of the Wild Foundation. Naturalia will provide us with expert advice in 2015 to further develop our biodiversity strategy.

Our Ciénega unit, located in the pine-oaked forest of the Sierra Madre Occidental, has set aside an area of conservation of 1,000 hectares that encompasses land reclaimed from our operations as well as areas rehabilitated from the effects of deforestation resulting from activities of the community. Working in partnership with the National Institute for Forestry, Agriculture and Livestock Research (INIFAP), we have strengthened Ciénega's reforestation and rehabilitation programmes.

Communities

We engage neighbouring communities at our operating units and exploration projects to develop an environmentally conscious culture. Our sustainability calendar of events includes World Water Day, World Environment Day and Arbour Day. We target elementary schools, our employees and contractors with talks, contests, performances of mime artists and reforestation campaigns. We began working with ECOS, a Chihuahua-based NGO, on a campaign in the communities of the San Julián project to raise awareness and develop an environmentally conscious culture.

Conservation area at Ciénega encompassing reclaimed land

4 Sustainability: Advance and enhance the sustainability of our business

Community relations

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

Strategy

Good community relations rely on knowing the community. We aim to understand the socioeconomic challenges and competences of our communities, their perception of our company, and the potential or real impacts of our operations. Advancing our knowledge of the community is fundamental in guiding our engagement efforts and setting favourable conditions to develop with the communities.

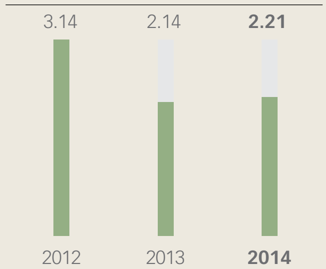
Advance our knowledge ▶ **Engage effectively** ▶ **Develop *with* the community**

Advance our knowledge
- Identify and analyse stakeholders
- Social baseline surveys
- Evaluate associations with NGOs
- Perception surveys
- Media monitoring
- Indicators

Engage effectively
- Consultation
- Community activities
- Communication
- Grievance mechanism
- Field reports
- Meetings
- Registry of commitments
- Registry of incidents

Develop with the community
- Investment Committees
- Community investment
  - Strategic investment
  - Contributions
  - Capacity building
- Local employment
- Development of local contractors

Community Investment
US$
2.21m



What we said we would do in 2014

- Increase our knowledge of communities with a perception survey and re-assessment of capabilities and opportunities
- Reinforce our stakeholder engagement processes incorporating best practices in the extractive industry
- Review and upgrade our community investment strategy and policies
- Reinforce training and competences for our community relations and external affairs personnel
- Unify criteria among our units

What we did in 2014

- Conducted a qualitative assessment of community perception; re-assessed opportunities and capabilities
- Adopted some new industry best practices in stakeholder engagement; implemented a new information system to support reviewed processes
- Updated community investment priorities, strategy and policies
- Community relations team participated in trainings to reinforce engagement skills and the use of the information system, helping unify criteria across the Company

What we plan to do in 2015

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

Advance our knowledge

We build our knowledge of the community by identifying our stakeholders and analysing their positions on material issues. Social baseline surveys and perception studies have helped us gain further understanding of the risks and opportunities in the communities where we operate.

Recognising that many non-profit organisations have more competencies than us when it comes to developing projects with the communities, we have been seeking to partner with NGOs. In 2014, the International Board on Books for Young People (IBBY), our ally in bringing books and children together, conducted an assessment of our community projects. We will partner with IBBY to further develop programmes that promote reading in our communities. We have also laid the ground for future cooperation with other NGOs, notably ECOS, Reforestamos Mexico, the US-Mexico Foundation and the Nature Conservancy.

Engaging effectively

We aim to engage effectively to build mutually beneficial relationships with our communities. Further developing our competencies to engage effectively is a learning journey; we have started by identifying and beginning to implement some best practices in the extractive industry. Our efforts focus on strengthening key practices such as the stakeholder registry and mapping, informal and formal meetings, and registries of commitments, issues and grievances. Our community relations team assigned to operations and exploration projects participated in workshops to reinforce their stakeholder engagement skills. Frequent team meetings have helped unify their criteria. An information system was implemented to advance the maturity of the stakeholder engagement and community investment processes. We will continue identifying and adopting best practices and to consolidate those adopted thus far. In line with our culture of continuous improvement, we have brought in external counsel to ensure we stay ahead of the curve on social engagement practices, and will evaluate a series of integrated initiatives and programmes in 2015.

Our exploration teams are the first to establish contact between the community and the Group. Through positive engagement and fair negotiation, the Group builds trust and obtains temporary access to the land. Not all exploration projects have the potential to become mining projects, but once a project has been approved, negotiation with landowners is critical.

Land acquisition has become a major challenge for the Mexican mining industry. We see an area of opportunity in partnering with our land acquisition teams to launch community relations at the earliest stages of land acquisition campaigns. Constructing mutually beneficial relationships cannot depend solely on our community relations team, therefore we have begun to look to internal stakeholders to broaden the relation with communities.

Developing with the community

Our operations are located in communities that are socio-economically diverse, ranging from low to high levels of social marginalisation, with some close to urban centres and other in remote locations. Water, infrastructure, insecurity (violence), unemployment, and lack of access to quality public services are among the challenges faced by our communities, according to our perception surveys and baseline studies. These challenges, combined with other insights gained from our stakeholder engagement practices, guide our community activities and social investment programmes. Our efforts target development levers such as education, capacity building and infrastructure. We also contribute to social welfare (public health, social interaction and sports) and help communities to raise environmental awareness.

We aim to develop with the community rather that developing for the community, and are exploring new such mechanisms with noted NGOs like ECOS and Reforestamos Mexico.

To advance our governance framework for social investment, we aim to introduce social investment committees in 2015 comprised of regional (mine) and corporate representatives. We will also pursue efforts to match our units with NGOs in order to increase collaboration on projects the benefit communities.

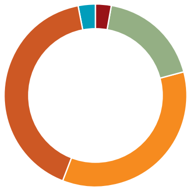
Economic impact

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

	US$m
Wages and benefits of workers	82.35
Payments to suppliers (contractors)	581.56
Payments to local governments	2.21
Payments to federal government	154.58
	820.71

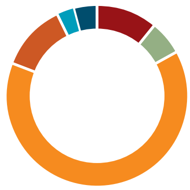
Performance

Community investment (%)
By strategic lever



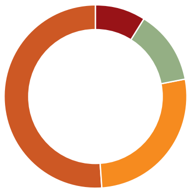
Environmental awareness	3
Community capacity building	18
Education	35
Social welfare	41
Infrastructure	3

Community investment (%)
By business unit



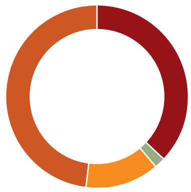
Ciénega	11
Explorations	6
Fresnillo	64
Penmont	12
Servicios Administrativos Fresnillo	3
Saucito	4

Community activities (%)
By strategic lever – Operations



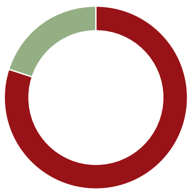
Environmental awareness	9
Capacity building	13
Education	27
Social welfare	51

Community activities (%)
By strategic lever – Explorations



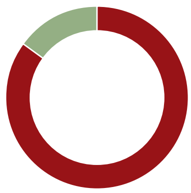
Environmental awareness	37
Capacity building	2
Education	13
Social welfare	48

Contributions requested (%)
By the community – Operations



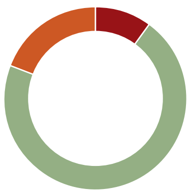
Accepted	80
Rejected	20

Contributions requested (%)
By the community – Explorations



Accepted	85
Rejected	15

Economic value distributed (%)



Wages and benefits of workers	10
Payments to suppliers (contractors)	71
Payments to local governments	0
Payments to federal government	19

Economic value distributed (%)
By region

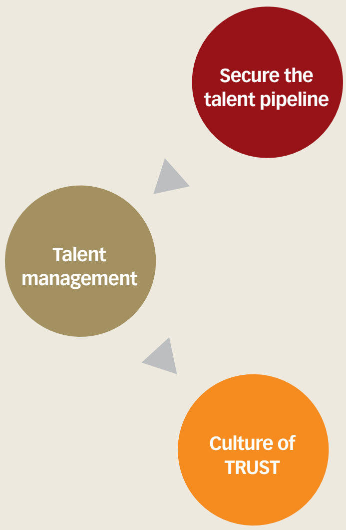
Zacatecas	25
Sonora	46
Durango	15
Chihuahua	10
Coahuila, Estado de Mexico and Guanajuato	4

Our people

We aspire to have an organisational culture based on trust, which is the single most important characteristic of great places to work. That requires engaging and developing our people for the long term. We are strongly committed to attracting, developing and retaining the best people.

Strategy

We seek to strengthen the talent pipeline with people who possess the right skills and capabilities to satisfy our present and future needs. Talent management is a key element of our strategy to develop and strengthen our workforce; building trust is a high priority to engage employees and build constructive relationships with unions.



What we said we would do in 2014

- Promote mining careers in our operating regions
- Launch initiatives and review policies to improve gender diversity
- Conduct workplace satisfaction survey and develop action plans from survey results
- Review HR policies and procedures to reinforce ethics
- Launch initiative to strengthen trust in our organisational culture
- Analyse options to introduce more flexibility to work schedule
- Start formalising career plans, prioritising critical success

What we did in 2014

- Promoted earth science and mining careers, notably in Zacatecas, Sonora and Chihuahua
- Gender balance improved; we continued identifying and removing obstacles
- Conducted a new Great Place to Work® survey to assess workplace satisfaction
- HR processes and policies evaluated by consultants as part of the ethics and integrity programme launched to shape an organisational culture that inspires trust
- Explored alternatives to increase work shift flexibility in remote locations
- Began developing career plans for critical operational functions

What we plan to do in 2015

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

Secure the talent pipeline

We collaborate with leading educational institutions in earth sciences and mining disciplines for the placement of interns, whom we closely monitor throughout their internships. We give priority to this pool of interns for recruitment of permanent positions. The National Autonomous University of Mexico (UNAM), the National Polytechnic Institute (IPN) and the University of Guanajuato have been reliable sources for intern recruitment, and we strengthened our collaboration with universities in the regions where we operate, notably the Autonomous University of Zacatecas (UAZ), the Autonomous University of Chihuahua (UACH) and the University of Sonora (UNISON). We structure training programmes for new recruits based on their profile and previous experience, with health and safety as non-negotiable elements of the training.

Fresnillo plc's Centre for Technical Studies (CETEF) was created to train high quality mining technicians for our specific needs. Candidates for CETEF are chosen from the communities surrounding our operations as we favour local employment to secure the talent pipeline. Our training approach is based on a hands-on model, whereby students spend 20% of the time studying theory and 80% practising on modern equipment. We also have an agreement with Peñoles to send our candidates to their Centre for Technical Studies at Laguna del Rey (CETLAR), which follows a similar approach to CETEF but focuses on training maintenance technicians.

We see a need to increase the participation of women in mining to secure the talent pipeline. The proportion of women in Fresnillo's workforce is 9.4% (8.8 % in 2013), compared to 7.2% overall in Mexico's metal and mining industry. While slightly above the national average, we seek to continue building on this opportunity.

Talent management

Developing and retaining talent is fundamental to executing our strategy and consistent with our vision of engaging our people for the long term. The planning of our human capital requirements is carefully aligned to our operations, with frequent feedback to monitor progress.

Leadership skills are developed through our 'Leaders with Vision' seminar programme that selects candidates with high leadership potential. Our senior executives deliver these seminars throughout the year as a mechanism to raise engagement and foster relationships, and they themselves participate in a training programme organised by a leading business school in Mexico, the Mexico Autonomous Institute of Technology (ITAM).

To develop value creation skills, we have designed training programmes and a competition that recognises innovative contributions from project teams while nurturing entrepreneurship, based on the Six Sigma methodology for process improvement. In 2014, 42 senior managers participated in the 'Champion' workshop, 28 project managers completed the 'Green Belt Diploma' and 18 supervisors participated in the 'Yellow Belt' course. The value creation projects resulting from this programme have contributed materially to operational excellence.

Our performance evaluation aligns individual objectives and the business strategy. As part of our ethics and integrity programme, we now aim to integrate ethics and integrity considerations in the criteria used in the key HR processes of hiring, promotions and performance reviews. Monitoring performance with respect to these objectives and behaviours also allows for detecting leadership potential and training needs. We aim to embed feedback and openness in our culture.

Although the number of managerial positions increased by 13% in 2014, the proportion of women in these positions fell to 3.85% (4.35% in 2013). We recognise that this low figure reflects difficulties at every stage of the career cycle to attract, retain and develop women. We must maintain our efforts to identify and remove the obstacles by strengthening our gender diversity policies.

Great Place to Work® Trust Index© employee survey

Conducted every two years, this employee perception survey measures the level of trust, pride, and camaraderie based on the quality of the workplace experience. Fresnillo plc obtained a total score of 70% in 2014 (2012: 63%). The average score for the top 20 companies with more than 5,000 employees was 79%, while the top ten obtained 84% on average. In 2015, management will analyse the feedback and formulate an action plan to enhance the workplace experience.

Responsible labour policies and human rights

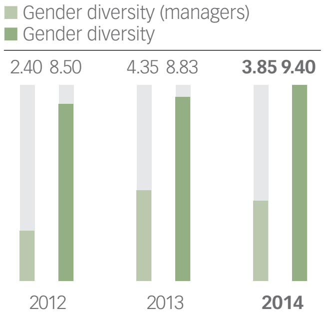
As signatories to the UN Global Compact, we are strongly committed to respecting and protecting freedom of association and collective bargaining. Our collective agreements with unions guarantee competitive wages and benefits for the 77% of our workforce that is unionised. We enjoy transparent and respectful relations with unions and had no labour disputes or strikes in 2014. As in previous years, good relations with unions have facilitated their buy-in of our efforts to embed safety in the workplace culture. We are now working to bring our ethics and integrity programme to unionised workers.

Child labour and compulsory work are banned from our operations and regularly monitored by Mexican authorities. In addition, we are strongly committed to supporting and respecting the protection of internationally recognised human rights and ensuring that we are not complicit in any human rights abuses. Our Code of Conduct makes clear that we do not tolerate any form of harassment, intimidation or discrimination; to reinforce this commitment we will launch an anti-bullying and harassment campaign in 2015.

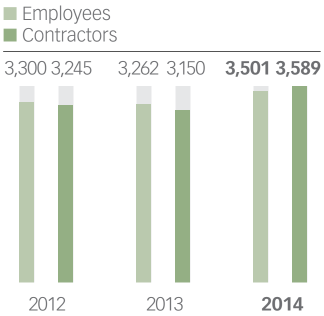
Performance

Voluntary labour turnover (%)

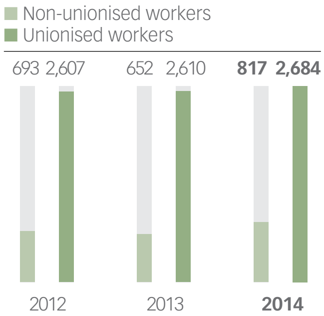
Gender diversity (%)



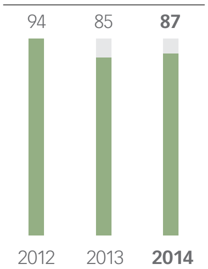
Employees and contractors



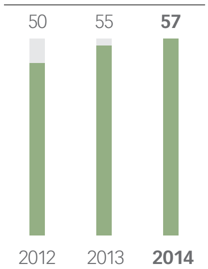
Unionised workers



Average workforce training hours



Average HSECR training hours



Investment in training programmes US$ millions

Financial Review

The Consolidated Financial Statements of Fresnillo plc are prepared in accordance with International Financial Reporting Standards (IFRS). 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 2014 figures compared to 2013, 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 163-219.

Commentary on financial performance

The decline in precious metal prices continued to be the main driver affecting the Group's financial performance in 2014. Profit levels were further impacted by higher depreciation and additional costs related to: i) the ramp-up of production post the temporary explosives suspension at Herradura; ii) the start-up of operations at the dynamic leaching plant and at Saucito II; iii) higher stripping ratios at the open pit mines; and iv) additional costs related to increases in throughput at Noche Buena, Saucito and Ciénega. Gross profit decreased by 32.1%, EBITDA by 22.3% and profit from continuing operations before net finance costs and income tax by 49.7%. In addition, other exceptional items such as a foreign exchange loss and increased deferred taxes, both related to the devaluation of the Mexican peso against the US dollar, had a negative effect on the Group's profit levels.

Adjusted revenues decreased 12.3% to US$1,545.0 million as a result of lower silver and gold prices and the stoppage of operations at Soledad-Dipolos. These factors were partially mitigated by increased volumes of silver sold, mainly from Saucito and, to a lesser extent, higher sales volumes of zinc at a higher price.

Adjusted production costs increased due to: i) the additional costs associated with the ramp-up at Herradura; ii) the start-up of operations at the dynamic leaching plant and Saucito II; iii) the higher stripping ratios at the open pit mines and the effect of regrouping the number of components; and iv) the increase in volume of ore processed at Noche Buena and Ciénega. These adverse effects were partially mitigated by costs not incurred at Soledad-Dipolos due to the stoppage, the 4.1% devaluation of the average Mexican peso/US dollar exchange rate and lower adjusted production costs at Fresnillo due to reduced volumes of ore processed.

In addition to the higher adjusted production costs, cost of sales was negatively impacted by higher depreciation recorded at Herradura due to the start-up of the dynamic leaching plant; an increase in the depreciation of capitalised mining works, machinery and equipment at Saucito, Fresnillo and Herradura; and increased depletion factors at most of our mines. These factors were partially mitigated by an increase in change in work in process due to the inventories built up on the leaching pads at Herradura as part of the natural ramp-up process and temporary processing capacity constraints; the lower unproductive costs registered in 2014 as a result of operations being halted for only two and a half months at Herradura compared to five and a half months in 2013; and lower profit sharing.

The above factors resulted in a 32.1% decrease in gross profit to US$521.1 million in 2014.

Exploration expenses recorded in the income statement decreased 18.8% to US$168.8 million, whilst capitalised exploration expenses totalled US$15.7 million, resulting in US$184.5 million of total risk capital invested in exploration. This figure was lower than the US$233.3 million invested in the prior year and below the original guidance of US$225 million, reflecting our conservative approach and flexibility to adjust our expenditure under challenging price environments.

In 2014, a number of additional factors affected the income statement, among them other expenses of US$25.5 million registered in the year mainly due to the write-off of certain assets at Soledad-Dipolos for the carrying value of property, plant and equipment that could not be utilised or reassigned, or remains at the site and is no longer considered to have a future economic benefit to the Group following a re-assessment of the Company's plans for the operations.

The revaluation of the Silverstream Contract had a positive impact of US$77.0 million in the 2014 financial results. This was largely driven by increased ore grade at Sabinas, a lower discount rate, unwinding of the discount, and higher than expected production in the year, which more than offset the effect of the lower silver price.

A regrouping of the number of components increased stripping costs by approximately US$10 million, which otherwise would have been capitalised.

A US$10.0 million write down was recorded as a result of the sharp drop in gold prices and the simultaneous increase in inventory carrying costs at Noche Buena due to the temporary increase in the stripping ratio. Additionally, the decline in the gold price resulted in a US$7.6 million write down at Soledad-Dipolos.

The significant devaluation of the Mexican peso against the US dollar at the end of 2014 had an adverse effect on the value of peso-denominated net assets when converted to US dollars, resulting in a foreign exchange loss of US$24.4 million.

The devaluation of the Mexican peso/US dollar exchange rate also increased the difference between the carrying amount of assets and liabilities (denominated in US dollars) and their value for tax purposes (denominated in Mexican pesos) in accordance to the Mexican tax law, thus increasing deferred income tax and the special mining right. This affected the effective tax rate, which increased to 47.1% in 2014. In addition, mining rights of US$15.7 million were recorded in the income statement.

In addition, net finance costs totalled US$47.2 million, mainly comprising the interest paid in relation to the US$800 million debt facility raised in November 2013.

All the above factors resulted in a 55.1% decrease in profit for the year and a 54.9% decline in profit attributable to equity shareholders of the Group, to US$108.4 million.

The Group ended the year with cash, cash equivalents and short-term investments of US$449.3 million compared to US$1,251.7 million at the beginning of the year. The decrease was largely explained by the acquisition of Newmont's 44% interest in Penmont (and associated companies) for US$450.5 million, the purchase of property, plant and equipment of US$425.6 million, and dividends and net interest paid of US$124.6 million. Capex for 2015 is estimated to increase to approximately US$700 million as a result of the on-going construction at San Julián, development works at Saucito II, the potential expansion of Ciénega, construction of the pyrites plant in the Fresnillo District, and the second Merrill Crowe plant at Herradura.

Despite challenging and unpredictable market conditions in the precious metals industry, and the specific issues that impacted the Group's financial results in 2014, our profitable operating profile, development pipeline and asset portfolio give us confidence in our continued ability to generate solid cash flows in the near term, and create sustainable stakeholder value over the long term.

Income statement

Financial results are, to a great extent, dependent on the Group's operational performance, asset quality, and the ability of our skilled personnel and management to execute towards our strategic goals. However, there are certain macroeconomic variables affecting the financial results, which are beyond our control. A description of these variables is provided below.

Precious metal prices

In 2014, gold and silver prices continued to be affected by the reduction of the US Federal Reserve's monetary stimulus programme and expected increase in interest rates, despite the temporary support provided by geopolitical tensions. Furthermore, the strengthening of the US dollar and the decline in oil prices put additional downward pressure on precious metal prices. As a result, the average realised gold price decreased 10.2%, to US$1,257.7 per ounce and the average realised silver price decreased 18.4% to US$18.6 per ounce. In addition, the average lead price decreased 3.8%, whilst the average zinc price increased 14.2% over 2013.

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. This phased hedging programme was strictly limited to the 44% of Penmont (and associated companies) acquired, implemented at management's discretion depending on prevailing market conditions. The total volume hedged was 1,559,689 ounces with monthly maturities through to December 2019. The chart below illustrates the expired hedging structures, results in 2014 and the outstanding hedged position as of 31 December.

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

The Group hedged a portion of its zinc and lead production; the chart below illustrates the expired hedging structures, results in 2014 and the outstanding hedged position as of 31 December.

Foreign exchange rates

The average spot Mexican peso/US dollar exchange rate devalued by 4.1%, from $12.77 per US dollar in 2013 to $13.30 per US dollar in 2014. This resulted in a positive effect estimated at US$9.2 million on the Group's production costs, as costs denominated in Mexican pesos (approximately two thirds of total costs) were lower when converted to US dollars.

Income statement

	2014 US$m	2013 US$m	Amount US$m	Change %
Adjusted revenue[1]	**1,545.0**	1,761.9	(216.9)	(12.3)
Lead and zinc hedging	**0.1**	0.3	(0.2)	(61.1)
Treatment and refining charges	**(131.4)**	(147.0)	15.6	(10.6)
Total revenues	**1,413.7**	1,615.2	(201.5)	(12.5)
Cost of sales	**(892.6)**	(847.7)	(44.9)	5.3
Gross profit	**521.1**	767.4	(246.4)	(32.1)
Exploration expenses	**168.8**	207.8	(39.0)	(18.8)
EBITDA[2]	**567.3**	729.8	(162.5)	(22.3)
Profit before income tax	**251.1**	418.7	(167.6)	(40.0)
Mining right	**15.7**	36.2	(20.5)	(56.6)
Income tax expense	**118.3**	121.5	(3.3)	(2.7)
Profit for the year	**117.1**	261.0	(143.9)	(55.1)
Profit for the year, excluding post-tax Silverstream effects	**63.2**	298.8	(235.6)	(78.9)
Attributable profit	**108.4**	240.4	(132.0)	(54.9)
Attributable profit, excluding post-tax Silverstream effects	**54.5**	278.2	(223.7)	(80.4)
Basic and diluted Earnings per share (US$/share)[3]	**0.147**	0.329	(0.182)	(55.3)
Basic and diluted Earnings per share, excluding post-tax Silverstream effects (US$/share)	**0.074**	0.381	(0.307)	(80.6)

1 Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.
2 Earnings before interest, taxes, depreciation and amortisation (EBITDA) is calculated as gross profit plus depreciation less administrative, selling and exploration expenses.
3 The weighted average number of Ordinary Shares was 736,894,000 for 2014 and 730,244,000 for 2013. See note 13 in the Consolidated Financial Statements.

Gold hedging structures

	2014	As of 31 December* 2014
Weighted floor (USD$/oz)	**1,100**	**1,100**
Weighted cap (USD$/oz)	**1,440**	**1,427**
Expired volume (oz)	**35,413**	
Total outstanding volume (oz)		**1,524,276**

* Monthly settlements through December 2019.

Zinc and lead hedging structures

	2014		As of 31 December 2014	
	Zinc	**Lead**	**Zinc***	**Lead****
Weighted floor (US$/tonne)	**2,000**	**2,100**	**2,100**	**2,100**
Weighted cap (US$/tonne)	**2,431**	**2,472**	**2,534**	**2,496**
Expired volume (tonne)	**2,431**	**3,415**		
Profit/loss (US$)	**(51,092)**	**151,968**		
Total outstanding volume (tonne)			**8,911**	**2,261**

* Monthly settlements through August 2015.
** Monthly settlements through July 2015.

Operating materials

	Year over year change in US$ %
Sodium cyanide	(6.7)
Explosives	(3.9)
Steel balls for milling	(2.4)
Lubricants	(2.0)
Steel for drilling	(0.4)
Tyres	(0.3)
Other reagents	4.8
Weighted average of all operating materials	**(1.8)**

Consolidated revenues

	2014 US$m	2013 US$m	Amount US$m	Change %
Adjusted revenue*	**1,545.0**	1,761.9	(216.9)	(12.3)
Lead hedging	**0.1**	0.3	(0.2)	(61.1)
Treatment and refining charges	**(131.4)**	(147.0)	15.6	(10.6)
Total revenues	**1,413.7**	1,615.2	(201.5)	(12.5)

* Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.

Adjusted revenues* by metal

	2014		2013		Volume	Price	Total	
	US$m	**%**	US$m	%	variance	variance	US$m	%
Silver	**714.9**	**46**	842.9	48	30.7	(158.7)	(128.0)	(15.2)
Gold	**720.5**	**47**	831.7	47	(27.3)	(83.8)	(111.1)	(13.4)
Lead	**51.5**	**3**	47.6	3	5.7	(1.9)	3.9	8.2
Zinc	**58.1**	**4**	39.7	2	11.9	6.4	18.3	46.3
Total adjusted revenues	**1,545.0**	**100**	1,761.9	100	21.1	(238.0)	(216.9)	(12.3)

* Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.

The Mexican peso/US dollar spot exchange rate at 31 December 2014 was $14.72 per US dollar, compared to the exchange rate at the beginning of the year of $13.08 per US dollar. The 12.6% devaluation had an adverse effect on monetary assets and liabilities transacted in Mexican pesos, which were originally recorded at the exchange rate prevailing at the date of the transaction and, if they remained unsettled, were revalued at the year end rate. As a result, a foreign exchange loss of US$24.4 million was recognised in the income statement.

The strengthening of the US dollar against the Mexican peso also caused an increase in the difference between accounting values of assets and liabilities in US dollars under IFRS and tax values in Mexican pesos under Mexican tax legislation. As a result, additional deferred taxes were recognised in the income statement, thus affecting the effective tax rate.

The Group entered into certain derivative contracts in the year to hedge foreign exchange exposure, as outlined in the cost of sales description below.

Cost inflation

To calculate cost inflation for the year, we estimate the unit price increase for each component of adjusted production costs and calculate the weighted average. The resulting cost inflation estimate for 2014 was 1.6%, which included the favourable effect of the 4.1% average devaluation of the Mexican peso against the US dollar. We conduct the same exercise for each individual mine operation, whose basket components may carry different weightings.

Labour

Unionised employees received a 5.5% increase in wages in Mexican pesos and administrative employees at the mines received a 4.5% increase; when converted to US dollars the inflation factor was 1.4%.

Energy

The Group uses mainly two sources of energy, electricity and diesel.

Electricity

The Group's weighted average cost of electricity remained unchanged at US$11.0 cents per kW in 2014. Electricity rates are set by the Comisión Federal de Electricidad (CFE), the national utility, based on their average generating cost, which correlates mainly to fuel oil and coal prices.

Diesel

The weighted average cost of diesel in US dollars increased 6.3% to US$83.5 cents per litre in 2014. Diesel prices are controlled by Petróleos Mexicanos (PEMEX), the national oil company, and are not expected to decrease in the near term despite the decline in international oil prices.

Operating materials

In 2014, unit prices of the majority of key operating materials decreased due to the lower demand for these inputs, resulting in a net weighted average decrease of 1.8%. This reflects the combined effect of price inflation and the weighting of each component in the total cost of operating materials (see table above).

Contractors

Agreements are signed individually with each contractor and have specific terms and conditions that cover operating materials, equipment and labour, amongst others. Contractor costs are an important component of the Company's total costs, denominated in Mexican pesos. In 2014, increases granted to contractors, whose agreement was due for review during the period, resulted in a weighted average increase of 3.4% in dollar terms (equivalent to 1.9%-12.2% in Mexican pesos).

Maintenance

Unit prices of spare parts to provide maintenance decreased 0.3% in US dollars.

Others

Other cost components include freight, of which the unit cost increased by an estimated 4.8%; the insurance premium per unit which decreased 3.0%; the remaining components had an average inflation of 2.6% over 2013.

Treatment and refining charges

Treatment and refining charges[1], which are deducted from adjusted revenue for the purposes of revenues as disclosed in the income statement, are reviewed annually in accordance with international benchmarks. Treatment charges per tonne of lead and zinc concentrates increased 8.2% and 10.4% respectively. More importantly, silver refining charges decreased 26.6% year-on-year, which resulted in a 10.6% aggregate decrease in treatment and refining charges recorded in the income statement.

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

Revenues

Adjusted revenues decreased by 12.3% to US$1,545.0 million in 2014 as a result of the lower gold and silver prices and the decrease in sales volumes of gold, mainly from Soledad-Dipolos and Ciénega (see table above).

In 2014, we entered into derivative contracts to hedge lead and zinc through respective collar structures, resulting in a US$0.1 million gain recorded in the income statement. In addition, we initiated a one-off gold hedging programme to protect the value of the investment made in the Penmont acquisition, as detailed on page 97.

The total metal price effect (lower prices of gold, silver and lead mitigated by an increase in zinc price), resulted in an adverse impact on revenues of US$238.0 million. This was partially mitigated by the US$21.1 million favourable impact of the total volume effect; which resulted from the higher volumes of silver sold at Saucito and higher volumes of zinc sold from the underground mines; partially offset by the lower sales volumes of gold due to the stoppage at Soledad-Dipolos.

In 2014, silver and gold contributed in nearly equal parts to adjusted revenues. In terms of adjusted revenues by mine, Fresnillo remained the main contributor to adjusted revenues, albeit with a lower contribution. Saucito and Noche Buena increased their contributions as a result of their respective expansions that increased sales volumes. In contrast, the lower gold and silver ore grades at Ciénega combined with the lower precious metal prices resulted in a decrease in its contribution to adjusted revenues. At Herradura, the lower gold price was the main driver reducing its contribution to consolidated adjusted revenues (see table above).

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

Adjusted revenues by metal

	2014	2013
Gold	**47%**	47%
Silver	**46%**	48%
Zinc	**4%**	2%
Lead	**3%**	3%
Total	**100%**	100%

Adjusted revenue by mine

	2014 US$m	2013 US$m
Fresnillo	**460.3**	588.3
Saucito	**372.5**	326.3
Herradura	**342.7**	379.4
Ciénega	**206.0**	250.7
Noche Buena	**163.5**	148.4
Soledad-Dipolos	**0.0**	68.8
Total	**1,545.0**	1,761.9

Adjusted revenues by mine

	2014	2013	Change %
Volumes of metal sold			
Silver (koz)			
Fresnillo	**19,513**	21,709	(10.1)
Saucito	**14,684**	11,073	32.6
Ciénega	**3,427**	3,760	(8.9)
Herradura	**673**	295	128.0
Noche Buena	**100**	47	111.9
Soledad-Dipolos	**0**	30	(100.0)
Total Silver (koz)	**38,398**	36,914	4.0
Gold (koz)			
Fresnillo	**32**	29	8.6
Saucito	**53**	42	26.4
Ciénega	**97**	107	(9.3)
Herradura	**264**	262	0.5
Noche Buena	**128**	107	19.7
Soledad-Dipolos	**0**	47	(100.0)
Total Gold (koz)	**573**	594	(3.5)
Lead (mt)			
Fresnillo	**12,754**	13,821	(7.7)
Saucito	**8,959**	4,835	85.3
Ciénega	**3,655**	3,934	(7.1)
Total Lead (mt)	**25,369**	22,591	12.3
Zinc (mt)			
Fresnillo	**12,657**	12,385	2.2
Saucito	**8,643**	3,772	129.2
Ciénega	**5,399**	4,694	15.0
Total Zinc (mt)	**26,699**	20,851	28.1

Cost of sales

Cost of sales totalled US$892.6 million, an increase of 5.3% over 2013. The US$44.9 million increase is explained by a combination of factors:

- Adjusted production costs (+US$110.3 million): The increase was mainly driven by: i) the increased ore throughput at Noche Buena, Saucito and Ciénega (+US$60.5 million); ii) the temporarily higher stripping ratios at Herradura and Noche Buena in accordance with current mine plans (+US$47.6 million); iii) the increased variable costs recorded as a result of the resumed operations at Herradura compared to 2013 when costs were more distorted as a result of the halted operations following the suspension of the explosives permits (+US$43.1 million); and iv) the additional production costs as a result of the start-up of the dynamic leaching plant (+US$20.5 million). These adverse effects were partially mitigated by the costs not incurred at Soledad-Dipolos (–US$63.4 million); the favourable effect of the devaluation of the Mexican peso/US dollar exchange rate when converting peso-denominated costs to US dollars (–US$9.2 million) and the lower volumes of ore processed at Fresnillo (–US$3.6 million). In addition, each production cost component had the following cost inflation and underlying operational pressures:
  - Contractor costs increased US$9.0 million as a result of: i) 2.4% weighted increase in the unit fees charged by contractors; and ii) a greater number of contractors to carry out development, mainly in the Fresnillo District
  - The cost of diesel rose US$5.3 million mainly due to higher unit prices of diesel (+6.3%)
  - Personnel costs, excluding profit sharing, increased US$3.8 million mainly due to: i) a 5.5% increase in wages in Mexican pesos as a result of the annual review; and iii) increase in training to improve safety indices at the mines
  - Other costs had a favourable effect of an estimated US$3.2 million
- Depreciation and amortisation (+US$56.8 million): The increase was explained by the higher depreciation recorded at Herradura due to the start-up of the dynamic leaching plant; an increase in the depreciation of capitalised mining works and equipment at Saucito, Fresnillo and Herradura and increased depletion factors at most of our mines.
- Hedging (+US$5.4): The Group enters into certain exchange rate derivative instruments as part of a programme to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos. In 2014, forward dollar sales for US$8.0 million at an average rate of $12.60 matured, resulting in a narrow loss of US$239,474 recognised in the income statement. As of 31 December, there were no outstanding forward instruments related to the Mexican peso/US dollar exchange rate.
  - Additionally, the Group entered into a combination of put and call options structured at zero cost (collars). In 2014, these derivatives were used to hedge US$244.5 million of costs denominated in Mexican pesos with average floor and cap exchange rates of $13.00 and $13.81 per US dollar respectively, resulting in a US$0.87 million loss recorded in the income statement. The total outstanding position using collar structures as of 31 December 2014 was US$259.5 million with maturity dates throughout 2015 with average floor and cap exchange rates of $13.44 and $14.19 per US dollar respectively. These instruments guarantee a minimum exchange rate should the market fall below the floor exchange rate. Between the floor and cap exchange rates the Group sells US dollars at the market rate, and when the Mexican peso per US dollar exchange rate goes above the cap rate, the Company is obliged to sell US dollars at the contract rate.

The above adverse effects were partially mitigated by decreases in:

- Variation in change in work in progress and inventory write down (–US$103.4 million): This was mainly explained by the increase in ore inventories on the leaching pads at Herradura as a result of not having sufficient capacity at the Merrill Crowe plant to process all the rich solution coming from both the pads and the new dynamic leaching plant. The increased volumes of ore deposited on the leaching pads at Noche Buena as part of its ramp-up to expanded capacity further contributed to the increase in the variation in work in progress. This was partially offset by the write down of US$17.6 million, which resulted from the increased inventory carrying cost at Noche Buena and Soledad-Dipolos, together with the sharp drop in gold prices.
- Reduction in unproductive costs (–US$11.5 million): US$14.6 million was recorded at Minera Penmont mainly due to the labour costs of workers we maintained on payroll whilst operations were still halted in the first three months of 2014; whereas in 2013 this item accounted for US$26.1 million corresponding to six months of operation on hold.
- Profit sharing (–US$7.6 million): Lower profit sharing due to the decrease in precious metal prices and lower profits at all the mines, except for Saucito which exclusively employs contractors who are not entitled to profit sharing.
- Others (–US$5.2 million).

Cost per tonne, cash cost per ounce and all-in sustaining cost

Cost per tonne, calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage milled or deposited, is a key indicator to measure the effects of mining inflation and cost control performance at each mine and the Group as a whole. Given the temporary increases in stripping ratios at our open pit mines in 2014, we have included cost per tonne hauled as we believe it is a useful indicator to thoroughly analyse cost performance at these mines. For more information on changes in cost per tonne by mine please see 'Our mines in operation' pages 56-69.

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

Fresnillo: US$5.29/oz (2014) vs US$5.87/oz (2013), (–US$0.58/oz; –9.9%)

The decrease in cash cost per ounce is mainly explained by the lower silver refining charges (–US$0.58 per ounce); higher by-product credits per silver ounce due to the combined effect of higher zinc price and the increase in gold and zinc volumes (–US$0.54 per ounce); and lower profit sharing resulting from the decrease in precious metal prices (–US$0.15 per ounce). This was partially offset by the lower volumes of silver sold, reflecting the decline in ore grade (+US$0.47 per ounce); and the increase in cost per tonne (+US$0.22 per ounce).

Saucito: US$2.48/oz (2014) vs US$3.61/oz (2013), (–US$1.13/oz; –31.3%)

The decrease was driven by the lower silver refining charges (–US$0.41 per ounce); the higher by-product credits per ounce of silver resulting from the increased gold, lead and zinc volumes sold (–US$0.30 per ounce); the lower cost per tonne (–US$0.29 per ounce); and the favourable effect of the higher silver grade (–US$0.13 per ounce).

Cost of sales

	2014 US$m	2013 US$m	Amount US$m	Change %
Adjusted production costs[1]	**678.0**	567.7	110.3	19.4
Depreciation and amortisation	**296.2**	239.3	56.8	23.7
Change in work in progress and inventory write down	**(104.7)**	(1.3)	(103.4)	>100
Profit sharing	**12.6**	20.2	(7.6)	(37.4)
Hedging	**1.1**	(4.3)	5.4	N/A
Unproductive costs and others	**9.5**	26.1	(16.7)	(63.8)
Cost of sales	**892.6**	847.7	44.9	5.3

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

Cost per tonne[2]

		2014	2013	Change %
Fresnillo	US$/tonne milled	**47.29**	45.60	3.7
Saucito	US$/tonne milled	**59.14**	61.00	(3.1)
Ciénega	US$/tonne milled	**70.84**	70.81	0.0
Herradura	US$/tonne deposited	**9.29**	8.38	10.8
Herradura	US$/tonne hauled	**2.37**	2.67	(11.3)
Noche Buena	US$/tonne deposited	**9.98**	7.84	27.2
Noche Buena	US$/tonne hauled	**1.68**	1.60	5.4
Soledad-Dipolos	US$/tonne deposited	**–**	–	N/A

2 Cost per tonne is calculated as total production costs less depreciation, profit sharing and exchange rate hedging effects, divided by total tonnage milled or deposited.

Cash cost per ounce[3]

		2014	2013	Change %
Fresnillo	US$/silver ounce	**5.29**	5.87	(9.9)
Saucito	US$/silver ounce	**2.48**	3.61	(31.3)
Ciénega	US$/gold ounce	**288.0**	37.68	>100
Herradura	US$/gold ounce	**465.4**	651.23	(28.5)
Noche Buena	US$/gold ounce	**945.6**	928.03	1.9
Soledad-Dipolos	US$/gold ounce	**–**	820.28	N/A

3 Cash cost per ounce is calculated as total cash cost (cost of sales plus treatment and refining charges less depreciation) less revenues from by-products divided by the silver or gold ounces sold.

All-in sustaining cost[4]

		2014	2013	Change %
Fresnillo	US$/silver ounce	**9.84**	9.06	8.6
Saucito	US$/silver ounce	**5.43**	6.66	(18.5)
Ciénega	US$/gold ounce	**786.40**	547.95	43.5
Herradura	US$/gold ounce	**862.19**	1,029.25	(16.2)
Noche Buena	US$/gold ounce	**1,051.00**	1,362.73	(22.9)
Soledad-Dipolos	US$/gold ounce	**–**	922.06	N/A

4 All-in sustaining cost 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.

Ciénega: US$288.00/oz (2014) vs US$37.68/oz (2013), (+US$250.32/oz; >100%)

The increase in cash cost was primarily explained by the expected decrease in gold grade (+US$157.02 per ounce); the lower by-product credits per ounce of gold due to the reduced volumes of silver and lead sold at lower prices (+US$107.68 per ounce); and to a lesser extent, the increase in cost per tonne (+US$8.82 per ounce). These adverse factors were mitigated by the lower silver refining charges (–US$12.50 per ounce) and lower profit sharing (–US$10.71 per ounce).

Herradura: US$465.42/oz (2014) vs US$651.23/oz (2013), (–US$185.81/oz; –28.5%)

The decrease in cash cost resulted from: i) the 18.0% increase in gold grades (–US$120.55 per ounce); ii) the contribution of additional gold ounces following the start-up of the dynamic leaching plant (–US$58.80 per ounce); iii) additional gold ounces recovered at the leaching process once the inventories on the pads were depleted (–US$22.20 per ounce); iv) the increased by-product credits (–US$20.72 per ounce); v) the lower unproductive costs recorded in relation to the stoppage versus those in the prior year (–US$11.25 per ounce); vi) efficiencies obtained by higher recovery rate and increased speed of recovery (–US$7.72 per ounce); and vii) lower profit sharing (–US$6.43 per ounce). These positive effects were partially offset by the higher cost per tonne (+US$61.73 per ounce).

Noche Buena: US$945.63/oz (2014) vs US$928.03/oz (2013), (+US$17.60/oz; +1.9%)

The increase in cash cost per ounce was mainly explained by the higher cost per tonne (+US$220.48 per ounce) and, to a lesser extent, the lower gold grade (+US$24.97 per ounce) and higher profit sharing (+US$5.84 per ounce). These adverse effects were partially mitigated by: i) lower carrying costs from previous layers, which benefit the average cost at which the gold ounces are being sold in the current year (–US$163.50 per ounce; ii) not incurring unproductive costs this year compared to the previous year (–US$63.71 per ounce); iii) higher by-product silver credits (–US$4.95 per ounce); and iv) lower refining charges per ounce (–US$1.54 per ounce).

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

All-in sustaining cost

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

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

Management considers all-in sustaining costs a reasonable measure to monitor current production costs and sustaining costs as it includes mine development costs incurred to prepare the mine for future production, as well as sustaining capex.

Fresnillo: All-in sustaining cost rose mainly due to the increase in capitalised development and mining works; which were partially mitigated by the lower cash cost.

Saucito: All-in sustaining cost declined as a result of the lower cash cost and lower sustaining capex in the year. This was partially offset by the increase in capitalised mining works related to the development of Saucito II.

Ciénega: The increase in all-in sustaining cost was primarily explained by the increase in cash cost, which was partially mitigated by lower sustaining capex.

Herradura: The decrease in cash cost was the main driver for the decrease in all-in sustaining cost and to a lesser extent, the lower sustaining capex. These factors were partially offset by the increased capitalised stripping costs.

Noche Buena: The decrease in capitalised stripping costs was the main reason for the decline in all-in sustaining cost.

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

Gross profit

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

Total gross profit, net of hedging gains and losses, decreased 32.1% to US$521.1 million in 2014 (see table below).

The main factors contributing to the US$246.4 million decrease in gross profit were: i) the adverse effect of lower silver, gold and lead prices (–US$237.1 million); ii) higher depreciation (–US$66.5 million); iii) the expected lower gold and silver grade at Ciénega (–US$64.1 million); iv) profit lost at Soledad-Dipolos as a result of the stoppage (–US$42.2 million); v) the 9.4% decrease in silver grade at the Fresnillo mine (–US$41.5 million); vi) a 26% increase in the stripping ratio at Noche Buena and 37% at Herradura (–US$31.7 million); vii) the 1.6% cost inflation (–US$16.7 million); and viii) the negative impact of the halted operations at Herradura in the first three months of the year (–US$10.1 million).

The above factors were partially mitigated by higher gross profit related to: i) increased ore volumes processed at Saucito, Ciénega and Noche Buena (+US$146.1 million); ii) higher ore grades at Herradura (+US$65.6 million); iii) contribution from the new dynamic leaching plant (+US$18.3 million); iv) the 26.6% decrease in silver refining charges (+US$15.2 million); v) the 4.1% devaluation of the Mexican peso/US dollar (+US$9.2 million); vi) lower profit sharing (+US$6.2 million); and vii) others (+US$2.9 million).

On a per mine basis, gross profit at the Fresnillo mine decreased 34.7% to US$206.7 million in 2014, but remained the largest contributor to the Group's consolidated gross profit, at 36.4%. Saucito's contribution to the Group's gross profit continued to increase, rising from 24.2% in 2013 to 33.3% in 2014 due to the on-going ramp-up of production and the additional ore processed from the development works at Saucito II. Notwithstanding, the adverse effect of lower precious metal prices limited the mine's increase in gross profit to 4.2% over the previous year. Gross profit at Herradura increased 7.3% to US$136.2 million in 2014, which represented 24.0% of the Group's consolidated gross profit, reflecting the positive effect of the resumed operations. The decrease in gold and silver ounces sold at Ciénega at lower prices led to a 56.9% decline in gross profit for the year, which reduced its share of the Group's total to 7.2%. Lastly, at Noche Buena, the favourable effect of higher gold volumes produced and sold did not fully mitigate the impact of lower gold price and higher costs, decreasing gross profit at this mine 38.5% and contributing only 2.0% to the consolidated gross profit.

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

	2014		2013		Change	
	US$m	**%**	US$m	%	Amount	%
Fresnillo	**206.7**	**36.4**	316.6	42.3	(109.9)	(34.7)
Saucito	**188.9**	**33.3**	181.3	24.2	7.5	4.2
Herradura	**136.2**	**24.0**	126.9	17.0	9.3	7.3
Ciénega	**40.8**	**7.2**	94.7	12.7	(53.9)	(56.9)
Noche Buena	**11.5**	**2.0**	18.7	2.5	(7.2)	(38.5)
Soledad-Dipolos	**(16.5)**	**(2.9)**	10.1	1.4	(26.6)	N/A
Total for operating mines	**567.6**	**100.0**	748.3	100.0	(180.7)	(24.1)
MXP/USD exchange rate hedging (losses) and gains	**(1.1)**		4.3		(5.4)	N/A
Other subsidiaries	**(45.4)**		14.8		(60.2)	N/A
Total Fresnillo plc	**521.1**		767.4		(246.4)	(32.1)

Exploration expenses

Business unit/project (US$m)	**Exploration expenses 2014**	Exploration expenses 2013	**Capitalised expenses 2014**	Capitalised expenses 2013
Ciénega	**27.6**	14.6		
Fresnillo	**5.6**	10.7		
Herradura	**14.7**	25.4		
Soledad-Dipolos	**–**	4.9		
Saucito	**3.2**	4.2		
Noche Buena	**10.1**	21.5		
San Ramón	**4.9**	10.0		
San Julián	**4.4**	7.5		
Orisyvo	**15.2**	15.5	**1.2**	3.6
New Herradura Corridor	**1.5**	4.2		
Centauro Deep	**34.4**	37.4	**2.7**	7.7
San Juan	**0.1**	1.5		
Lucerito	**0.0**	4.8		
Candameña	**1.5**	2.5		
Guachichil	**1.8**	4.3		
Guanajuato	**4.0**	5.1		
Peru	**2.3**	3.9		
Manzanillas	**0.9**	0.1		
Juanicipio	**0.0**	0.0	**10.1**	10.6
Others	**36.6**	29.6	**1.7**	3.6
Total	**168.8**	**207.7**	**15.7**	**25.6**

Administrative expenses

Administrative expenses of US$67.5 million increased by 8.5% over 2013 due mainly to additional services provided by third parties, the 5.5% increase in salaries granted to employees, the additional administrative personnel hired to service new projects, and contracted inflationary adjustments.

Exploration expenses

Exploration expenses in 2014 totalled US$168.8 million, an 18.8% decrease over 2013, as a result of the decision to reduce the expenditure given the decline in precious metal prices. As planned, priority was given to areas within our current mining districts as well as advanced exploration projects and prospects with the highest potential based on previous exploration results. Good results were obtained in the Herradura District, Rodeo and Guanajuato; and resources were converted into reserves mainly at San Julián and Saucito, although the lower price assumptions offset the latter effect (See 'Exploration' pages 73-79). An additional US$15.7 million was recorded in association with minor equipment acquired at the Centauro Deep and Orisyvo projects and mining works at Juanicipio. Furthermore, costs for exploration and drilling came down substantially, which allowed for similar rates of advancement at a lower investment. As a result, total investment in exploration of US$184.5 million in 2014 decreased 20.9% compared to 2013, and was below the original budgeted figure of US$225.0 million.

EBITDA

Another key indicator of the Group's financial performance is EBITDA, which is calculated as gross profit plus depreciation, less administrative, selling and exploration expenses. EBITDA decreased 22.3% in 2014 to US$567.3 million, mainly due to the adverse effect of lower gross profit, which was partially mitigated by lower exploration expenses. EBITDA margin declined accordingly, from 45.2% in 2013 to 40.1% in 2014 (see table below).

Other expenses

In 2014, the Group conducted an assessment of the future plans for the Soledad-Dipolos mine, concluding that certain assets would not generate an economic benefit in the future as they could no longer be utilised, reassigned or relocated. This write down of property, plant and equipment, which included assets stolen from the Soledad-Dipolos facilities during the stoppage, was the main reason for the US$25.5 million recorded as other expenses in the income statement. This negatively compared to the US$2.4 million registered in the 2013 income statement.

Silverstream effects

The Silverstream contract is accounted for as a derivative financial instrument carried at fair value. The revaluation of the Silverstream contract generated a US$40.1 million non-cash gain as a result of updating the assumptions utilised to value the Silverstream contract, most significantly the increase in resource grade at Sabinas and lower discount rate, which more than compensated for the lower forward price of silver. In addition, a US$36.9 million non-cash gain was generated by: i) the difference between payments (volume and price) actually received in 2014 and payments estimated in the valuation model as at 31 December 2013; and ii) the unwinding of the discounted values. The total effect recorded in the 2014 income statement was US$77.0 million.

Since the IPO, cumulative cash received has totalled US$462.6 million, while total non-cash revaluation gains of US$511.8 million have been taken to income. However, it was anticipated that the Group would expect further unrealised gains or losses taken to the income statement in accordance with the cyclical behaviour of the silver price or changes in the variables considered in valuing this contract. Further information related to the Silverstream contract is provided in the Balance sheet section below and in notes 16 and 33 to the Consolidated Financial Statements.

Finance expense

Net finance expense in 2014 totalled US$47.2 million, mainly as a result of the accrued interest payable in relation with the issuance of US$800 million principal amount of 5.500% senior notes. In 2013, a US$8.9 million net finance expense was recorded in the income statement.

Foreign exchange

Foreign exchange gain or loss is generated by the translation of monetary assets and liabilities denominated in foreign currencies, which were originally recorded at the prevailing foreign exchange rate at the date of the transaction and, if they remained unsettled, were revalued at the year end rate. A foreign exchange loss of US$24.4 million was recorded in 2014 as a result of the 12.6% devaluation of the Mexican peso against the US dollar. This loss negatively compared to the US$6.5 million loss recognised in 2013.

To hedge the purchase of equipment in currencies other than the US dollar, the Group carried out derivative transactions in euros (EUR) and Swedish krona (SEK). At 31 December 2014, the total EUR and SEK outstanding net forward position was EUR 0.12 million and SEK 0.36 million with maturity dates from March through June 2015. The volume that expired during 2014 was EUR 10.56 million with a weighted average strike of 1.332 USD/EUR and SEK 0.8 million with a weighted average strike of 6.957 SEK/USD, which generated a US$187,613 gain and US$50,080 loss in the income statement respectively.

Taxation

Corporate income tax expense of US$118.3 million decreased 2.7% due to lower profits earned in 2014. However, the effective tax rate was 47.1%, which was significantly above the statutory corporate tax rate of 30%. This was mainly explained by the devaluation of the Mexican peso against the US dollar that increased the deferred income taxes generated by the higher differences arising between the carrying amount of assets and liabilities (denominated in US dollars) and their tax bases (denominated in Mexican pesos). In addition, US$15.7 million related to the special mining right was registered in the income statement in 2014, whereas US$36.2 million was recorded in 2013. Including the effect of the special mining right, the effective tax rate was 53.4%.

Profit for the year

Profit for the year decreased by 55.1% to US$117.1 million due to the factors discussed above. Profits due to non-controlling interests of US$8.6 million decreased by 58.0% compared to 2013, reflecting the lower profits generated by Minera Penmont in the first half of the year and the acquisition in October of Newmont's 44% stake in these assets, which no longer required the recognition of this item. Profit attributable to equity shareholders of the Group declined by 54.9% from US$240.4 million to US$108.4 million in 2014.

Excluding the effects of the Silverstream contract, profit for the year decreased 78.9% to US$63.2 million. Similarly, profit attributable to equity shareholders of the Group, excluding the Silverstream effects, declined by 80.4% to US$54.5 million.

Cash flow

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

Cash generated by operations before changes in working capital decreased by 24.2% from US$750.2 million to US$568.5 million, mainly as a result of the lower profits generated. Working capital increased by US$183.4 million, due to:

– a US$105.2 million increase in trade and other receivables resulting mainly from an increase in income tax and VAT receivables and higher volumes sold to Met-Mex;
– a US$97.5 million increase in inventories as a result of increased volumes of ore deposited on the leaching pads at Herradura that were not processed at the Merrill Crowe plant due to capacity issues and the increase in inventories at Noche Buena as part of the ramp-up to expanded capacity;
– a US$17.2 million decrease in trade and other payables; and
– a US$2.1 million decrease in pre-payments and other assets.

Taxes and employee profit sharing paid decreased 45.9% over 2013 to US$263.5 million, mainly as a result of lower profits generated.

As a result of the above factors, net cash from operating activities of US$121.6 million decreased 72.7% compared to 2013.

Other sources of cash were the proceeds from the Silverstream contract of US$58.8 million.

The above funds were used to: i) purchase Newmont's minority participation in Minera Penmont for US$450.5 million; and ii) purchase property, plant and equipment for a total of US$425.6 million, which represented a 25.6% decrease compared to 2013. Capital expenditures for 2014 are further described below:

Dividends paid to shareholders of the Group in 2014 totalled US$87.0 million, an 82.8% decrease from 2013, when dividends to be payable in 2014 were anticipated. The total dividend payment in 2014 included: i) a special and one-off dividend of US$50.1 million paid in May; and ii) a special and one-off dividend of US$36.9 million paid in September.

The sources and uses of funds described above resulted in a net decrease of US$798.2 million in cash and cash equivalents, which combined with the US$1,251.7 million balance at the beginning of the year and the US$4.0 million unfavourable effect of the exchange rate, resulted in cash, cash equivalents and short-term investments of US$449.3 million at the end of 2014.

Balance sheet

Fresnillo plc continues to prioritise a flexible and solid financial position; this enabled the Company to acquire Newmont's minority position in Minera Penmont in 2014, among other strategic activities.

Cash, cash equivalents and short-term investments decreased during the year to US$449.3 million as explained above.

Inventories increased 46.8% to US$305.6 million due to the increase in ore deposited on the leaching pads at Herradura that was not processed at the Merrill Crowe plant; and the increase in inventories at Noche Buena in relation to the ramp-up to expanded capacity.

Trade and other receivables and income tax recoverables of US$456.1 million increased 70.5% as a result of the increase in income tax and VAT receivables and higher volumes sold to Met-Mex.

The change in the value of the Silverstream derivative from US$372.8 million at the beginning of the year to US$392.3 million as of 31 December 2014 reflects proceeds of US$57.5 million corresponding to 2014 (US$50.6 million in cash and US$6.9 million in receivables) and the Silverstream effect in the income statement of US$77.0 million.

The net book value of property, plant and equipment was US$1,969.4 million at year end, representing a 7.1% increase over 2013. The US$131.3 million increase was mainly explained by the capitalised development at Saucito and San Julián; purchase of additional in-mine equipment and surface land, and construction of leaching pads at Noche Buena; and construction of the beneficiation plant at Saucito II.

The Group's total equity was US$2,301.8 million as of 31 December 2014, a 13.9% decrease compared to 2013 as a result of the acquisition of the 44% interest of Newmont in Minera Penmont.

Dividends

Based on the Group's long-term dividend policy, the Directors have recommended a final dividend of 3.0 US cents per Ordinary Share, which will be paid, subject to shareholder approval at the Annual General Meeting on 18 May 2015, on 22 May 2015 to shareholders on the register on 1 May 2015. The dividend will be paid in UK pounds sterling unless shareholders elect to be paid in US dollars.

EBITDA

	2014 US$m	2013 US$m	Change Amount	Change %
Gross profit	**521.1**	767.4	(246.4)	(32.1)
+ Depreciation and amortisation	**296.2**	239.3	56.8	23.7
– Administrative expenses	**(67.5)**	(62.2)	(5.3)	8.5
– Exploration expenses	**(168.8)**	(207.8)	39.0	(18.8)
– Selling expenses	**(13.6)**	(7.0)	(6.7)	95.8
EBITDA	**567.3**	729.8	(162.5)	(22.3)
EBITDA margin	**40.1**	45.2		

Cash flow

	2014 US$m	2013 US$m	Amount US$m	Change %
Cash generated by operations before changes in working capital	**568.5**	750.2	(174.8)	(24.2)
(Increase)/decrease in working capital	**(183.4)**	34.5	(294.8)	N/A
Taxes and employee profit sharing paid	**(263.5)**	(338.6)	155.5	(22.2)
Net cash from operating activities	**121.6**	446.0	(314.1)	(72.7)
Silverstream contract	**58.8**	63.8	(5.0)	(7.9)
Purchase of minority shares	**(450.5)**	0.0	(450.5)	(100.0)
Purchase of property, plant and equipment	**(425.6)**	(572.1)	146.6	(25.6)
Dividends paid to shareholders of the Company	**(87.0)**	(505.2)	418.3	(82.8)
Senior notes, net of transaction costs	**0.0**	789.0	(789.0)	(100.0)
Placement of new ordinary shares (net of costs)	**0.0**	346.1	(346.1)	(100.0)
Net (decrease)/increase in cash during the period before foreign exchange differences	**(798.2)**	637.0	(1,435.2)	N/A
Cash, cash equivalents and short-term investments at 31 December	**449.3**	1,251.7	(802.4)	(64.1)

Purchase of property, plant and equipment

	2014 US$m	
Fresnillo mine	**175.9**	Mine development and purchase of in-mine equipment. Construction of ramps and mine work, purchase of equipment and acquisition of land at San Julián (US$112.3 million) and Orisyvo (US$1.2 million)
Saucito mine	**114.4**	Construction of Saucito II, mining works and purchase of equipment
Herradura mine	**63.1**	Stripping activities, purchase of surface land, sustaining capex and technical adjustments to the plant
Ciénega mine	**37.9**	Development, replacement of in-mine equipment, purchase of equipment to optimise the milling process and employees' facilities
Noche Buena mine	**20.9**	Construction of leaching pads and expansion of capacity at the beneficiation plant
Juanicipio project	**10.1**	Exploration expenses
Other	**3.3**	Exploraciones Mineras Parreña and SAFSA
Total purchase of property, plant and equipment	**425.6**	

Corporate Governance


FRESNILLO
SAUCITO II
Outotec
TankCell e100

Chairman's Letter of Governance

> "I believe we are entering a new phase in the evolution of our Board governance, which will build on the achievements that we have made since our IPO in 2008."
>
> **Alberto Baillères**
> Chairman of the Board

Dear Shareholder,

Earlier in this annual report, I noted that global resources companies continued to face some significant challenges during 2014 and Fresnillo was no exception to that. However, over the years we have recognised that the best strategy at such times has been to take a prudent and well-considered approach that keeps both the long-term and short-term needs of the business in careful balance.

Good governance is an important contributor to this. Consequently, we worked hard to continue developing our governance structures. The key developments during the year were the new appointments made to the Board, and the evaluation of our governance processes through our second externally facilitated board evaluation process. As a result of these developments, I believe we are entering a new phase in the evolution of our board governance, which will build on the achievements that we have made since our IPO in 2008.

The composition of the Board changed when three Directors did not stand for re-election at the Annual General Meeting in May 2014, and three new independent Non-executive Directors were appointed in their place. I am most grateful to Lord Cairns, Fernando Solana and Javier Fernández for their contributions to the Board and its committees over the past few years and I will be sorry not to have the benefit of their wisdom and counsel in the future. However, as the UK Corporate Governance Code expects boards to look at their composition on a regular basis, I, along with my colleagues on the Nominations Committee, took this expectation seriously and a year or so ago embarked on a process which resulted in our new Directors – Jaime Serra, Bárbara Garza Lagüera and Charles Jacobs – joining the Board at the 2014 AGM.

Our new Directors bring useful new skills and experience to the Board and, of course, the process continues to honour our commitment to the principle of broad diversity in the boardroom. I am pleased that this transition has gone well and I would like to thank my Board colleagues – both old and new – for making it such a smooth and effective process.

Continuing the theme of effectiveness, I said last year that we would conduct our second externally facilitated board evaluation exercise in 2014 and we have fulfilled that commitment. Independent Audit Limited were invited to undertake our board evaluation exercise, which as you will see elsewhere in this report, formed part of a suite of evaluation work that extended to the Audit Committee, external auditors and our Internal Audit function. Taken together, this body of work has provided a valuable perspective on our control processes, which has been very illuminating for the Board. We look forward to working through the action plan that we developed following the Board's discussion of the evaluation report (this is commented on in more detail on page 124).

Below Board level we have seen the Executive Committee, which was restored to full strength in 2013, work hard to continue to implement our strategy. To ensure the long-term strength and development of our management team below Board level, succession planning has been introduced into our Chief Executive's objectives.

Our Board committees were all very active during 2014, each one having new challenges to consider on behalf of the Board during the year. The Audit Committee has helped the Board work through the implications of a changing macroeconomic, political and legal environment for the Company's approach to its financial reporting. It has also continued to monitor the probity of the Company's approach to risk management, anti-bribery and corruption, internal controls and internal audit activity.

The Remuneration Committee worked hard to ensure that the Company fulfilled its responsibilities under the new UK requirements on executive remuneration. The overwhelming support of our independent shareholders for the policy and implementation reports at the AGM was a welcome endorsement of the Remuneration Committee's approach to this matter.

The HSECR Committee has focused its time scrutinising management's efforts to improve the Company's health and safety record. More generally, a continued emphasis on improving the maturity of the Company's health and safety system has been a priority.

While the activities of each of our Board committees have, in one sense, been quite disparate, all have a common aim in ensuring that Company approaches the challenges of the short-term with a clear view for the long-term prospects so that our governance continues to evolve in step with achievement of our strategic goals.

Yours sincerely

Mr Alberto Baillères
Chairman of the Board

UK Corporate Governance Code Compliance Statement

Fresnillo is a company with a Premium Listing on the London Stock Exchange. As such it is required under the FCA Listing Rules to comply with the Code Provisions of the 2012 UK Corporate Governance Code (a copy of which may 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 2014 in compliance with such requirement. The following sections of this report explain how the principles in 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 Code establishes 18 main principles of good governance under five headings: Leadership, Effectiveness, Accountability, Remuneration and Relations with Shareholders. The remainder of this report; the section on Risk Management (which can be found on pages 42 to 53); the sustainability report (which can be found on pages 80 to 95) and the Directors' remuneration report (which can be found on pages 142 to 154) provides further detail on how the Company applies good governance in these five areas.

For the financial year ended 31 December 2014, the Company has complied with the provisions of the Code in all these areas, save in respect of D.2.1, which provides that the Board should establish a remuneration committee of at least three independent Non-executive Directors. The composition of the Fresnillo Remuneration Committee is made up of three members including two independent Non-executive Directors one of whom, Charles Jacobs, is the Chairman of the Committee. The Chairman of the Company, Mr 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 FRC published a revised Code in September 2014 which will be applicable to the Company for the financial year ended 31 December 2015. The Audit and Remuneration Committees on behalf of the Board, are leading a review of steps to be taken to adopt the new Code requirements.

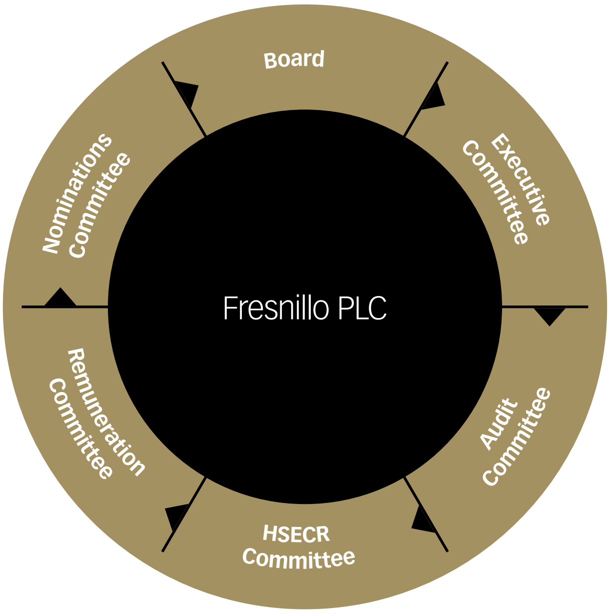
Corporate Governance Overview

The Board recognises that a governance structure aligned to the spirit as well as the letter of the UK Corporate Governance Code (the 'Code') plays a key role in the success of the Company. This section highlights how the Board continues to evolve the Company's governance structure in accordance with the Code to meet its strategic goals.

Nominations Committee
- Oversee the Board appointment process
- Evaluate skills, knowledge and experience needed on the Board
- Board and Executive Committee succession planning
- Review of size, structure and composition of the Board

Remuneration Committee
- Set Directors' Remuneration Policy
- Determine remuneration packages for Executive Committee members
- Set key performance indicators for Executive Committee members
- Approve annual bonus plan for Executive Committee members

HSECR Committee
- Monitor the Group's HSECR systems
- Review reports on all fatalities and monitor management responses
- Verify Group's HSECR activities
- Oversee HSECR policies and procedures



Board
- Strategy
- Performance of management team
- Governance
- Risk
- Control

Executive Committee
- Management of the Group's businesses
- Implementation of Board decisions
- Executive management of Group strategy
- Financial performance of the Group
- Operation of the Group's risk management framework

Audit Committee
- Review published Company Financial Reports and underlying judgments
- Monitor the work of the external auditor
- Oversee the risk management framework
- Review the Internal Audit work and system of internal controls
- Oversee related party matters
- Oversee Group whistleblowing procedures

Leadership

Fresnillo governance structure
Key participants

Fresnillo plc Board

Membership
– Independent Directors
– Non-independent Directors

Attendees
– Chief Executive Officer
– Chief Financial Officer
– Chief Operating Officer
– Vice President, Exploration
– Head of Legal
– Head of Investor Relations
– Company Secretary

Audit Committee

Membership
– Independent Directors

Attendees
All meetings
– Chief Financial Officer
– Internal Audit
– External Audit
– Company Secretary

As required
– Chief Executive Officer
– Chief Operating Officer
– Vice President, Exploration
– Head of Risk
– Head of Legal
– Head of IT

HSECR Committee

Membership
– Independent Directors
– Non-independent Directors

Attendees
– Chief Executive Officer
– Safety Manager
– Head of Legal
– HR
– Sustainability manager
– Operations
– External advisers by invitation

Nominations Committee

Membership
– Chairman
– Independent Directors

Attendees
– Company Secretary

Remuneration Committee

Membership
– Independent Directors
– Non-independent Directors

Attendees
All meetings
– Company Secretary

As required
– Towers Watson
(Remuneration consultants)

Executive Committee

Membership
– Chief Executive Officer
– Chief Financial Officer
– Chief Operating Officer
– Vice President, Exploration

Attendees
– Head of Legal

Honour Commission

– Chief Executive Officer
– Chief Financial Officer
– Chief Operating Officer
– Vice President, Exploration
– Head of HR
– Head of Internal Audit

The Board structure

The structure and business of the Board is designed to ensure that the Board focuses its time and energy on strategy, monitoring the performance of the management team, governance, risk and control issues. Certain aspects of the Board's responsibilities have been delegated to appropriate committees to ensure compliance with the UK Companies Act, FCA Listing Rules and the Code.

The Board has delegated certain authorities to the following committees to facilitate the routine business of the Company:

Audit Committee
Executive Committee
Health, Safety, Environment and Community Relations (HSECR) Committee
Nominations Committee
Remuneration Committee

The terms of reference for each of the Audit, Remuneration, Nominations and Health, Safety, Environment and Community Relations Committees are available on the Company's website (www.fresnilloplc.com/who-we-are/corporate-governance/terms-of-reference).

Detailed reports on the activities of the Nominations Committee and the Audit Committee are set out in this report on pages 120 and 129 respectively.

The Executive Committee is led by the Chief Executive Officer and consists of the most senior executives within the Fresnillo Group. It is responsible for the management of the Company's businesses including the implementation of decisions agreed in principle by the Board and all executive management of the operations of the Group within the strategy and budget approved by the Board. It has certain powers to approve smaller transactions on behalf of the Board (such transactions are reported and explained to the Board at its next scheduled meeting). Over the past few years, the role of the Executive Committee has evolved in three main areas:

- Risk: It is also responsible for the identification, prioritisation and management of risk within a framework monitored regularly by the Board. In 2014 the Committee undertook a full review of the Principal Risks to take account of changes in Government policy on mining and taxation as well as the Ejido litigation and other non-governmental organisation activity in general. The Committee has also developed key risk indicators for the Group.
- Business conduct: Members of the Executive Committee also serve on the Honour Commission which has taken on a key role in maintaining ethical business standards within the Fresnillo Group. The terms of reference and membership of the Honour Commission are set by the Executive Committee.
- Safety performance: Whilst the HSECR Committee oversees health and safety issues on behalf of the Board, the Executive Committee is responsible for the day-to-day management of safety. During 2014 the Executive Committee continued to promote the 'No More Accidents' campaign to embed a better health and safety culture at its mine sites and it has also been working on the maturity of the HSECR system. Whilst the Group's fatality record has improved, the Executive Committee ultimately continues to focus its attention on this issue.

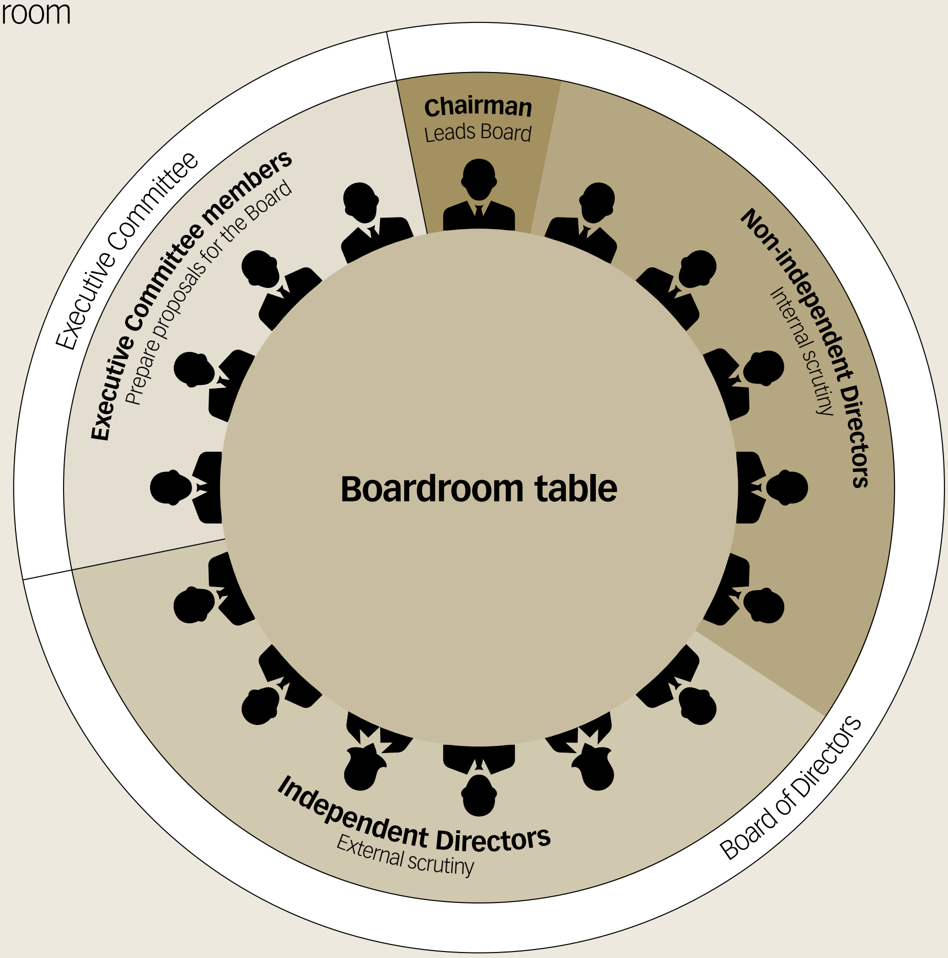
The Executive Committee is positioned to drive the strategic development of the Group. This is promoted through the strong working relationship with the non-independent Non-executive Directors, who are all based in Mexico, through on-going dialogue. During 2014, the Executive Committee led the work required for the successful completion of the acquisition of the minority interest in Penmont thus demonstrating its role of implementing the Group's strategy.

The HSECR Committee provides assurance to the Board on the effectiveness of the Company's policies, action plans and systems for identifying and managing HSECR matters within the Company's operations. The responsibilities of the Committee include monitoring the Group's social and sustainability performance and the quality of its external reporting. As such, management reports to the HSECR Committee on such matters. The members of the HSECR Committee are Rafael Mac Gregor (Chairman of the Committee), María Asunción Aramburuzabala (with effect from 16 May 2014) and Jaime Lomelín. Meetings are also attended by various operational and unit managers.

The Report of the Remuneration Committee (the Directors' remuneration report) sets out the responsibilities and activities of the Remuneration Committee during the year and can be found on pages 142 to 154.

Board composition and independence

Fresnillo boardroom



Chairman

Alberto Baillères Non-executive Chairman
Nominations Committee Chairman

Non-independent Directors

Alejandro Baillères Non-independent Director

Juan Bordes Non-independent Director

Arturo Fernández Non-independent Director

Jaime Lomelín Non-independent Director

Rafael Mac Gregor Non-independent Director
HSECR Committee Chairman

Independent Directors

María Asunción Aramburuzabala Non-executive Director

Bárbara Garza Lagüera Non-executive Director

Charles Jacobs Non-executive Director
Remuneration Committee Chairman

Fernando Ruiz Non-executive Director

Jaime Serra Non-executive Director

Guy Wilson Senior Independent Director
Audit Committee Chairman

Executive Committee

Octavio Alvídrez Chief Executive Officer

Mario Arreguín Chief Financial Officer

David Giles Vice President, Exploration

Roberto Díaz Chief Operating Officer

Leadership continued
The Board of Directors

Chairman

Alberto Baillères
Non-executive Chairman

Date of appointment:
15 April 2008

Committee membership:
– Nominations Committee (Chairman)
– Remuneration Committee

Key strengths and experience

– Long-term knowledge and understanding of the Mexican commercial environment
– Relationships within the Mexican and international business communities

Over a period of 50 years, Mr Baillères has built up unprecedented experience and knowledge of both the Group and Mexican markets in which it operates from both investor and supervisory perspectives.

Non-independent Directors

Alejandro Baillères
Non-executive Director

Date of appointment:
16 April 2012

Key strengths and experience

– Insurance and related financial services in Mexico
– Broad board-level commercial experience in Mexico

As Chief Executive Officer of Grupo Nacional Provincial, a leading insurance company in Mexico, as well as directorships of other companies in Grupo BAL, Mr Baillères brings knowledge and experience of Mexican and international business to his role.

Juan Bordes
Non-executive Director

Date of appointment:
10 January 2008

– Senior executive (CEO level) responsibilities over several years
– Board membership of companies spanning a broad range of sectors and industries

During his career, Mr Bordes has held both senior executive management roles and board responsibilities with companies spanning a number of different sectors, particularly within Mexico.

Arturo Fernández
Non-executive Director

Date of appointment:
15 April 2008

– International economics and public policy
– Directorships of several Mexican companies

Mr Fernández' career brings together a solid academic economics background, many years' experience within the Mexican public policy arena and broad commercial experience (through board directorships of leading businesses in a number of sectors in Mexico).

Rafael Mac Gregor
Non-executive Director

Date of appointment:
10 January 2008

– Capital markets
– Financial services and commercial sectors

Mr Mac Gregor had wide-ranging commercial experience in Mexico serving on the boards of a number of major companies across a number of sectors, including the Mexican Stock Exchange.

Jaime Lomelín
Non-executive Director

Date of appointment:
15 April 2008

– Mining and engineering
– Senior operational experience within Mexico

Following a career in metals and mining, Mr Lomelín was Chief Executive Officer of Fresnillo plc from April 2008 to 15 August 2012 when he became non-executive director, thus he brings senior management, mining and engineering experience to the Board discussions.

Independent Directors

Key strengths and experience

Guy Wilson
Senior Independent Non-executive Director

Date of appointment:
1 July 2008

Committee membership:
- Audit Committee (Chairman)

- International audit and accountancy
- UK Government and Capital Markets

Following a career within Ernst & Young, which includes 29 years as a Partner of that firm, Mr Wilson brings extensive experience of international audit and accounting practice, capital markets and transactions.

María Asunción Aramburuzabala
Independent Non-executive Director

Date of appointment:
16 April 2012

Committee membership:
- HSECR Committee

- Executive experience within industrial and financial sectors
- Mexican and international M&A and capital transaction experience

Having been Vice Chairman of Grupo Modelo, one of Mexico's largest breweries, until it was sold to Anheuser-Busch InBev in 2012-13, and now also Chief Executive Officer of Tresalia Capital S.A. de C.V., Ms Aramburuzabala therefore brings a broad range of commercial experience to the Board.

Bárbara Garza Lagüera
Independent Non-executive Director

Date of appointment:
16 May 2014

Committee membership:
- Nominations Committee

- Mexican commercial and industrial
- International Board experience

As an experienced director, particularly through her career at Coca-Cola FEMSA (KOF) and Fomento Económico Mexicano (FEMSA), the largest franchise bottler of Coca-Cola products in the world, Ms Garza Lagüera brings a broad experience of Mexican commercial and international business.

Charles Jacobs
Independent Non-executive Director

Date of appointment:
16 May 2014

Committee membership:
- Remuneration Committee (Chairman)

- Legal professional with a focus on capital markets, mining and metals and corporate governance
- International M&A experience

Through his experience as a senior partner of global law firm Linklaters LLP, Mr Jacobs brings a legal, regulatory and corporate governance perspective to the Boardroom.

Fernando Ruiz
Independent Non-executive Director

Date of appointment:
15 April 2008

Committee membership:
- Audit Committee
- Remuneration Committee
- Nominations Committee

- Mexican tax and accounting
- International board and audit committee

Mr Ruiz was managing partner of Chevez, Ruiz, Zamarripa y Cia., tax advisers and consultants in Mexico and now serves on the board and audit committees of several Mexican and international companies. He has extensive knowledge of Mexican tax and accounting issues.

Jaime Serra
Independent Non-executive Director

Date of appointment:
16 May 2014

Committee membership:
- Audit Committee

- Mexican Government
- International trade and commerce

Following a distinguished career in Government in Mexico, with particular focus on international trade and industry, Mr Serra brings a broad range of experience of Mexican politics and international trade to the Board.

Executive Committee

Executive Committee

Key strengths and experience

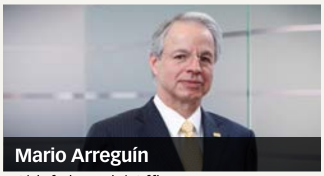
Octavio Alvídrez
Chief Executive Officer

Date of appointment:
15 August 2012

Mr Alvídrez is invited to attend Board, HSECR Committee and Remuneration Committee meetings.

- Mine management within Mexico
- UK Investor relations

Mr Alvídrez has extensive experience within the mining industry having previously held the position of General Manager of the Madero mine, one of Mexico's largest mines operated by Peñoles. Mr Alvídrez joined the Peñoles Group in August 1988, since then he has held a number of senior operational and financial positions across Peñoles and Fresnillo, including that of Treasurer, Head of Investor Relations in London and Head of Procurement.



Mario Arreguín
Chief Financial Officer

Date of appointment:
15 April 2008

Mr Arreguín is invited to attend Board and Audit Committee meetings.

- Accountancy and treasury
- Investment banking

Mr Arreguín was previously employed by Peñoles where he held the position of Chief Financial Officer for 11 years and Group Treasurer for six years prior to this. Mr Arreguín has a background in investment banking and project management.

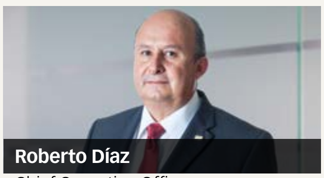
David Giles
Vice President, Exploration

Date of appointment:
15 April 2008

Mr Giles is invited to attend Board meetings.

- Senior exploration experience within Mexico
- Engineering and geology background

Following a 30 year career at Peñoles, Mr Giles held a number of senior management positions including Vice President of Exploration, prior to this he worked for AMAX, Corona Gold and Tormex. He is an officer of the Society of Economic Geologists and the Mexican Association of Mining Metallurgical and Geological Engineers.



Roberto Díaz
Chief Operating Officer

Date of appointment:
1 November 2013

Mr Díaz is invited to attend Board meetings.

- Senior project and operational experience
- Mining and engineering

Following a long career in the mining industry, Mr Díaz first joined Peñoles in 1977 and, following roles with other groups, re-joined Peñoles in 2007. He has previously served as Fresnillo's Vice President of Operations and Vice President of Project Development.

Board membership

As at 31 December 2014, the Board consisted of 12 Directors – the Non-executive Chairman, Alberto Baillères, six independent Non-executive Directors and five non-independent Non-executive Directors. Details about the current Directors of the Company and summaries of their key skills, experience and perspective that they bring to the Board are set out on pages 116 and 117.

In accordance with the UK Corporate Governance Code, all of the Directors will seek re-election by shareholders at the forthcoming Annual General Meeting.

Board balance and roles

The composition of the Board has been structured to ensure that no one individual can dominate the decision-making processes of the Board. The Chairman, Mr Baillères, is beneficially interested in more than 50% of the share capital of the Company through his interest in Industrias Peñoles S.A.B. de C.V. ('Peñoles'), the Company's controlling shareholder. Mr Baillères is also the Chairman of Peñoles and other companies within the BAL Group.

Peñoles has entered into a legally binding relationship agreement with the Company as required by Listing Rule 9.2.2 AR (2), which ensures that decisions in relation to transactions with Peñoles must be taken by the independent Non-executive Directors of the Company. The key provisions of the Relationship Agreement are summarised later in this section. The Relationship Agreement was amended during the year, following changes to the Listing Rules in relation to controlled companies to ensure compliance with the independence provisions set out in Listing Rule 6.1.4DR. The Company has complied with the independence provisions included in the Relationship Agreement during the financial year ended 31 December 2014. As far as the Company is aware, such provisions have been complied with during the financial year ended 31 December 2014 by Peñoles or any of its associates.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness as to all aspects of its role.

The separate roles of Chairman and of the Chief Executive Officer are recognised and the requirements for these roles have been specified in writing and agreed by the Board in the Statement of Responsibilities. Octavio Alvídrez, the Chief Executive Officer, is not currently a member of the Board.

Guy Wilson, was appointed Senior Independent Director following the retirement of Lord Cairns at the Annual General Meeting on 16 May 2014. Mr Wilson is available to shareholders if they have concerns that have not been resolved through the normal channels of Chairman, Chief Executive Officer, Chief Financial Officer or Head of Investor Relations.

Board independence

There have been a number of changes to the Board during the year but at all times it has consisted of 12 Non-executive Directors, six of whom are considered to be non-independent and six whom are considered to be independent; as shown in the following table:

The Board considers María Asunción Aramburuzabala, Bárbara Garza Lagüera, Charles Jacobs, Fernando Ruiz, Jaime Serra and Guy Wilson to be independent in character and judgement. For each of these Directors, their circumstances are assessed by reference to Provision B.1.1. of the Code and the Board remains satisfied that they are each independent when the scenarios set out in Code Provision B.1.1 are taken into account.

Non-independent	Independent
Alberto Baillères (Chairman and Chairman of Nominations Committee)	Guy Wilson (Senior Independent Director and Chair of Audit Committee)
Alejandro Baillères	María Asunción Aramburuzabala
Juan Bordes	Bárbara Garza Lagüera*
Arturo Fernández	Charles Jacobs* (Chair of Remuneration Committee)
Rafael Mac Gregor (Chair of HSECR Committee)	Fernando Ruiz
Jaime Lomelín	Jaime Serra*
	Lord Cairns**
	Javier Fernández**
	Fernando Solana**

* Appointed 16 May 2014. ** Resigned 16 May 2014.

Charles Jacobs is a senior corporate partner with Linklaters LLP, one of the Company's legal advisors, and as a Director, he has not and will not, be involved in the provision of legal or any other services to the Company by Linklaters LLP. Fernando Ruiz has, since 2008, been a retired partner and consultant in the firm Chevez, Ruiz, Zamarripa y Cia., S.C., a firm providing professional services to the Company. Guy Wilson retired as a partner of Ernst & Young LLP, the Company's auditors, in 2008. Mr Wilson was not involved in the provision of audit or any other services to the Company by Ernst & Young LLP prior to his retirement.

The non-independent Directors listed above have been appointed to the Board by Peñoles pursuant to the Relationship Agreement. Thus, the Chairman was not independent at the time of his appointment. However, Mr Baillères has been responsible for overseeing the successful development of the Fresnillo Group over many years and, therefore, the Board considers that his continued involvement as its Non-executive Chairman is very important to the Company.

The Relationship Agreement continues to provide a transparent governance system, which ensures that the Company benefits from Mr Baillères' leadership and experience whilst being able to demonstrate to other shareholders that the Fresnillo Group is capable of carrying on its business independently. In particular, the Relationship Agreement ensures that transactions and relationships between the Fresnillo Group and its controlling shareholder are at arm's length and on competitive commercial terms. Since that time, the Board has sought to build on that system. Thus the duties of the Audit Committee have since been expanded to ensure that financial aspects of related party transactions are reviewed by that committee.

Directors' indemnities

The Company has given indemnities to each of the Directors in respect of any liability arising against them in connection with the Company's (and any associated company's) activities in the conduct of their duties. These indemnities are subject to the conditions set out in the Companies Act 2006 and remain in place at the date of this report.

Directors' and Officers' Liability Insurance

Directors' and Officers' Liability Insurance cover is in place at the date of this report. Cover is reviewed annually and the last was carried out in October 2014.

Nominations Committee Report

"Over the past year or two, the need to make progress in the evolution of the composition of the Board of Directors of the Company has been uppermost in the thinking of the members of the Nominations Committee."

Alberto Baillères
Chairman of the Nominations Committee

Dear Shareholder,

I am pleased to introduce the report of the Nominations Committee.

Over the past year or two, the need to make progress in the evolution of the composition of the Board of Directors of the Company has been uppermost in the thinking of the members of the Nominations Committee. Our desire has been to achieve this without substantially losing the benefits gained through the shared experience of working together as one team since the Company's IPO in 2008. Replacing Directors of the calibre of our three departing Directors – Lord Cairns, Fernando Solana and Javier Fernández – was never going to be an easy task.

In early 2014, the Nominations Committee considered a number of candidates for appointment as independent Non-executive Directors and I am pleased that we were able to appoint Bárbara Garza Lagüera, Charles Jacobs and Jaime Serra to the Board at the AGM in May. Our decision was guided by the principles set out in our Board Appointments and Board Diversity policies which are summarised below and on our Company website. Consequently, when recommending the new appointments to the Board, we were able to recognise the potential contribution that each of them could make to the Board on account of their knowledge and experience. I believe that the quality of these new appointments also justifies our decision not to use external agencies to assist in the appointment process. Given the importance of the Mexican context for most of our operations and recognising our responsibilities as a UK-quoted company, we believe that the Company's contacts provide the best source of quality candidates.

We have also considered the composition of our Board committees following the Board changes and we have ensured that all of our independent Non-executive Directors now have a role on at least one Board committee. As far as the Nominations Committee is concerned, I would like to thank Javier Fernández for his contribution to that Committee over the past few years and I look forward to working with Bárbara Garza Lagüera as she joins the Committee.

Yours faithfully

Mr Alberto Baillères
Chairman of the Nominations Committee

Membership

The members of the Nominations Committee are Alberto Baillères (Chairman of the Committee), Bárbara Garza Lagüera (who replaced Javier Fernández as a member of the Committee on 16 May 2014) and Fernando Ruiz. The majority of the members of the Nominations Committee are, therefore, independent Non-executive Directors.

Role

The Nominations Committee is responsible for making recommendations to the Board on the structure, size and composition of the Board and its committees and succession planning for the Directors and other senior executives. Before making appointments of new Directors, the Committee is responsible for evaluating the balance of skills, knowledge and experience on the Board and identifying and nominating suitable candidates.

The Board Appointments Policy and Process and the Board Diversity Policy, both of which are summarised below and can be found on the Company's website (www.fresnilloplc.com/who-we-are/corporate-governance) provide the framework for the Nominations Committee and the Board's approach to Board appointments.

The terms of reference of the Nominations Committee are available on the Company's website at www.fresnilloplc.com/who-we-are/corporate-governance/terms-of-reference.

The letters of appointment for the Non-executive Directors are made available for inspection at the Company's registered office, during normal business hours.

Activity during 2014

The Nominations Committee met twice during the year, although these meetings were complemented by informal discussions between the Chairman and members of the Committee particularly concerning the Board appointments activity during the year.

Board appointments

Recognising that the majority of the Board had been in post since the Company's IPO in 2008, the Nominations Committee has, since 2013, been considering the need for progressive refreshing of the Board, as recommended by Code Provision B.2.3 of the UK Corporate Governance Code. This thinking was developed over a period of time through discussions between the Chairman and each Director. As a result of those discussions, it was agreed that Lord Cairns, Javier Fernández and Fernando Solana would not stand for re-election at the 2014 AGM. A number of candidates were considered for appointment and three new independent Non-executive Directors – Bárbara Garza Lagüera, Charles Jacobs and Jaime Serra – were appointed. Jaime Serra and Bárbara Garza Lagüera are members of the boards of relevant Mexican public companies, and Jaime Serra and Charles Jacobs are also members of boards of non-Mexican public companies.

The following table shows how the matrix of skills and experience on the Board has been maintained and developed as result of these appointments.

Outgoing	Incoming
Lord Cairns – UK Capital Markets – International economics	Charles Jacobs – UK Capital Markets – International mining and metals – International M&A – UK law, regulation and corporate governance
Javier Fernández – Mexican corporate and commercial	Bárbara Garza Lagüera – Mexican commercial and industrial – International board experience
Fernando Solana – Former Mexican Government Minister – Banking – Diplomatic service	Jaime Serra – Former Mexican Government Minister – International trade and economics

Committee membership

The Nominations Committee also considered the composition of the Board committees in the light of these changes and the Board approved the following Committee changes based on the Committee's recommendations:

Outgoing member	Incoming member
Audit Committee	
Fernando Solana	Jaime Serra
HSECR	
Javier Fernández	María Asunción Araburuzabala
Nominations Committee	
Javier Fernández	Bárbara Garza Lagüera
Remuneration Committee	
Lord Cairns (Chairman)	Charles Jacobs (Chairman)

Nominations Committee Report continued

Other Nominations Committee activity

The Nominations Committee also considered the following matters:

- Approval of the 2013 Nominations Committee report prior to publication
- The time commitment required from each Director
- Succession planning
- The proposed re-election of each of the continuing Directors at the AGM
- Continuation of letters of appointment for the Non-executive Directors
- A self-evaluation exercise

Board Appointments Policy and process in summary

The Nominations Committee and the Board are committed to the principle of appointments to the Board being made on the basis of merit. The criteria for determining the composition of the Board and future Board appointments continues to be based on:

- Relationship Agreement requirements for appointments to the Board by Peñoles;
- the Company's leading position as a precious metals miner in Mexico;
- the Company's inclusion in the FTSE 100 Index;
- the specific functions on Board committees which independent Directors will be required to fulfil; and
- the criteria set out in the current terms of reference of the Nominations Committee.

The Nominations Committee does not use open advertising or retain any external consultants when making new appointments to the Board during the year as such assistance was considered unnecessary considering the Company's contacts within Mexico.

Board Diversity Policy in summary and progress

All Board appointments are made on merit. The Board recognises and embraces the benefits of having a diverse board; particularly the value that different perspectives and experience bring to the quality of board debate and decision-making. There are certain 'diversity considerations' which need to be incorporated into the composition of the Board. These considerations are: background and experience; age; gender; and shareholder perspectives.

The Board believes that setting targets for the number of people from a particular background 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. This has been clearly demonstrated over the past three years by the appointment of two distinguished Mexican businesswomen to the Board.

More generally, as well as reflecting this commitment in the composition of the Board, it is becoming more evident in the Group's training and will be included in its development programmes. 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, considering that current senior executives had their education 30 years ago, when very few women participated in higher education, and even less started careers in mining, engineering and geology. This is changing and in recent years, the Company has been able to hire younger women trained in mining, engineering, geology, finance and accounting.

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 options. Any actions needed to support the development of potential long-term successors are discussed. The Nominations Committee also monitors the long-term evolution of the membership of the Board as a whole. These matters were all discussed by the Nominations Committee in 2014.

Effectiveness

Board process

The Board is responsible for setting the Group's long-term objectives and commercial strategy and overseeing the management of the Group's activities. The Board also provides leadership to the Fresnillo Group in establishing the values by which it will conduct its business. There is a formal schedule of matters reserved for the Board's decision which includes approvals of major expenditure and investments and key policies. This schedule is reviewed from time to time and was last revised in April 2011.

A table of attendance of members of the Board and Board committees at meetings during the financial year ended 31 December 2014 is set later in this report. All meetings of the Board are held in Mexico.

Board papers are circulated to Board members usually five days prior to the meeting to allow the Board sufficient time to consider and deliberate papers. The agenda is prepared by the Company Secretary in consultation with the Chief Executive Officer and the Chief Financial Officer for the Chairman's approval.

Papers in respect of strategic planning, policies and investment proposals for each Board meeting are prepared by members of the Executive Committee and are presented to the Board for its consideration under the Schedule of Reserved Matters, each proposal having been first considered and approved by the Executive Committee. In so doing, the Executive Committee aims to ensure that any such proposals take into consideration those factors set out in section 172 of the Companies Act 2006. Matters that purely require Executive Committee approval are reported to the Board.

Led by the Chief Executive Officer, members of the Executive Committee attend all of the Board meetings and present all of the papers on operational and financial matters. The only discussions which members of the Executive Committee are not present for are discussions about management succession and the annual Board evaluation report discussion.

The Directors may raise concerns at meetings of the Board and, if necessary, ask for such concerns to be recorded in the Board minutes. Directors also have access to the advice and services of the Company Secretary (whose appointment and removal is a matter reserved for the Board). A procedure has been established to enable Directors to obtain independent professional advice at the Company's expense in relevant circumstances.

The Board has received regular updates at its meetings regarding the litigation pertaining to the Ejido El Bajio agrarian community, where one of Minera Penmont's mining operations is located and management will continue to report to the Board on this issue until its conclusion. The Board has carried out an extensive review of the Company's risks in relation to all its land rights (as a result of the Ejido El Bajio litigation), mining regulations, tax reform and security, this review remains an on-going project.

Between Board meetings Directors are provided with information on important developments and issues e.g. reports on fatalities.

Board programme in 2014

The Board meets at least four times a year and has an established programme of meetings. The Board seeks to focus on strategic issues as well as overseeing the day-to-day operations of the Group. Its primary areas of focus in 2014 were:

	February	March	April	May	July	October
Regular activity and approvals	– Directors' interests declared – Approval of corporate restructuring – Bond placement – Budget update – Review of system of internal control – Board membership changes – Review of annual report – Review of dividend policy	– Approval of 2013 results and annual report	– Board membership – Senior Independent Director – Board lunch and strategy discussion	– Annual General Meeting	– Directors' interests declared – Approval of interim results – Review of terms of reference – Penmont transaction	– Hedging strategy connected to the Penmont transaction – Approval of Met Mex rates for 2014 – Approval of 2015 Business plan and budget – Corporate Governance Code changes – Board evaluation
Strategy presentation			– Environment and mining case study		– Penmont strategy and proposal to acquire 44% minority shareholding	– Sustainable development strategy

Matters considered at all meetings

– Directors' interests
– Chief Executive's report
– Financial report
– Board Committee reports
– Risk and Anti-Bribery and Corruption update

On-going issues outside of Board meetings

– Reports on safety and fatalities
– Important developments re projects/transactions
– Distribution of relevant information on precious metals

Board performance evaluation

The Board recognises that sound governance has a role to play in securing strategic success and strong performance as well as in protecting the interests of its shareholders. The Board has sought to use its annual Board evaluation exercise, whether internally conducted or externally facilitated, to develop and improve its effectiveness.

Fresnillo's approach to evaluating the effectiveness of the Board and its committees operates at two levels. Both the Board and Audit Committee undertake annual evaluations using a combination of externally facilitated and internally run evaluations over a three-year cycle. The cycle of Board and Audit Committee evaluations are summarised as follows:

Board evaluation

Year 1	Year 2	Year 3
External Board evaluation (approach agreed with Chairman)	Follow-up on action plan from externally facilitated evaluation	Focus on outstanding and emerging issues arising from action plan

Board evaluation
In 2014, a new three-cycle commenced and the Board used an external evaluator. Whereas in the previous cycle the Board's general approach to governance was considered, this time It was agreed that the evaluation should focus on specific aspects of the effectiveness of the Board recognising the evolution of best practice standards over the past few years. Independent Audit Limited (IAL) were again engaged to assist the Board with this review.

Audit Committee evaluation
The Audit Committee has adopted a similar approach to the Board in engaging IAL on a triennial basis to undertake its evaluation exercise. To augment the assurance obtained concerning the effectiveness of the Audit Committee, IAL have also been engaged, over the past year or so to separately review the Company's risk management framework, to assess the effectiveness of its Internal Audit function and the external audit process. The Audit Committee evaluation findings are reported in the Audit Committee report and considered alongside the findings of the Board evaluation exercise.

Other Committee evaluations
The Nomination and Remuneration Committees undertake self-evaluation on an annual basis but given the relatively straightforward nature of their work, have not considered it necessary to use external facilitation for their reviews. The performance of the Chairman is evaluated by the independent Non-executive Directors on an annual basis.

2014 evaluation

The previous external evaluation review in 2011 concluded that, whilst in some respects it operates differently from the boards of most UK plcs because of the way it is constituted and operates, the Board was working well. Rather than look again at all aspects of the Board's work in 2014, IAL agreed with the Chairman that they would look in-depth at four particular angles to see how far there were opportunities for improvement based on lessons to be drawn from best practice elsewhere.

IAL's review was based on a review of Board and Audit Committee papers covering the annual cycle. They also interviewed all of the Directors and the senior executives who interact regularly with the Board, including the Heads of Internal Audit and Risk Management. IAL also observed Audit Committee and Board meetings. The reports and planned actions were discussed with IAL.

IAL considered four aspects: these are summarised below along with the specific actions agreed in response to the review:

Key focus:	**Performance Information and Reporting**	**Project Governance**	**Control and Culture**	**Operational and organisational efficiency**
Key questions:	Could information flows to the Board be improved to aid better discussion and focus on the strategic context?	How can the reporting to the Board on project risks and their management be improved?	How can the Board engage better with management's culture and values programme?	How can the Board as a whole improve its visibility of the way that management run the business?
Key responses:	– The format and information contained in Board papers will be refined to help focus discussion on key issues and risks, particularly in relation to the performance and risk profile of key projects – More time in Board meetings will be devoted to discussion of long-term strategic considerations (up to five years) – Directors will be encouraged to continue to visit mines – More information will be provided to the independent Directors about the factors taken into account prior to proposals being made to the Board for approval			

The Board considers that it is performing well but recognises that there are aspects where it can be improved.

Individual performance reviews

The Chairman meets with the Non-executive Directors informally from time to time without the executives present. These meetings provide an opportunity for the Chairman to ensure that the Non-executive Directors' training and development needs are being satisfied. The independent Non-executive Directors normally meet to evaluate the performance of the Chairman each October, following which the Senior Independent Director discusses the views of the independent Directors with the Chairman. The independent Directors decided to postpone meeting in 2014 until after the February 2015 meeting to enable the outcome of the 2014 Board evaluation review to be taken into account in their discussions and feedback to the Chairman.

Board development

A number of initiatives are in place to give the Non-executive Directors more information about the broader context to the Company's activities. These include case study presentations by senior managers and regular distribution of industry briefings on technical, market and sector issues.

Directors are encouraged to visit the Company's mines to familiarise themselves with the Fresnillo Group's operations.

All Directors have received briefings from the Company's advisers, including presentations to familiarise them with their duties and responsibilities as directors of a UK listed company. The Chairman regularly discusses training and development needs with the Directors, usually as part of the Board and committee evaluation exercises.

The Executive Committee is an integral part of the Fresnillo boardroom and members are required to attend Board meetings. As such, the attendance of the Executive Committee members is listed below:

Executive Committee Board meeting attendance

Octavio Alvídrez	5/5
Mario Arreguín	4/5
David Giles	4/5
Roberto Díaz	4/5

Other than Mr Alvídrez, the Executive Committee members did not attend a meeting of the Board where changes to the membership of the Board were discussed.

Board and committee meeting attendance

	Board	Audit Committee	HSECR Committee	Nominations Committee	Remuneration Committee
No. of meetings in year	5	5	2	2	4
Alberto Baillères	5/5	–	–	2/2	4/4
María Asunción Aramburuzabala	4/5	–	1/1	–	–
Alejandro Baillères	4/5	–	–	–	–
Juan Bordes	5/5	–	–	–	–
Lord Cairns**	2/3	–	–	–	2/2
Arturo Fernández	5/5	–	–	–	–
Javier Fernández**	2/3	–	1/1	2/2	–
Bárbara Garza Lagüera*	2/2	–	–	–	–
Charles Jacobs*	2/2	–	–	–	2/2
Jaime Lomelín	5/5	–	2/2	–	–
Rafael Mac Gregor	5/5	–	2/2	–	–
Fernando Ruiz	5/5	4/5	–	2/2	4/4
Jaime Serra*	2/2	3/3	–	–	–
Fernando Solana**	3/3	1/2	–	–	–
Guy Wilson	5/5	5/5	–	–	–

* Appointed to the Board on 16 May 2014. ** Resigned from the Board on 16 May 2014.

Related party governance in practice

There are a number of checks and balances which will ensure that there is full transparency in the way that related party transactions are dealt with by the Board.

Relationship Agreement

The Company continues to have a relationship agreement in place between Peñoles and the Company to regulate the on-going relationship between them. The agreement was reviewed in line with the terms of the new Listing Rule requirements which came into effect on 16 May 2014, relating to controlled companies and the Relationship Agreement was amended in November 2014 accordingly. The principal purpose of the Relationship Agreement is to ensure that the Fresnillo Group is capable of carrying on its business independently of the Peñoles Group, and that transactions and relationships with the Peñoles Group are at arm's length and on normal commercial terms.

Peñoles has also undertaken not to exercise its voting rights to amend the Articles of Association in a way which would be inconsistent with the provisions of the agreement. It has also agreed to abstain from voting on any resolution to approve a 'related party transaction' (as defined in paragraph 11.1.5 R of the Listing Rules) involving any member of the Peñoles Group.

The following diagram summarises the approach taken to identify and manage related party transactions.

Conflicts of interests

The duties to avoid potential conflicts and to disclose such situations for authorisation by the Board are the personal responsibility of each Director. Each Director ensures that he/she keeps these duties under review and informs the Company Secretary on an on-going basis of any change in their respective positions, such as new directorships taken on.

Each Director has completed a 'Director's List' which sets out details of situations where each Director's interests may conflict with those of the Company ('situational conflicts'). The Director's Lists have been resubmitted by each Director as at 31 December 2014 and the Board has considered and authorised any new situational conflicts identified in these re-submitted lists. In addition, Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with sections 175, 177 and 182 of the Companies Act 2006.

Identifying Director's interests

Process	How this is managed	Responsibility
Monitoring of Directors' interests	If a Director is interested in a company which could potentially enter into transactions with a Fresnillo plc Group company, the Board will normally consider that interest under its arrangements for authorising conflicts of interest under s175 of Companies Act	Directors

Managing a related party transaction

Proposed transaction	On-going monitoring of Directors' interests and related parties of the Company provides the information to determine if a related party approval is required for a proposed transaction

Process	How this is managed	Responsibility
Contract negotiation and verification	The Executive Committee will seek to ensure that the best possible terms are achieved for a proposed transaction and that they are verified by industry benchmarking reports or independent valuation/ assessment	Fresnillo management and Executive Committee
Financial scrutiny	The Audit Committee reviews the key terms of major transactions which are verified as to price and quality with external consultants where possible	Audit Committee
Independent Director approval	Under the Relationship Agreement, the independent Directors must approve any transaction with the Peñoles Group and its associates without the Non-independent Directors voting	Independent Directors

Relations with Shareholders

The Board seeks to ensure that the interests of minority shareholders in the Company are properly respected and aligned with those of major shareholders. As described on page 126, the Board maintains procedures for dealing with transactions with related parties as well as Directors' conflicts of interest.

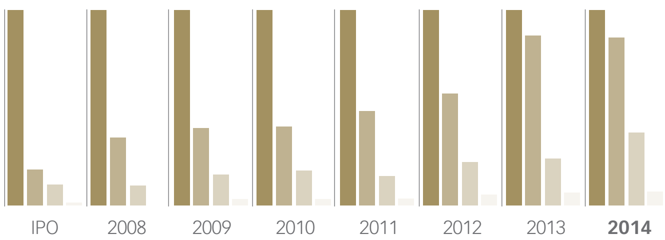
The Company has an office in London where the Head of Investor Relations is based. The Group has implemented a strong communications and investor relations programme and aims to meet major shareholders and analysts at least twice a year to discuss the results of the Group and to respond to any queries the shareholders may have. The Senior Independent Director, Guy Wilson has attended such meetings and it is his intention to continue to do so in order to sustain good communications between shareholders and the Company. The Head of Investor Relations in London maintains on-going relations with analysts and major shareholders through telephone calls and meetings. The Company also uses a full programme of mining conferences to meet with current and prospective investors. Contact with investors in Mexico is maintained through the Investor Relations Office in Mexico City. The Chief Executive Officer and Chief Financial Officer participate in the major roadshows to meet with analysts and shareholders. They are joined by other members of the Executive Committee for some of these visits. The Head of Investor Relations, supported by the Chief Executive Officer and Chief Financial Officer, gives a report at each Board meeting on communications and shareholder activity.

The following graph demonstrates the Company's global appeal with a significant shift since IPO in 2008 from a predominantly UK shareholder base.

Geographical split of free float shareholders since 2008

Geographical split of free float shareholders
%

United Kingdom · North America · Europe · Rest of the World



The principal investor relations and communications activities during 2014 are shown below.

Investor relations programme

	January	March	April	May	June	August	September	October	November
Investor relations	Conference calls following the production results announcement	Roadshows following the Preliminary Announcement in the UK, US and Canada	Conference calls following the production report		Site visits	Interim results roadshows in the UK		Conference calls following the production results announcement	
Major industry conferences and briefings				BofAML Global Metals & Mining Conference, UBS Metals and Mining Conference			Denver Gold Forum		Deutsche Bank Metals and Mining Conference

Major interests in shares

As at 2 March 2015, the Company had been advised of the following notifiable interests (whether directly or indirectly held) in its voting rights:

Notification received from:	Number of voting rights	%
Peñoles	552,595,191	74.99
BlackRock, Inc[1]	44,555,345	6.05
First Eagle Investment Management LLC	37,586,093	5.10

1 Includes interests held by BlackRock Global Funds.

Annual General Meeting

The Company's seventh Annual General Meeting will be held on Monday 18 May 2015 at 12.00 noon. The business of the Annual General Meeting ('AGM') will be conducted in accordance with the provisions B.7.1, B.7.2, E.2.1 and E.2.2 of the Code. The Chairman of the Board and the chairmen of each of the Board committees will be available to answer questions put forward to them by shareholders of the Company. The Annual Report and Accounts and the Notice of the Annual General Meeting will be sent to shareholders at least 20 working days prior to the date of the meeting.

In planning the business of each AGM, the Board takes account of institutional shareholder guidelines on pre-emption rights, share buy-backs and shareholder rights in relation to general meetings when drafting the usual resolutions dealing with those matters. In each case, resolutions are presented to the AGM to give the Board flexibility to respond to market developments.

Authority to purchase own shares

The Company was authorised by a shareholders' resolution passed at the Annual General Meeting held in May 2014 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.

General meeting

The Company held a general meeting on 6 October 2014 to approve the acquisition of a 44% stake in the Penmont J.V. The Board decided, notwithstanding the authority it had to convene the meeting on 14 days' notice, that it was appropriate that shareholders should receive 21 days' notice of the meeting on this occasion.

Audit Committee Report

"New challenges – mainly around the significant change in context for resource companies… have presented the Audit Committee with much to consider around its primary task of overseeing the financial accounting and reporting of your Company."

Guy Wilson
Chairman of the Audit Committee

Dear Shareholder,

I am pleased to introduce the Audit Committee report.

New challenges – mainly around the significant change in context for resource companies both globally and locally in Mexico over the past year or two – have presented the Audit Committee with much to consider around its primary task of overseeing the financial accounting and reporting of your company. In responding to these challenges, we have sought to continue to improve the effectiveness both of the Committee and the work of those we collaborate with such as management, external and internal audit.

In 2014, we obtained an independent external evaluation of your Audit Committee which built on the previous report in 2011. In summary, this report noted that we had made considerable progress in the last three years in our rigorous approach to the identification of risks and the resultant risk management and mitigation programme; to the anti-bribery and anti-money laundering programme, now complemented by the ethics and culture programme; to the internal audit development which is assessed as highly professional; and to the external audit process which is sound with an effective working relationship at all levels. Nevertheless, the report also draws attention to certain areas under our remit where we can assist management to improve the quality of the summarised data that is provided to the Board: its objective is to enable a more concise and transparent explanation of the links between the increasing volume of underlying data and the strategic objectives of the Company to facilitate a more informed discussion at the Board.

Audit Committee Report continued

Last year, in addition to our primary task of the oversight of financial accounting and reporting together with internal controls, concentrating on the financial judgements in the financial statements, I outlined five priorities for your Audit Committee in 2014. I now comment on progress so far:

2014 priorities

Continuing to monitor the development of the data required to produce accurate Key Risk Indicators (KRIs) on a timely basis and encourage management to establish KRIs that are more relevant in assessing risk mitigation options.

Encouraging management to ensure that all our employees recognise that reporting inappropriate behaviour or actions is completely anonymous and that management will support all such reports.

Monitoring the implementation and obtaining independent opinions supporting the corporate reorganisation of a number of subsidiary undertakings which encompassed asset valuations, related party agreements, PTU and taxation.

Continuing to oversee management's review of land titles to ensure that our legal titles remain valid whilst monitoring the progress of the situation at Soledad-Dipolos; together with our annual reviews of compliance with the conditions of the Group's mining licences.

Reviewing management's progress in refining the IT strategy so that it underpins the corporate strategy.

Progress

Management developed the data to support a series of KRIs linked to the Group's principal risks. These were reviewed and agreed by the Board and the Audit Committee considers that the Company now has in place a good functioning risk management approach.

Management's efforts to explain to all employees the Company's culture and ethics, what constitutes unethical behaviour or actions and how to report them anonymously has resulted in a substantial increase in the number of reports (mainly minor local operational and human resources issues) through our whistleblower programme.

The corporate restructuring of the mining operations has been enacted successfully with all legal, financial and accounting requirements satisfied, including independent opinions where appropriate.

The review of land titles continues with no major issues uncovered following those at Soledad-Dipolos in 2013. It is currently expected that this review will be completed in 2015.

Executive and operational management have held numerous meetings with the IT Department to evaluate the existing IT systems against the requirements of the overall strategy and to identify additional programmes needed to support the strategy and the level of priority allocated to each programme. This aspect is complete and management's current task is to evaluate the resources required to implement any new system and the related costs of people and equipment.

For 2015, we assess our priorities in addition to our primary task as follows:

– Monitoring management, risk and internal audit to improve the quality of the bi-annual reports to the Board on the effectiveness of the controls over risks at each of the operational mines, development projects and exploration areas effectively highlighting changes in the risk profile, if any
– Following the recent pronouncement from the FRC concerning the enhanced statement from the Board in the 2015 annual report about the Company's internal controls, we need to monitor the efforts of management and internal audit to examine all our internal controls to identify if any additional procedures are required before the Board can have confidence in the data provided so that they can make the enhanced statement
– The Company prepares a considerable amount of data on each project which is regularly reviewed by management. To date, this data is not summarised in a way to enable informed discussion at the Board. We will monitor management's development of a new summary presentation to ensure that it is concise and transparent for all parties
– We will monitor management's development of robust process to underpin the requirement for a statement by the Board regarding the Company's longer-term viability being for a period longer than that envisaged under the current going concern concept. We will therefore challenge management's assessment of the relevant evidence and assumptions underlying future years' projections in order to ensure that the Board's statement is appropriately worded
– We will continue to review management's progress in developing the requirements to fulfil the IT strategy to ensure that these are consistent with the corporate strategy and that any enhancements are cost effective

In closing I would like to acknowledge, with gratitude, the contribution to the Audit Committee of Fernando Solana, who did not stand for re-election to the Board at the 2014 AGM and therefore left the Audit Committee. Fernando was a member of the Committee for five years and his input to the Committee was greatly respected. I am delighted that Jaime Serra has joined the Committee and we are already benefitting from his contributions and insight.

Yours faithfully

Mr Guy Wilson
Chairman of the Audit Committee

Membership

The members of the Audit Committee at 31 December 2014 were Guy Wilson (Chairman of the Committee), Fernando Ruiz and Jaime Serra, who replaced Fernando Solana following the 2014 AGM (appointed on 16 May 2014). Guy Wilson was previously a partner at EY bringing an international audit and accountancy perspective as well as extensive experience of capital transactions and corporate actions and is therefore considered to have recent and relevant financial, auditing and accounting experience. Further to the individual biographies on page 117, Fernando Ruiz and Jaime Serra have great experience of the economy and the business environment both in Mexico and internationally. In addition, Fernando Ruiz brings many years' knowledge of the legal and tax environment and Jaime Serra, political insight through the various roles he has held within the Mexican Government (with particular focus on international trade and commerce), so together the Committee members bring broad and relevant perspectives to the issues they need to address.

The CFO and representatives from external and internal audit attend all meetings, with the CEO and other members of the Executive Committee and management attending where appropriate and also external advisors if relevant for specific matters.

Role

The role of the Audit Committee is set out in its terms of reference, a copy of which can be found on the Company's website. The terms of reference set out the duties of the Audit Committee under the following headings:

Financial Reporting
Risk Management and Internal Controls
Whistleblowing Procedures
Internal Audit
External Audit
Related Party Matters

In order to assist the Committee in fulfilling their duties whilst implementing good corporate governance, the Audit Committee developed a Committee Policy Manual which codifies the policies within the scope of the Audit Committee's responsibilities. This document is reviewed by the Committee on an annual basis.

The Audit Committee uses regular evaluation processes as a means of ensuring that the governance over the controls environment is appropriate. In 2014 an externally conducted independent evaluation of the Committee was carried out by Independent Audit Limited.

The Company Secretary also facilitated a review of the Committee's terms of reference. The Committee concluded that the terms of reference remained appropriate and that it received appropriate information to enable it to fulfil its responsibilities thereunder, however minor amendments have been made to reflect the appointment and resignation of Committee members.

Activity during 2014

The Audit Committee met five times in the year. The activities of the Audit Committee during 2014 are summarised in the following sections by reference to its duties, as set out above.

Financial reporting

The primary role of the Committee in relation to financial reporting is to review with both management and the external auditor the appropriateness of the financial statements concentrating on, amongst other matters:

- monitoring the risks and associated controls over the financial reporting processes, including the process by which the Group's financial statements are prepared for publication;
- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor;
- whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- any correspondence from regulators in relation to our financial reporting.

In reviewing the 2014 half-yearly report and the 2014 annual report prior to recommending them to the Board for approval, the Committee, with the assistance of management and EY, identified a number of areas of particular focus being key areas of financial statement risk and judgement for the Company. Priority areas of judgement in 2014, recognising the evolution in the Committee's assessment of the key changes in the reporting context during the year, were the basis for reviewing going concern, hedge accounting and the work on land titles. These are outlined in the following table along with how we have addressed them:

Priority areas of focus in 2014:

Description of focus area	Audit Committee action
Going concern	
The Directors must satisfy themselves as to the Group's ability to continue as a going concern for a minimum of 12 months from the approval of the financial statements, which involves assessing whether, in adverse circumstances, we have adequate liquid resources to fulfil our stated strategy. A misstatement in going concern arises either (i) when the conclusion on whether going concern is appropriate is incorrect or (ii) when the financial statements do not appropriately represent the conclusion. If the financial statements do not appropriately reflect the conclusions on going concern, the effect is pervasive as it affects a significant number of accounts. With the Company's production profiles at each mine being relatively predictable and with budgeted expenditure for capital investment and exploration being necessary to achieve our strategy, our fundamental risk lies in metal prices and foreign exchange, as PTU, tax and dividend policies are a mathematical calculation from reported operating results. In addition to the continued uncertainty arising from falling metal prices, our cash resources were reduced by US$450.5 million following the payment for the acquisition of Newmont's shareholding in Penmont. (See page 135 of the annual report)	The Committee read management's schedules supporting and explaining the inputs and process underpinning the going concern assessment. These included the Group budgets, and cash flow forecasts for the period to December 2016, as revised in February 2015, including the exploration and capital expenditure plans and sensitivities around those plans and the assumptions underlying the future trend on operating costs. They have also considered scenarios to illustrate the sensitivities of the cash flow forecasts to movements in metal prices. The Committee considered EY's report on the adequacy of the cash flow models underlying this assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the financial statements. In particular, the Committee challenged management on the feasibility of the mitigating actions and the potential speed of their implementation to achieve any flexibility required. The Committee reviewed and evaluated the conclusions of the Board's assessment of going concern and the proposed disclosures in the financial statements. As a result of the procedures performed, the Committee satisfied itself that the financial statements appropriately reflect the conclusions on going concern.
Hedging	
In October 2014, following Board approval, the Company implemented a hedging programme to mitigate the risk of future adverse movements in gold prices affecting the acquisition cost of the minority shareholding in Penmont. This is a different type of strategy to those used previously by the Company both in size and duration. Management presented a detailed strategy paper, including a list of all counter-parties and their respective allocation of the amount to be hedged. This paper evolved into a financial model which details daily movements and their financial effect in terms of cash flow and profit and loss. (See note 33 to the financial statements)	The Committee challenged management's data which drives the financial reporting. It also discussed with EY their review of the documentation underlying the hedging programme to ensure that it was appropriate to support the accounting aspects underlying the financial reporting model. Finally the Committee discussed with management the anticipated utilisation of the hedges over time to achieve management's objective. The Audit Committee was satisfied that the supporting documentation was appropriate and that the accounting for the resulting amounts in the financial statements was appropriate and compliant with Accounting Standards.

Description of focus area	Audit Committee action
Licences and land title	
Land titles underpin all our mining activities as, without good title, the Group would not be able to conduct its operations. The Committee considers that the Company has a robust process to ensure that all required legal documentation is completed correctly on acquisition of land titles and this methodology has been in place for many years. As a result of the litigation at Soledad-Dipolos, however, management continue to undertake a review of all our title documentation. The specific risks are: – litigation and claims can give rise to uncertainty around the Group's ability to freely realise the benefits of its assets and may give rise to asset impairment; – the assessment of the appropriate level of legal provisions and narrative disclosures in the accounts requires assumptions on the legal outcome of claims and estimates of costs; and – the possibility that the Group would not be able to resume operations at Soledad-Dipolos. The review is a substantial task as there is a large volume of titles and potential complexities surrounding land ownership in Mexico arising from the various layers of legislation from State, agrarian to local government. (See note 29 to the financial statements)	The Committee has oversight over the progress of the review and throughout the year has received verbal and written reports from the lawyers involved in the process. The review, which commenced in 2013, continued this year and has made good progress. The review of the remaining titles should conclude in 2016. To date, apart from the issues arising from the El Bajio litigations, which are being addressed, nothing significant has emerged. **The Committee is satisfied that the amount of the Soledad-Dipolos mining assets written off at 31 December 2014 is adequate when taking into consideration the currently available information and that relevant disclosures throughout the annual report are appropriate.**
Continuing areas of focus in 2014:	
Mineral reserves and resources	
The determination of mineral reserves and resources requires significant estimate with regard to future characteristics of mineral ore. Changes in the economic environment and future outlook may change the economic status of the reserves. Metal price assumptions determine the cut-off grade for identifying economically viable ore bodies. Reserves and resources, although not valued directly in our financial statements, are a primary driver of Fresnillo's market valuation, impact investors' decisions and play a significant part in the calculations of the depreciation of mining assets, the mine restoration model and related provisions and underpin the calculations used to assess whether there is any impairment of mining assets. As a result, inaccuracies in the estimation of reserves and resources would lead to broad implications across the annual report and accounts. (See pages 249 to 253 of the annual report)	The Committee discussed with the Head of Exploration the composition of the reserves and resources and considered carefully the report thereon by SRK (who independently audit the reserves and resources of the Group). The Committee also obtained a deeper understanding of the integration of the reserves and resources within the financial statements. This is an area of key audit focus for EY and we discussed with them the results of their procedures: – on the expertise and objectivity of SRK; and – on the comparison of metal price assumptions used by management in the determination of reserves and resources compared with prices assumptions in various accounting models used in preparing numbers in the financial statements. **The Audit Committee challenged the determination of mineral reserves and resources performed by management, which has been independently reviewed by SRK, and was satisfied with its accuracy.**
Silverstream	
The Silverstream contract is a derivative financial instrument and is required to be reflected at fair value at each balance sheet date. The fair value can be impacted by any of the valuation inputs, but is most sensitive to the timing and volume of forecast production derived from the reserves and resources and production profile of the Sabinas mine, the estimated future silver price and the discount rate. The Silverstream contract represents not only a large asset on our balance sheet but, with such recently volatile precious metal prices, also the potential for change in its valuation can result in large, albeit non-cash, amounts in our income statement. (See note 16 to the financial statements)	The Committee challenged management's judgement that the recognition of a fair value gain of US$77.05 million was within the range of acceptable valuation outcomes. The Committee, as part of its review of the annual report and accounts, reviewed the disclosures relating to the Silverstream contract including the sensitivity analysis. This is another key area of audit focus for EY and the Committee discussed with them their procedures in auditing the accuracy of the model used in the valuation and the key assumptions therein. We were satisfied with the conclusions from the procedures performed. **The Audit Committee was satisfied with the accounting treatment and disclosure of the Silverstream in the financial statements.**

Description of focus area	Audit Committee action
Related party transactions including revenue recognition	
Transactions with related parties in the normal course of business may carry no higher risk than transactions with unrelated parties; however, Fresnillo has a large 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 are onerous and there is a risk that disclosures in our financial statements could be inaccurate or incomplete. (See note 30 to the financial statements)	The Committee always scrutinises all major related party transactions that require independent Director approval to ensure that they are entered into transparently and conducted at arm's length and thus treat all shareholders fairly. This year the Committee again reviewed related party transactions which individually or in aggregate amount to a significant size (see the section of this report headed 'Transactions with related parties'). The Committee also discusses EY's procedures to ensure revenue is recognised accurately and reviews the relevant disclosures in the annual report comparing them with the related party transaction analysis requested from management throughout the year. **The Audit Committee was satisfied with the accounting treatment and disclosure of Related Party Transactions in the financial statements.**
Impairment	
Adverse metals' price volatility, reductions in reserves and resources, or operational issues potentially impact the recoverable value of mining assets (in the consolidated financial statements of the Group) and investments in subsidiaries (in the stand-alone parent company financial statements). With the current level of precious metal prices and their future progression uncertain, the risk of the book value of mining assets and investment in subsidiaries becoming impaired has increased. The judgements in relation to impairment testing relate to the assumptions underlying the calculation of the recoverable amount of the assets being tested. (See note 14 to the financial statements and note 6 to the parent company financial statements)	The Committee challenged management's consistent application of assumptions used within the impairment review. This is a key area of focus for EY and the Committee has discussed with them the results of their procedures on the adequacy of the impairment models used by management and on the assumptions therein. The Committee then discussed with management and EY the headroom for each of the mining assets and investments in subsidiaries. As for the El Bajio situation at Soledad-Dipolos, the Committee has challenged management over the Value In Use of our mining assets, and discussed with EY their view of the accounting judgements applicable and the appropriateness of disclosures. **The Audit Committee supported management's judgement not to record any impairment in mining assets but to record the impairment of investments in the Minera Mexicana a Ciénega, S.A. de C.V., Minera Saucito, S.A. de C.V., and Exploraciones Parreña S.A. de C.V. subsidiaries.**
PTU and taxation	
There is a risk that deductions taken when calculating tax and PTU charges may be challenged, and that any resulting exposures to payable taxation and PTU may not have been provided for appropriately. Whereas the Committee does not consider that there is a risk of material misstatement of these numbers in the financial statements, in the current climate it is important for us to ensure that our shareholders have adequate information to conclude that the stated charges for PTU and taxation are fair and reasonable. (See notes 9 and 12 to the financial statements)	Our reviews of PTU and taxation have similar characteristics. The Committee reviews all the significant accounting and legal adjustments to the relevant operating profit subject to PTU or taxation for each subsidiary which are clearly set out in papers prepared by management. This is also an area of focus for EY, who report to the Committee on their work in these areas. The Committee challenges management's and EY's views and ascertains the degree to which such adjustments are supported by internal and/or external subject matter experts to ensure that all are appropriate and properly evidenced. **The Audit Committee was satisfied that the stated charges for PTU and taxation are fair and reasonable and reflect the effects of the new Mexican tax reform.**

Since 2008 the Audit Committee has refined its processes and methods to ensure that it is satisfied with the appropriateness of financial reporting. Each year and half-year, the importance of these areas of focus is re-assessed with management and EY to ensure that they remain valid areas of focus and that there are no other financial risk areas to consider. In undertaking their review of the 2014 half-yearly report, the Audit Committee sought to ensure that issues discussed during the review process for the 2013 full-year financial statements had been progressed and that there was consistency between the policies and judgements used in preparing the full-year and half-year financial statements.

Board statement on going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic review on pages 10 to 95. The financial position of the Group, its cash flows and liquidity position are described in the financial review on pages 96 to 107. In addition, notes 2, 33 and 34 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 2016 as at February 2015. In addition, they reviewed a more conservative cash flow scenario with reduced silver and gold prices of US$15 and US$1,100 respectively, whilst maintaining current budgeted expenditure, which resulted in our current cash balances reducing over time to a small but adequate margin of liquidity towards the end of 2015, and not falling below that level throughout 2016.

The Directors have considered other scenarios to evaluate the cash effects of silver and gold prices falling significantly below US$15 and US$1,100 respectively for an extended period of time and reviewed management's evaluation of three particular mitigating actions that they could implement. First, management have identified specific elements of exploration and capital expenditure which could be deferred without adversely affecting production profiles. Second, the Directors could delay the implementation of two new projects, which may moderately affect the production profiles, but are not expected to affect Fresnillo's ability to reach its 2018 production goals. Finally, management could amend the mining plans to concentrate on production with a higher margin 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 have sufficient flexibility in adverse circumstances to maintain adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

Ensuring that the annual report is fair, balanced and understandable

In February 2015, the Audit Committee reviewed the annual report and the financial statements for the year ended 31 December 2014 prior to recommending them to the Board for approval. As part of that review process, the members of the Committee were provided with a draft of the full annual report some weeks prior to a formal review by the Audit Committee at the February meeting enabling them to ensure that the numbers therein are consistent with those in the financial statements or are sourced from appropriate data. More importantly, they can assess whether the words used are consistent with their understanding of the Company's business obtained through Board and Audit Committee meetings; and other interaction that they have with management; using their experience to assess whether the annual report taken as a whole is fair, balanced and understandable. This additional review by Audit Committee members, supplemented by advice received from external advisors during the drafting process assists the Board in determining that the report is fair, balanced and understandable at the time that it is approved.

Risk management and internal control

Risk management

The role of the Audit Committee is to assist the Board not to replace it in matters of risk and risk management.

The Board's role is primarily to consider whether a level of risk or a specific risk is acceptable within the Company's strategy and risk appetite. Whilst the Board has overall responsibility for making sure that internal control and risk management are effective, the detailed work is delegated to the Executive Committee. The primary role of the Audit Committee in relation to risk management and internal controls is to review the effectiveness of risk management systems and related internal controls to ensure that issues that have arisen are properly dealt with, and that going forward the systems are fit for purpose.

The Audit Committee discharges its obligations primarily through:

- re-assessing the adequacy of the top risks identified by management and procedures put in place to assess, quantify and mitigate these risks;
- reviewing the reports from the Internal Audit department on any issues identified in the course of their work, and ensuring that there is an appropriate response from management;
- reviewing annually the Group's system of internal control, including the development of the Group's IT strategy;
- reviewing the effectiveness of the Internal Audit function; and
- reviewing reports from the external auditors on any issues identified in the course of their work, including an internal control report on control weaknesses, and ensuring that there is an appropriate response from management.

The development of the risk governance system over the past three years now provides a robust framework enabling the Audit Committee and the Board to evaluate continuously the risk profile of the Group and adapt its focus in response to changes to the risk profile.

Management will continue to build the existing risk management framework, seeking to enhance risk governance and management across the business in line with the changes to the UK Corporate Governance Code. In order to support the Board responsibilities of i) monitoring and reviewing the risk management and internal control systems, ii) satisfying itself that they are functioning effectively and iii) that corrective action is being taken where necessary; and in addition of the permanent risk management activities, our priorities for 2015 are:

- develop an on-going continuous monitoring process consisting of validating the effectiveness of current controls;
- continue promoting ownership of risk mitigation and associated controls among the process owners at the business unit level (being the first line of defence) through their periodic reporting on the effectiveness of controls; and
- considering how our risk management environment is strengthened through working to ensure that the Group's corporate values and control culture are embedded throughout the organisation.

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 financial statements. In 2014, this process resulted in the Board re-ordering the risks to reflect their view of the relative significance of each risk in the current environment in which the Fresnillo Group operates. Further details of the risk management system are set out on pages 42 to 53.

Financial risk management

The Company's objectives and policies on financial risk management including information on the Company's exposures to Market risk, including foreign currency, commodity price, interest rate, inflation rate and equity price risks; credit risk and liquidity risk can be found in note 34 to the financial statements.

Internal controls

The Group has in place internal controls and risk management systems in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS.

The Board has overall responsibility for the Group's system of internal control, which includes risk management, and reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Group's objectives. Because of the limitations inherent in any system of internal control, the Group's system is designed to meet its particular needs and the risks to which it is exposed. It is designed to manage risk rather than eliminate risk altogether. Consequently it can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated to the Audit Committee its responsibility for reviewing the effectiveness of these controls. The Audit Committee reviews the system of internal control on an annual basis. The day-to-day responsibility for managing risk and the maintenance of the Group's system of internal control is collectively assumed by the Executive Committee. The Executive Committee is supported in this task by the Internal Audit department.

The risk categories set out in the risk matrix were used as the basis for the process of reviewing the system of internal controls. The Internal Audit department obtained letters of representation from the Executive Committee and the executive management on the Group's system of internal control.

In December 2014, the Audit Committee agreed the process by which the Board would undertake a review of the Group's system of internal controls. The outcome of that review was presented to the Audit Committee in February 2015, prior to submission to the Board which then decided on the statement to be made about the review of the system of internal control in the 2014 annual report and accounts.

There are a number of components to the system of internal controls within the Company detailed below and assurance concerning the system of internal controls focuses on these components and the Audit Committee ensures that this process accords with the guidance used on external control, from time to time, by the Financial Reporting Council:

Component of the system of internal control	**Basis for assurance**
The Group risk matrix.	Updated twice annually by the Executive Committee and Internal Audit department.
A framework of transaction and entity level controls to prevent and detect material error and loss.	Reviews undertaken by the Internal Audit department.
A documented structure of delegated authorities and approvals for transaction and investment decisions, including any with related parties.	Monitored and reviewed by the Internal Audit department.
Controls and procedures set out in the Company's Accounting Policies and Procedures Manual.	Monitored and reviewed by the Internal Audit department.
Operating policies and procedures.	Annual written representations obtained from operational and functional management.
A budget with quarterly reporting.	Review process performed by the Executive Committee.
A programme of internal audit reviews conducted by the Group's Internal Audit department.	Reports prepared by the Internal Audit department are discussed with management prior to finalisation and reviewed by the Audit Committee.

Board statement on internal control

The Board has, through the Executive Committee and the Audit Committee (at its February 2015 meeting), reviewed the effectiveness of the Group's system of internal controls. On the basis of this review, the Board considers that the measures that have been implemented to create an appropriate risk management framework 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.

Whistleblowing arrangements

The Audit Committee is responsible for reviewing the adequacy of whistleblowing arrangements and ensuring that appropriate investigation of any whistleblowing incidents has been undertaken.

The Group's arrangements for enabling employees to raise concerns about financial and non-financial improprieties have developed over the past few years, prompted in part by the requirements of the UK Bribery Act. An internal body called the Honour Commission has been established to oversee these arrangements. The terms of reference of the Honour Commission also embrace the procedures adopted in response to the Bribery Act, and money laundering. The Honour Commission, comprises the Chief Executive, the Chief Operating Officer, the Compliance Officer (currently the Chief Financial Officer), the Director of Internal Audit, the Vice President of Exploration and the Legal Manager. The Audit Committee regularly receives reports from management concerning the discussions and decisions of the Honour Commission.

The 'Fresnillo Plays Fair' whistleblower hotline allows stakeholders to anonymously (via an independent third party) report violations to the Group's Code of Conduct. The results are audited by an independent third party and classified into 25 different categories including but not limited to: high-risk conditions, violence, fraud, inappropriate use of confidential information, accounting irregularities, conflict of interest, client complaints, theft, unethical treatment of clients, unethical treatment of suppliers, discrimination, falsification of company records, improper use of assets, bribery and sexual harassment.

Following management's efforts to embed the understanding of all employees as to what ethical behaviour constitutes and its encouragement to report any inappropriate behaviour or actions, there has been a significant increase in the number of reports being submitted. The issues reported have all related to minor local operational and human resources issues and have been investigated by the Honour Commission and appropriate action taken. The Audit Committee considers that this is good evidence that the Company's whistleblowing procedures are now producing results and indicate that the programme is operating satisfactorily.

Internal Audit

The role of the Audit Committee is to review and monitor the Internal Audit function, amongst others through:

- ensuring that the internal auditors have a direct reporting line to the Audit Committee;
- closely monitoring the scope of services provided by Internal Audit by agreeing Internal Audit's work plan upfront and agreeing any subsequent changes to the plan;
- considering the level and quality of the resources within the department and its appropriateness to the needs of the Fresnillo Group;
- setting annual objectives and influencing the priorities of the Internal Audit function;
- ensuring adequate recognition and development of the members of the team; and
- periodically commissioning an external review of the Internal Audit department.

Internal Audit services are provided to the Company under a Shared Services Agreement between the Company and Industrias Peñoles S.A. de C.V. The internal audit work plan for 2015 was presented to and approved by the Audit Committee at its October 2014 meeting. The Committee reviewed the resourcing of the Internal Audit function and whether it remains appropriate. The Committee is satisfied that Internal Audit reports to the Committee from a fully independent perspective.

As part of its review of the Committee's work in 2014, Independent Audit Limited reviewed progress against the internal audit development action plan developed following its full external review in 2012 and were satisfied that good progress has been made. This informed the Committee's review of internal audit effectiveness over the year based on its regular consideration of the factors set out above and its regular interaction with the senior auditors.

In the current year the Audit Committee monitored discussions with Internal Audit and executive management to align the internal control environment with the organisational growth of the Group. This has been made easier by Internal Audit's realignment of their focus onto the controls surrounding the major operating risks across the operating divisions that concern management.

The Internal Audit team seek to complete audits of all the operating risks across all of the Fresnillo Group's mining assets on a regular basis. Particular focus continues to be placed on auditing the Company's new mines to ensure that proper procedures are implemented from the beginning in those new operations. The Audit Committee receives presentations and updates from the Internal Audit department at each of its meetings throughout the year. At each meeting during the year, the Audit Committee has focused on the progress made by management in dealing with 'red flag' items raised during internal audit visits to ensure that the management responses to remediation are appropriate and timely.

The Head of Internal Audit meets with the members of the Audit Committee without management present at least twice a year and also attends the Committee meetings in full. He is mandated to advise the Chairman of the Audit Committee if there are any issues which he considers members of the Audit Committee should be made aware of. There were none in 2014.

External auditor

The primary role of the Audit Committee is to oversee the relationship with the external auditor. This, and an assessment of the effectiveness of the external audit process, is achieved through:

– reviewing the terms of engagement of the external auditor;
– approving audit plans and timescales prior to the year-end audit;
– understanding the allocation of audit resources and the level of involvement of technical experts;
– discussing the external auditor's materiality assessments in relation to our financial statements;
– challenging the risk and judgement area identification;
– reviewing the reporting received from the external auditors and challenging the work done to test management's assumptions in key areas of risk and judgement;
– approving representation letters given to the auditors by management;
– seeking feedback from management on the effectiveness of the audit process;
– periodically commissioning an external review of the external auditors;
– considering the re-appointment of the external auditors and their independence, including the rotation of the audit partner; and
– assessing the need for audit tendering.

As part of its review of the financial statements prepared by the Company, the Audit Committee reviewed the findings of the external auditor in respect of both the financial statements for the six-month period ending 30 June 2014 and for the year ended 31 December 2014.

In 2014, in addition to its regular activities, the Audit Committee:

– accepted the auditor's materiality assessments, but requested that significant items below that level should be brought to our attention on qualitative grounds for further review; and
– challenged the auditor's identification of significant risks.

The Audit Committee met with representatives from EY without management present and with management without representatives of EY present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

During the year, the Audit Committee continued to monitor the liaison between EY and the Company's Internal Audit department which it believes is improving the efficiency of both the external and internal audit processes.

In February 2015, the Audit Committee considered and recommended the re-appointment of the external auditor, Ernst & Young LLP, to the Board prior to the Company's Annual General Meeting. This review took into account the results of the auditor assessment process, the quality of the work and communication by the external auditor and the level of audit fees. In addition, the Audit Committee considered IAL's review of the actions taken by management and EY in response to the points raised in their 2013 report on EY and concluded that all had been satisfactorily addressed and this was subsequently confirmed by the external reviewer.

The Audit Committee is mindful of its responsibility to ensure that the external auditor maintains its independence and objectivity. It has therefore reviewed, and is satisfied with, the independence of EY as the external auditor. The Audit Committee has a policy in place in respect of the provision of non-audit services to the Fresnillo Group by the external auditor. The engagement of the external auditor to provide statutory audit, assurance, taxation and certain advisory services is pre-approved. Any engagement of the external auditor to provide permitted services above US$150,000 is subject to the specific approval of the Audit Committee. This policy was confirmed at the October 2014 meeting of the Committee.

In October 2014, the Committee reviewed the non-audit work undertaken by EY during the year. This primarily related to pro forma reporting in respect of the Penmont acquisition and tax reporting. The Committee was satisfied that the level of work was appropriate and that the nature of the work would not compromise EY's objectivity in respect of future audit work.

The Audit Committee's approach to the future plans for both audit firm and audit partner rotation, taking into account the current requirements of the UK Corporate Governance Code, associated guidance from the Financial Reporting Council, together with the recent proposals from the European Commission on audit firm rotation and tendering remain on track. Thus, the Committee envisage tendering the external audit after the 2016 AGM so that an appointment can be made in October 2016 to take effect for the year commencing 1 January 2017 unless circumstances change. The appointment would not be formally confirmed until the 2017 AGM so that the chosen firm would then be in place for the interim review in 2017 as their first audit/review activity. In terms of audit partner rotation, the lead partner for EY in Mexico was replaced during the year, in line with the partner rotation policy and the Audit Committee oversaw the process for ensuring that the new Mexican audit partner was suitable for the role. The incumbent London partner will be replaced for the 2015 financial year, as he will have been in position for five years. The new London audit partner has already been approved by the Audit Committee and a handover process agreed for implementation during 2015.

The Committee reviewed the levels of engagement of other audit firms and advisors at its October and December meetings. Details of the fees paid to EY during the year as shown in note 31 to the financial statements were US$2.1 million (of which US$0.1 million were non-audit related fees), and the fees paid to other accountants and advisory firms were US$0.2 million.

The Committee also considers annually the contracts and commitments arising from such engagements to ensure that they would not restrict the Committee's choice of potential external auditors in a tender process.

The Financial Reporting Council ('FRC') did not review the Company's 2013 annual report. The Committee did, however, review their report on EY, as a firm, and considered carefully those matters raised which were of relevance for Fresnillo plc. Together with management and EY, the Committee satisfied itself that any relevant audit matter raised by the FRC in respect of EY had been correctly performed in the course of the audits of Fresnillo.

Related party matters

Peñoles beneficially owns 75% of the Group's common shares and is controlled by the Baillères family. As such, Peñoles has and will continue to have significant influence over the affairs and operations of Fresnillo. Further, Fresnillo is dependent on the Peñoles Group for certain key operational services.

Given the extensive related party relationships, the Audit Committee's primary role is to ensure that transactions with related parties are conducted under normal market terms and conditions and shareholders' interests are safeguarded, by:

- benchmarking data and information for related party transactions over a certain threshold;
- assessing the type and purpose of related party transactions and ascertaining whether they are in the normal course of business;
- reviewing the financial and commercial aspects of any transaction proposed between the Fresnillo Group and the Peñoles Group prior to such matters being considered by the independent Non-executive Directors under the terms of the Relationship Agreement or in compliance with Chapter 11 of the Listing Rules; and
- critically assessing and challenging the appropriateness of any significant related party transactions and arrangements outside the normal course of business.

In November 2014, the Relationship Agreement between the Company and Industrias Peñoles S.A.B. de C.V. (Peñoles) was updated in response to changes in the UK Listing Rules for controlled companies, such changes having been approved in principle by the independent Directors at the Board meeting in October 2014. The updated agreement has not required any change to the Audit Committee's approach to the oversight of related party matters.

The Shared Services Agreement is an agreement between the Company and Peñoles under which 22 categories of services are provided to the Company by Peñoles. The Audit Committee reviews the shared services agreement at each renewal, using external advisors to review any revision in the legal terms, to benchmark the proposed pricing against tenders requested from numerous alternative suppliers and use management's experience of both past performance against the KPIs agreed and any enhanced or additional services required.

The Shared Services Agreement was renewed for five years with effect from 31 December 2012. Extensive work with external advisors was undertaken at the time to ensure that the scope of services to be provided was appropriate to the needs of the Fresnillo Group; that the pricing for services provided under the Shared Services Agreement were appropriately benchmarked and that the arrangements were in the ordinary course of business, not on unusual terms and had been negotiated on an arm's length basis. The Audit Committee presented this to independent Directors in February 2014 and it was approved.

In order to ensure that Fresnillo is charged appropriately for services rendered by Peñoles under the Shared Services Agreement, Internal Audit conduct reviews of approximately one third of the services provided each year to ensure that these services are provided in accordance with the agreed KPIs. As a result, all services are reviewed over a three-year cycle.

During the year, in line with its usual practice, the Audit Committee considered the proposed charges in respect of the Met-Mex Arrangements for 2014 comparing proposed prices to comparable prices charged by Met-Mex to independent customers and to those of other refineries taking account of ore composition and transport costs to ensure that they are reasonable. Based on the satisfactory outcome of that review, the Chairman of the Audit Committee recommended to the Board that the independent Directors approve the proposed charges for 2014 under the Met-Mex Arrangements, which they did in October 2014.

There are other dealings with related parties in the ordinary course of business but, although not requiring approval by independent Directors, where they, individually or in aggregate for a particular supply become of a certain size, the Audit Committee will seek evidence that they too are conducted on an arm's length basis. In 2014, the Audit Committee requisitioned and reviewed benchmarking data for such other related party activities which included the cost of insurance cover and the Committee was satisfied that the arrangements are on a reasonable arm's length basis.

In December 2014, the Audit Committee reviewed a schedule of all the Company's other related party transactions during the year and was satisfied that all transactions listed were in the ordinary course of business.

The Corporate Governance Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Guy Wilson
Senior Independent Director
3 March 2015

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 2014.

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 116 and 117.
Results and dividends	Results for the year ended 31 December 2014 are set out in the financial review on pages 96 to 107 and the consolidated income statement on page 163. Information regarding the proposed final dividend can be found in the financial review on page 106. Dividend payments made during the year ended 31 December 2014 can be found in the notes to the financial statements on page 201.
Change of control	Details setting out the effect of a change of control of the Company on significant agreements are set out on the Company's website at www.fresnilloplc.com/who-we-are/corporate-governance.
Articles of Association	The Company's full Articles of Association can be found on the Company's website at www.fresnilloplc.com/who-we-are/corporate-governance. Any amendments made to the Articles of Association may be made by a special resolution of shareholders. The following is a summary of the structure, rights and restrictions of the Company's share capital: The Company has two classes of share capital: 736,893,589 ordinary shares of US$0.50 (Ordinary Shares) and 50,000 deferred shares of £1.00 each (Sterling Deferred Shares). The Ordinary Shares are listed on the London Stock Exchange and the Mexican Stock Exchange. The rights and obligations attaching to these shares are governed by UK law and the Company's Articles of Association. Ordinary shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. On a show of hands every shareholder present in person or by proxy (or being a corporation represented by a duly authorised representative) shall have one vote, and on a poll every shareholder who is present in person or by proxy shall have one vote for every share held. The Notice of Annual General Meeting specifies deadlines for exercising voting rights and appointing a proxy or proxies.
Articles of Association continued	There are no restrictions on the transfer of the Ordinary Shares other than: – the standard restrictions for a UK-quoted company set out in article 32 of the Articles of Association; – where, from time to time, certain restrictions may become imposed by laws and regulations (for example, insider trading laws); and – pursuant to the Listing Rules of the Financial Services Authority whereby certain Directors, officers and employees of the Company require the approval of the Company to deal in the Ordinary Shares. No shareholder holds securities carrying special rights as to the control of the Company. There are no limitations on the holding of securities. There are no restrictions on voting rights or any arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of the securities. There are no agreements between holders of securities that are known to the Company which may result in restrictions on the transfer of voting rights. The Sterling Deferred Shares only entitle the shareholder to payment of the amount paid up after repayment to Ordinary Shareholders on winding up or on a return of capital. The Sterling Deferred Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Shares or require the holder to transfer the Sterling Deferred Shares. Except at the option of the Company, the Sterling Deferred Shares are not transferable.
Share capital	Details of the Company's share capital are set out in note 21 to the financial statements on page 200.
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 128.
Directors' interests	Details of the Directors' beneficial interests are set out in the remuneration report on page 151.
Directors' indemnities and Directors' and Officers' Liability Insurance	Details regarding deeds of indemnity and Directors' and Officers' Liability Insurance are set out in the corporate governance report on page 119.

Major interests in shares	Notifiable major shares interests of which the Company has been made aware are set out on page 128 of the corporate governance report.
Political and charitable donations	The Company did not make any donations to political organisations during the year; information regarding the Company's charitable donations can be found in the strategic report on page 92.
Greenhouse gas emissions	Details of the Company's greenhouse gas emissions can be found in the sustainability report on pages 86 to 91 of the strategic report.
Employees	Information regarding the Company's employees can be found in the sustainability report on page 94 of the strategic report and in note 9 to the financial statements on page 190.
Financial risk management	Details of the Company's policies on financial risk management are outlined in note 34 to the financial statements.
Going concern	The Company's going concern statement can be found in the Audit Committee report on page 135.
Future developments	Details about the Company's future developments can be found in the strategic review on pages 71 to 79.
Auditors	The Auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution seeking to re-appoint them will be proposed at the Annual General Meeting.
Post balance sheet events	There have been no post balance sheet events.
Annual General Meeting	Details of the forthcoming Annual General Meeting can be found on page 128 of the corporate governance report.
Audit information	Each of the Directors at the date of the approval of this report confirms that: – so far as he/she is aware, there is no relevant audit information of which the Company's auditors are unaware; and – he/she has taken all the reasonable steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of the information. The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Guy Wilson
Senior Independent Director
3 March 2015

Fresnillo plc
Registered Office:
28 Grosvenor Street
London W1K 4QR
United Kingdom
Company No: 6344120

Directors' Remuneration Report
Chairman's Annual Statement

"We feel it is important to embrace the governance requirements of the UK while at the same time not forgetting the Mexican traditions of the Company and that our management team is based in Mexico."

Charles Jacobs
Chairman of the Remuneration Committee

Dear Shareholder,

I am delighted to introduce the first Directors' remuneration report for Fresnillo plc since my appointment as Chairman of the Remuneration Committee in May 2014. I felt comfortable in taking on the role as Chairman of the Company's Remuneration Committee from Lord Cairns with effect from the 2014 AGM for two reasons. Firstly, under the wise chairmanship of Lord Cairns and with the input of his fellow members of the Remuneration Committee, the Company has since its listing on the London Stock Exchange back in 2008 adopted a conservative and measured approach in relation to the whole issue of remuneration. Secondly, and more recently, the Company embraced the requirement to establish a remuneration policy for Directors and to put this to a vote of shareholders which received overwhelming backing from shareholders (99%+).

Against that background, and without any form of complacency, I felt able to take this role on and to continue the good work of the Committee.

As a Committee we feel it is important to embrace the governance requirements of the UK while at the same time not forgetting the Mexican traditions of the Company and that our management team is based in Mexico.

In view of the above, we will continue to report on the remuneration of our Chief Executive Officer as if he was a member of the Board of Directors.

Consistent with the approach of many Mexican companies, we adopt a conservative approach in relation to remuneration and have no current intention of requiring Executive Directors to build up an equity stake in the Company whether by way of share options or otherwise.

We have not made any changes to the Remuneration Policy adopted at last year's AGM but we have reproduced it in this year's annual report for ease of reference.

We have also established, with the assistance of Towers Watson, a peer group for benchmarking the Chief Executive's salary and the percentage range within which it should be set.

Yours faithfully

Mr Charles Jacobs
Chairman of the Remuneration Committee

Remuneration Policy in Summary

The Group's Remuneration Policy, which was approved at the 2014 AGM, seeks to ensure that the Company is able to attract, retain, and motivate its executives and senior management. The retention of key management and the alignment of management incentives with the creation of shareholder value are key objectives of this policy.

Setting base salary levels for Executive Directors[1] at an appropriate level is a key to managerial retention in Mexico. Salaries are therefore market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally; total remuneration is benchmarked biennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and length of service.

The annual bonus rewards the achievement of short- and long-term financial and strategic business targets and delivery of personal objectives. 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. As a consequence, the Company does not use share-based forms of remuneration to incentivise long-term performance.

The Annual Bonus Plan aligns incentives to the short-term and long-term KPIs in the following manner.

Strategic objective	Key Performance Indicator	Timeframe	Measure	Weighting
Maximise the potential of existing operations	Production	Short and long term	Increase in equivalent ounces produced	26
	Safety	Short term	Fatalities	5
Deliver growth through development projects	Resources	Long term	Increase in total resources	10
Extend the growth pipeline			Increase in resources upgraded from inferred to indicated	20
Advance sustainable development	Stakeholders	Long term	Various	11
	Financial	Short and long term	Net profit adjusted	17
All objectives	Teamwork	–	–	11

The Remuneration Policy is set out again below for ease of reference.

[1] The Fresnillo plc Directors' Remuneration Policy is applied to any Executive Directors appointed to the Board of Directors. As at 31 December 2014, there were no Executive Directors appointed to the Board, however the Board reports on the remuneration of the Chief Executive Officer as if he were a member of the Board during the year, in the interests of transparency.

Remuneration Policy

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 was developed taking into account the principles of the UK Corporate Governance Code 2012 and the views of our major shareholders. It describes the policy to be applied for the financial year ending 31 December 2014 and beyond. The Policy Report was put to a binding vote at the Annual General Meeting held on 16 May 2014, and received overwhelming shareholder support. Consequently, the Effective Date of the policy is 16 May 2014.

Remuneration Policy

The Group's Remuneration Policy seeks to ensure that the Company is able to attract, retain, and motivate its executives and senior management. The retention of key management and the alignment of management incentives with the creation of shareholder value are key objectives of this policy.

Setting base salary levels for Executive Directors at an appropriate level is a key to managerial retention in Mexico. Therefore, the Remuneration Committee seeks to ensure that salaries are market competitive both within the Mexican context and internationally for comparable companies. Total compensation is set within a range around the median level for the Company's peer group within Mexico and internationally, total remuneration is benchmarked biennially to ensure that the whole remuneration package is maintained at this level over the long term. Salaries are positioned within the range according to experience and service.

The table below sets out the key elements of Executive Director pay set out in the Directors' Remuneration Policy:

Operation	Maximum value	Performance metric	Discretion
Base salary Provides the core reward for the role			
Reviewed annually and fixed for 12 months starting on 1 April each year and the review is influenced by: – role, experience and performance; – average workforce salary adjustments; – Mexican economic factors; and – comparison with the Company's peer group in Mexico and internationally. Salaries are benchmarked bi-ennially 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 reviews will take place in April 2014 and April 2016.	The Chief Executive's salary will be reviewed taking account of the benchmarking information received by the Remuneration Committee and the maximum value of the Chief Executive's base salary will be positioned within the mid-range for companies in the peer group of Mexican and international resources companies.	The Remuneration Committee considers individual salaries at the appropriate meeting each year by reference to the factors noted under the 'Operation' heading in this table. Details of the current remuneration of the Chief Executive Officer is provided in the annual report on remuneration.	The Remuneration Committee will establish the Company's comparator peer group in Mexico and internationally as part of the biennial review which it will consider in April 2014. The peer group will be reviewed again in April 2016 as part of the following biennial review. The Committee will report on the outcome of these reviews within the relevant annual report on remuneration for the 2014 and 2016.
Benefits Help recruit and retain employees			
An Executive Director would be entitled to life insurance, the use of a company car, the payment of premiums for medical insurance covering limited expenses and check-ups. Benefits may be changed if Company policy on benefits changes.	The current benefits are set out in the annual remuneration report. The maximum value of benefits will be determined by Company policy that is applicable to all employees.	None.	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			
The Group operates a defined contribution scheme. Executive Directors are entitled to membership of the defined contribution scheme.	The maximum contribution for any employee may not exceed 16% of salary.	None.	

Operation	Maximum value	Performance metric	Discretion

Annual Bonus[1]

Rewards the achievement of short- and long-term financial and strategic business targets and delivery of personal objectives

Operation

Targets are renewed annually and relate to the strategic aims of the business as a whole. A scoring system is used for the plan. Each objective set for the executive at the beginning of the year is allocated a points-rating which represents a median performance target for that objective. Upper and lower point thresholds are set to allow for outstanding performance and ensure that underperformance is not rewarded. For each member of the Executive Committee (including the Chief Executive Officer), a bonus is only payable if the aggregate performance equals or exceeds 100 points. Bonus payments are paid for aggregate performance against target at or above 100 points as follows:

Points	Variable pay (Month's salary)	Variable pay (% of salary)
100-104	Two	16.67
105-109	Four	33.33
110-114	Five	41.67
115+	Six	50.00

Maximum value

The maximum percentage of salary is 50% (six months' salary) and is paid where Executive Directors achieve more than 115 points under the Annual Bonus Plan. (Target is 100 points.)

Performance metric

The KPI targets focus on risks that are within the control and influence of management. Thus, the management of safety, security, project, human resource, exploration and environmental risks are all currently implicitly covered within the KPIs. The KPIs and targets are also designed to ensure that both short-term objectives and the long-term development of the Fresnillo Group are given equal priority.

Details of the measures, targets and performance for the year are 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 adjust individual KPI weightings from year to year.

The Remuneration Committee retains the discretion to adjust bonus payments to take account of the following:

- Factors outside the control of Executive Directors e.g. force majeure circumstances. In deciding whether adjustment is merited, the Remuneration Committee will consider the appropriateness of the Executive Director's response to those circumstances; in this situation an upward adjustment may be considered
- Poor executive response to adverse health, safety or environmental performance during the year, in which case a downward adjustment would be considered

Any such discretion will be fully explained in future Directors' remuneration reports.

[1] Fresnillo plc does not operate any share option of share-based long-term incentive plans.

Alignment of executive remuneration and the market

In setting the fixed remuneration of the members of the Executive Committee, information relating to the mining company comparators is provided by various consultants. Information relating to the Mexican economic metrics and internal benchmarking is collated by management for the Remuneration Committee to consider. In 2012, information showing the three-year trends for inflation, market growth and pay increases in Mexico was considered in setting salary increases for members of the Executive Committee.

A review conducted by Towers Watson in April 2012 enabled the Remuneration Committee to validate the Company's policy towards short-term and long-term remuneration and ensure that it was globally as well as locally competitive. The analysis evaluated the elements of base salary; short-term compensation (guaranteed payments and short-term bonus) and long-term compensation (primarily stock programmes) separately. It concluded that the level of total remuneration for all of the members of the Executive Committee was set in line with the objective of the Remuneration Policy. A further review by Towers Watson was undertaken in early 2014 prior to the review of the Executive Committee members' salaries taking effect from 1 April 2014. Following this review, the Remuneration Committee established the peer group of companies for the purposes of validating the remuneration of Executive Directors. (See also page 152 of the annual report on remuneration for further information.)

Comparison of executive and wider company remuneration

When setting pay and benefits for Executive Directors and Executive Committee, the Remuneration Committee takes account of pay and conditions across the Group. It will consider the overall pay increase percentage negotiated with employee representatives as its starting point. The Remuneration Committee may agree pay increases above or below the agreed percentage in exceptional circumstances, where in its discretion it considers such variance to the norm to be justified. Other than the Towers Watson report specifically commissioned by the Remuneration Committee, 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 recent years has enabled employees within the operating companies to receive significant levels of bonus in line with the increased profitability of the relevant operating 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 the senior management group below Board level are employed by Servicios Administrativos Fresnillo SA de CV which pays annual PTU payments. However, such payments are modest.

The Remuneration Committee does not consult with employees in setting Directors' remuneration.

Policy on recruitment

The Committee will consider the remuneration of new executive appointees to the Board by reference to the Remuneration Policy set out above. The Committee does not expect to pay sign-on payments or compensate new Directors for any variable remuneration forfeited from any employment prior to joining the Board. Salary will be set so as to be market competitive both within the Mexican context and internationally for comparable companies and taking account of the experience and seniority of the appointee coming into the new role. The Committee is likely to set base salaries below median on appointment whilst 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. New Executive Directors will receive benefits and pensions in line with Company's existing policy and will be able to participate in the annual bonus scheme on a pro-rated basis for the portion of the financial year for which they are in post. Whilst there is no expectation of changing this approach, the Remuneration Committee will bring any variation to this approach to shareholders for approval prior to implementation.

Policy on loss of office

Other than in circumstances of gross misconduct, Directors and senior executives, including the Chief Executive Officer, leaving employment from the Group, will be entitled to receive salary and pro-rated annual bonus based on performance to the date of leaving. Statutory entitlements are payable according to Mexican labour law, based on length of service. Mexican labour law does not make any provision for employers and employees to give or receive notice of termination of employment. Therefore the Committee will not make payments in lieu of notice to departing executives unless required to do so by law. No contractual commitments concerning loss of office were entered into with any Director prior to 27 June 2012.

Annual Bonus Plan and policy on variable remuneration

It is the Company's policy not to use its equity to incentivise long-term performance by this means. 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 the members of the Executive Committee, including the Chief Executive Officer.

Illustrations of the application of 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 they receive minimum, target and maximum variable pay.

Component	Max value US$k[1]		Minimum	Target	Maximum
Share incentives[2]					
			US$1,097,000	US$1,206,000	US$1,424,000
Annual Bonus	327	Annual Variable Pay[3]		9%	23%
Pension benefits	88	Fixed Pay[4]	100%	91%	77%
Other benefits	116				
Base salary	893				

1 The amounts shown in this table reflect the remuneration level at 31 December 2013, being the latest available data at the point at which the Directors Remuneration Policy was approved by shareholders.
2 Fresnillo plc does not operate any share option of share-based long-term incentive plans.
3 Variable Pay consists only of remuneration where performance measures or targets relate only to one financial year.
4 Fixed Pay includes salary, benefits and pension.

The Remuneration Committee keeps the policy under review and considers that the upper limit for cash-based remuneration incentives is appropriate. In setting this level, the Remuneration Committee has considered both local market practice and that within the global mining industry. The Remuneration Committee is satisfied that this has helped to incentivise senior management in managing the Group sustainably and in meeting shareholders' reasonable expectations.

External appointments

It is the Board's policy to allow Executive Directors to accept directorships of other quoted and non-quoted companies provided that they have obtained the consent of the Chairman of the Company. Any such directorships must be formally notified to the Board.

Chairman and Non-executive Directors

The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that are paid quarterly in arrears. The Chairman and Non-executive Directors do not participate in any long-term incentive or annual bonus schemes, nor do they accrue any pension entitlement. Neither the Chairman nor any of the Non-executive Directors has a service contract with the Company; however, each has entered into a letter of appointment with the Company.

Non-executive Directors' letters of appointment

On their initial appointment, each of the Non-executive Directors signed a letter of appointment with the Company, for an initial period of three years. Since April 2011, the letters of appointment all serving Non-executive Directors have been drafted in accordance with provision B.7.1 of the UK Corporate Governance Code, thus obliging them to retire at each annual general meeting and be subject to annual re-election by shareholders to serve for a further term of one year. The amendments have been drafted such that renewed appointment will not necessitate a new letter of appointment.

Each Non-executive Director is expected to commit a minimum of 14 days per year in fulfilling their duties as a Director of the Company. A base fee of £30,000 is paid to each Non-executive Director to reflect the time commitment and level of involvement they are required to make in the activities of the Board as a whole. There are no set fees for membership of any Board committees or for the chairmanship of the Board.
The UK-based Non-executive Directors receive a higher fee to reflect the additional time commitment that they make in order to travel to Board meetings in Mexico and to their responsibilities as appropriate as Senior Independent Director, Chairman of the Remuneration Committee and Chairman of the Audit Committee.

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.

The key terms of the Non-executive Directors' letters of appointment for the Directors serving during the year are as follows:

Director	Date of original letter of appointment	Notice period from Director to the Company	Duration of term[1]	Fees p.a.
Alberto Baillères	15 April 2008	3 months	1 year	£30,000
Lord Cairns	15 April 2008	3 months	1 year[2]	£90,000
Juan Bordes	15 April 2008	3 months	1 year	£30,000
Rafael Mac Gregor	15 April 2008	3 months	1 year	£30,000
Javier Fernández	15 April 2008	3 months	1 year[2]	£30,000
Arturo Fernández	15 April 2008	3 months	1 year	£30,000
Fernando Ruiz	15 April 2008	3 months	1 year	£30,000
Guy Wilson	1 July 2008	3 months	1 year	£90,000
Fernando Solana	18 February 2009	3 months	1 year[2]	£30,000
Alejandro Baillères	16 April 2012	3 months	1 year	£30,000
María Asunción Aramburuzabala	16 April 2012	3 months	1 year	£30,000
Jaime Lomelín	15 August 2012	3 months	1 year	£30,000
Bárbara Garza Lagüera	11 April 2014	3 months	1 year[2]	£30,000
Charles Jacobs	11 April 2014	3 months	1 year[2]	£90,000
Jaime Serra	11 April 2014	3 months	1 year[2]	£30,000

1 Unexpired term: the Non-executive Directors all have rolling contracts which are subject to the annual re-election at the Annual General Meeting. The current term expires on 18 May 2015, 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 Lord Cairns, Javier Fernández and Fernando Solana retired at the Annual General Meeting of the Company held on 16 May 2014. Bárbara Garza Lagüera, Charles Jacobs and Jaime Serra were appointed to the Board on 16 May 2014 (although their letters of appointment were entered into beforehand and their appointments were conditional on shareholders' approval at the AGM).

The Board have agreed that the aggregate fees of the Non-executive Directors (excluding the reimbursement of expenses) will be £480,000 per annum. The Articles of Association of the Company require that the aggregate remuneration of Directors may not exceed £3,000,000 unless approved by an ordinary resolution of the shareholders of the Company.

Annual Report on Remuneration

Introduction

This report sets out information about the remuneration of the Directors and senior management of the Company for the year ended 31 December 2014. In accordance with the Regulations, the information provided in the section entitled 'Directors' Remuneration – 1 January 2014 to 31 December 2014' and accompanying notes has been audited by Ernst & Young LLP.

Audited information – Directors' Remuneration – 1 January 2014 to 31 December 2014

Single total figure of remuneration

The detailed emoluments received by the Executive and Non-executive Directors for the year ended 31 December 2014 are detailed below:

US$ thousands	**Salary/ Fees 2014**	**Benefits 2014**	**Annual Bonus 2014**	**Pension 2014**	**Total 2014**	Salary/ Fees 2013	Benefits 2013	Annual Bonus 2013	Pension 2013	Total 2013
Chairman										
Alberto Baillères	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Non-executive Directors										
Juan Bordes	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Rafael Mac Gregor	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Lord Cairns	**54**	**0**	**0**	**0**	**54**	141	0	0	0	141
Arturo Fernández	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Javier Fernández	**18**	**0**	**0**	**0**	**18**	47	0	0	0	47
Jaime Lomelín[1]	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Fernando Ruiz	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Guy Wilson	**147**	**0**	**0**	**0**	**147**	141	0	0	0	141
Fernando Solana	**18**	**0**	**0**	**0**	**18**	47	0	0	0	47
Alejandro Baillères	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
María Asunción Aramburuzabala	**49**	**0**	**0**	**0**	**49**	47	0	0	0	47
Bárbara Garza Lagüera	**31**	**0**	**0**	**0**	**31**	N/A	N/A	N/A	N/A	N/A
Charles Jacobs	**93**	**0**	**0**	**0**	**93**	N/A	N/A	N/A	N/A	N/A
Jaime Serra	**31**	**0**	**0**	**0**	**31**	N/A	N/A	N/A	N/A	N/A
Total	**784**	**0**	**0**	**0**	**784**	752	0	0	0	752
Executive Director (not on Board during the year)										
Octavio Alvídrez[1, 2]	**924**	**79**	**120**	**94**	**1,217**	852	116	109	39[5]	1,116
Grand Total	**1,708**	**79**	**120**	**94**	**2,001**	1,604	116	109	39	1,868

1 Benefits provided to Mr Alvídrez include the cost of life insurance premiums 2014: US$19,742 (2013: US$12,678), club memberships 2014: US$1,888 (2013: US$44,074), subsistence and other meal benefits 2014: US$12,217 (2013: US$11,813), premiums for medical insurance covering limited expenses and check-ups 2014: US$5,952 (2013: US$1,628), chauffeur 2014: US$28,850 (2013: US$29,295), car 2014: US$8,802 (2013: US$14,773), and social security costs 2014: US$1,259 (2013: US$1,263).

2 The basis of calculation for Mr Alvídrez' annual bonus for 2014 is set out in the following table.

3 The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007). On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5% and 8% of salary to this plan. Members may elect to match contribution percentages between 5% and 8% of salary. Mr Alvídrez is a member of the Company's defined benefit scheme in respect of service before 30 June 2007 and of the defined contribution scheme in respect of service since 1 July 2007.

4 The Company does not operate a long-term incentive plan or any share-based incentives.

5 The 2013 pension benefits have been restated in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. In the annual report 2013, the accumulated benefits were calculated in accordance with IAS 19 Employee benefits.

The objectives, as applied to Mr Alvídrez' incentive payment, the measures associated with each objective, and the relative weighting between objectives, are detailed below:

Objective	Measure	Weighting Points[1]	2014 Target	2014 Result	2014 Points Award	2013 Result	2013 Points Award
Production	Increase in equivalent ounces produced[3]	26	75.7 million equivalent ounces of silver[1] (2013: 70.9 million equivalent ounces of silver)	76.1	26.10	72.6	26.60
Exploration/ growth	Increase in total resources[3]	10	Maintain prior year total resources	98%	9.80	107%	10.70
	Increase in resources upgraded from inferred to indicated[3]	20	Maintain prior year total indicated	101%	20.20	115%	23.00
Financial	Net profit adjusted[4]	17	US$299 million[4] (2013: US$761 million)	US$323 million	18.40	US$636 million	(14.20)
Stakeholder	Relationship with key stakeholders e.g. communities and unions[5]	5	Unmeasured (Outstanding = 7 points: Satisfactory (target) = 5 points; Underperformance = 0 points)	5.00	5.00	13.00	13.00
	Management of land rights[5]	3		4.25	4.25		
	Controls over contractors[5]	3		4.25	4.25		
Teamwork	Collective teamwork across the Group[5]	5	Unmeasured (Outstanding = 7 or 8.4 points Satisfactory (target) = 5 or 6 points Underperformance = 0 points)	7.00	7.00	15.40	15.40
	Progressing the Succession Plan for Executive Committee positions[5]	6		5.00	5.00		
Safety	Fatal accidents[6,7]	5	Zero	1	0	2	0
Total		100			100.00		102.90
Adjustments		–			0		(1.00)
Total		100			100.00		101.90

1 Adjusted in line with the revised guidance on production announced by the Company on 15 October 2015 as this was due to circumstances outside management's control.

2 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.

3 Any decrease in equivalent ounces produced and/or in reserves and resources will result in points being deducted from the total points scored.

4 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 2013 Net Profit amount for the purposes of the 2014 annual bonus was re-based to take account of the year-on-year changes in currency, metals prices, the revaluation of the Silverstream contract and lost production at Herradura due to reasons outside management's control.

5 The points awarded for the Stakeholder and Teamwork objectives are subject to some discretion. The following points are awarded depending on the Remuneration Committee's assessment of the Teamwork effort: Outstanding = 7 points; Satisfactory = 5 points; Underperformance = 0 points.

6 In the event of a single fatality, zero points will be awarded for Safety. For the purposes of calculating fatalities; all fatalities are included, irrespective of whether they are employees or contractors. Conversely, in the event of zero fatalities during the year, the number of points awarded would be increased to 10 points.

7 In addition, to the penalty for a single fatality (see note 5), the number of points awarded will be further reduced by 1% if there are two fatalities, or by 2% if there are three fatalities, or by 3% if there are four fatalities etc.

Pension entitlement

The pension entitlement of the Chief Executive Officer is as follows:

US$ thousands	Defined Contribution Scheme (DCS)	Defined Benefit Scheme (DBS)
Rights as at 31 December 2014	US$316	US$1,253
Additional benefit in the event that the Chief Executive Officer retires early	In the event of early retirement, Mr Alvídrez is entitled to receive his accumulated contributions (both member and Company) to the DCS	Mr Alvídrez is not currently entitled to any additional benefit on early retirement in the DBS

US$ thousands	Accumulated accrued benefits		Increase in accrued benefits during the year[1]		Increase, before inflation and the effect of foreign exchange, in accrued benefits during the year	
	At 31 Dec 2014	At 31 Dec 2013	**2014**	2013	**2014**	2013
Octavio Alvídrez	**1,569**	1,478[2]	**91**	126	**94**	39

1 The increase in accrued benefits during the year includes a revaluation effect of US$(51)1k (2013: US$39k).

2 Both the 2013 and 2014 figures shown in the table above are reported in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. In 2013, the accumulated benefits were calculated in accordance with IAS 19 Employee benefits and have, therefore, been restated in the table above.

Mr Alvídrez is expected to retire at his normal retirement age of 60 years old.

Shares held by Directors

The number of Ordinary Shares of the Company in which the Directors were beneficially interested at 1 January 2014, or date of appointment if later, and at 31 December 2014 was:

	1 January 2014	31 December 2014
Alberto Baillères[1]	552,595,191	552,595,191
Juan Bordes	15,000	15,000
Rafael Mac Gregor	–	–
Lord Cairns (retired from the Board on 16 May 2014)	15,000	N/A
Arturo Fernández	–	–
Javier Fernández (retired from the Board on 16 May 2014)	–	N/A
Jaime Lomelín	–	–
Fernando Ruiz	30,000	30,000
Guy Wilson	15,000	15,000
Fernando Solana (retired from the Board on 16 May 2014)	–	N/A
María Asunción Aramburuzabala	–	–
Alejandro Baillères	–	–
Bárbara Garza Lagüera (appointed 16 May 2014)	–	–
Charles Jacobs (appointed 16 May 2014)	–	–
Jaime Serra (appointed 16 May 2014)	–	–

[1] Alberto Baillères holds an indirect interest in the Company. Mr Baillères and companies controlled by Mr Baillères hold, in aggregate 61.3% of the issued share capital (and voting rights) of Peñoles. Peñoles holds 552,595,191 Ordinary Shares (74.99% of the issued share capital) in the Company.

Unaudited Information

Implementation of Remuneration Policy in 2014

Chief Executive Officer salary and benefits

The Total Remuneration paid to Mr Alvídrez during the year was US$1.217 million.

During the year, Octavio Alvídrez served as Chief Executive Officer but was not appointed as a member of the Board of Directors. Mr Alvídrez is employed under a contract of employment with Servicios Administrativos Fresnillo S.A. de C.V., a subsidiary of Fresnillo plc. Mr Alvídrez' contract was entered into on 15 August 2012 and is governed by Mexican Federal Labour Law. Mr Alvídrez' service agreement does not have a fixed term and can be terminated in writing by either party with no entitlement to additional compensation for termination other than compensation payments required for termination without cause under Mexican labour laws. No benefits are payable on termination.

The salary payable under Mr Alvídrez' service agreement is MXN$800,000 per month, which excludes payments for holidays, company-paid savings contributions and other cash benefits. In 2014, his total salary payments were MXN$12,293,884 (US$924,470). In 2013, his total salary payments were MXN$10,873,400 (US$851,647). Mr Alvídrez was awarded a salary increase of 15.1% to reflect his development as Chief Executive Officer over the past year. This salary review was made in accordance with the Directors' Remuneration Policy.

Under his service agreement, Mr Alvídrez is entitled to 26 working days' paid holiday per year. He is not entitled to profit-sharing.

Mr Alvídrez is also entitled to life insurance, the use of a chauffeur and company car, the payment of medical insurance premiums covering limited expenses and check-ups, meals and subsistence payments and club subscriptions.

Annual Bonus

Mr Alvídrez achieved 100.0 points under the bonus scheme for the year ended 31 December 2014 (2013: 101.9 points) and therefore was awarded a bonus of MXN$1,600,000; US$120,316; for 2014.

Pensions

The Group operates two pension schemes: (i) a defined benefit scheme which was closed to new members on 1 July 2007 with benefits frozen at this date for existing members, subject to indexation with reference to the Mexican National Consumer Price Index; and (ii) a defined contribution scheme (which was introduced on 1 July 2007).

Membership of the latter scheme is voluntary, members earning a salary of no more than 25 times the minimum wage in force from time to time may make contributions of 5% to the scheme. On behalf of members earning a salary of no more than 25 times the minimum wage in force from time to time the employing company may make contributions of 5% to the scheme. The employing company may also make additional contributions between 5% and 8% of salary to this plan. Members may elect to match percentages between 5% to 8% of salary.

Mr Alvídrez is a member of the Company's defined benefit scheme in respect of service before 30 June 2007 and of the defined contribution scheme in respect of service since 1 July 2007.

Pensions and other benefits are also set at levels that are market competitive to ensure that the retentive benefits of market competitive salaries are not eroded by poor Group performance. The Remuneration Committee monitors the competitiveness of the Company's pension arrangements and a review of pensions benchmarking was last undertaken by Mercer in April 2011 and will be reviewed from time to time.

Year-on-year percentage change in remuneration of CEO and all employees

	Percentage change 2013-2014		
	Base salary/Fees	Benefits	Annual Bonus
Chief Executive Officer	8.5%	(31.9%)	10.1%
All employees	17.4%	4.7%	0.4%

Annual Report on Remuneration continued

Implementation of the Remuneration Policy in 2014 and 2015

The Remuneration Committee intends that the Remuneration Policy will be applied in 2015 on a consistent basis to 2014. The comparator group of companies for the purposes of validating the salaries of Executive Directors was reviewed in April 2014 and will be reviewed again in April 2015 and reported in the next annual report on remuneration.

In 2014, the Remuneration Committee asked Towers Watson to recommend a framework for setting the salaries of Executive Directors and members of the Executive Committee. Following this review, the Remuneration Committee established the peer group of companies for the purposes of validating the remuneration of Executive Directors (the 'Peer Group'). The Peer Group consists of 11 resources companies from Europe, US, Canada and Mexico. The Remuneration Committee has agreed that the Chief Executive's salary should be that it be set within a range of 25% to 75% of the Peer Group for base salary. In 2014, Towers Watson advised the Remuneration Committee that the CEO's salary was currently slightly ahead of the median level compared to the Peer Group; however once variable pay is taking into account, the CEO's remuneration is below the median level.

The Remuneration Committee has considered the effectiveness of KPIs and targets set in 2014 and it continues to consider that the overall structure of the Incentive Plan and the targets set in 2014 remain appropriate for 2015 other than where adjusted to reflect the 2015 targets. The 2015 weightings and measures are therefore as follows:

Objective	Measure	**Weighting Points**[1]
Production	Increase in equivalent ounces produced[2]	26
Exploration/growth	Increase in total resources[2]	10
	Increase in resources upgraded from inferred to indicated[2]	20
Financial	Net profit adjusted[3]	17
Stakeholder	Relationship with key stakeholder[4]	5
	Surface tenure[4]	3
	Controls over contractors[4]	3
Teamwork	Collective teamwork across the Group[4]	5
	Succession Plan for Executive Committee positions	6
Safety	Fatal accidents[5,6]	5
Total		100
Adjustments		–
Total		100

1 The Points Weighting is considered by the Remuneration Committee each year to ensure that it reflects an appropriate balance of priorities for management. Where a change of emphasis is considered to be necessary, the Weighting will be amended in future years.

2 Any decrease in equivalent ounces produced and/or in reserves and resources will result in points being deducted from the total points scored.

3 Net profit is adjusted to exclude currency fluctuation, the effect of year-on-year changes in metals prices and any revaluation of the Silverstream contract.

4 The points awarded for the Stakeholder and Teamwork objectives are subject to some discretion. The following points are awarded depending on the Remuneration Committee's assessment of the Teamwork effort: Outstanding = 7 points; Satisfactory = 5 points; Underperformance = 0 points.

5 In the event of a single fatality, zero points will be awarded for Safety. For the purposes of calculating fatalities; all fatalities are included, irrespective of whether they are employees or contractors. Conversely, in the event of zero fatalities during the year, the number of points awarded would be increased to 10 points.

6 In addition, to the penalty for a single fatality (see note 5), the number of points awarded will be further reduced by 1% if there are two fatalities, or by 2% if there are three fatalities, or by 3% if there are four fatalities etc.

Remuneration Committee

Membership

The Remuneration Committee consisted of the following Directors in the year ended 31 December 2014:

- Lord Cairns (Chairman), independent Non-executive Director (retired 16 May 2014)
- Mr Charles Jacobs (Chairman), independent Non-executive Director (appointed 16 May 2014)
- Mr Alberto Baillères, Chairman of the Board
- Mr Fernando Ruiz, independent Non-executive Director

Mr Baillères was non-independent at the time of his appointment to the Board and therefore his membership of the Remuneration Committee does not comply with Code Provision D.2.1 of the UK Corporate Governance Code. However, the Board believes that Mr Baillères' experience and knowledge of the Group and the Mexican market and his considerable contribution to the Remuneration Committee's deliberations justifies his membership of the Remuneration Committee.

Role

The Remuneration Committee has responsibility for making recommendations to the Board on the Group's Remuneration Policy for senior management (the Chief Executive Officer and other members of the Executive Committee), and for determining specific remuneration packages for senior management, including pension rights and any compensation packages, as well as remuneration of the Chairman within agreed terms of reference.

The Remuneration Committee is responsible for setting the Chairman's remuneration; however the Chairman does not receive any remuneration other than his fee as a Non-executive Director of the Company.

Terms of reference for the Remuneration Committee have been approved by the Board and are available on the Company's website at www.fresnilloplc.com.

Activity during 2014

During the year, the Committee met four times. Its key activities during the year were:

- discussion and agreement of the Directors' Remuneration Policy, in line with UK regulatory requirements, prior to recommending the same to shareholders for approval at the 2014 Annual General Meeting;
- receipt of reports from Towers Watson concerning the benchmarking of remuneration for members of the Executive Committee and Executive Directors, and establishment of the Peer Group for the purpose of setting parameters for executive remuneration, particularly salaries for that group;
- consideration of information about Mexican inflation trends and internal employee salary reviews prior to setting the annual salary increases for the Chief Executive Officer and members of the Executive Committee;
- review of the performance of the Chief Executive Officer and members of the Executive Committee compared to the KPIs set for 2013 and approval of annual bonus awards for 2013 based on achievement of KPI targets;
- review of KPI targets for members of the Executive Committee for 2014, including consideration of the effectiveness of changes to the targets to reward better performance in safety improvement and exploration efforts set the previous year; and
- other activities, e.g. Committee evaluation, as required by the Committee's terms of reference.

Details of the attendance of members at meetings of the Committee during the year are set out in the corporate governance report.

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. Whilst 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. In April 2012, such a review was conducted by Towers Watson to validate the Company's policy towards short-term and long-term remuneration and ensure that it was globally as well as locally competitive. As indicated above, Towers Watson have advised the Remuneration Committee in relation to the establishment of the Peer Group and the provision of benchmarking information showing the position of the remuneration, and particularly the salaries, of members of the Executive Committee in relation to the Peer Group. Towers Watson provide general advice and benchmarking information to the Group concerning executive remuneration and during 2014, the Group paid Towers Watson US$51,713.

The Company Secretary ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

The Group Human Resources Department provides information on Mexican market trends and compensation structures for the broader employee population in the Fresnillo Group.

Engagement with shareholders on remuneration

The Chairman of the Remuneration Committee engages with relevant organisations concerning the Company's approach to remuneration, and he reports back to the other members of the Remuneration Committee on such dialogue as necessary.

The Remuneration Committee's approach to executive remuneration has received strong support from shareholders at every annual general meeting since the Company's listing on the London Stock Exchange in 2008. More than 99% of independent share votes cast on the advisory vote at each AGM have been in favour of the Directors' remuneration report.

AGM Voting on the Remuneration Report since 2010

	All shares voted		Free float shares voted		Number of votes withheld
	For	Against	For	Against	
2010	99.99%	0.01%	99.97%	0.03%	34,630
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

Note: Prior to 2014, there was only one vote on the Directors Remuneration Report at each annual general meeting.

Payments to departing Directors

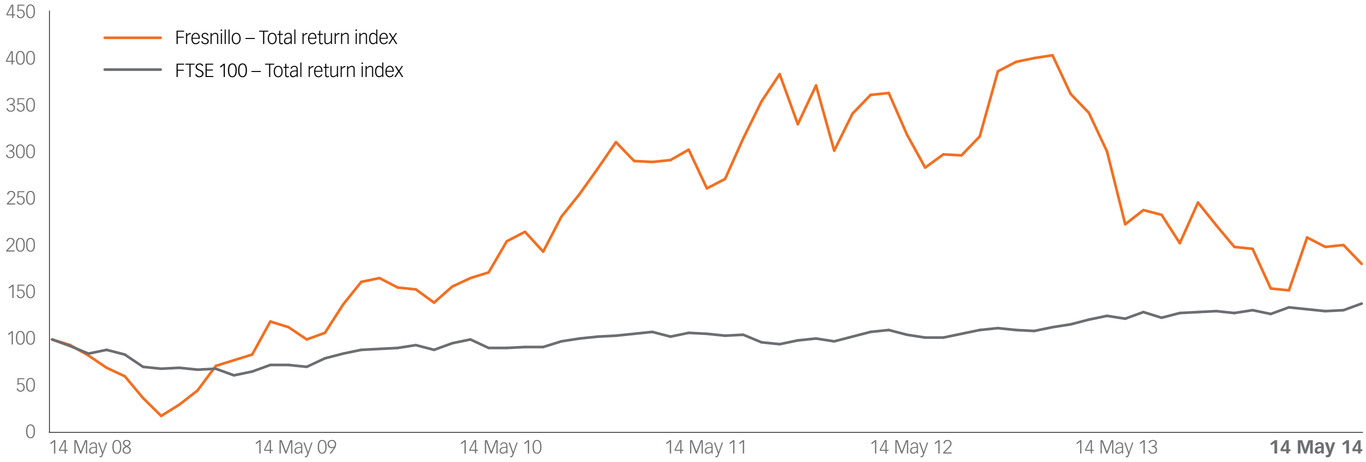
During the year, the Company has not made any payments to past Directors; neither has it made any payments to Directors for loss of office.

Share ownership guideline

The Remuneration Committee has considered whether a share ownership guideline should be set for Executive Directors and has determined that no such guideline should be set at the present time. As the Company does not operate a share-based incentive scheme and, as indicated earlier in this report, the culture for incentives in the Mexican market does not favour share-based incentives, there would be neither opportunity nor appetite for executives to build a shareholding in the Company. The Remuneration Committee will keep this policy under review.

Performance reviews

As required by the Regulations, the following graph sets out the performance of the Company's share price since its listing compared to the FTSE 100 Index. This is deemed to be the most appropriate indices for comparative purposes.



The total remuneration of the Chief Executive Officer for the past five years, in US dollars, has been as follows:

Year ending 31 December		2010	2011	2012	2013	**2014**
Chief Executive Officer			Jaime Lomelín		Octavio Alvídrez	
Total remuneration US$'000s						
– Jaime Lomelín		1,911	1,698	1,329[1]	–	–
– Octavio Alvídrez		–	–	580	1,116	1,217
Total		1,911	1,698	1,909	1,116	1,217
Percentage change on previous year		12.1%	(11.1%)	12.4%	(41.5%)	9.1%
Proportion of maximum bonus paid to CEO in year	Jaime Lomelín	100.00%	33.33%	66.66%	–	–
	Octavio Alvídrez	–	–	66.66%	33.33%	33.33%

1 This figure only relates to remuneration paid to Jamie Lomelín in his capacity as Chief Executive Officer in 2012.

Relative importance of the spend on pay

	2014	2013	**% Change**
Staff costs (US$'000s)[1]	91,311	82,977	10.04
Distributions to shareholders (US$'000s)	86,954	505,174	(82.78)

1 Staff costs are taken without PTU in order to make a like-for-like comparison with the Chief Executive Officer who does not receive PTU.

This Report has been approved by the Board of Directors of Fresnillo plc.

Signed on behalf of the Board.

Mr Charles Jacobs
Chairman of the Remuneration Committee
3 March 2015

Statement of Directors' Responsibilities in relation to Group and Parent Company Financial Statements

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 Commission, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

b) the management report (encompassed within the 'Overview', 'Strategic report', 'Performance' and 'Governance' sections) includes a fair review of the development and performance of the business, and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

For and on behalf of the Board

Guy Wilson
Senior Independent Director
3 March 2015

Financial Statements

Financial Statements

Independent Auditor's Report
to the members of Fresnillo plc

Opinion on financial statements

In our opinion:

- 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 2014 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Fresnillo plc as at 31 December 2014 and for the year then ended which comprise:

- the Consolidated and Parent Company Balance Sheets;
- the Consolidated Income Statement;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Statements of Cash Flow;
- the Consolidated and Parent Company Statement of Changes in Equity; and
- the related notes 1 to 34 of the Group financial statements and 1 to 19 of the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and 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.

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.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 155, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) (ISAs). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our application of materiality

We consider profit before tax to be one of the principal considerations for members of the Group; however, we believe that members focus on the results before the remeasurements of the Silverstream contract. We, therefore, determined materiality with reference to pre-Silverstream revaluation effect profit before tax. We calculated materiality at the planning stage of our audit and updated it based on actual full-year results which reflected the effect of foreign exchange losses at the year end and the write-off of property, plant and equipment at Soledad-Dipolos. Final materiality was US$8.7 million (2013: US$23.6 million), which is 5% of profit before tax and before the effects of the Silverstream revaluation (2013: 5%). The decrease in materiality from prior year reflects the decrease in commodity prices, the effects of foreign exchange rates, particularly on indirect taxation balances, and the write off of assets at Soledad-Dipolos.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality for the Group should be 75% of materiality (2013: 75%), namely US$6.5 million (2013: US$17.7 million). Our objective in adopting this approach was to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$0.4 million (2013: US$1.2 million), 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 the light of other relevant qualitative considerations.

The scope of our audit

Our assessment of audit risk and our evaluation of materiality determined our audit strategy and scope. The factors that we considered in our assessment included the following: financial significance, specific risks, effectiveness of the control environment and monitoring activities, including entity-level controls and recent internal audit findings.

Following our assessment of the risk of material misstatement to the Group financial statements, we focused our Group audit scope on eight components (2013: eight) which represent the principal business units within the Group. Five of these were subject to a full scope audit (2013: five) and accounted for 77% of the Group's profit before tax (2013: 68%) and 70% of the Group's net assets (2013: 71%). The remaining three were subject to an audit of specific account balances (Specific Scope Components), and accounted for 19% of the Group's profit before tax (2013: 19%) and 27% of the Group's net assets (2013: 25%). The extent of audit work on Specific Scope Components was based on our assessment of the risks of material misstatement and of the materiality of the Group's business operations at that component. For the remaining components, we performed analytical procedures and other procedures to confirm that there was no residual risk of material misstatement in the Group financial statements.

The performance materiality set for each component is based on the relative size of the component and our view of the risk of misstatement at that component. In the current year, the range of performance materiality assigned to components was US$1.3 million to US$3.6 million (2013: US$5.1 million to US$14.0 million).

The Group's significant operations are in Mexico. All of the components are audited by one local team under our direct supervision. We, including the senior statutory auditor, visited the local team during all stages of the audit, participated in discussions on fraud and error and directed the approach and execution of the work of the local team, focusing on areas with higher inherent risk. We, including the senior statutory auditor, reviewed key working papers including but not limited to the risk areas described below.

Risks of material misstatement

We discuss below the risks of material misstatement which had the greatest effect on the audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team and our response to those risks. The Audit Committee's response to these risks is set out in the Audit Committee's Report on pages 129-141.

The following table sets out the risks of material misstatement that have been most significantly impacted by the current macroeconomic environment, specifically by the precious metals price volatility and the resulting uncertainty over future price levels.

Risk of material misstatement	Our audit response
Incorrect going concern assessment	
– The recent volatility and decline in spot and forward precious metal prices may create doubt about the Group's and parent Company's ability to continue as a going concern. *The Group and Parent Company financial statements were prepared on a going concern basis. Management's statement in respect of going concern is set out in section Audit Committee Report on page 135 of the annual report.*	– We analysed management's report to gain an understanding of the inputs and process underpinning the cash flow model prepared for the purpose of the going concern assessment. – We assessed the budgeting process by walking through the conversion of reserves and resources data into mine plans and production figures and by comparing actual realised cost levels to budgeted cost assumptions. – We verified that the cash flow model accurately reflects the approved 2015 budget and that the assumptions underpinning the 2016 cash flows are consistent with those in the 2015 budget. – We challenged the external inputs and assumptions within the going concern model by comparing them to assumptions and estimates used elsewhere in the preparation of the financial statements and benchmarking them against market observable external data. – We challenged the sensitivities and stress testing that management performed on the going concern forecast. – We assessed the possible mitigating actions identified by management in the event that actual cash flows are below forecast.
Inappropriate assessment of impairment of mining assets	
– The assessment of the recoverable amount of mining assets requires estimation and assumptions about future production levels and costs as well as external inputs such as commodity prices, discount rates, and exchange rates. – Changes to assumptions could lead to material changes in the estimated recoverable amount. *Other than the write-off of property, plant and equipment arising from land disputes described below, there was no impairment of mining assets recognised in the current year. The sensitivity of the carrying amounts of mining assets to reasonable possible changes to price assumptions is set out in note 14 of the Group financial statements.*	– We, including our financial modelling experts, have examined the valuation models that underpin management's assessment of impairment in respect of the Group's mining assets. – We ensured that the methodology used within the models was compliant with IFRS requirements. – We verified that mine plans used as the basis of the valuation models are consistent with the reserves and resources estimate. – We challenged the inputs and key assumptions in the models, in particular price, costs, and discount rate, through a comparison with external sources of market data, approved budgets, and with other areas within the Group financial statements.
Inappropriate mineral reserves and resources estimation	
– The estimation of mineral reserves and resources is included in management's significant estimates and assumptions. – The determination of mineral reserves and resources requires significant estimate with regard to future characteristics of mineral ore. – Reserves and resources are an input to depletion, depreciation, amortisation, decommissioning provisions and impairment estimates. Reserves and resources also directly impact the production levels assumed in the budget that forms the basis for the assessment of going concern. – Additionally, changes in reserves and resources, although not valued directly in the Group financial statements, can impact investors' decisions. *The unaudited reserves and resources tables are presented on pages 249-253, after the notes to the Parent Company financial statements.*	– We assessed the professional competence, objectivity, and capabilities of the expert engaged by the Group to audit reserves and resources estimates and ensured that the scope of the work undertaken by the expert was appropriate. – We read the report of the external expert and gained an understanding of the changes in reserves and resources estimates in the year. – We assessed the reasonableness of the estimation method applied by management to arrive at the price at which the ore cut-off grade is determined. – We ensured that this price was aligned to price assumptions applied in other areas of the business and external benchmarks. – We ensured that the reserves and resources estimates have been correctly applied to the relevant areas of the Group financial statements including depletion, depreciation, amortisation and decommissioning provisions. Our procedures in respect of impairment estimates and the going concern assumption are discussed earlier.

Other risks of material misstatement which had the greatest effect on the audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team are set out below.

Risk of material misstatement	Our audit response
Inaccuracies in the recognition and disclosure of related party transactions, including inappropriate revenue recognition	
– A significant amount of revenue and expenses in the Group financial statements is as a result of transactions with related parties, including the sale of virtually all the Group's products to the Met-Mex refinery, an Industrias Peñoles company. – Related party relationships, particularly those not at arm's length terms, may affect assessments of the Group's operations. – There is a risk that these relationships could be taken advantage of to manipulate earnings, either through temporary changes in the level of costs charged to Fresnillo, or by allowing the recording of revenues for products not delivered or in the wrong period. – Revenue is initially measured on a provisional basis using management's best estimates of the contained metal. *Related party transactions are disclosed in note 30 of the Group financial statements.*	– We evaluated the appropriateness of management's process for identifying and recording related party transactions. – We read contracts and agreements with related parties to understand the nature of the transactions. – Throughout the performance of our audit procedures, we remained alert for any related party transactions outside the normal course of business. – We compared actual results against detailed expectations of income statement line items impacted by related party transactions to corroborate that these were not manipulated through related party relationships. – We performed revenue cut-off testing and evaluated the appropriateness of the application of provisional pricing at year-end. – We verified that related party disclosures in the financial statements are complete and consistent with the knowledge we gained through the performance of our audit procedures.
Inaccuracies in the disclosures, provisions and asset values arising from litigation and land disputes	
– Litigation and claims, including land disputes, can give rise to uncertainty around the Group's ability to freely realise the benefits of its assets and may give rise to asset impairment. – The assessment of the appropriate level of legal provisions and narrative disclosures in the accounts requires judgements about the legal outcome of claims and estimates of costs. *Contingencies in respect of litigation and land disputes are disclosed in note 29 to the Group financial statements.* *The write-off of property, plant and equipment is disclosed in note 10 of the Group financial statements.*	– We evaluated management's assessment of the litigation and claims and considered the requirement for any provision and related disclosures. – We challenged management's assessment of the likelihood that further economic benefits will flow from the use of the assets impacted by land disputes and of indicators of impairment in respect of those assets. – We challenged management in respect of the appropriateness and completeness of the write off of property, plant and equipment. – Our procedures included obtaining independent legal confirmation letters from the Group's external lawyers handling these issues, holding discussions with management and the Group's internal lawyers, examining underlying discounted cash flow models and analysing pertinent correspondence between the involved parties.
Inappropriate valuation of the Silverstream contract	
– The valuation of the Silverstream contract uses a discounted cash flow model requiring significant judgement and estimation and numerous assumptions. Very small changes to assumptions lead to potentially very material changes in the value of the contract. *Details of the revaluation of the Silverstream contract are disclosed in note 16 of the Group financial statements.*	– With the support from our valuation experts, we evaluated the valuation model used by the Company to determine the fair value of the Silverstream contract. – We interviewed the Sabinas mine geologist, who we consider to be an expert, in order to understand the assumptions used in the estimation of reserves and resources. We assessed the expert's professional competence, objectivity, and capabilities. We verified that the mine plan is consistent with the reserves and resources estimate. – We challenged management's estimations and judgement with regard to inputs and key assumptions to the model through a comparison to market data and an analysis of the consistency in use of assumptions within other areas of the business.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 155 in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

Nick Gomer (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2015

Consolidated Income Statement
Year ended 31 December

	Notes	Year ended 31 December 2014 Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total	Year ended 31 December 2013 Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
		US$ thousands			US$ thousands		
Continuing operations:							
Revenues	5	1,413,701		1,413,701	1,615,166		1,615,166
Cost of sales	6	(892,647)		(892,647)	(847,726)		(847,726)
Gross profit		**521,054**		**521,054**	**767,440**		**767,440**
Administrative expenses	7	(67,540)		(67,540)	(62,243)		(62,243)
Exploration expenses	8	(168,784)		(168,784)	(207,782)		(207,782)
Selling expenses		(13,610)		(13,610)	(6,952)		(6,952)
Other operating income	10	580		580	6,048		6,048
Other operating expenses	10	(26,122)		(26,122)	(8,414)		(8,414)
Profit from continuing operations before net finance costs and income tax		**245,578**		**245,578**	**488,097**		**488,097**
Finance income	11	7,460		7,460	6,121		6,121
Finance costs	11	(54,616)		(54,616)	(15,068)		(15,068)
Revaluation effects of Silverstream contract	16	–	77,054	77,054	–	(53,976)	(53,976)
Foreign exchange loss		(24,411)		(24,411)	(6,465)		(6,465)
Profit from continuing operations before income tax		**174,011**	**77,054**	**251,065**	**472,685**	**(53,976)**	**418,709**
Corporate income tax	12	(95,155)	(23,116)	(118,271)	(137,722)	16,192	(121,530)
Special mining right	12	(15,700)		(15,700)	(36,161)	–	(36,161)
Income tax expense	12	(110,855)	(23,116)	(133,971)	(173,883)	16,192	(157,691)
Profit for the year from continuing operations		**63,156**	**53,938**	**117,094**	**298,802**	**(37,784)**	**261,018**
Attributable to:							
Equity shareholders of the Company		54,511	53,938	108,449	278,232	(37,784)	240,448
Non-controlling interest	4(b)	8,645		8,645	20,570		20,570
		63,156	**53,938**	**117,094**	**298,802**	**(37,784)**	**261,018**
Earnings per share: (US$)							
Basic and diluted earnings per Ordinary Share from continuing operations	13	–		0.147	–		0.329
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	13	0.074		–	0.381		–

Consolidated Statement of Comprehensive Income
Year ended 31 December

		Year ended 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Profit for the year		**117,094**	**261,018**
Other comprehensive (expense)/income			
Items to be reclassified to profit or loss in subsequent periods:			
Net losses on cash flow hedges recycled to income statement		(3,247)	(3,959)
Income tax effect	12	974	1,188
Net unrealised (losses)/gains on cash flow hedges		(11,771)	3,792
Income tax effect	12	3,531	(1,138)
Net effect of cash flow hedges		(10,513)	(117)
Fair value gains/(losses) on available-for-sale financial assets	15	22,833	(64,197)
Income tax effect	12	(6,850)	17,975
Impairment of available-for-sale financial assets		982	2,053
Income tax effect	12	(295)	(559)
Net effect of available-for-sale financial assets		16,670	(44,728)
Foreign currency translation		(234)	179
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		**5,923**	**(44,666)**
Items not to be reclassified to profit or loss in subsequent periods:			
(Losses)/gains on cash flow hedges reclassified to the value of other assets		(220)	219
Income tax effect	12	66	(65)
Remeasurement (losses) on defined benefit plans	25	(1,851)	(1,725)
Income tax effect	12	296	109
Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods		**(1,709)**	**(1,462)**
Other comprehensive income/(expense), net of tax		**4,214**	**(46,128)**
Total comprehensive income for the year, net of tax		**121,308**	**214,890**
Attributable to:			
Equity shareholders of the Company		112,663	194,368
Non-controlling interest	4(b)	8,645	20,522
		121,308	**214,890**

Consolidated Balance Sheet
As at 31 December

	Notes	As at 31 December 2014 US$ thousands	2013 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	14	1,969,418	1,838,124
Available-for-sale financial assets	15	86,078	63,245
Silverstream contract	16	358,965	334,083
Deferred tax asset	12	57,705	56,209
Inventories	17	84,412	–
Other receivables	18	3,853	14,910
Other assets		3,872	4,031
		2,564,303	**2,310,602**
Current assets			
Inventories	17	221,200	208,141
Trade and other receivables	18	287,595	188,057
Income tax recoverable		168,498	79,410
Prepayments		3,356	5,330
Derivative financial instruments	33	14,551	2,057
Silverstream contract	16	33,311	38,763
Short-term investments	19	295,000	–
Cash and cash equivalents	20	154,340	1,251,694
		1,177,851	**1,773,452**
Total assets		**3,742,154**	**4,084,054**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	21	368,546	368,546
Share premium	21	1,153,817	1,153,817
Capital reserve	21	(526,910)	(526,910)
Net unrealised (losses)/gains on cash flow hedges	21	(9,946)	721
Net unrealised gains on available-for-sale financial assets	21	24,515	7,845
Foreign currency translation reserve	21	(597)	(363)
Retained earnings	21	1,265,877	1,269,781
		2,275,302	2,273,437
Non-controlling interest	4(b)	26,539	398,534
Total equity		**2,301,841**	**2,671,971**
Non-current liabilities			
Interest-bearing loans	23	796,160	795,306
Provision for mine closure cost	24	153,802	127,008
Provision for pensions and other post-employment benefit plans	25	13,838	11,475
Deferred tax liability	12	336,751	334,181
		1,300,551	**1,267,970**
Current liabilities			
Trade and other payables	26	100,351	81,905
Loans from related party	30	–	40,920
Derivative financial instruments	33	27,033	848
Income tax	12	814	–
Employee profit sharing		11,564	20,440
		139,762	**144,113**
Total liabilities		**1,440,313**	**1,412,083**
Total equity and liabilities		**3,742,154**	**4,084,054**

These financial statements were approved by the Board of Directors on 3 March 2015 and signed on its behalf by:

Arturo Fernández
Non-executive Director
3 March 2015

Consolidated Statement of Cash Flows
Year ended 31 December

		Year ended 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Net cash from operating activities	32	**121,634**	**446,029**
Cash flows from investing activities			
Purchase of property, plant and equipment		(425,574)	(572,140)
Proceeds from the sale of property, plant and equipment and other assets		14,206	12,164
Loans granted to contractors		–	(3,000)
Repayments of loans granted to contractors		3,479	8,282
Short-term investments	19	(295,133)	–
Silverstream contract	16	58,777	63,811
Interest received		5,993	6,215
Net cash used in investing activities		**(638,252)**	**(484,668)**
Cash flows from financing activities			
Dividends paid to shareholders of the Company	22	(86,952)	(505,237)
Acquisition of non-controlling interest	4	(450,540)	–
Issue of share capital	21	–	346,397
Transaction cost associated with the issue of share capital	21	–	(272)
Interest-bearing loans	23	–	793,936
Transaction cost associated with interest-bearing loans	23	–	(4,904)
Capital contribution		4,378	4,930
Loans from a related party	30	–	40,920
Interest paid		(43,581)	(133)
Net cash used in financing activities		**(576,695)**	**675,637**
Net (decrease)/increase in cash and cash equivalents during the year		(1,093,313)	636,998
Effect of exchange rate on cash and cash equivalents		(4,041)	923
Cash and cash equivalents at 1 January		1,251,694	613,773
Cash and cash equivalents at 31 December	20	**154,340**	**1,251,694**

Consolidated Statement of Changes in Equity
Year ended 31 December

	Notes	Share capital	Share premium	Capital reserve	Net unrealised gains/ (losses) on revaluation of cash flow hedges	Net unrealised gains/ (losses) on available-for-sale financial assets	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the equity holders of the Company									
											US$ thousands
Balance at 1 January 2013		**358,680**	**818,597**	**(526,910)**	**684**	**52,573**	**(542)**	**1,536,075**	**2,239,157**	**373,082**	**2,612,239**
Profit for the year		–	–	–	–	–	–	240,448	240,448	20,570	261,018
Other comprehensive income, net of tax		–	–	–	37	(44,728)	179	(1,568)	(46,080)	(48)	(46,128)
Total comprehensive income for the year		–	–	–	37	(44,728)	179	238,880	194,368	20,522	214,890
Capital contribution		–	–	–	–	–	–	–	–	4,930	4,930
Issue of share capital, net of transaction cost	21	9,866	335,220	–	–	–	–	–	345,086	–	345,086
Dividends declared and paid	22	–	–	–	–	–	–	(505,174)	(505,174)	–	(505,174)
Balance at 31 December 2013		**368,546**	**1,153,817**	**(526,910)**	**721**	**7,845**	**(363)**	**1,269,781**	**2,273,437**	**398,534**	**2,671,971**
Profit for the year								108,449	108,449	8,645	117,094
Other comprehensive income, net of tax		–	–	–	(10,667)	16,670	(234)	(1,555)	4,214	–	4,214
Total comprehensive income for the year		–	–	–	(10,667)	16,670	(234)	106,894	112,663	8,645	121,308
Capital contribution		–	–	–	–	–	–	–	–	46,011	46,011
Acquisition of non-controlling interest	4	–	–	–	–	–	–	(23,844)	(23,844)	(426,651)	(450,495)
Dividends declared and paid	22	–	–	–	–	–	–	(86,954)	(86,954)	–	(86,954)
Balance at 31 December 2014		**368,546**	**1,153,817**	**(526,910)**	**(9,946)**	**24,515**	**(597)**	**1,265,877**	**2,275,302**	**26,539**	**2,301,841**

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 4 ('the Group').

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75% of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx. Further information on related party balances and transactions with Peñoles' group companies is disclosed in note 29.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorised for issue by the Board of Directors of Fresnillo plc. on 3 March 2015.

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.

On 1 January 2014, as a part of an internal reorganisation to mitigate risk exposure, the operating entities without being extinguished transferred part of their assets, liabilities and capital through a spin-off into eight new entities. As a result of the spin-off Fresnillo plc. continues retain control over the new entities. See note 4.

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 2014 and 2013, and in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale financial instruments and defined benefit pension scheme assets which have been measured at fair value.

The consolidated financial statements are presented in dollars of the United States of America (US dollars or US$) and all values are rounded to the nearest thousand ($000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements set out the Group's financial position as of 31 December 2014 and 2013, 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, see note 4. 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 interest 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 applied are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2013 except for the adoption of new standards and interpretations effective as of 1 January 2014, the amendment to the cash and cash equivalents and borrowing costs accounting policies and the new accounting policy for short-term investments.

Amendments to accounting policies

– Cash and cash equivalents

In light of the Group placing funds in new types of instruments and short-term deposits, as compared to prior year, the Group has amended its accounting policy for cash and cash equivalents as follows:

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 and have maturities of between one day and four months. Short-term deposits earn interest at the respective short-term deposit rates.

For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

Short-term investments accounting policy

Where the Group invests in short-term instruments which are either not readily convertible into known amounts of cash or are subject to risk of changes in value that are not insignificant, these instruments are classified as short-term investments. Short-term investments are classified as loans and receivables.

New standards, interpretations and amendments adopted by the Group

The nature and the impact of each new standard and amendment is described below:

IFRS 10 Consolidated Financial Statements: The standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated being those investees in which the Group is exposed, or has rights, to variable returns from its involvement, and has the ability to affect those returns through its power over the investee. The Group adopted this standard as at 1 January 2014, as adopted by the European Union. The adoption of this standard did not have any impact on the financial position and performance of the Group.

IFRS 12 Disclosure of Involvement with Other Entities: IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard is effective for annual periods beginning on or after 1 January 2014 with the adoption of IFRS 10, IFRS 11, IAS 27 (2012) and IAS 28 (2012). The adoption of this standard did not have a significant impact on the financial position and performance of the Group, the new disclosures required has been presented in note 4.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32: These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

Disclosure for Impairment for Non-financial Assets – Amendments to IAS 36: This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. Addition the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal

These amendments have no impact on the Group, since there are no impairment in non-financial assets.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39: These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Group as the Group has not novated its derivatives during the current or prior periods.

IFRIC 21 Levies: IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. There was no impact on prior year comparative figures as a result of the application of IFRIC 21.

Annual improvements 2010-2012 cycle: In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies that in the Basis for Conclusions, short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Group.

Standards, interpretations and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards that it considers will be applicable to the Group's financial statements, when they become effective.

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Annual improvements 2010-2012 cycle: These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 3 Business Combinations: The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments: The amendments are applied retrospectively and clarify that:

– an entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g. sales and gross margins) used to assess whether the segments are 'similar'; and
– the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 24 Related Party Disclosures: The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 cycle: These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Group. They include:

IFRS 13 Fair Value Measurement: The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and provides a model framework to recognise revenue, which is the five step model framework that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Annual improvements 2012-2014 cycle: These improvements are effective from 1 January 2016 and are not expected to have a material impact on the Group. They include:

IFRS 7 Servicing contracts: This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement to assess whether the disclosures are required. The assessment of continuing involvement is applied retrospectively but disclosures are required prospectively.

IFRS 7 Applicability of the offsetting disclosures to condensed interim financial statements: The amendment, which is applied retrospectively, clarifies that, unless there is a significant update from the most recent annual report, the disclosures required by IFRS 7 in respect of offsetting financial assets and liabilities are not required in the condensed interim financial report.

IAS 19 Discount rate: regional market issue: The amendment clarifies that in determining the discount rate for determining the present value of defined benefit obligations, market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment is applied prospectively.

IAS 34 Disclosure of information 'elsewhere in the interim financial report': The amendment, which is applied retrospectively, states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The IASB have 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 Group.

The Group 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 Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Information about such judgements and estimates is contained in the accounting policies and/or the notes to the consolidated financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the consolidated financial statements are:

– Determination of functional currencies note 2(d):

  The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

– Evaluation of projects status note 2(e):

  The evaluation of project status impacts the accounting for costs incurred and requires management judgement. This includes the assessment of whether there is sufficient evidence of the probability of the existence of economically recoverable minerals to justify the commencement of capitalisation of costs; the timing of the end of the exploration phase and the start of the development phase and the commencement of the production phase. These judgements directly impact the treatment of costs incurred and proceeds from the sale of metals from ore produced.

– Stripping costs note 2(e):

  The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

  Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected tonnes of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

  Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected tonnes of waste to be stripped for an expected tonnes of ore to be mined for a specific component of the ore body, is the most suitable production measure.

  Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

– Qualifying assets:

  All interest-bearing loans are held by the parent Company and were not obtained for any specific asset's acquisition, construction, or production. Due to this financing structure, judgement is required in determining whether those borrowings are directly attributable to the acquisition, construction or production of a qualifying asset in subsidiaries. Funds from these loans are transferred to subsidiaries to meet the strategic objectives of the Group or are otherwise held centrally. Therefore, management determines whether borrowings are directly attributable to an asset or group of assets based on whether the investment in an operating or development stage project is classified as contributing to achieving the strategic growth of the Group.

– Contingencies (note 29):

  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. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates, in conformity with the Joint Ore Reserves Committee (JORC) code 2012. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable ore reserves and mineral resources is based upon factors such as estimates of commodity prices, foreign exchange rates, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

  As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change. Such changes may impact the Group's reported balance sheet and income statement including:

  - the carrying value of property, plant and equipment and mining properties may be affected due to changes in estimated future cash flows, those cash flows consider both ore reserves and mineral resources;
  - depreciation and amortisation charges in the income statement may change where such charges are determined using the units of production method, or where the useful life of the related assets change; units of production method considers ore reserves;
  - capitalised stripping costs recognised in the income statement as either part of mine properties or as part of inventory or charged to profit or loss may change due to changes in stripping ratios; determination of stripping ratios is based on ore reserves;
  - provisions for mine closure costs may change where changes to the ore reserve estimates affect expectations about when such activities will occur and the associated cost of these activities;
  - the recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

- Determination of useful lives of assets for depreciation and amortisation purposes, notes 2(e) and 14:

  Estimates are required to be made by management as to the useful lives of assets. For depreciation calculated under the unit-of-production method, estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the estimated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is used.

- Silverstream, note 16:

  The valuation of the Silverstream contract as a derivative financial instrument requires significant estimation by management. The derivative has a term of over 20 years and the value of this derivative is determined using a number of estimates, including the estimated recoverable ore reserves and mineral resources and future production profile of the Sabinas mine, the estimated recoveries of silver from ore mined, estimates of the future price of silver and the discount rate used to discount future cash flows. For further detail on the inputs that have a significant effect on the fair value of this derivative, see note 33. The impact of changes in silver price assumptions, foreign exchange, inflation and the discount rate is included in note 34.

- Review of asset carrying values and impairment charges, note 2(f):

  The assessment of asset carrying values requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Changes in these assumptions will affect the recoverable amount of the property, plant and equipment.

- Estimation of the mine closure costs, notes 2(l) and 24:

  Significant estimates and assumptions are made in determining the provision for mine closure cost as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, mine life and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the balance sheet date represents management's best estimate of the present value of the future closure costs required.

- Income tax, notes 2(r) and 12:

  Judgement is required in determining whether deferred tax assets are recognised on the balance sheet. Deferred tax assets, including those arising from un-utilised tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

(d) Foreign currency translation

The Group's consolidated financial statements are presented in US dollars, which is the parent Company's functional currency. The functional currency for each entity in the Group is determined by the currency of the primary economic environment in which it operates. For all operating entities, this is US dollars.

Transactions denominated in currencies other than the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair value is determined.

For entities with functional currencies other than US dollars, as at the reporting date, assets and liabilities are translated into the reporting currency of the Group by applying the exchange rate at the balance sheet date and the income statement is translated at the average exchange rate for the year. The resulting difference on exchange is included as a cumulative translation adjustment in other comprehensive income. On disposal of an entity, the deferred cumulative amount recognised in other comprehensive income relating to that operation is recognised in the income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment in value, 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 re-assessments 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	16
Other assets	3

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising at de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year that the asset is de-recognised.

Non-current assets or disposal groups are classified as held for sale when it is expected that the carrying amount of the asset will be recovered principally through sale rather than through continuing use. Assets are not depreciated when classified as held for sale.

Disposal of assets

Gains or losses from the disposal of assets are recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

Mining properties and development costs

Payments for mining concessions are expensed during the exploration phase of a prospect and capitalised during the development of the project when incurred.

Purchased rights to ore reserves and mineral resources are recognised as assets at their cost of acquisition or at fair value if purchased as part of a business combination.

Mining concessions, when capitalised, are amortised on a straight-line basis over the period of time in which benefits are expected to be obtained from that specific concession.

Mine development costs are capitalised as part of property, plant and equipment. Mine development activities commence once a feasibility study has been performed for the specific project. When an exploration prospect has entered into the advanced exploration phase and sufficient evidence of the probability of the existence of economically recoverable minerals has been obtained, pre-operative expenses relating to mine preparation works are also capitalised as a mine development cost.

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.

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. This activity is referred to as production stripping and commences at the time that saleable material begins to be extracted from the surface mine.

The removal of waste may occur following initial extraction of saleable material and during the production phase. This 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
- The costs relating to the improved access to that component can be measured reliably

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 annually. Depreciation is recognised as cost of sales in the income statement.

The capitalised stripping activity asset is carried at cost less accumulated depletion/depreciation, less impairment in value, 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.

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.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body and a mine may have several components that are identified based on the mine plan. The mine plans and therefore the identification of components can vary between mines for a number of reasons including but not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

(f) Impairment of non-financial assets

The carrying amounts of assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If there are indicators of impairment, an exercise is undertaken to determine whether carrying values are in excess of their recoverable amount. Such reviews are undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of those from other assets or groups of assets, and then the review is undertaken at the cash generating unit level.

If the carrying amount of an asset or its cash generating unit exceeds the recoverable amount, a provision is recorded to reflect the asset at the recoverable amount in the balance sheet. Impairment losses are recognised in the income statement.

The recoverable amount of an asset

The recoverable amount of an asset is the greater of its value in use and fair value less costs to disposal. Fair value is based on an estimate of the amount that the Group may obtain in a sale transaction in an orderly sale transaction between market participants. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independently of those from other assets, or groups of assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. The Group's cash generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment

An assessment is made each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to the recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in previous years. Such impairment loss reversal is recognised in the income statement.

(g) Financial assets and liabilities

Financial assets are recognised when the Group becomes party to contracts that give rise to them and are classified as financial assets at fair value through profit or loss; held to maturity investments; available-for-sale financial assets; or loans and receivables or derivatives designated as hedging instruments, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group recognises financial liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial liabilities are classified at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are initially recognised at the fair value of the consideration received, including any transaction costs incurred.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified as held-for-trading and other assets or liabilities designated as fair value through profit or loss at inception are included in this category. Financial assets or liabilities are classified as held-for-trading if they are acquired or incurred for the purpose of selling or repurchasing in the short term. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets or liabilities at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses arising from changes in fair value, presented as finance costs or finance income in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale.

After initial measurement such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains or losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost. Loans and receivables from contractors are carried at amortised cost.

Loans and borrowings

After initial recognition at fair value, net of directly attributable transaction costs, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the income statement. Gains and losses are recognised in profit or loss, in the income statement, when the liabilities are de-recognised as well as through the EIR amortisation process.

The Group shall adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. Any adjustment is recognised in profit or loss as income or expense.

This category generally applies to interest-bearing loans and borrowings. For more information refer note 23.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the preceding categories and are not held to maturity investments.

Available-for-sale financial assets represent equity investments that have a quoted market price in an active market; therefore a fair value can be reliably measured. After initial measurement, available-for-sale financial assets are measured at fair value with mark-to-market unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the financial asset is de-recognised.

Financial assets classified as available-for-sale are de-recognised when they are sold, and all the risks and rewards of ownership have been transferred. When financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement within other operating income or expense.

De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(h) Impairment of financial assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are de-recognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. In assessing whether there is an impairment, the Group considers whether a decline in fair value is either significant or prolonged, by considering the size of the decline in this value, the historic volatility in changes in fair value and the duration of the sustained decline. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

(i) Inventories

Finished goods and work in progress inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method based on cost of production which excludes borrowing costs.

For this purpose, the costs of production include:

- personnel expenses, which include employee profit sharing, materials and contractor expenses which are directly attributable to the extraction and processing of ore;
- the depreciation of property, plant and equipment used in the extraction and processing of ore; and
- related production overheads (based on normal operating capacity).

Operating materials and spare parts are valued at the lower of cost or net realisable value. An allowance for obsolete and slow-moving inventories is determined by reference to specific items of stock. A regular review is undertaken by management to determine the extent of such an allowance.

Net realisable value is the estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(j) Short-term investments

Where the Group invests in short-term instruments which are either not readily convertible into known amounts of cash or are subject to risk of changes in value that are not insignificant, these instruments are classified as short-term investments. Short-term investments are classified as loans and receivables.

(k) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and four months. For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(l) Provisions

Mine closure cost

A provision for mine closure cost is made in respect of the estimated future costs of closure, restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) based on a mine closure plan, in the accounting period when the related environmental disturbance occurs. The provision is discounted and the unwinding of the discount is included within finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future economic benefit and is depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis by the Group for changes in cost estimates, discount rates or life of operations. Changes to estimated future costs are recognised in the balance sheet by adjusting the mine closure cost liability and the related asset originally recognised. If, for mature mines, the revised mine assets net of mine closure cost provisions exceed the recoverable value, the portion of the increase is charged directly as an expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(m) Employee benefits

The Group operates the following plans:

Defined benefit pension plan

This funded plan is based on each employee's earnings and years of service. This plan was open to all employees in Mexico until it was closed to new entrants on 1 July 2007. The plan is denominated in Mexican pesos. For members as at 30 June 2007, benefits were frozen at that date subject to indexation with reference to the Mexican National Consumer Price Index (NCPI).

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method and prepared by an independent actuarial firm as at each year end balance sheet date. The discount rate is the yield on mxAAA (Standard & Poors) and AAA-mex (Fitch Ibca) credit-rated bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Actuarial gains or losses are recognised in OCI and permanently excluded from profit or loss.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits have already vested following the introduction of, or changes to, a pension plan, the past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Net interest cost is recognised in finance cost and return on plan assets (other than amounts reflected in net interest cost) is recognised in OCI and permanently excluded from profit or loss.

Defined contribution pension plan

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. The contributions are based on the employee's salary.

This plan started on 1 July 2007 and it is voluntary for all employees to join this scheme.

Seniority premium for voluntary separation

This unfunded plan corresponds to an additional payment over the legal seniority premium equivalent to approximately 12 days of salary per year for those unionised workers who have more than 15 years of service. Non-unionised employees with more than 15 years of service have the right to a payment equivalent to 12 days for each year of service. For both cases, the payment is based on the legal current minimum salary.

The cost of providing benefits for the seniority premium for voluntary separation is determined using the projected unit credit actuarial valuation method and prepared by an independent actuarial firm as at each year end balance sheet date. Actuarial gains or losses are recognised as income or expense in the period in which they occur.

Other

Benefits for death and disability are covered through insurance policies.

Termination payments for involuntary retirement (dismissals) are charged to the income statement, when incurred.

(n) Employee profit sharing

In accordance with the Mexican legislation, companies in Mexico are subject to pay for employee profit sharing ('PTU') equivalent to 10% of the taxable income of each fiscal year.

PTU is accounted for as employee benefits and is calculated based on the services rendered by employees during the year, considering their most recent salaries. The liability is recognised as it accrues and is charged to the income statement. PTU, paid in each fiscal year, is considered deductible for income tax purposes.

(o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date including whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A re-assessment is made after inception of the lease only if one of the following applies:

- There is a change in contractual terms, other than a renewal or extension of the arrangement
- A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term
- There is a change in the determination of whether fulfilment is dependent on a specified asset
- 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 re-assessment is made, lease accounting commences or ceases from the date when the change in circumstances gave rise to the re-assessment 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.

(p) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts, rebates and other sales taxes.

Sale of goods

Revenue is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed. Revenue excludes any applicable sales taxes.

The Group recognises revenue on a provisional basis at the time concentrates, precipitates and doré bars are delivered to the customer's smelter or refinery, using the Group's best estimate of contained metal. Revenue is subject to adjustment once the analysis of the product samples is completed, contract conditions have been fulfilled and final settlement terms are agreed. Any subsequent adjustments to the initial estimate of metal content are recorded in revenue once they have been determined.

In addition, sales of concentrates and precipitates throughout each calendar month, as well as doré bars that are delivered after the 20th day of each month, are 'provisionally priced' subject to a final adjustment based on the average price for the month following the delivery to the customer, based on the market price at the relevant quotation point stipulated in the contract. Doré bars that are delivered in the first 20 days of each month are finally priced in the month of delivery.

For sales of goods that are subject to provisional pricing, revenue is initially recognised when the conditions set out above have been met using the provisional price. The price exposure is considered to be an embedded derivative and hence separated from the sales contract. At each reporting date the provisionally priced metal is revalued based on the forward selling price for the quotational period stipulated in the contract until the quotation period ends. The selling price of the metals can be reliably measured as these are actively traded on international exchanges. The revaluing of provisionally priced contracts is recorded as an adjustment to revenue.

The customer deducts treatment and refining charges before settlement. Therefore, the fair value of consideration received for the sale of goods is net of those charges.

The Group recognises a levy in respect of the Extraordinary Mining Right on a progressive basis as sales of gold and silver are recognised during the fiscal year and deduct from the corresponding sales. 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. Extraordinary Mining Right is recorded in selling expenses.

Other income

Other income is recognised in the income statement when all significant risks and rewards of ownership are transferred to the customer, usually when title has been passed.

(q) Exploration expenses

Exploration activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration expenses are charged to the income statement as incurred and are recorded in the following captions:

- Cost of sales: costs relating to in-mine exploration, that ensure continuous extraction quality and extend mine life
- Exploration expenses:
  - Costs incurred in geographical proximity to existing mines in order to replenish or increase reserves
  - Costs incurred in regional exploration with the objective of locating new ore deposits in Mexico and Latin America and which are identified by project. Costs incurred are charged to the income statement until there is sufficient probability of the existence of economically recoverable minerals and a feasibility study has been performed for the specific project

(r) Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country the Group operates.

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 re-assessed 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 recognised in the income statement of the year. The Group recognises deferred tax assets and liabilities on temporary differences arising in the determination of the Special Mining Right (note 12).

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.

(s) Derivative financial instruments and hedging

The Group uses derivatives to reduce certain market risks derived from changes in foreign exchange which impact its financial and business transactions. Hedges are designed to protect the value of expected production against the dynamic market conditions. The Group also entered in a one-off hedging programme to protect the value of Penmont's acquisition as described in note 4(b), using a collar structure to allow partial exposure to gold prices limited up to the attributable reserves acquired from Newmont. The measures implemented on production at the acquired Penmont assets do not constitute a change in the Group's hedging policy on commodity risk.

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.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for the undertaken hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For derivatives that are designated and qualify as cash flow hedges, the effective portion of changes in the fair value of derivative instruments are recorded as in other comprehensive income and are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. For gains or losses related to the hedging of foreign exchange risk these are included, in the line item in which the hedged costs are reflected. Where the hedged item is the cost of a non-financial asset or liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. The ineffective portion of changes in the fair value of cash flow hedges is recognised directly as finance costs, in the income statement of the related period.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss recognised directly in other comprehensive income from the period that the hedge was effective remains separately in other comprehensive income until the forecast transaction occurs, when it is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

When hedging with options, the Group designates only the intrinsic value movement of the hedging option within the hedge relationship. The time value of the option contracts is therefore excluded from the hedge designation. Changes in fair value of time value is recognised in the income statement in finance costs.

Embedded derivatives

Contracts are assessed for the existence of embedded derivatives at the date that the Group first becomes party to the contract, with re-assessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as stand-alone derivatives.

(t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes 12 or more months to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(u) Fair value measurement

The Group measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 33 and 34.

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.

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 33.

(v) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability when these are approved by the Company's shareholders or Board as appropriate. Dividends payable to minority shareholders are recognised as a liability when these are approved by the Company's subsidiaries.

3. Segment reporting

For management purposes the Group is organised into operating segments based on producing mines.

At 31 December 2014 the Group has six reportable operating segments represented by six producing mines as follows:

- The Fresnillo mine, located in the State of Zacatecas, the world's largest primary silver mine
- The Saucito mine, located in the State of Zacatecas, an underground silver mine
- The 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 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.

The exploration services provided by the exploration companies listed in note 4 and projects under development have been aggregated into the Other segment below.

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 2014 and 2013 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 2014 and 2013, respectively:

									Year ended 31 December 2014
US$ thousands	**Fresnillo**	**Herradura**	**Ciénega**	**Soledad-Dipolos**	**Saucito**	**Noche Buena**	**Other[10]**	**Adjustments and eliminations**	**Total**
Revenues:									
Third party	394,644	341,409	191,553	–	323,398	162,596	101	–	1,413,701
Inter-segment	–	–	–	–	–	–	71,443	(71,443)	–
Segment revenues	**394,644**	**341,409**	**191,553**	**–**	**323,398**	**162,596**	**71,544**	**(71,443)**	**1,413,701**
Segment profit[9]	**271,878**	**170,299**	**96,961**	**(8,203)**	**235,015**	**25,832**	**58,524**	**(20,063)**	**830,243**
Hedging	–	–	–	–	–	–	–	–	(1,118)
Depreciation	–	–	–	–	–	–	–	–	(295,452)
Employee profit sharing	–	–	–	–	–	–	–	–	(12,619)
Gross profit as per the income statement	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**521,054**
Capital expenditure[1]	175,875[2]	63,119[3]	37,890[4]	–[5]	114,438[6]	20,887[7]	13,365[8]	–	425,574

1 Capital expenditure consists of additions to property, plant and equipment, including mine development and stripping activity asset but excluding additions relating to changes in the mine closure provision.

2 Capital expenditure relates to mine development work, the construction of San Julián project, and purchase of mine equipment.

3 Capital expenditure relates to surface mine stripping activity, final phase of the construction of the dynamic leaching plant and purchase of land.

4 Capital expenditure relates to mine development work, purchase of mine equipment and construction of employees' facilities.

5 During 2014 this segment did not operate due the Bajío conflict (note 29). As a result of the Bajío dispute the site was remediated and certain fixed assets were dismantled for a net amount of US$16.9 million (note 10 and 14).

6 Capital expenditure relates to mine development work, the construction of Saucito II plant and mine equipment.

7 Capital expenditures relates to construction of leaching pads and expansion of beneficiation plant.

8 Capital expenditure relates to the acquisition of property, plant and equipment and exploration expenditures capitalised, including Juanicipio project, mine equipment purchased by Minera El Bermejal and expansion of administrative office.

9 Treatment and refining charges amounting to US$131.4 million are included in Segment profit.

10 Other includes leasing services provided by Minera Bermejal, S.A. de C.V.

									Year ended 31 December 2013
US$ thousands	Fresnillo	Herradura	Ciénega	Soledad-Dipolos	Saucito	Noche Buena	Other[10]	Adjustments and eliminations	Total
Revenues:									
Third party	502,699	378,151	233,433	68,366	284,739	147,518	260	–	1,615,166
Inter-segment	–	–	–	–	–	–	51,616	(51,616)	–
Segment revenues	**502,699**	**378,151**	**233,433**	**68,366**	**284,739**	**147,518**	**51,876**	**(51,616)**	**1,615,166**
Segment profit[9]	**379,472**	**180,543**	**146,142**	**30,034**	**211,890**	**45,117**	**40,660**	**(11,221)**	**1,022,637**
Hedging	–	–	–	–	–	–	–	–	4,323
Depreciation	–	–	–	–	–	–	–	–	(239,347)
Employee profit sharing	–	–	–	–	–	–	–	–	(20,173)
Gross profit as per the income statement	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**767,440**
Capital expenditure[1]	121,975[2]	129,742[3]	59,275[4]	1,701[5]	71,197[6]	52,167[7]	136,083[8]	–	572,140

1 Capital expenditure consists of additions to property, plant and equipment, including mine development and stripping activity asset but excluding additions relating to changes in the mine closure provision.

2 Capital expenditure relates to mine development work, the construction of San Julián project and purchase of mine equipment.

3 Capital expenditure relates to the construction of leaching pads, surface mine stripping activity and the construction of the dynamic leaching plant.

4 Capital expenditure relates to mine development work, purchase of mine equipment, construction of employee facilities and equipment for the optimisation of milling process.

5 Capital expenditure relates to the construction of leaching pads, equipment such as dump trucks and acquisition of land.

6 Capital expenditure relates to mine development work, including hoisting equipment and ramp and shaft developments and scoop equipment.

7 Capital expenditures relates to the construction of leaching pads, surface mine stripping activity and workshop improvements.

8 Capital expenditure relates to the acquisition of property, plant and equipment and exploration expenditures capitalised and mine equipment purchased by Minera El Bermejal.

9 Treatment and refining charges amounting to US$147.0 million are included in Segment profit.

10 Other includes exploration services provided by the exploration companies listed in note 4.

4. Group information

The principal activities of the Company's subsidiaries included in the consolidated financial statements are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December 2014	2013
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico	**100**	100
Minera Penmont, S. de R.L. de C.V.	Production of doré bars (gold/silver)	Mexico	**100**	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	Mexico	**100**	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	Mexico	**100**	100
Desarrollos Mineros Canelas, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Desarrollos Mineros Fresne, S. de R.L. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Desarrollos Mineros el Aguila, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Metalúrgica Reyna, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Equipos Mineros Nazas, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Proveedora de Equipos Fresne, S. de R.L. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Equipos Mineros la Hacienda, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Proveedora de Equipos Jerez, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Minera Juanicipio, S.A. de C.V.	Mining project	Mexico	**56**	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Holds rights over silver production from Peñoles' polymetallic Sabinas mine through the Silverstream contract	Mexico	**100**	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	Mexico	**100**	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	Mexico	**55**	55
Exploraciones Coneto, S.A. de C.V.	Exploration services	Mexico	**100**	100
Minera El Bermejal, S. de R.L. de C.V.	Mining equipment leasing	Mexico	**100**	56
Compañía Minera Las Torres, S.A. de C.V.	Mine project	Mexico	**100**	100
Servicios Administrativos Fresnillo, S.A. de C.V.	Administrative services	Mexico	**100**	100
Fresnillo Management Services, Ltd	Administrative services	UK	**100**	100
Fresbal Investments, Ltd	Holding company for mining Investments	Canada	**100**	100
Fresnillo Perú, S.A.C.	Exploration services	Peru	**100**	100

[1] Entities incorporated through the spin-off process mentioned in note 1.

(a) Material partly-owned subsidiaries

The table below shows the detail of non-wholly owned subsidiaries of the Group that have non-controlling interests:

	Portion of ownership interest held by non-controlling interest		Profit (loss) allocated to non-controlling interest		Accumulated non-controlling interest	
	31-Dec-14	31-Dec-13	**31-Dec-14**	31-Dec-13	**31-Dec-14**	31-Dec-13
Minera Penmont, S. de R.L. de C.V.	**0%**	44%	**–**	8,947	**–**	338,182
Minera el Bermejal S. de R.L. de C.V.	**0%**	44%	**–**	11,645	**–**	38,014
Other subsidiaries with non-controlling interests not considered to be material	**–**	–	**(177)**	(22)	**26,539**	22,338
			(177)	20,570	**26,539**	398,534

Set out below is the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. Figures are presented in thousands of US dollars unless otherwise indicated.

Summarised income statement for the nine-month period ended 30 September 2014 (see note 4(b))

	Minera Penmont, S. de R.L. de C.V.[1]	Desarrollo Mineros Fresne S. de R.L. de C.V.[1]	Proveedora de Equipos Fresne S. de R.L. de C.V.[1]	Minera el Bermejal S. de R.L. de C.V.
Revenue	632,079	427,963	32,257	53,374
(Loss)/profit before income tax	(16,503)	87,454	(3,849)	27,073
Income tax credit/(charge)	3,175	(35,054)	2,486	(8,035)
(Loss)/profit for the year for continuing operations	(13,328)	52,400	(1,363)	19,038
Other comprehensive income	–	–	–	–
Total comprehensive income	(13,328)	52,400	(1,363)	19,038
Attributable to non-controlling interests	(5,864)	23,056	(600)	8,377
Dividends paid to non-controlling interests	–	–	–	–

[1] These entities represent Minera Penmont, S. de R.L. de C.V. after the spin-off being effective on 1 January 2014 as described in note 1.

Summarised income statement for the year ended 31 December 2013

	Minera Penmont, S. de R.L. de C.V.	Minera el Bermejal S. de R.L. de C.V.
Revenue	594,036	58,986
Profit before income tax	44,024	31,996
Income tax	23,691	5,531
Profit for the year for continuing operations	20,333	26,465
Other comprehensive income	(102)	–
Total comprehensive income	20,231	26,465
Attributable to non-controlling interest	8,902	11,645
Dividends paid to non-controlling interest	–	–

As at December 31, 2014 there are no balances related with subsidiaries with material non-controlling interest.

Summarised statement of financial position as at 31 December 2013

	Minera Penmont, S. de R.L. de C.V.	Minera el Bermejal S. de R.L. de C.V.
Current		
Assets	443,494	21,730
Liabilities	130,620	158,946
Total current net assets/(liabilities)	312,874	(137,216)
Non-current		
Assets	687,781	223,611
Liabilities	232,060	–
Total non-current net assets	455,721	223,611
Net assets	768,595	86,396
Attributable to:		
Equity holders of parent	430,413	48,382
Non-controlling interest	338,182	38,014

Summarised cash flow information for the nine-month period ended 30 September 2014 (see note 4(b))

	Minera Penmont, S. de R.L. de C.V.[1]	Desarrollo Mineros Fresne S. de R.L. de C.V.[1]	Proveedora de Equipos Fresne S. de R.L. de C.V.[1]	Minera el Bermejal S. de R.L. de C.V.
Operating	(25,272)	26,655	26,067	(11,034)
Investing	(13,247)	(64,990)	(27,404)	(1,370)
Financing	47,844	39,985	(804)	10,900
Net increase/(decrease) in cash and cash equivalents	9,325	1,650	(2,141)	(1,504)

[1] These entities represent Minera Penmont, S. de R.L. de C.V. after the spin-off being effective on 1 January 2014 as described in note 1.

Summarised cash flow information for the year ending 31 December 2013:

	Minera Penmont, S. de R.L. de C.V.	Minera el Bermejal S. de R.L. de C.V.
Operating	162,123	(54,542)
Investing	(212,133)	(87,800)
Financing	50,492	–
Net increase/(decrease) in cash and cash equivalents	482	(142,342)

(b) Transactions with non-controlling interest

At the general shareholder meeting held on 1 September 2014, Fresnillo plc and Newmont USA Limited (subsidiary of Newmont Mining Corporation 'Newmont') as partners in Proveedora de Equipos Fresne, S. de R.L. de C.V. decided to capitalise the loan borrowed from Newmont during 2013. The total amount capitalised including interest earned as at the day of the transaction amounted US$41,633 thousands. See note 30(a).

On 6 October 2014, the Group acquired the remaining 44% of the issued shares of Minera Penmont, S. de R.L. de C.V., Desarrollos Mineros Fresne, S. de R.L. de C.V., Proveedora de Equipos Fresne, S. de R.L. de C.V. and Minera Bermejal, S. de R.L. de C.V. (together referred to as Penmont), for a purchase consideration of US$450,540 thousands including acquisition expenses. The Group now holds 100% of the equity share capital of the previously mentioned companies. The carrying amount of the non-controlling interest in Penmont on the date of acquisition was US$426,652 thousands. The Group de-recognised non-controlling interest of US$426,652 thousands and recorded a decrease in equity attributable to owners of the parent of US$23,844 thousands. To determine the amount of non-controlling interest corresponding to the above mentioned subsidiaries, the Group considered the figures as of 30 September 2014, due to the fact that there were no material transactions from that date to the date of purchase. The effect of the changes in the ownership interest in Penmont on the equity attributable to owners of the Group during the year is summarised as follows:

	Minera Penmont, S. de R.L. de C.V.	Desarrollo Mineros Fresne S. de R.L. de C.V.	Proveedora de Equipos Fresne S. de R.L. de C.V.	Minera el Bermejal S. de R.L. de C.V.	Total
Carrying amount of non-controlling interest acquired	222,557	64,216	93,488	46,391	426,652
Consideration paid to non-controlling interest	171,791	54,065	120,294	104,390	450,540
Excess of consideration paid recognised in parent's equity	(50,828)	(10,259)	26,763	57,962	23,638

5. Revenues

Revenues reflect the sale of goods, being concentrates doré, slag, and precipitates of which the primary contents are silver, gold, lead and zinc[1].

(a) Revenues by product sold

	Year ended 31 December 2014 US$ thousands	2013 US$ thousands
Lead concentrates (containing silver, gold, lead and by-products)	777,560	885,083
Doré and slag (containing gold, silver and by-products)	504,000	594,036
Zinc concentrates (containing zinc, silver and by-products)	70,695	62,962
Precipitates (containing gold and silver)	61,446	73,085
	1,413,701	**1,615,166**

Substantially all lead concentrates, precipitates, doré and slag, were sold to Peñoles' metallurgical complex, Met-Mex, for smelting and refining.

[1] Included in the value of lead and zinc concentrates, precipitates and doré are provisional price adjustments which represent changes in the fair value of embedded derivatives. In 2014 the Group has recognised a gain of US$2 million (2013: gain of US$5 million). For further detail refer to note 2(p).

(b) Value of metal content in products sold

For products other than refined silver and gold, invoiced revenues are derived from the value of metal content adjusted by treatment and refining charges incurred by the metallurgical complex of the customer. The value of the metal content of the products sold, before treatment and refining charges is as follows:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Silver	714,928	842,932
Gold	720,536	831,653
Zinc	58,076	39,749
Lead	51,581	47,870
Value of metal content in products sold	1,545,121	1,762,204
Adjustment for treatment and refining charges	(131,420)	(147,038)
Total revenues[1]	**1,413,701**	**1,615,166**

[1] Included in the value of lead and zinc concentrates, precipitates and doré are provisional price adjustments which represent changes in the fair value of embedded derivatives. In 2014 the Group has recognised a gain of US$2 million (2013: gain of US$5 million). For further detail refer to note 2(p).

The average realised prices for the gold and silver content of products sold, prior to the deduction of treatment and refining charges, were:

	Year ended 31 December	
	2014 US$ per ounce	2013 US$ per ounce
Silver	1,257.7	1,401.3
Gold	18.6	22.8

6. Cost of sales

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Depreciation (notes 2(e) and 14)	295,452	239,347
Personnel expenses (note 9)	81,256	86,697
Maintenance and repairs	88,180	78,540
Operating materials	136,694	118,394
Energy	132,540	100,222
Contractors	219,622	190,063
Freight	11,764	9,856
Insurance	6,567	5,376
Mining rights and contributions	9,860	6,997
Other	14,318	17,876
Cost of production	996,253	853,368
Loss/(gain) on foreign currency hedges	1,118	(4,323)
Change in work in progress and finished goods (ore inventories)	(122,289)	(1,319)
Inventory write down (note 17)	17,565	–
	892,647	**847,726**

7. Administrative expenses

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Administrative services[1]	32,859	32,726
	32,859	**32,726**
Personnel expenses (note 9)	17,060	13,177
Other administrative expenses	17,621	16,340
	67,540	**62,243**

1 Effective 1 January 2013, a new Service Agreement with Servicios Administrativos Peñoles, S.A. de C.V., ('SAPSA'), a wholly owned Peñoles subsidiary, was signed. This Service Agreement comprises administrative and non-administrative services from 1 January 2013 through 31 December 2018, for an annual fee of US$7.4 million and MX$362.8 million. On 1 January 2014 Peñoles created a new legal entity named Servicios Especializados Peñoles, S.A. de C.V. to along with SAPSA provide the administrative services in accordance with the terms of the Service Agreement above mentioned.

During the year ended 31 December 2014, the Group incurred expenses of US$40.6 million under the above mentioned agreement (US$40.7 million for the year ended 31 December 2013). Expenses include administrative expenses of US$32.9 (2013: US$32.7 million), exploration expenses of US$0.1 million (2013: US$0.6 million) and US$7.7 million relating to engineering costs that were capitalised (2013: US$7.4 million).

8. Exploration expenses

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Contractors	129,443	158,970
Administrative services	8,598	12,791
Mining rights and contributions	14,595	16,423
Personnel expenses (note 9)	5,614	4,013
Assays	3,509	6,566
Maintenance and repairs	686	801
Operating materials	809	2,989
Rentals	3,912	2,369
Energy	608	1,777
Other	1,010	1,083
	168,784	**207,782**

These exploration expenses were mainly incurred in areas of the Fresnillo, Herradura, Noche Buena, La Ciénega and Saucito mines, the San Ramón satellite mine and the San Julián, Orysivo and Deep Centauro projects. Minor exploration expenses of US$6.8 million (2013: US$3.4 million) were incurred in the year in projects located in Peru.

The following table sets forth liabilities (generally payables) incurred in the exploration activities of the Group companies engaged only in exploration, principally Exploraciones Mineras Parreña, S.A. de C.V. Liabilities related to exploration activities incurred by the Group operating companies are not included since it is not possible to separate the liabilities related to exploration activities of these companies from their operating liabilities.

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Liabilities related to exploration activities	3,545	222

Cash flows relating to exploration activities are as follows:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Operating cash outflows	165,461	210,234

9. Personnel expenses

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Employees' profit sharing	12,619	20,910
Salaries and wages	38,572	32,843
Bonuses	10,410	10,365
Legal contributions	13,757	12,196
Other benefits	7,967	7,757
Vacations and vacations bonus	2,070	2,325
Social security	5,233	4,503
Post-employment benefits (note 25)	4,349	3,489
Other	8,953	9,499
	103,930	**103,887**

(a) Personnel expenses are distributed in the following line items:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Cost of sales (note 6)	81,256	86,697
Administrative expenses (note 7)	17,060	13,177
Exploration expenses (note 8)	5,614	4,013
	103,930	**103,887**

(b) The monthly average number of employees during the year was as follows:

	Year ended 31 December	
	2014 No.	2013 No.
Mining	1,406	1,481
Plant concentration	475	448
Exploration	655	286
Maintenance	694	662
Administration and other	600	510
Total	**3,830**	**3,387**

10. Other income and other expenses

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Other income:		
Rentals	313	477
Net insurance recovery	–	768
Royalties	–	1,359
Other	267	3,444
	580	**6,048**

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Other expenses:		
Maintenance and others[1]	1,966	527
Donations	435	532
Loss on sale of property, plant and equipment	1,791	1,491
Write-off of fixed assets[2]	16,912	–
Impairment on available-for-sale financial assets	982	2,053
Other	4,036	3,811
	26,122	**8,414**

[1] Costs relating to Compañía Minera las Torres, S.A. de C.V.

[2] Corresponds to Soledad-Dipolos fixed assets, (note 14).

11. Finance income and finance costs

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Finance income:		
Interest on short-term deposits and investments	4,364	3,951
Mark-to-market movement on derivatives	1,464	–
Other	1,632	2,170
	7,460	**6,121**

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Finance costs:		
Interest on interest-bearing loans	43,567	6,135
Unwinding of discount on provisions	8,725	7,514
Mark-to-market movements on derivatives	–	527
Other	2,324	892
	54,616	**15,068**

12. Income tax expense

(a) Major components of income tax expense:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Consolidated income statement:		
Corporate income tax		
Current:		
Income tax charge	130,029	168,867
Amounts underprovided/in previous years	4,872	1,756
	134,901	170,623
Deferred:		
Origination and reversal of temporary differences	(39,746)	(47,446)
Effect of changes in future income tax rates	–	14,545
Revaluation effects of Silverstream contract	23,116	(16,192)
	(16,630)	(49,093)
Corporate income tax	**118,271**	**121,530**
Special mining right		
Current:		
Special mining right charge[1]	910	–
	910	–
Deferred:		
Origination and reversal of temporary differences	14,790	36,161
Special mining right	15,700	36,161
Income tax expense reported in the income statement	**133,971**	**157,691**

1 Without regards to credits permitted under the special mining right (SMR) regime, the current special mining right charge would have been US$10 million. However, the SMR allows as a credit the payment of mining concessions rights up to the amount of SMR payable. During the fiscal year ended 31 December 2014, the Group credited US$9.1 million of mining concession rights against the SMR. Total mining concessions right paid during the year were US$16 million and have been recognised in the income statement within cost of sales and exploration expenses. Mining concessions rights paid in excess of the SMR cannot be credited to SMR in future fiscal periods, and therefore no deferred tax asset has been recognised in relation to the excess.

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Consolidated statement of comprehensive income:		
Deferred income tax effect related to items charged or credited directly to other comprehensive income:		
Net credit arising on losses on cash flow hedges recycled to income statement	974	1,188
Net credit/(charge) arising on unrealised (losses)/gains arising on valuation of cash flow hedges	3,531	(1,138)
Net (charge)/credit arising on unrealised gains/(losses) on available-for-sale financial assets	(7,145)	17,416
Net credit/(charge) arising on cash flow (losses)/gains reclassified to value of other assets	66	(65)
Net credit arising on remeasurement losses on defined benefit plans	296	109
Income tax effect reported in other comprehensive (expenses)/income	**(2,278)**	**17,510**

(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	
	2014 US$ thousands	2013 US$ thousands
Accounting profit before income tax	**251,065**	**418,709**
Tax at the Group's statutory corporate income tax rate 30.0%	75,319	125,612
Expenses not deductible for tax purposes	2,749	1,537
Inflationary uplift of the tax base of assets and liabilities	(13,051)	(17,553)
Current income tax underprovided in previous years	735	1,756
Exchange rate effect on tax value of assets and liabilities	53,388	1,131
Non-taxable/non-deductible foreign exchange gains or losses	(84)	3,958
Inflationary uplift of tax losses	(2,348)	(1,854)
Deferred tax asset not recognised	1,808	2,022
Changes to future income tax rates	–	14,545
Special mining right deductible for corporate income tax	(4,710)	(10,848)
Other	4,465	1,224
Corporate income tax at the effective tax rate of 47.11% (2013: 29.0%)	**118,271**	**121,530**
Special mining right	15,700	36,161
Tax at the effective income tax rate of 53.4% (2013: 37.7%)	**133,971**	**157,691**

(c) Movements in deferred income tax liabilities and assets:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening net liability	(277,972)	(309,146)
Income statement credit arising on corporate income tax	16,630	49,093
Income statement charge arising on special mining right	(14,790)	(36,161)
Exchange difference	(637)	732
Net credit/(charge) arising on cash flow (losses)/gains reclassified to value of other assets	66	(65)
Net credit arising on losses on cash flow hedges recycled to income statement	974	1,188
Net credit/(charge) arising on unrealised (losses)/gains arising on valuation of cash flow hedges	3,531	(1,138)
Net (charge)/credit/arising on unrealised gains/(losses) on available-for-sale financial assets	(7,145)	17,416
Net credit arising on remeasurement losses on defined benefit plans	296	109
Closing net liability	**(279,047)**	**(277,972)**

The amounts of deferred income tax assets and liabilities as at 31 December 2014 and 2013, considering the nature of the temporary differences, are as follows:

	Consolidated balance sheet		Consolidated income statement	
	2014 US$ thousands	2013 US$ thousands	**2014 US$ thousands**	2013 US$ thousands
Related party receivables	(148,112)	(57,152)	90,960	(38,768)
Other receivables	(2,714)	(1,197)	1,517	(600)
Inventories	144,146	19,802	(124,344)	5,776
Prepayments	(883)	1,050	1,933	(1,967)
Derivative financial instruments including Silverstream contract	(95,080)	(76,549)	23,102	(16,629)
Property, plant and equipment arising from corporate income tax	(285,281)	(235,300)	49,981	39,639
Operating liabilities	42,171	4,930	(37,241)	1,013
Other payables and provisions	46,141	38,102	(8,039)	(8,783)
Losses carried forward	50,736	47,769	(2,967)	(29,758)
Post-employment benefits	1,951	1,824	169	1,178
Deductible profit sharing	4,682	6,068	1,386	9,459
Special mining right deductible for corporate income tax	23,862	10,848	(13,014)	(10,848)
Available-for-sale financial assets	(5,147)	1,703	(295)	–
Other	(4,569)	(3,709)	223	1,195
Net deferred tax liability related to corporate income tax	(228,097)	(241,811)	–	–
Deferred tax credit related to corporate income tax	–	–	(16,629)	(49,093)
Related party receivables arising from special mining right	(16,778)	–	16,778	–
Inventories arising from special mining right	11,896	–	(11,896)	–
Property plant and equipment arising from special mining right	(46,068)	(36,161)	9,907	36,161
Net deferred tax liability	**(279,047)**	**(277,972)**	**–**	**–**
Deferred tax credit	**–**	**–**	**(1,840)**	**(12,932)**
Reflected in the statement of financial position as follows:				
Deferred tax assets	57,705	56,209	–	–
Deferred tax liabilities-continuing operations	(336,752)	(334,181)	–	–
Net deferred tax liability	**(279,047)**	**(277,972)**	**–**	**–**

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$169.1 million (2013: US$159.2 million).

The Group has further tax losses and other similar attributes carried forward of US$4.5 million (2013: US$5.6 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$1,528 million (2013: US$1,271 million).

(e) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR'), Special Mining Right ('SMR') and Business Flat Tax ('Impuesto Empresarial a Tasa Unica' or 'IETU')

The Group's principal operating subsidiaries are Mexican residents for taxation purposes. In December 2013, a new Tax Reform was enacted, effective as from 1 January 2014. As a result of such Tax Reform, a new Income Tax Law (ISR) was enacted and the IETU Law was abolished.

The new ISR includes:

– new criteria and limits for certain tax deductions, that among others are: payroll-related expenses, including contributions to pension funds that are considered exempt income for employees will be considered non-deductible.
– certain payments to related parties, that do not comply with specific legal requirements would be considered as non-deductible.
– the requirement to calculate the mandatory profit sharing (PTU) that is paid to Mexican employees on the same base as the income tax, before deduction for profit sharing and before the use of net operating losses. Differences between the profit sharing and income tax base historically relate to inflation accounting, which is not included in profit sharing, the recognition of exchange gains and losses, and the recognition of income for dividends.
– a dividend withholding tax of 10% tax on distributions of dividends paid to Mexican individuals as well as foreign residents. Dividends between Mexican resident entities are not subject to tax at the shareholder level.

The corporate income tax rate for 2013 and future years, under the new ISR, remains at 30%. Previously enacted reductions of the tax rate over the next two years to 28% were repealed. As at 31 Deferred 2013 tax assets and liabilities were remeasured to reflect these changes, the remeasurement increased income tax expense by US$14.5 million.

As part of the Tax Reform, the Federal Rights Law was amended on certain mining matters with the SMR added as from 1 January 2014. The SMR is considered as income tax under IFRS, and states that the owners of mining titles and concessions are subject to pay an annual mining right of 7.5% of the profit derived from the extractive activities. The SMR allows as a credit the payment of mining concessions rights up to the amount of SMR payable. The 7.5% tax applies to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and amortisation, as defined by the new ISR. This SMR can be credited against the corporate income tax of the same fiscal year and its payment must be remitted no later than the last business day of March of the following year.

IETU was an alternative minimum corporate income tax, effective from 1 January 2008 through 31 December 2013. Companies were required to pay the greater of their mainstream corporate income tax liability for the year or their liability to IETU which was calculated at the rate of 17.5% and applied to the sale of goods, rendering of independent services and temporary use or enjoyment of goods. In calculating the charge to IETU, deductions were allowed for certain expenses incurred in generating income.

13. 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 2014 and 2013, earnings per share have been calculated as follows:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Earnings:		
Profit from continuing operations attributable to equity holders of the Company	108,449	240,448
Adjusted profit from continuing operations attributable to equity holders of the Company	54,511	278,232

Adjusted profit is profit as disclosed in the consolidated income statement adjusted to exclude revaluation effects of the Silverstream contract of US$77.1 million gain (US$53.9 million net of tax) (2013: US$54.0 million loss (US$37.8 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.

	2014 Thousands	2013 Thousands
Number of shares:		
Weighted average number of Ordinary Shares in issue	736,894	730,244

	2014 US$	2013 US$
Earnings per share:		
Basic and diluted earnings per share	0.147	0.329
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	0.074	0.381

14. Property, plant and equipment

	Land and buildings	Plant and equipment	Mining properties and development costs	Other assets	Construction in progress	Total
					Year ended 31 December 2013	
						US$ thousands
Cost						
At 1 January 2013	131,326	871,686	761,530	149,234	309,610	**2,223,386**
Additions	569	17,771	13,212	15,737	546,805	**594,094**
Disposals	(923)	(16,106)	(6,555)	(2,048)	(10)	**(25,642)**
Transfers and other movements	8,656	340,430	171,864	346	(521,296)	**–**
At 31 December 2013	139,628	1,213,781	940,051	163,269	335,109	**2,791,838**
Accumulated depreciation						
At 1 January 2013	(40,744)	(270,122)	(372,521)	(42,315)	–	**(725,702)**
Depreciation for the year[1]	(11,609)	(136,359)	(83,807)	(15,136)	–	**(246,911)**
Disposals	401	10,612	6,876	1,010	–	**18,899**
At 31 December 2013	(51,952)	(395,869)	(449,452)	(56,441)	–	**(953,714)**
Net Book amount at 31 December 2013	**87,676**	**817,912**	**490,599**	**106,828**	**335,109**	**1,838,124**

	Land and buildings	Plant and equipment	Mining properties and development costs	Other assets	Construction in progress	Total
					Year ended 31 December 2014	
						US$ thousands
Cost						
At 1 January 2014	139,628	1,213,781	940,051	163,269	335,109	**2,791,838**
Additions	3,344	40,796	66,080	22,176	333,394	**465,790**
Disposals	(6,633)	(11,484)	–	(6,555)	(559)	**(25,231)**
Write-off of property, plant and equipment[2]	–	(28,505)	–	(2,010)	–	**(30,515)**
Transfers and other movements	17,007	128,474	87,993	2,151	(235,625)	**–**
At 31 December 2014	153,346	1,343,062	1,094,124	179,031	432,319	**3,201,882**
Accumulated depreciation						
At 1 January 2014	(51,952)	(395,869)	(449,452)	(56,441)	–	**(953,714)**
Depreciation for the year[1]	(11,785)	(179,280)	(109,431)	(13,012)	–	**(313,508)**
Disposals	2,749	11,380	–	7,026	–	**21,155**
Write-off of property, plant and equipment[2]	–	12,062	–	1,541	–	**13,603**
At 31 December 2014	(60,988)	(551,707)	(558,883)	(60,886)	–	**(1,232,464)**
Net Book amount at 31 December 2014	**92,358**	**791,355**	**535,241**	**118,145**	**432,319**	**1,969,418**

1 Depreciation for the year includes US$295.5 million (2013: 239.3 million) recognised as an expense in the cost of sales in the income statement, and US$18 million (2013: 7.7 million), capitalised as part of construction in progress.

2 The Company has re-assessed its plans for the Soledad-Dipolos operations and decided to write-off the carrying value of certain property, plant and equipment that could not be utilised or reassigned, or remains at the site and is no longer considered to have a future economic benefit to the Group. The net charge is reflected in other operating expenses for an amount of US$16.9 million.

The table below details construction in progress by segment:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Saucito	22,382	42,653
Herradura	24,339	18,048
Soledad-Dipolos	101	446
Noche Buena	4,183	7,948
Ciénega	19,839	24,370
Fresnillo	299,590	171,943
Other	61,885	69,701
	432,319	**335,109**

During the year ended 31 December 2014 the Group capitalised US$2.7 million borrowing costs within construction in progress (2013: Nil). Borrowing costs were capitalised at the rate of 5.78%.

Sensitivity analysis

As at 31 December 2014, the carrying amount of mining assets was fully supported by the value in use computation of their recoverable amount using price assumptions of US$1,250 per ounce and US$18 per ounce for gold and silver, respectively. Management consider that the model supporting the determination of value in use is 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 an impairment. As at 31 December 2014, the carrying amount of Ciénega mine is US$240.5 million. In regard to Noche Buena mine the carrying amount is US$141 million.

The following table sets out the approximate expected impairment which would be recognised in 2015 at hypothetical decreases in commodity prices:

	Decrease in commodity prices			
	Gold	Silver	Ciénega US$ thousands	Noche Buena US$ thousands
Low sensitivity	5%	10%	18,033	–
High sensitivity	10%	20%	127,124	37,986

15. Available-for-sale financial assets

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Beginning balance	63,245	127,442
Fair value change	22,833	(64,197)
Ending balance	**86,078**	**63,245**

At 31 December 2014, the published quoted price of Endeavor Mining's share decreased below the cost paid by the Group. This decrease has been consistent during the past 12-month period, which is considered to be prolonged; therefore, an impairment of US$982 thousands was recognised as other expenses in the income statement. At December 2013, the published quoted price of Orex Minerals' share decreased below the cost paid by the Group, therefore an impairment of US$2.1 million was recognised as other expenses in the income statement. At 31 December 2014, based on the published quoted price a reversal of impairment of US$192 thousands was recognised in other comprehensive income of the year.

The fair value of the available-for-sale financial assets is determined by reference to published price quotations in an active market.

16. 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 US$2.00 in years one to five and US$5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. The cash payment per ounce for the year ended 31 December 2014 was US$5.05 per ounce (2013: US$5 per ounce). Under the contract, the Group has the option to receive a net cash settlement from Peñoles attributable to the silver produced and sold from Sabinas, to take delivery of an equivalent amount of refined silver or to receive settlement in the form of both cash and silver. If, by 31 December 2032, the amount of silver produced by Sabinas is less than 60 million ounces, a further payment is due from Peñoles of US$1 per ounce of shortfall.

The Silverstream contract represents a derivative financial instrument which has been recorded at fair value and classified within non-current and current assets as appropriate. Changes in the contract's fair value, other than those represented by the realisation of the asset through the receipt of either cash or refined silver, are charged or credited to the income statement. In the year ended 31 December 2014 total proceeds received in cash were US$58.7 million (2013: US$63.8 million) of which, US$8.1 million was in respect of proceeds receivable as at 31 December 2013 (2013: US$11.0 million). Cash received in respect of the year of US$50.6 million (2013: US$52.8 million) corresponds to 4.1 million ounces of payable silver (2013: 3.5 million ounces). As at 31 December 2014, a further US$6.9 million (2013: US$8.1 million) of cash corresponding to 638,681 ounces of silver is due (2013: 560,465 ounces).

The most significant drivers of the US$77.1 million unrealised gain taken to income statement (2013: US$54.0 million loss) were the updating of assumptions used to value the Silverstream contract. The most significant of these were an increase of the Sabinas mine silver reserves, the decrease of the reference discount rate (LIBOR) and the difference between the payments already received in 2014 and payments estimated in the valuation model as of 31 December 2013. These were partially offset by a decrease in the forward price of silver which was lower than the previous year.

A reconciliation of the beginning balance to the ending balance is shown below:

	2014 US$ thousands	2013 US$ thousands
Balance at 1 January:	372,846	487,779
Cash received in respect of the year	(50,650)	(52,830)
Cash receivable	(6,974)	(8,127)
Remeasurement gains/(losses) recognised in profit and loss	77,054	(53,976)
Balance at 31 December	**392,276**	**372,846**
Less – Current portion	33,311	38,763
Non-current portion	**358,965**	**334,083**

See note 33 for further information on the inputs that have a significant effect on the fair value of this derivative, see note 34 for further information relating to market and credit risks associated with the Silverstream asset, and note 2(c) for the estimates and assumptions.

17. Inventories

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Finished goods[1]	2,094	2,180
Work in progress[2]	252,826	130,451
Operating materials and spare parts	70,904	77,854
	325,824	210,485
Write down of work in progress inventory[3]	(17,565)	–
Allowance for obsolete and slow-moving inventories	(2,647)	(2,344)
Balance as 31 December at lower of cost and net realisable value	**305,612**	**208,141**
Less – Current portion	221,200	208,141
Non-current portion[4]	**84,412**	**–**

1 Finished goods include metals contained in concentrates and doré bars, and concentrates on hand or in transit to a smelter or refinery.

2 Work in progress includes metals contained in ores on leaching pads.

3 Corresponds to ore inventory of Noche Buena and Soledad-Dipolos mines.

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$846.4 million (2013: US$777.8 million). The amount of write down of inventories recognised as an expense was US$18.2 million (2013: US$0.9 million).

18. Trade and other receivables

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Trade receivables from related parties (note 30)[1]	139,620	96,641
Value Added Tax receivable	106,903	47,377
Advances to suppliers and contractors	13,734	7,885
Other receivables from related parties (note 30)	7,015	8,152
Loans granted to contractors	2,866	2,639
Other receivables arising on the sale of fixed assets	6,009	10,163
Other receivables	11,766	15,862
	287,913	188,719
Provision for impairment of 'other receivables'	(318)	(662)
Trade and other receivables classified as current assets	**287,595**	**188,057**
Other receivables classified as non-current assets:		
Loans granted to contractors	3,853	7,012
Other receivables arising on the sale of fixed assets	–	7,898
	3,853	**14,910**
	291,448	**202,967**

[1] 'Trade receivables from related parties' includes the fair value of embedded derivatives arising due to provisional pricing in sales contracts of US$(2.9) million as at 31 December 2014 (2013: US$(1.1) million).

Trade receivables are shown net of any corresponding advances, are non-interest-bearing and generally have payment terms of 46 to 60 days.

Loans granted to contractors bear interest of between LIBOR plus 1.5% to LIBOR plus 3% and have a maturity of two to six years.

The total receivables denominated in US$ were US$167 million (2013: US$146.7 million), and in pesos US$124.4 million (2013: US$56.3 million).

As of 31 December for each year presented, with the exception of Other receivables in the table below, all trade and other receivables were neither past due nor impaired.

	Year ended 31 December				
				Past due but not impaired	
	Total US$ thousands	Impaired US$ thousands	Neither past due nor impaired US$ thousands	<30 days US$ thousands	30-60 days US$ thousands
2014					
Trade receivables from related parties	139,620	–	139,620	–	–
Other receivables from related parties	7,015	–	7,015	–	–
Loans granted to contractors	6,719	–	6,719	–	–
Other receivables arising on the sale of fixed assets	6,109	–	6,109	–	–
Other receivables	11,766	(318)	11,448	–	–
Total	**171,229**	**(318)**	**170,911**	–	–
2013					
Trade receivables from related parties	96,641	–	96,641	–	–
Other receivables from related parties	8,152	–	8,152	–	–
Loans granted to contractors	9,651	–	9,651	–	–
Other receivables arising on the sale of fixed assets	18,061	–	18,061	–	–
Other receivables	15,862	(662)	15,200	–	–
Total	**148,367**	**(662)**	**147,705**	–	–

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.

19. Short-term investments

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Fixed-term bank deposits	295,000	–
Short-term investments	**295,000**	**–**

Short-term investments are made for fixed periods no longer than four months (2013: none) and earn interest at fixed rates without an option for early withdrawal.

20. Cash and cash equivalents

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Cash at bank and on hand	3,979	1,054
Short-term deposits	150,361	1,250,640
Cash and cash equivalents	**154,340**	**1,251,694**

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 (2013: one day and three 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.

21. Equity

Share capital and share premium

Authorised share capital of the Company is as follows:

	As at 31 December			
	2014		2013	
Class of share	**Number**	**Amount**	Number	Amount
Ordinary Shares each of US$0.50	1,000,000,000	$500,000,000	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	50,000	£50,000	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	**US$**	Number	£
At 1 January 2013	717,160,159	$358,580,080	50,000	£50,000
Issued on 3 May 2013	19,733,430	$9,866,715	–	–
At 31 December 2013	736,893,589	$368,446,795	50,000	£50,000
At 31 December 2014	736,893,589	$368,446,795	50,000	£50,000

Pursuant to the placing of shares announced on 29 April 2013, the Group issued on 3 May 2013, 19,733,430 new Ordinary Shares at £11.30 (US$17.60) per share for gross proceeds of £222.9 million (US$346.4 million). Share issue cost paid amounted to US$0.3 million. The placing of shares ensured that Fresnillo plc is compliant with changes to the Ground Rules of the FTSE UK Index Series that require constituents to maintain a minimum free float of 25%. The proceeds of the placing were used for general corporate purposes and the Company's working capital needs.

As a result, the Company's issued Ordinary Share consisted already in 2013: 736,893,589 (2012: 717,160,159) Ordinary Shares of US$0.50 each with voting rights. The Company does not hold any Ordinary Shares in treasury. Therefore, the total number of voting rights in the Company is 736,893,589.

As at 31 December 2014, all issued shares with a par value of US$0.50 each are fully paid. The rights and obligations attached to these shares are governed by law and the Company's Articles of Association. Ordinary Shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary Shares.

The Sterling Deferred Ordinary Shares only entitle the shareholder on winding up or on a return of capital to payment of the amount paid up after repayment to Ordinary Shareholders. The Sterling Deferred Ordinary Shares do not entitle the holder to payment of any dividend, or to receive notice or to attend and speak at any general meeting of the Company. The Company may also at its option redeem the Sterling Deferred Ordinary Shares at a price of £1.00 or, as custodian, purchase or cancel the Sterling Deferred Ordinary Shares or require the holder to transfer the Sterling Deferred Ordinary Shares. Except at the option of the Company the Sterling Deferred Ordinary Shares are not transferrable.

Reserves

Share premium
This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

During 2013, share premium increased by US$335.2 million as a result of the issue of new Ordinary Shares on 3 May 2013. During 2014 there have been no changes.

Capital reserve
The capital reserve arose as a consequence of the Pre-IPO Reorganisation as a result of using the pooling of interest method.

Net unrealised gains/(losses) on revaluation of cash flow hedges
This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge, net of tax. When the hedged transaction occurs, the gain or the loss is transferred out of equity to the income statement or the value of other assets.

Unrealised gains/(losses) on available-for-sale financial assets
This reserve records fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value are recycled to the income statement.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial information of entities with a functional currency different to that of the presentational currency of the Group.

Retained earnings/accumulated losses
This reserve records the accumulated results of the Group, less any distributions and dividends paid.

22. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2014 and 2013 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2014		
Final dividend for 2013 declared and paid during the year[1]	6.8	50,109
Interim dividend for 2014 declared and paid during the year[2]	5.0	36,845
	11.8	**86,954**
Year ended 31 December 2013		
Final dividend for 2012 declared and paid during the year[3]	42.4	304,076
Interim dividend for 2013 declared and paid during the year[4]	4.9	36,108
Interim dividend for 2013 declared and paid during the year[5]	22.4	164,990
	69.7	**505,174**

1 This dividend was approved by the Board of Directors on 16 May 2014 and paid on 22 May 2014.
2 This dividend was approved by the Board of Directors on 4 August 2014 and paid on 11 September 2014.
3 This dividend was approved by the Board of Directors on 3 May 2013 and paid on 8 May 2013.
4 This dividend was approved by the Board of Directors on 5 August 2013 and paid on 10 September 2013.
5 This dividend was approved by the Board of Directors on 5 October 2013 and paid on 1 November 2013.

23. Interest-bearing loans

Senior Notes

On 13 November 2013, the Group completed its offering of US$800 million aggregate principal amount of 5.500% Senior Notes due 2023 (the 'Notes').

An analysis of the debt recognised in the balance sheet is calculated as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening balance	**795,306**	**789,032**
Accrued interest	46,267	6,135
Interest paid[1]	(46,267)	–
Amortisation of discount and transaction costs	854	139
Closing balance	**796,160**	**795,306**

1 Accrued interest is payable semi-annually on 13 May and 13 November.

Fair value of senior notes is categorised as Level 1 of the fair value hierarchy, note 33(b).

24. Provision for mine closure cost

The provision represents the discounted values of the estimated cost to decommission and rehabilitate the mines at the estimated date of depletion of mine deposits. The discount rate used in the calculation of the provision as at 31 December 2014 is in a range of 3.22% to 7.51% (2013: 7%). Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning, dismantling, and reclamation alternatives and timing, the levels of discount foreign exchange and inflation rates.

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 three to 19 years from 31 December 2014 (three to 30 years from 31 December 2013).

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening balance	**127,008**	**104,712**
Increase to existing provision	33,973	15,341
Unwinding of discount	8,725	7,507
Payments	(452)	–
Foreign exchange	(15,452)	(552)
Closing balance	**153,802**	**127,008**

25. Pensions and other post-employment benefit plans

The Group has a defined benefit plan and a defined contribution plan.

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. Pensions benefits accrued as at 1 July 2007, are restated based on the National Consumer Price Index (NCPI) until the retirement date of each worker.

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.

The defined benefit contribution plan was established as from1 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.

Death and disability benefits are covered through insurance policies.

The following tables provide information relating to changes in the defined benefit obligation and the fair value of plan assets:

		Pension cost charge to income statement						Remeasurement gains/(losses) in OCI								
	Balance at 1 January 2014	**Past service cost**	**Service cost**	**Net Interest**	**Foreign exchange**	**Sub-total recognised in the year**	**Benefits paid**	**Return on plan assets (excluding amounts included in net interest)**	**Actuarial changes arising from changes in demographic assumptions**	**Actuarial changes arising from changes in financial assumptions**	**Experience adjustments**	**Foreign exchange**	**Sub-total included in OCI**	**Contributions by employer**	**Defined benefit increase due to personnel transfer**	**Balance at 31 December 2014**
																US$ thousands
Defined benefit obligation	(34,001)	(1,028)	(886)	(2,121)	3,935	(100)	1,643	–	(324)	–	(898)	–	(1,222)	–	16	(33,664)
Fair value on plan assets	22,526	–	–	1,381	(2,493)	(1,112)	(1,643)	(629)	–	–	–	–	(629)	645	(16)	19,826
Net benefit liability	(11,475)	(1,028)	(886)	(740)	1,442	(1,212)	–	(629)	(324)	–	(898)	–	(1,851)	645	–	(13,838)

		Pension cost charge to income statement						Remeasurement gains/(losses) in OCI								
	Balance at 1 January 2013	Past service cost	Service cost	Net Interest	Foreign exchange	Sub-total recognised in the year	Benefits paid	Return on plan assets (excluding amounts included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Foreign exchange	Sub-total included in OCI	Contributions by employer	Defined benefit increase due to personnel transfer	Balance at 31 December 2013
																US$ thousands
Defined benefit obligation	(31,500)	–	(951)	(2,152)	276	(2,827)	1,113	–	(467)	–	(320)	–	(787)	–	–	(34,001)
Fair value on plan assets	20,777	–	–	1,439	(196)	1,243	(1,113)	(968)	–	–	–	30	(938)	2,557	–	22,526
Net benefit liability	(10,723)	–	(951)	(713)	80	(1,584)	–	(968)	(467)	–	(320)	30	(1,725)	2,557	–	(11,475)

Of the total defined benefit obligation, US$8.9 million (2013: US$8.2 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	
	2014 %	2013 %
Discount rate	7.0	7.0
Future salary increases (NCPI)	5.0	5.0

The mortality assumptions are that for current and future pensioners, men and women aged 65 will live on average for a further 18.9 and 22.4 years respectively (2013: 17.3 years for men and 20.8 for women). The weighted average duration of the defined benefit obligation is 12.35 years (2013: 18.5 years).

The fair values of the plan assets were as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Government debt	1,657	457
State owned companies	2,191	5,238
Mutual funds (fixed rates)	15,978	16,831
	19,826	**22,526**

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 assumption as at 31 December 2014 is as shown below:

Assumptions	Discount rate		Future salary increases (NCPI)		Life expectancy of pensioners
Sensitivity Level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	+1 increase
Increase/(decrease) to the net defined benefit obligation (US$ thousands)	(1,771)	2,276	320	(299)	417

The sensitivity analysis above have 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 on salaries.

26. Trade and other payables

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Trade payables	68,638	50,347
Other payables to related parties (note 30)	1,702	2,542
Accrued expenses	20,193	25,567
Other taxes and contributions	9,818	3,449
	100,351	**81,905**

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 34.

27. Commitments

A summary of capital expenditure commitments by operating segment is as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Saucito	44,312	56,597
Herradura	9,236	16,556
Soledad-Dipolos	–	32
Noche Buena	691	356
Ciénega	2,290	4,192
Fresnillo	172,774	84,604
Other	4,927	1,804
	234,230	**164,141**

28. Operating leases

(a) Operating leases as lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Within one year	4,434	4,267
After one year but not more than five years	3,710	4,413
	8,144	**8,680**

(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 at lease payments based on market prices at the time of renewal. There are no restrictions placed upon the Group by entering into these leases.

The Group has put in place several arrangements to finance mine equipment through loans and the sale of mine equipment to contractors. In both cases, contractors are obligated to use these assets in rendering services to the Group as part of the mining work contract, during the term of financing or credit, which ranges from two to six years. The Group considers that the related mining work contracts contain embedded operating leases.

The future minimum rental commitments under these leases are as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Within one year	7,143	11,742
After one year but not more than five years	2,724	4,161
	9,867	**15,903**

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Minimum lease payments expensed in the year	12,217	9,765

29. Contingencies

As of 31 December 2014, the Group has the following contingencies:

- The Group is subject to various laws and regulations which, if not observed, could give rise to penalties
- Tax periods remain open to review by the Mexican tax authorities in respect of income taxes for five years following the date of the filing of corporate income tax returns, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances the reviews may cover longer periods
- In addition, because a number of tax periods remain open to review by the tax authorities, there is a risk that transactions, and in particular related party transactions, that have not been challenged in the past by the authorities, may be challenged by them in the future, and this may result in the raising of additional tax assessments plus penalties and interest. It is not practical to determine the amount of any such potential claims or the likelihood of any unfavourable outcome. However, management believes that its interpretation of the relevant legislation is appropriate and that the Group has complied with all regulations and paid or accrued all taxes and withholdings that are applicable
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Group and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate
- 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 on-going 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 2014 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 to the Unitarian Agrarian Court ('Tribunal Unitario Agrario') of Hermosillo Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of Soledad-Dipolos is located. The litigation resulted in a definitive court order, pursuant to which Penmont was ordered to vacate 1,824 hectares of land. The disputed land was returned in July 2013, resulting in the suspension of operations at Soledad-Dipolos.

The Magistrate noted that remediation activities are necessary to comply with relevant regulatory requirements and requested the guidance of the Federal Environmental Agency (SEMARNAT) in this respect. The Agrarian Magistrate further issued a procedural order in execution of his ruling determining, amongst other aspects, that Penmont must remediate the lands to the same state that they were before Penmont's occupation.

In the opinion of the Company, the procedural order is excessive since such level of remediation was not considered as part of the original agrarian ruling and also because the procedural order appears not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. Penmont has challenged the procedural order before Federal courts and is awaiting resolution of this filing. Penmont conducted mining activities on approximately 300 hectares of such lands and the remediation activities in this respect are still pending.

In connection with the foregoing matters, members of the El Bajío agrarian community presented additional claims, including a separate legal suit before the Unitarian Agrarian Court, claiming US$65 million for damages, alleging that the Group improperly used the land affected by the court ruling, as well as requesting the cancellation of Penmont's mining concessions and environmental permits within the El Bajío lands. Such concessions and permits are held by way of separate title to that relating to the surface land. The claimants have not yet presented substantial evidence to support their claim and the Group believes that these claims are without merit. Any initial ruling in this case would be subject to the appeals process in Mexico before judicial authorities other than the Unitarian Agrarian Court of Hermosillo, Sonora. Given the lack of evidence in support of the damages claim, the Company believes that an adverse and definitive ruling is not probable.

In addition, claimants have also 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.

Various claims and counterclaims have been made between the relevant parties in this matter including appeals that are pending as well as criminal complaints. There is significant uncertainty relating to the finalisation and ultimate result relating to these legal proceedings.

30. Related party balances and transactions

The Group had the following related party transactions during the years ended 31 December 2014 and 2013 and balances as at 31 December 2014 and 2013.

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**		**Loans**	
	As at 31 December		As at 31 December		As at 31 December	
	2014 US$ thousands	2013 US$ thousands	**2014 US$ thousands**	2013 US$ thousands	**2014 US$ thousands**	2013 US$ thousands
Trade:						
Met-Mex Peñoles, S.A. de C.V.	139,620	96,641	619	–	–	–
Loans:						
Newmont Mining Corporation[1]	–	–	–	–	–	40,920
Other:						
Industrias Peñoles, S.A.B. de C.V.	6,974	8,127	–	–	–	–
Other	41	25	1,083	2,542	–	–
Sub-total	146,635	104,793	1,702	2,542	–	40,920
Less-current portion	146,635	104,793	1,702	2,542	–	40,920
Non-current portion	–	–	–	–	–	–

1 Loan received from Newmont bore interest at a fixed rate of 2.58% and had a maturity of one year. At the general shareholder meeting held on 1 September 2014, the shareholders agreed to capitalise the total balance of the loan including interests, see note 4.

Related party accounts receivable and payable will be settled in cash.

Other balances with related parties:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Silverstream contract:		
Industrias Peñoles, S.A.B. de C.V.	392,276	372,846

The Silverstream contract can be settled in either silver or cash. Details of the Silverstream contract are provided in note 16.

(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	
	2014 US$ thousands	2013 US$ thousands
Income:		
Sales:[1]		
Metalúrgica Met-Mex Peñoles, S.A. de C.V.	1,413,600	1,614,906
Insurance receipts:		
Grupo Nacional Provincial, S.A.B. de C.V.	–	768
Other income	1,047	2,453
Total income	**1,414,647**	**1,618,127**

[1] Figures do not include hedging losses.

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Expenses:		
Administrative services:		
Servicios Administrativos Peñoles, S.A. de C.V.[2] (note 7)	22,080	40,705
Servicios Especializados Peñoles, S.A. de C.V. (note 7)	18,545	–
Servicios de Exploración, S.A. de C.V.	–	4,884
	40,625	45,589
Energy:		
Termoelectrica Peñoles, S. de R.L. de C.V.	30,917	30,678
Operating materials and spare parts:		
Wideco Inc	4,667	5,753
Met-Mex Peñoles, S.A. de C.V.	4,345	4,056
	9,012	9,809
Equipment repair and administrative services:		
Serviminas, S.A. de C.V.	3,437	4,096
Insurance premiums:		
Grupo Nacional Provincial, S.A.B. de C.V.	7,262	9,484
Other expenses:	7,821	8,098
Total expenses	**99,074**	**107,754**

[2] Includes US$7.7 million and US$7.4 million relating to engineering costs that was capitalised in 2014 and 2013, respectively.

(c) Compensation of key management personnel of the Group

Key management personnel include the members of the Board of Directors and the Executive Committee who receive remuneration.

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Salaries and bonuses	3,262	2,965
Post-employment benefits	148	138
Other benefits	600	687
Total compensation paid in respect of key management personnel	**4,010**	**3,790**

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Accumulated accrued defined pension entitlement	4,902	4,849

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.

31. Auditor's remuneration

Fees due by the Group to its auditor during the year ended 31 December 2014 and 2013 are as follows:

	Year ended 31 December	
Class of services	**2014 US$ thousands**	2013 US$ thousands
Fees payable to the Group's auditor for the audit of the Group's annual accounts	1,278	1,176
Fees payable to the Group's auditor and its associates for other services as follow:		
The audit of the Company's subsidiaries pursuant to legislation	405	312
Audit-related assurance services	344	317
Tax compliance services	24	39
Tax advisory services	12	13
Other assurance services	25	330
Total	**2,088**	**2,187**

32. Notes to the consolidated statement of cash flows

	Notes	2014 US$ thousands	2013 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit for the year		**117,094**	**261,018**
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Depreciation	6	295,452	239,347
Employee profit sharing	9	12,885	20,910
Deferred income tax	12	(1,840)	(12,931)
Current income tax expense	12	135,811	170,623
Loss on the sale of property, plant and equipment and other assets	10	1,791	1,491
Write-off of fixed assets	10	16,912	–
Other (gains)/losses		(973)	801
Impairment of available-for-sale financial assets	10	982	2,053
Net finance costs		48,721	8,389
Foreign exchange loss		19,103	5,557
Difference between pension contributions paid and amounts recognised in the income statement		1,211	(1,607)
Non-cash movement on derivatives		(1,565)	558
Changes in fair value of Silverstream	16	(77,054)	53,976
Working capital adjustments			
(Increase)/decrease in trade and other receivables		(105,242)	66,593
Decrease/(increase) in prepayments and other assets		2,068	(4,933)
Increase in inventories		(97,472)	(13,527)
Decrease/(increase) in trade and other payables		17,214	(13,649)
Cash generated from operations		**385,098**	**784,669**
Income tax paid		(243,085)	(283,269)
Employee profit sharing paid		(20,379)	(55,371)
Net cash from operating activities		**121,634**	**446,029**

33. Financial instruments

(a) Fair value category

As at 31 December 2014

US$ thousands

Financial assets:	**At fair value through profit or loss**	**At fair value through OCI (cash flow hedges)**	**Available-for-sale investments at fair value through OCI**	**Loans and receivables**
Trade and other receivables[1]	–	–	–	173,722
Available-for-sale financial assets	–	–	86,078	–
Silverstream contract (note 16)	392,276	–	–	–
Derivative financial instruments	–	14,551	–	–

Financial liabilities:	**At fair value through profit or loss**	**At amortised cost**
Interest-bearing loans	–	796,160
Trade and other payables	–	70,340
Embedded derivatives within sales contracts[1]	2,911	–
Derivative financial instruments	27,033	–

1 Trade and other receivables and embedded derivative within sales contracts are presented net in Trade and other receivables in the balance sheet.

As at 31 December 2013

US$ thousands

Financial assets:	At fair value through profit or loss	At fair value through OCI (cash flow hedges)	Available-for-sale investments at fair value through OCI	Loans and receivables
Trade and other receivables[1]	–	–	–	148,859
Available-for-sale financial assets	–	–	63,245	–
Silverstream contract (note 16)	372,846	–	–	–
Derivative financial instruments	–	2,057	–	–

Financial liabilities:	At fair value through profit or loss	At amortised cost
Interest-bearing loans	–	795,306
Trade and other payables	–	52,132
Embedded derivatives with sales contracts[1]	1,154	–
Derivative financial instruments	848	–

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, 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	
	2014 US$ thousands	2013 US$ thousands	**2014 US$ thousands**	2013 US$ thousands
Financial assets:				
Available-for-sale financial assets	86,078	63,245	86,078	63,245
Silverstream contract (note 16)	392,276	372,846	392,276	372,846
Derivative financial instruments	14,551	2,057	14,551	2,057
Financial liabilities:				
Interest-bearing loans (note 23)	796,160	795,306	795,128[1]	780,920[1]
Loans from related party	–	40,920	–	40,920[2]
Embedded derivatives within sales contracts	2,911	1,154	2,911	1,154
Derivative financial instruments	27,033	848	27,033	848

1 Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.

2 Loans from related party are categorised in Level 3 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 2014
				Fair value measure using
	Quoted prices in active markets Level 1 US$ thousands	**Significant observable Level 2 US$ thousands**	**Significant unobservable Level 3 US$ thousands**	**Total US$ thousands**
Financial assets:				
Derivative financial instruments:				
Options commodity contracts	–	14,229	–	14,229
Options and forward foreign exchange contracts	–	322	–	322
Silverstream contract	–	–	392,276	392,276
	–	**14,551**	**392,276**	**406,827**
Financial investments available-for-sale:				
Quoted investments	86,078	–	–	86,078
	86,078	**14,451**	**392,276**	**492,905**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	–	–	2,911	2,911
Options commodity contracts	–	8,704	–	8,704
Options and forward foreign exchange contracts	–	18,329	–	18,329
	–	**27,033**	**2,911**	**29,944**

	As of 31 December 2013			
	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 and forward foreign exchange contracts	–	2,057	–	2,057
Silverstream contract	–	–	372,846	372,846
	–	**2,057**	**372,846**	**374,903**
Financial investments available-for-sale:				
Quoted investments	63,245	–	–	63,245
	63,245	**2,057**	**372,846**	**438,148**
Financial liabilities:				
Derivative financial instruments:				
Embedded derivatives within sales contracts	–	–	(1,154)	(1,154)
Options and forward foreign exchange contracts	–	(848)	–	(848)
	–	**(848)**	**(1,154)**	**(2,002)**

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.

A reconciliation of the beginning balance to the ending balance for Level 3 financial instruments other than Silverstream (which is disclosed in note 16) is shown below:

	2014 US$ thousands	2013 US$ thousands
Balance at 1 January:	(1,154)	(6,136)
Changes in fair value	(15,489)	(16,882)
Realised embedded derivatives during the year	13,732	21,864
Balance at 31 December	**(2,911)**	**(1,154)**

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Option and forward foreign exchange contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The option commodity (Level 2) contracts are measured based on observable spot commodity prices, the yield curves of the respective commodity as well as the commodity basis spreads between the respective commodities. The option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot commodities price, interest rates and the volatility of the commodity.

Silverstream contract

The fair value of the Silverstream contract is determined using a valuation model (for further information relating to the Silverstream contract see note 16). 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.

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 34.

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Interest-bearing loans

Fair value of the Group's interest-bearing loan, is derived from quoted market prices in active markets.

Loans with related parties

Fair value of the Group's loan from related party is determined using a discounted cash flow method based on market interest rates at each reporting date.

Embedded derivatives within sales contracts

Sales of concentrates, precipitates and doré bars are 'provisionally priced' and revenue is initially recognised using this provisional price and the Group's best estimate of the contained metal. Revenue is subject to final price and metal content adjustments subsequent to the date of delivery (see note 2 (q)). This price exposure is considered to be an embedded derivative and is separated from the sales contract.

At each reporting date the provisionally priced metal content is revalued based on the forward selling price for the quotational period stipulated in the relevant sales contract. The selling price of metals can be reliably measured as these metals are actively traded on international exchanges but the estimated metal content is a non-observable input to this valuation.

At 31 December 2014 the fair value of embedded derivatives within sales contracts was US$(2.9) million (2013: US$(1.2) million). The revaluation effects of embedded derivatives arising from these sales contracts are recorded as an adjustment to revenues.

(c) Derivative financial instruments

The Group enters into certain forward and option contracts in order to manage its exposure to foreign exchange risk associated with costs incurred in Mexican pesos and other currencies. The Group also enters into option contracts to manage its exposure to commodity price risk as described in note 2(s).

Foreign exchange hedging

The Group entered into a number of forward derivative contracts to hedge its exposure to fluctuations in foreign exchange rates. The outstanding forward derivative contracts as at 31 December 2014 are as follows:

	As at 31 December 2014				
	Term	Currency	Contract value (thousands)	Contract exchange rate	2014 Fair value (US$ thousands)
Euro denominated forward contracts	2015	EUR	869	EUR1:US$1.25 to EUR1:US$1.35	(121)
Swedish krona denominated forward contracts	2015	SEK	41,597	SKD$7.19:US$1 to SKD$7.62:US$1	(359)

The Group's euro-denominated forward derivative instruments mature on 13 March 2015 at a weighted average rate of US$1.35: €1. The Group also entered into a number of SEK-US dollar forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature over a period from 13 March 2015 to 12 June 2015 with a weighted average rate of SKD$7.27: US$1.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 12 January 2015 to 14 December 2015. The collar instruments hedge costs denominated in Mexican peso amounting to US$259.5 million with a range of floor prices from MX$13.09 to MX$14.00: US$1 and weighted average rate of US$13.45 and a range of capped prices from MX$13.50 to MX$18.13: US$1 and weighted average rate of US$14.19. The fair value of the put options at 31 December 2014 was an asset of US$1.2 million, and the fair value of the call options at 31 December 2014 was a liability of US$18.7 million.

Forward derivative contracts that were outstanding as at 31 December 2013 were as follows:

					As at 31 December 2013
	Term	Currency	Contract value (thousands)	Contract exchange rate	2013 Fair value (US$ thousands)
Euro-denominated forward contracts	2014	EUR	3,248	EUR1:US$1.31 to EUR1:US$1.38	216
US dollar-denominated forward contracts	2014	USD	8,000	MX$12.58:US$1 to MX$12.61:US$1	(317)

The Group's euro-denominated forward derivative instruments mature over a period from 12 March to 10 September 2014 at a weighted average rate of US$1.31: €1. The Group also entered into a number of US dollar-denominated forward contracts to hedge its exposure to fluctuations in foreign exchange rates. These derivative instruments mature on 13 January 2014 with a weighted average rate of MX$12.60: US$1.

The Group also entered into Mexican peso-US dollar collars to hedge its exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 13 January 2014 to 15 December 2014. The collar instruments hedge costs denominated in Mexican peso amounting to US$220.5 million with a range of floor prices from MX$12.40 to MX$13.59: US$1 and weighted average rate of US$12.97 and a range of capped prices from MX$13.21 to MX$14.50: US$1 and weighted average rate of US$13.81. The fair value of the put options at 31 December 2013 was an asset of US$5.0 million, and the fair value of the call options at 31 December 2013 was a liability of US$3.7 million.

Commodity price hedging

During 2014 the Group entered into gold ounce-US dollar collars to hedge its exposure to fluctuations in commodity price as described in note 4(s) for a total amount of 1,559,689 ounces. As at 31 December 2014 the outstanding collar derivative instruments mature over the period from 30 January 2015 to 30 December 2019 and hedge cash proceeds for the sales of gold production amounting 1,524,276 ounces with a floor price of US$1,100:1 ounce and a range of capped prices from US$1,375 to US$1,495:1 ounce and weighted average price of US$1,427:1 ounce. The fair value of the put options as at 31 December 2014 was an asset of US$111.8 million, and the fair value of the call options at 31 December 2014 was a liability of US$107.4 million. As at 31 December 2014 the option contracts fair value corresponds to time value, therefore it was recorded in the income statement.

The Group also entered into lead tonnes-US dollar and zinc tonnes-US dollar collars to hedge its exposure to fluctuations in commodity price. Lead collar derivative instruments mature over the period from 30 January 2015 to 31 July 2015 and hedge lead production amounting 2,261 tonnes with a floor price of US$2,100:1 tonne and a range of capped prices from US$2,450 to US$2,550:1 tonne and weighted average price of US$2,496:1 tonne. The fair value of the put options at 31 December 2014 was an asset of US$0.6 million, and the fair value of the call options at 31 December 2014 was a liability of US$0.001 million. Zinc collar derivate instruments mature over the period 30 January 2015 to 28 August 2015 and hedge zinc production amounting 8,911 tonnes with a range of floor prices of US$1,900 to US$2,200:1 tonne and weighted average price of US$2,100:1 tonne and a range of capped prices from US$2,400 to US$2,650:1 tonne and weighted average price of US$2,534:1 tonne. The fair value of the put options at 31 December 2014 was an asset of US$0.5 million, and the fair value of the call options at 31 December 2014 was a liability of US$0.1 million.

The following table summarises the movements in deferred gains or losses on foreign exchange and price commodity derivative instruments qualifying for hedge accounting, net of tax effects, recorded in other comprehensive income for the year:

		As at 31 December
	2014 US$ thousands	2013 US$ thousands
Beginning balance	721	684
Losses recycled to revenue during the year	(3,027)	–
Deferred tax recycled	908	–
Losses recycled to cost of sales during the year	(220)	(3,959)
Deferred tax recycled	66	1,188
(Losses)/gains recycled to the value of other assets	(220)	219
Deferred tax recycled	66	(65)
Unrealised (losses)/gains before tax arising during the year	(11,771)	3,792
Deferred tax arising during the year and taken directly to equity	3,531	(1,138)
Ending balance	**(9,946)**	**721**

34. Financial risk management

Overview

The Group's principal financial assets and liabilities, other than derivatives, comprise trade receivables, cash, available-for-sale assets, interest-bearing loans and trade payables.

The Group has exposure to the following risks from its use of financial instruments:

– Market risk, including foreign currency, commodity price, interest rate, inflation rate and equity price risks
– Credit risk
– Liquidity risk

This note presents information about the Group's exposure to each of the above risks and the Group's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Fresnillo Audit Committee has responsibility for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Market risk

Market risk is the risk that changes in market factors, such as foreign exchange rates, commodity prices or interest rates will affect the Group's income or the value of its financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Group has financial instruments that are denominated in Mexican peso, euro and Swedish krona which are exposed to foreign currency risk. Transactions in currencies other than the US dollar include the purchase of services, dividends, fixed assets, spare parts and other items. 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 2014 (see note 30 for additional detail).

The following table demonstrates the sensitivity of financial assets and financial liabilities (excluding Silverstream) to a reasonably possible change in the US dollar exchange rate compared to the Mexican peso, reflecting the impact on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods for the purposes of calculating the sensitivity with relation to derivative financial instruments.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2014	**15%**	**(3,350)**	**(28,970)**
	(5%)	**616**	**11,513**
2013	5%	(8,416)	(280)
	(10%)	(1,445)	22,505

The following table demonstrates the sensitivity of financial assets and financial liabilities to a reasonably possible change in the US dollar exchange rate compared to the Swedish krona on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2014	**15%**	**(515)**
	(10%)	**572**
2013	5%	–
	(5%)	–

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 euro on the Group's profit before tax and equity, with all other variables held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/(decrease) US$ thousands	Effect on equity: increase/(decrease) US$ thousands
2014	**5%**	**52**	**–**
	(10%)	**105**	**–**
2013	5%	224	–
	(5%)	(224)	–

Foreign currency risk – Silverstream

Future foreign exchange rates are one of the inputs to the Silverstream valuation model. The following table demonstrates the sensitivity of the Silverstream contract valuation to a reasonably possible change in the Mexican peso as compared to the US dollar, with all other inputs to the Silverstream valuation model held constant. It is assumed that the same percentage change in exchange rates is applied to all applicable periods in the valuation model. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

Year ended 31 December	Strengthening/ (weakening) of US dollar	Effect on profit before tax: increase/ (decrease) US$ thousands
2014	**15%**	**(3,482)**
	(15%)	**4,711**
2013	15%	(4,644)
	(15%)	6,284

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 precious metals commodity price mainly gold production, see note 2(s).

The table below reflects the aggregate sensitivity of financial assets and liabilities (excluding Silverstream) to a reasonably possible change in gold and silver prices, reflecting the impact on the Group's profit before tax with all other variables held constant. There is no impact on the Group's equity, other than the equivalent change in retained earnings.

The sensitivity shown in the table below relates to changes in fair value of commodity derivatives financial instruments contracts and embedded derivatives in sales.

	Increase/(decrease) in commodity prices				Effect on profit before tax: increase/ (decrease)	Effect on equity: increase/ (decrease)
Year ended 31 December	Gold	Silver	Zinc	Lead	US$ thousands	US$ thousands
2014	**10%**	**20%**	**15%**	**10%**	**(93,922)**	**(791)**
	(10%)	**(20%)**	**(10%)**	**(15%)**	**49,405**	**49,612**
2013	20%	35%	15%	15%	25,052	–
	(20%)	(25%)	(10%)	(15%)	(19,589)	–

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 fair value: increase/ (decrease) US$ thousands
2014	**20%**	**103,125**
	(20%)	**(103,125)**
2013	25%	121,546
	(25%)	(121,546)

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 Silverstream contract held at the balance sheet date. Interest-bearing loans and loans from related party 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 party 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
2014	**25**	**1,140**
	(10)	**(456)**
2013	10	1,261
	(10)	(1,261)

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 fair value: increase/ (decrease) US$ thousands
2014	**100**	**(29,266)**
	(100)	**33,001**
2013	100	(24,144)
	(100)	27,140

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 fair value: increase/ (decrease) US$ thousands
2014	**100**	**697**
	(100)	**(680)**
2013	100	1,069
	(100)	(1,037)

Equity price risk

The Group has exposure to changes in the price of equity instruments that it holds as available-for-sale assets.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Group's profit before tax and equity:

Year ended 31 December	Increase/ (decrease) in equity price	Effect on profit before tax: increase/ (decrease) US$ thousands	Effect on equity: increase/ (decrease) US$ thousands
2014	**60%**	**–**	**51,157**
	(40%)	**(16,983)**	**(17,632)**
2013	70%	–	45,368
	(40%)	(69,773)	(962)

(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 30, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Group's financial assets were neither impaired nor past due, other than 'Other receivables' as disclosed in note 17. The Group's policies are aimed at minimising losses from foreign currency hedging contracts. The Company's foreign currency hedging contracts are entered into with large financial institutions with strong credit ratings.

The Group has a high concentration of trade receivables with one counterparty Met-Mex Peñoles, the Group's primary customer throughout 2014 and 2013. A further concentration of credit risk arises from the Silverstream contract. Both Met-Mex and the counterparty to the Silverstream contract are subsidiaries in the Peñoles Group which currently owns 75% of the shares of the Company and is considered by management to be of appropriate credit rating.

The Group's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents, including short-term investments, investing in a number of financial institutions. Accordingly on an on-going basis the Group deposits surplus funds with a range of financial institutions, depending on market conditions. In order to minimise exposure to credit risk, the Group only deposits surplus funds with financial institutions with a credit rating of MX-1 (Moody´s) and mxA-1+ (Standard and Poor's) and above. As at 31 December 2014 the Group had concentrations of credit risk as 66% of surplus funds was deposited with one financial institution and 94% 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 15 for the maximum credit exposure to available-for-sale financial assets, note 19 for short-term investments, note 20 for cash and cash equivalents and note 30 for related party balances with Met-Mex. The maximum credit exposure with relation to the Silverstream contract is the value of the derivative as at 31 December 2014, being US$392.2 million (2013: US$339.8 million).

(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
	Within 1 year	**2-3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2014					
Interest-bearing loans (note 23)	**46,267**	**92,534**	**92,534**	**985,068**	**1,216,404**
Trade and other payables	**70,340**	**–**	**–**	**–**	**70,340**
Derivative financial instruments – liabilities	**261,051**	**–**	**–**	**–**	**261,051**
Embedded derivatives within sales contracts – liability	**2,911**	**–**	**–**	**–**	**2,911**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2013					
Interest-bearing loans (note 23)	46,270	92,530	92,530	1,031,340	1,262,670
Loan from related party	41,977	–	–	–	41,977
Trade and other payables	52,132	–	–	–	52,132
Derivative financial instruments – liabilities	22,290	–	–	–	22,290
Embedded derivatives within sales contracts – liability	1,154	–	–	–	1,154

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
	Within 1 year	**2-3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2014					
Inflows	239,238	–	–	–	239,238
Outflows	261,051	–	–	–	261,051
Net	**(21,813)**	**–**	**–**	**–**	**(21,813)**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2013					
Inflows	21,995	–	–	–	21,995
Outflows	(22,290)	–	–	–	(22,290)
Net	**(295)**	**–**	**–**	**–**	**(295)**

The above liquidity tables include expected inflows and outflows from currency option contracts which the Group expects to be exercised during 2014 as at 31 December 2013 and in 2013 as at 31 December 2012, either by the Group or counterparty.

Management considers that the Group has adequate current assets and forecast cash from operations to manage liquidity risks arising from current liabilities and non-current liabilities.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios that support its business and maximise shareholder value. Management considers capital to consist of equity and certain interest-bearing loans, including loans from related parties, as disclosed in the balance sheet, excluding net unrealised gains or losses on revaluation of cash flow hedges and available-for-sale financial assets. In order to ensure an appropriate return for shareholders' capital invested in the Group, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Group's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows, including cash flows from the Silverstream.

Parent Company Statement of Comprehensive Income
Year ended 31 December

		Year ended 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Profit/(loss) for the year	3	**139,536**	**(292,176)**
Other comprehensive income/(expense)			
Items to be reclassified to profit or loss in subsequent periods:			
Fair value gains/(losses) on available-for-sale financial assets	7	22,833	(64,197)
Income tax effect	5	(6,850)	17,975
Impairment of available-for sale-financial assets		982	2,053
Income tax effect	5	(295)	(559)
Net effect of available-for-sale financial assets		16,670	(44,728)
Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods		**16,670**	**(44,728)**
Total comprehensive income/(expense) for the year, net of tax		**156,206**	**(336,904)**

Parent Company Balance Sheet
As at 31 December

		As at 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
ASSETS			
Non-current assets			
Investments in subsidiaries	6	6,730,093	6,792,011
Available-for-sale financial assets	7	86,078	63,245
Deferred tax asset	5	3,138	–
		6,819,309	**6,855,256**
Current assets			
Loans to related parties	15	772,102	364,118
Income tax recoverable		16,037	35,823
Trade and other receivables	8	12,507	6,122
Derivative financial instruments	18	14,551	2,039
Cash and cash equivalents	9	116,023	735,717
		931,220	**1,143,819**
Total assets		**7,750,529**	**7,999,075**
EQUITY AND LIABILITIES			
Capital and reserves attributable to shareholders of the Company			
Share capital	10	368,546	368,546
Share premium	10	1,153,817	1,153,817
Merger reserve	10	5,054,804	5,184,973
Net unrealised gains on available-for-sale financial assets	10	17,632	962
Retained earnings	10	323,671	140,920
Total equity		**6,918,470**	**6,849,218**
Non-current liabilities			
Interest-bearing loans	12	796,160	795,306
Deferred tax liability	5	–	2,245
		796,160	**797,551**
Current liabilities			
Trade and other payables	13	8,866	28,049
Derivative financial instruments	18	27,033	848
Loans from related parties	15	–	323,409
		35,899	**352,306**
Total liabilities		**832,059**	**1,149,857**
Total equity and liabilities		**7,750,529**	**7,999,075**

These financial statements were approved by the Board of Directors on 3 March 2015 and signed on its behalf by:

Mr Arturo Fernández
Non-executive Director
3 March 2015

Parent Company Cash Flow Statement
Year ended 31 December

		Year ended 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Net cash from operating activities	17	**24,041**	**3,366**
Cash flows from investing activities			
Capital contribution to subsidiaries		(15,264)	(12,376)
Loans granted to related parties		(1,998,264)	(1,488,185)
Proceeds from repayment of loans granted to related parties		1,565,252	1,289,605
Interest received		14,730	5,945
Dividends received		291,099	309,289
Settlement of derivative contracts		101	260
Other payments		(434)	(818)
Net cash (used)/generated from investing activities		**(142,780)**	**103,720**
Cash flows from financing activities			
Interest-bearing loans	12	–	793,936
Transaction cost associated with interest-bearing loans	12	–	(4,904)
Issue of share capital	10	–	346,397
Transaction cost associated with the issue of share capital	10	–	(272)
Loans granted by related parties		3,008,555	3,784,208
Repayment of loans granted by related parties		(3,358,964)	(3,772,940)
Dividends paid		(86,952)	(505,237)
Interest paid		(60,539)	(20,693)
Net cash (used)/generated in financing activities		**(497,900)**	**620,495**
Net (decrease)/increase in cash and cash equivalents during the year		(616,639)	727,581
Effect of exchange rate on cash and equivalents		(3,055)	(59)
Cash and equivalents at 1 January		735,717	8,195
Cash and cash equivalents at 31 December	9	**116,023**	**735,717**

Parent Company Statement of Changes in Equity
Year ended 31 December

US$ thousands

	Notes	Share capital	Share premium	Merger reserve	Net unrealised gains/(losses) on available-for-sale financial assets	Retained earnings	Total equity
Balance at 1 January 2013		**358,680**	**818,597**	**5,789,600**	**45,690**	**333,643**	**7,346,210**
Loss for the year		–	–	–	–	(292,176)	(292,176)
Other comprehensive income, net of tax		–	–	–	(44,728)	–	(44,728)
Total comprehensive income for the year		–	–	–	(44,728)	(292,176)	(336,904)
Issue of share capital, net of transaction cost	10	9,866	335,220	–	–	–	345,086
Transfer of reserves		–	–	(604,627)	–	604,627	–
Dividends declared and paid	11	–	–	–	–	(505,174)	(505,174)
Balance at 31 December 2013		**368,546**	**1,153,817**	**5,184,973**	**962**	**140,920**	**6,849,218**
Profit for the year		–	–	–	–	139,536	139,536
Other comprehensive expense net of tax		–	–	–	16,670	–	16,670
Total comprehensive expense for the year		–	–	–	16,670	139,536	156,206
Transfer of reserves		–	–	(130,169)	–	130,169	–
Dividends declared and paid	11	–	–	–	–	(86,954)	(86,954)
Balance at 31 December 2014		**368,546**	**1,153,817**	**5,054,804**	**17,632**	**323,671**	**6,918,470**

Notes to the Parent Company Financial Statements

1. Corporate information

Fresnillo plc ('the Company') is a public limited company and registered in England and Wales with registered number 6344120 and is the holding company for the Fresnillo subsidiaries detailed in note 6. The Company is a Mexican resident for taxation purposes with tax residency in Mexico City. For further information see note 5.

Industrias Peñoles S.A.B. de C.V. ('Peñoles') currently owns 75% of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. The country of incorporation of Peñoles is Mexico. Copies of Peñoles' accounts can be obtained from www.penoles.com.mx.

The primary activity of the Company is as holding company for the Fresnillo Group of companies. On 1 January 2014, as a part of an internal reorganisation to mitigate risk exposure, the operating entities without being extinguished transferred part of their assets, liabilities and capital through a spin-off into eight new entities. As a result of the spin-off the Company continues to retain control over the new entities, see note 6.

The financial statements of the Company for the year ended 31 December 2014 were authorised for issue by the Board of Directors of Fresnillo plc on 3 March 2015.

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 2014 and 2013, and in accordance with the provisions of the Companies Act 2006. The Company's financial statements are also consistent with IFRS as issued by the International Accounting Standards Board.

These financial statements have been prepared on a going concern basis which considers the realisation of assets and satisfaction of liabilities in the normal course of business. As at 31 December 2014, the Company is in a net current liability position due to an increase in the intercompany loan. The Company's Directors confirm that Fresnillo plc's subsidiaries have funds and distributable earnings available for distribution sufficient to repay the intercompany loan and to fund other forecast liabilities of the Company to be incurred in the next 12 months. Further, given that the loan counterparty is a 100% owned subsidiary of the Company, the Directors have a reasonable expectation that it will not request a repayment of the loan until such time as the Company has sufficient cash balances to make the repayment. As such the going concern basis of accounting in preparing the annual financial statements of the Company is deemed appropriate.

The financial statements of the Company have been prepared on a historical cost basis, except for certain derivative financial instruments and available-for-sale financial instruments which have been measured at fair value.

The financial statements are presented in dollars of the United States of America (US dollars or US$) and all monetary amounts are rounded to the nearest thousand (US$ thousand) 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 consolidated financial statements for the year ended 31 December 2013 except for the adoption of new standards and interpretations effective as of 1 January 2014.

New standards, interpretations and amendments adopted by the Company

IFRS 10 Consolidated Financial Statements: The standard replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated, being those investees in which the Group is exposed, or has rights, to variable returns from its involvement, and has the ability to affect those returns through its power over the investee. The Company adopted this standard as at 1 January 2014, as adopted by the European Union. The adoption of this standard did not have any impact on the financial position and performance of the Company.

IAS 27 Separate Financial Statements (as revised in 2012): As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 does not change the recognition and presentation requirements as it relates to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements (cost method or fair value) and as a result the adoption of this revised standard is not expected to impact the parent Company financial statements. The Company adopted this standard as at 1 January 2014, as adopted by the European Union. The adoption of this standard did not have any impact on the financial position and performance of the Company.

Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32: These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and it is applied retrospectively. These amendments have no impact on the Company, since it does not have any offsetting arrangements.

Disclosure for Impairment for Non-financial Assets – Amendments to IAS 36: This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. In addition the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendments harmonise disclosure requirements between value in use and fair value less costs of disposal

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39: These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Company as the Company has not novated its derivatives during the current or prior periods.

Annual improvements 2010-2012 cycle: In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Standards, interpretations and amendments issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards that it considers will be applicable, when they become effective.

IFRS 15 Revenue from Contracts with Customers: IFRS 15 was issued in May 2014 and provides a model framework to recognise revenue, which is the five step model framework that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 9 Financial Instruments: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Annual improvements 2010-2012 cycle: These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 3 Business Combinations: The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 24 Related Party Disclosures: The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 cycle: These improvements are effective for annual periods beginning on or after 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 13 Fair Value Measurement: The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

Amendments to IAS 27: Equity Method in Separate Financial Statements: The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method form the date of transition to IFRS. These amendments will not have any impact on the Company's financial statements.

The IASB has 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 Company.

The Company has not early adopted any standard, interpretation or amendment that was issued but is not yet effective.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements. These judgements and estimates are based on management's knowledge of the relevant facts and circumstances, with regard to prior experience, but actual results may differ from the amounts included in the financial statements. Information about such judgements and estimates is in the accounting policies and the notes to the financial statements.

Judgements

Areas of judgement, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements are:

– Determination of functional currency note 2(d):

The determination of functional currency requires management judgement, particularly where there may be several currencies in which transactions are undertaken and which impact the economic environment in which the entity operates.

– Contingencies (note 14):

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Estimates and assumptions

Significant areas of estimation uncertainty made by management in preparing the financial information statements include:

– Impairment of available-for-sale financial assets notes 2(g) and 7:

The Company classifies certain financial asset as available-for-sale and recognises movements in their fair value in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether it is an impairment that should be recognised in profit or loss. At 31 December 2014 impairment loss of US$0.9 million has been recognised relating to available-for-sale assets (2013: US$2.1 million).

– Impairment and subsequent reversal of impairment of investments in subsidiaries notes 2(e) and 6:

The Company assesses the investments in subsidiaries annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal (FVLCD) and the value in use. A value in use assessment requires the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value less costs of disposal is based on an estimate of the amount that the Group may obtain in a sale transaction in an orderly sale transaction between market participants. Where an impairment charge has previously been recognised, the Company assesses at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount of that investment, requiring similar estimates and assumptions as those for determining an impairment charge. At 31 December 2014, impairment losses of US$130,169 have been recognised relating to subsidiaries (2013: US$628.0 million).

(d) Foreign currency translation

The Company's financial statements are presented in US dollars, which is the functional currency of the Company. The functional currency for the Company is determined by the currency of the primary economic environment in which it operates.

Transactions denominated in currencies other than the functional currency of the Company are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date. All differences that arise are recorded in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated into US dollars using the exchange rate at the date when the fair valued is determined.

(e) Investments in subsidiaries

Subsidiaries are entities over which the Company controls operating and financial policies and is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are recognised at acquisition cost less any provision for impairment.

When the Company incurs increases in or return of share capital, to/from its subsidiaries, such movements are recognised as an addition or return of capital to the original cost recognised in investment in subsidiaries.

At each reporting date, an assessment is made to determine whether there are any indicators of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the investment in subsidiary is made, which is considered to be the higher of the fair value less costs of disposal and the value in use. Fair value less costs of disposal is based on an estimate of the amount that the Group may obtain in a sale transaction in an orderly sale transaction between market participants. When this information is not available the fair value is determined based on the net present value of the future cash flows related to its subsidiaries, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an investment exceeds the recoverable amount, a provision is recorded in the income statement to reflect the investment at the recoverable amount.

Where an impairment charge has previously been recognised, an assessment is made at the end of each reporting period whether there is any indication that the impairment loss may no longer exist or may have decreased. If any such indication exists, an estimate of the recoverable amount is made. An impairment loss is reversed to profit or loss to the extent that the increased carrying value of the investment in subsidiary does not exceed that that would have been determined had no impairment loss been recognised for the asset in prior years.

(f) Financial assets and liabilities

Financial assets are recognised when the Company becomes party to contracts that give rise to them and are classified as financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; or available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each balance sheet date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Company recognises financial liabilities on its balance sheet when, and only when, it becomes a party to the contractual provisions of the instrument. Financial liabilities are classified at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are initially recognised at the fair value of the consideration received, including any transaction costs incurred.

Financial assets are offset with liabilities and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified as held-for-trading and other assets or liabilities designated as fair value transactions through profit and loss at inception are included in this category. Financial assets or liabilities are classified as held-for-trading if they are acquired or incurred for the purpose of selling in the short term. Derivatives are also classified as held-for-trading unless they are designated as hedging instruments, as defined by IAS 39. Financial assets and liabilities at fair value through profit or loss are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale.

After initial measurement such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in income when the loans and receivables are de-recognised or impaired, as well as through the amortisation process.

Current trade receivables are carried at the original invoice amount less provision made for impairment of these receivables. Non-current receivables are stated at amortised cost.

Loans and borrowings

After initial recognition, net of directly attributable transaction costs, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the income statement. Gains and losses are recognised in profit or loss, in the income statement, when the liabilities are de-recognised as well as through the EIR amortisation process.

The Company shall adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows. The carrying amount is recalculated by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate or, when applicable, the revised effective interest rate. Any adjustment is recognised in profit or loss as income or expense.

This category generally applies to interest-bearing loans. For more information refer note 12.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as such or are not classified in any of the preceding categories and are not held-to-maturity investments.

Available-for-sale financial assets represent equity investments that have a quoted market price in an active market; therefore a fair value can be reliably measured. After initial measurement, available-for-sale financial assets are measured at fair value with mark-to-market unrealised gains or losses being recognised as other comprehensive income in the available-for-sale reserve until the financial asset is de-recognised.

Financial assets classified as available-for-sale are de-recognised when they are sold, and all the risks and rewards of ownership have been transferred. When financial assets are sold, the accumulated fair value adjustments recognised in equity are included in the income statement within other operating income or expense.

De-recognition of financial assets and liabilities

A financial asset or liability is generally de-recognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the income statement.

(g) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired receivables are derecognised when they are assessed as uncollectible.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. In assessing whether there is an impairment, the Company considers whether a decline in fair value is either significant or prolonged by considering the size of the decline in this value, the historic volatility in changes in fair value and the duration of the sustained decline. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the income statement.

(h) Cash and cash equivalents

For the purposes of the balance sheet, cash and cash equivalents comprise cash at bank, cash on hand and short-term deposits held with banks that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Short-term deposits earn interest at the respective short-term deposit rates between one day and four months.

For the purposes of the cash flow statement, cash and cash equivalents as defined above are shown net of outstanding bank overdrafts.

(i) Share capital

Ordinary shares issued by the Company are recorded at the net proceeds received, which is the fair value of the consideration received less costs that are incurred in connection with the share issue. The nominal par value of the shares issued is taken to the share capital account and any excess is recorded in the share premium account, including the costs that were incurred with the share issue.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received excluding discounts, rebates and other sales taxes.

Trademark royalties

Trademark royalty income is recognised only at the time when it is probable that the amounts related to certain rights will be received.

Interest income

Interest income is recognised as interest accrues (using the effective interest method; i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Dividend income is recognised when the Company's right to receive the payment is established.

(k) Income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(l) Derivative financial instruments and hedging

The Company enters into derivative contracts in order to manage certain market risks derived from changes in foreign exchange and commodity prices which impact the financial and business transactions of its subsidiaries. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In the Group's consolidated financial statements these derivative instruments are designated as cash flow hedges but for the purposes of the Company's stand-alone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

Any gains and losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the income statement.

Derivatives are valued using valuation approaches and methodologies (such as Black-Scholes and Net Present Value) applicable to the specific type of derivative instrument. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Embedded derivatives

Contracts are assessed for the existence of embedded derivatives at the date that the Company first becomes party to the contract, with re-assessment only if there is a change to the contract that significantly modifies the cash flows. Embedded derivatives which are not clearly and closely related to the underlying asset, liability or transaction are separated and accounted for as stand-alone derivatives.

(m) Fair value measurement

The Company measures financial instruments at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in notes 18 and 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

– in the principal market for the asset or liability; or
– in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. Further information on fair values is described in note 18.

(n) Dividend distribution

Dividends payable to the Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Profit or loss attributable to the parent Company

The profit for the Company is US$139.6 million for the year ended 31 December 2014 (2013: loss of US$(292.2) million). In accordance with the exemption granted under section 408 of the Companies Act 2006, a separate income statement for the Company has not been presented.

4. Segment reporting

Segmental information is not presented in the Company's stand-alone financial statements as this is presented in the Company's consolidated financial statements.

5. Income tax

(a) Income tax reported in other comprehensive income

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Deferred income tax effect related to items charged or credited directly to other comprehensive income:		
Net (charge)/credit arising on unrealised gains/(losses) on available-for-sale assets (note 7)	(7,145)	17,416
Income tax effect reported in other comprehensive income	**(7,145)**	**17,416**

(b) The movements in the deferred income tax liability are as follows:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening net liability	(2,245)	(13,127)
Income statement credit/(charge)	12,528	(6,534)
Net (charge)/credit arising on unrealised gains/(losses) on available-for-sale assets (note 7)	(7,145)	17,416
Closing net liability	**3,138**	**(2,245)**

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	
	2014 US$ thousands	2013 US$ thousands
Prepayments and other	697	(3,591)
Derivative financial instruments	5,258	(357)
Losses carried forward	(14,240)	–
Available-for-sale financial assets	5,147	1,703
Net deferred tax balances	**3,138**	**(2,245)**

(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$1,528 million (2013: US$1,271 million).

(d) Corporate Income Tax ('Impuesto Sobre la Renta' or 'ISR') and Business Flat Tax ('Impuesto Empresarial a Tasa Única' or 'IETU')

The Company is a Mexican resident for taxation purposes. In December 2013 a new Tax Reform was enacted, effective as from 1 January 2014. As a result of such Tax Reform, a new Income Tax Law (ISR) was enacted and the IETU Law was abolished.

Among others, the new ISR includes:

- certain payments to related parties, that do not comply with specific legal requirements would be considered as non-deductible; and
- a dividend withholding tax of 10% tax on distributions of dividends paid to Mexican individuals as well as foreign residents. Dividends between Mexican resident entities are not subject to tax at the shareholder level.

The corporate income tax rate for 2013 and future years, under the new ISR, remains at 30%. Previously enacted reductions of the tax rate over the next two years to 28% were repealed.

IETU was an alternative minimum corporate income tax, effective from 1 January 2008 through 31 December 2013. Companies were required to pay the greater of their mainstream corporate income tax liability for the year or their liability to IETU which was calculated at the rate of 17.5% and applied to the sale of goods, rendering of independent services and temporary use or enjoyment of goods. In calculating the charge to IETU, deductions were allowed for certain expenses incurred in generating income.

6. Investments in subsidiaries

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening balance	6,792,011	7,384,262
Impairment	(130,169)	(604,627)
Additions[1]	68,251	12,376
Closing balance[2]	**6,730,093**	**6,792,011**

[1] Of the US$68.3 million of additions, US$52.1 million relates to the carrying amount of loan to Proveedora de Equipos Fresne S.A. de C.V. which was capitalised as part of the Company's investment on 6 October 2014.

[2] The Bajío land dispute could have an impact to the Company's investment in Soledad-Dipolos, (note 14).

During 2014 and 2013, due to the gold and silver prices decreased, the Company made an impairment assessment to determine whether the carrying value of each of its subsidiaries was impaired as at 31 December 2014 and 2013. As a result an impairment loss of US$130.2 million was recognised with respect to certain of the Company's investment in subsidiaries (2013: US$604.6 million). The recoverable amount was estimated based on the FVLCD (2013: Minera Mexicana la Ciénega, S.A. de C.V. based on value in use; Exploraciones Mineras Parreña, S.A. de C.V. based on FVLCD).

The following table provides relevant information in respect of each impaired subsidiary:

	Year ended 31 December 2014			
	Impairment US$ thousands	**Recoverable amount US$ thousands**		**Discount rate**
Minera Mexicana la Ciénega, S.A. de C.V.	9,277	414,252	Post-tax	4.04%
Minera Saucito, S.A. de C.V.	37,406	1,182,239	Post-tax	4.16%
Exploraciones Mineras Parreña, S.A. de C.V.	83,372	138,936	Post-tax	4.63%

	Year ended 31 December 2013			
	Impairment US$ thousands	Recoverable amount US$ thousands		Discount rate
Minera Mexicana la Ciénega, S.A. de C.V.	461,500	423,633	Pre-tax	4.74%
Exploraciones Mineras Parreña, S.A. de C.V.	143,127	222,324	Post-tax	4.94%

In determining FVLCD it is necessary to make a series of assumptions to estimate future cash flows including volumes, price assumptions and cost estimates. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. Management considers that the model supporting the determination of FVLCD is most sensitive to commodity price assumptions. The price assumptions used to determine FVLCD are based on analysts' consensus of long-term prices. As at 31 December 2014, the Company used price assumptions of US$1,250 per ounce and US$18 per ounce for gold and silver, respectively.

Exploraciones Minera Parreña, S.A. de C.V. (Parreña) provides exploration services to the mining entities and management determined FVLCD based on the future cash flow derived from such services, which are derived from estimated costs. Accordingly, the fair value is categorised as Level 3 in the fair value hierarchy. Management considers that the model supporting the determination of FVLCD is most sensitive to the estimate of exploration expenses.

Sensitivity analysis

Management has performed a sensitivity analysis for those subsidiaries where an impairment was determined.

The following table sets out the additional impairment to those recognised in 2014 considering change in commodity prices assumptions:

	Decrease in commodity prices			
	Gold	Silver	Saucito US$ thousands	Ciénega US$ thousands
Low sensitivity	5%	10%	161.7	100.3
High sensitivity	10%	20%	285.9	191.9

The following table sets out the additional impairment to those recognised in 2014 considering change in exploration expenses:

	Decrease in exploration expenses	Parreña US$ thousands
Low sensitivity	5%	2.4
High sensitivity	10%	4.9

The subsidiaries in which investments are held as at 31 December 2014 and 2013 are as follows:

Legal company	Principal activity	Country of incorporation	Equity interest % Year ended 31 December 2014	2013
Minera Fresnillo, S.A. de C.V.	Production of lead/silver and zinc concentrates	Mexico	**100**	100
Minera Penmont, S. de R.L. de C.V.[2]	Production of doré bars (gold/silver)	Mexico	**56**	56
Minera Mexicana La Ciénega, S.A. de C.V.	Production of lead and zinc concentrates and silver precipitates	Mexico	**100**	100
Minera Saucito, S.A. de C.V.	Production of lead and zinc concentrates	Mexico	**100**	100
Desarrollos Mineros Canelas, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Desarrollos Mineros Fresne, S. de R.L. de C.V.[1,2]	Extraction and sale of mineral ore	Mexico	**56**	–
Desarrollos Mineros el Aguila, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Metalúrgica Reyna, S.A. de C.V.[1]	Extraction and sale of mineral ore	Mexico	**100**	–
Equipos Mineros Nazas, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Proveedora de Equipos Fresne, S. de R.L. de C.V.[1,2]	Leasing of mining equipment	Mexico	**56**	–
Equipos Mineros la Hacienda, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Proveedora de Equipos Jerez, S.A. de C.V.[1]	Leasing of mining equipment	Mexico	**100**	–
Minera Juanicipio, S.A. de C.V.	Mining project	Mexico	**56**	56
Comercializadora de Metales Fresnillo, S.A. de C.V.	Holds rights over silver production from Peñoles' polymetallic Sabinas mine through the Silverstream contract	Mexico	**100**	100
Exploraciones Mineras Parreña, S.A. de C.V.	Exploration services	Mexico	**100**	100
Exploraciones y Desarrollos Mineros Coneto, S.A. P. I. de C.V.	Exploration services	Mexico	**55**	55
Exploraciones Coneto, S.A. de C.V.	Exploration services	Mexico	**100**	100
Minera El Bermejal, S. de R.L. de C.V.	Mining equipment leasing	Mexico	**100**	56
Compañía Minera Las Torres, S.A. de C.V.	Mine project	Mexico	**100**	100
Servicios Administrativos Fresnillo, S. A. de C.V.	Administrative services	Mexico	**100**	100
Operaciones Fresnillo, S.A. de C.V.	Administrative services	Mexico	**100**	–
Servicios de Exploración Fresnillo, S.A. de C.V.	Administrative services	Mexico	**100**	–
Fresnillo Management Services, Ltd	Administrative services	UK	**100**	100
Fresbal Investments, Ltd	Holding company for mining investments	Canada	**100**	100
Fresnillo Perú, S.A.C.	Exploration services	Peru	**100**	100

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 Entities incorporated through the spin-off process mentioned in note 1.
2 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.

7. Available-for-sale financial assets

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Beginning balance	63,245	127,442
Fair value change	22,833	(64,197)
Ending balance	**86,078**	**63,245**

At 31 December 2014, the published quoted price of Endeavor Mining's share decreased below the cost paid by the Group. This decrease has been consistent during the past 12-month period, which is considered to be prolonged; therefore, an impairment of US$0.1 million was recognised as other expenses in the income statement. At December 2013 the published quoted price of Orex Minerals' share decreased below the cost paid by the Company therefore an impairment of US$2.1 million was recognised as other expenses in the income statement. At 31 December 2014, based on the published quoted price, a reversal of impairment of US$0.2 thousands was recognised in other comprehensive income of the year.

The fair value of the available-for-sale financial assets is determined by reference to published price quotations in an active market.

8. Trade and other receivables

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Other receivables from related parties (note 15)	12,362	737
Prepayments	145	211
Other taxes and contributions	–	5,148
Other	–	26
	12,507	**6,122**

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.

9. Cash and cash equivalents

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Cash at bank and on hand	28	1
Short-term deposits	115,995	735,716
Cash and cash equivalents	**116,023**	**735,717**

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 (2013: one day and three months), depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Short-term deposits can be withdrawn at short notice without any penalty or loss in value.

10. Equity

Share capital and share premium

	As at 31 December			
	2014		2013	
Class of share	Number	Amount	Number	Amount
Ordinary shares each of US$0.50	1,000,000,000	$500,000,000	1,000,000,000	$500,000,000
Sterling Deferred Ordinary Shares each of £1.00	50,000	£50,000	50,000	£50,000

Issued share capital of the Company is as follows:

	Ordinary Shares		Sterling Deferred Ordinary Shares	
	Number	US$	Number	£
At 1 January 2013	717,160,159	358,580,080	50,000	50,000
Issued on 3 May 2013	19,733,430	9,866,715	–	–
At 31 December 2013	736,893,589	368,446,795	50,000	50,000
At 31 December 2014	736,893,589	368,446,795	50,000	50,000

Pursuant to the placing of shares announced on 29 April 2013, the Group issued on 3 May 2013, 19,733,430 new Ordinary Shares at £11.30 (US$17.60) per share for gross proceeds of £222.9 million (US$346.4 million). Share issue cost paid amounted to US$0.3 million. The placing of shares ensured that Fresnillo plc is compliant with changes to the Ground Rules of the FTSE UK Index Series that require constituents to maintain a minimum free float of 25%. The proceeds of the placing were used for general corporate purposes and the Company's working capital needs.

As a result, the Company's issued Ordinary Share capital consisted already in 2013 of 736,893,589 (2013: 736,893,589) Ordinary Shares of US$0.50 each with voting rights. The Company does not hold any Ordinary Shares in treasury. Therefore, the total number of voting rights in the Company is 736,893,589.

As at 31 December 2014, all issued shares with a par value of $0.50 each are fully paid. The rights and obligations attaching to these shares are governed by law and the Company's Articles of Association. Ordinary Shareholders are entitled to receive notice and to attend and speak at any general meeting of the Company. There are no restrictions on the transfer of the Ordinary Shares.

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 Share holders. 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. During 2013, share premium increased by US$335.4 million as a result of the issue of new Ordinary Shares on 3 May 2013. During 2014 there have been no changes.

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 2014 and 2013 represent the impairment of the carrying value of Fresnillo's investments in subsidiaries transferred from retained earnings.

Unrealised gains/(losses) on available-for-sale financial assets

This reserve records fair value changes on available-for-sale investments, net of tax. On disposal or on impairment, the cumulative changes in fair value are recycled to the income statement.

Retained earnings

This reserve records the accumulated results of the Company, less any distributions and dividends paid.

11. Dividends declared and paid

The dividends declared and paid during the years ended 31 December 2014 and 2013 are as follows:

	US cents per Ordinary Share	Amount US$ thousands
Year ended 31 December 2014		
Final dividend for 2013 declared and paid during the year[1]	6.8	50,109
Interim dividend for 2014 declared and paid during the year[2]	5.0	36,845
	11.8	**86,954**
Year ended 31 December 2013		
Final dividend for 2012 declared and paid during the year[3]	42.4	304,076
Interim dividend for 2013 declared and paid during the year[4]	4.9	36,108
Interim dividend for 2013 declared and paid during the year[5]	22.4	164,990
	69.7	**505,174**

1 This dividend was approved by the Board of Directors on 16 May 2014 and paid on 22 May 2014.
2 This dividend was approved by the Board of Directors on 4 August 2014 and paid on 11 September 2014.
3 This dividend was approved by the Board of Directors on 3 May 2013 and paid on 8 May 2013.
4 This dividend was approved by the Board of Directors on 5 August 2013 and paid on 10 September 2013.
5 This dividend was approved by the Board of Directors on 5 October 2013 and paid on 1 November 2013.

12. Interest-bearing loans

Senior Notes

On 13 November 2013, the Group completed its offering of US$800 million aggregate principal amount of 5.500% Senior Notes due 2023 (the 'Notes').

An analysis of the debt recognised in the balance sheet is calculated as follows:

	As at 31 December	
	2014 US$ thousands	2013 US$ thousands
Opening balance	795,306	789,032
Accrued interest	46,267	6,135
Interest paid[1]	46,267	–
Amortisation of discount and transaction costs	854	139
Closing balance	**796,160**	**795,306**

1 Accrued interest is payable semi-annually on 13 May and 13 November.

Fair value of senior notes are categorised in Level 1 of the fair value hierarchy, note 18(b).

13. Trade and other payables

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Other payables to related parties (note 15)	4,107	27,528
Other taxes and contributions	3,901	–
Accrued expenses	858	521
	8,866	**28,049**

The fair value of trade and other payables approximates their book values. The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

14. Contingencies

As of 31 December 2014 the Company has the following contingencies:

- The Company is subject to various laws and regulations which, if not observed, could give rise to penalties.
- Tax periods remain open to review by the Mexican tax authorities in respect of income taxes for five years following the date of the filing of the corporate income tax return, during which time the authorities have the right to raise additional tax assessments including penalties and interest. Under certain circumstances the reviews may cover longer periods.

  In addition, because a number of tax periods remain open to review by the tax authorities, there is a risk that transactions, and in particular related party transactions that have not been challenged in the past by the authorities, may be challenged by them in the future, and this may result in the raising of additional tax assessments plus penalties and interest. It is not practical to determine the amount of any such potential claims or the likelihood of any unfavourable outcome. However, management believes that its interpretation of the relevant legislation is appropriate and that the Company has complied with all regulations and paid or accrued all taxes and withholdings that are applicable.
- On 8 May 2008, the Company and Peñoles entered into the Separation Agreement (the 'Separation Agreement'). This agreement relates to the separation of the Fresnillo Group ('the Group') and the Peñoles Group and governs certain aspects of the relationship between the Fresnillo Group and the Peñoles Group following the initial public offering in May 2008 ('Admission'). The Separation Agreement provides for cross-indemnities between the Company and Peñoles so that, in the case of Peñoles, it is held harmless against losses, claims and liabilities (including tax liabilities) properly attributable to the precious metals business of the Group and, in the case of the Company, it is held harmless by Peñoles against losses, claims and liabilities which are not properly attributable to the precious metals business. Save for any liability arising in connection with tax, the aggregate liability of either party under the indemnities shall not exceed US$250 million in aggregate.
- Peñoles has agreed to indemnify the Fresnillo Group in relation to (i) any tax charge, subject to certain exceptions, the Company may incur as a result of the Pre-IPO Reorganisation (including as a result of a transaction following Admission of a member of the Fresnillo Group, provided that Peñoles has confirmed that the proposed transaction will not give rise to a tax charge, or as a result of a transaction of a member of the Peñoles Group on or after Admission), the Global Offer or Admission and (ii) certain tax aspects of certain other pre-Admission transactions. Peñoles' liability under these indemnities and in respect of general tax liabilities arising pre-Admission which are not properly attributable to the precious metals business of the Fresnillo Group shall not exceed US$500 million. If a member of the Fresnillo Group forming part of Peñoles' tax consolidation pays an intra-group dividend in excess of its net income tax account ('Cuenta de Utilidad Fiscal Neta' or 'CUFIN') 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 to the Unitarian Agrarian Court (*Tribunal Unitario Agrario*) of Hermosillo Sonora, to have Penmont vacate an area of this surface land. The land in dispute encompassed a portion of surface area where part of the operations of Soledad-Dipolos is located. The litigation resulted in a definitive court order, pursuant to which Penmont was ordered to vacate 1,824 hectares of land. The disputed land was returned in July 2013, resulting in the suspension of operations at Soledad-Dipolos.

  The Magistrate noted that remediation activities are necessary to comply with relevant regulatory requirements and requested the guidance of the Federal Environmental Agency (SEMARNAT) in this respect. The Agrarian Magistrate further issued a procedural order in execution of his ruling determining, amongst other aspects, that Penmont must remediate the lands to the same state that they were before Penmont's occupation.

  In the opinion of the Company, the procedural order is excessive since such level of remediation was not considered as part of the original agrarian ruling and also because the procedural order appears not to consider the fact that Penmont conducted its activities pursuant to valid mining concessions and environmental impact permits. Penmont has challenged the procedural order before Federal courts and is awaiting resolution of this filing. Penmont conducted mining activities on approximately 300 hectares of such lands and the remediation activities in this respect are still pending.

  In connection with the foregoing matters, members of the El Bajío agrarian community presented additional claims, including a separate legal suit before the Unitarian Agrarian Court, claiming US$65 million for damages, alleging that the Group improperly used the land affected by the court ruling, as well as requesting the cancellation of Penmont's mining concessions and environmental permits within the El Bajío lands. Such concessions and permits are held by way of separate title to that relating to the surface land. The claimants have not yet presented substantial evidence to support their claim and the Group believes that these claims are without merit. Any initial ruling in this case would be subject to the appeals process in Mexico before judicial authorities other than the Unitarian Agrarian Court of Hermosillo, Sonora. Given the lack of evidence in support of the damages claim, the Company believes that an adverse and definitive ruling is not probable.

  In addition, claimants have also 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.

  Various claims and counterclaims have been made between the relevant parties in this matter including appeals that are pending as well as criminal complaints. There is significant uncertainty relating to the finalisation and ultimate result relating to these legal proceedings.

15. Related party balances and transactions

Related parties are those entities owned or controlled by the ultimate controlling party and include the Company's subsidiaries disclosed in note 6, as well as those entities who have a minority participation in Fresnillo Group companies. Related party balances will be settled in cash.

(a) Related party accounts receivable and payable

	Accounts receivable US$ thousands		Accounts payable US$ thousands	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
Loans with related parties	**772,102**	364,118	**–**	323,409
Administrative services	**7,812**	73	**334**	669
Trademark royalty	**4,070**	664	**3,773**	26,859
Other	**480**	–	**–**	–
Sub-total	**784,464**	364,855	**4,107**	350,937
Less-current portion	**784,464**	364,855	**4,107**	350,937
Non-current portion	**–**	–	**–**	–

Effective interest rates on loans granted to related parties in US dollar range between 2.18% to 2.23% (2013: 2.24% to 3.77%); in Mexican peso range 5.46% to 5.80% (2013: 3.77%). Effective interest rate on loans received from related parties in US dollar range between 2.25 % to 2.58% (2013: nil); in Mexican peso 6.28% (2013: nil).

(b) Principal transactions with affiliates (apart from dividends, additional investments and returns of capital) are as follows:

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Income:		
Trademark royalties	40,493	60,714
Interest on loans to related parties	12,496	4,207
Other	340	129
Total income	**53,329**	**65,050**

	Year ended 31 December	
	2014 US$ thousands	2013 US$ thousands
Expenses:		
Administrative services	2,681	24,200
Interest on loans from related parties	14,271	20,597
Other	1,083	362
Total expenses	**18,035**	**45,160**

(c) Compensation of key management personnel of the Company

Key management personnel comprise Non-executive Directors. In 2014, their compensation was US$0.8 million (2013: US$0.8 million). This compensation paid is disclosed in the Directors' Remuneration Report.

16. Auditor's remuneration

The auditor's remuneration for the Company was US$1.0 million (2013: US$1.0 million) in respect of the audit of its financial statements together with a proportion of the fees in relation to Fresnillo Group audit.

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the stand-alone financial statements because Group financial statements are prepared which include these fees on a consolidated basis.

17. Notes to the statement of cash flows

		Year ended 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Reconciliation of profit for the year to net cash generated from operating activities			
Profit/(loss) for the year		139,536	(292,176)
Adjustments to reconcile profit for the period to net cash inflows from operating activities:			
Impairment charge		130,169	604,627
Income tax expense		(6,163)	8,507
Other income		(290,334)	(308,315)
Impairment of available-for-sale financial assets		982	2,053
Net finance loss		59,314	21,644
Foreign exchange loss		163	986
Working capital adjustments			
Decrease in trade and other receivables		(5,973)	(5,023)
Increase/(decrease) in prepayments and other assets		69	(299)
(Increase)/decrease in trade and other payables		(19,399)	17,548
Cash generated from operations		**8,364**	**49,552**
Income tax paid		15,677	(46,186)
Net cash from operating activities		**24,041**	**3,366**

18. Financial instruments

(a) Fair value category

As at 31 December 2014
US$ thousands

Financial assets:	**At fair value through profit or loss**	**At fair value through OCI (cash flow hedge)**	**Available-for-sale investments at fair value through OCI**	**Loans and receivables**
Trade and other receivables	**–**	**–**	**–**	**12,362**
Loans to related parties	**–**	**–**	**–**	**772,102**
Available-for-sale financial assets	**–**	**–**	**86,078**	**–**
Derivative financial instruments	**14,551**	**–**	**–**	**–**

Financial liabilities:	**At fair value through profit or loss**	**At fair value through OCI (cash flow hedge)**	**Available-for-sale investments at fair value through OCI**	**At amortised cost**
Interest-bearing loans	**–**	**–**	**–**	**796,160**
Trade and other payables	**–**	**–**	**–**	**4,107**
Derivative financial instruments	**27,033**	**–**	**–**	**–**

As at 31 December 2013
US$ thousands

Financial assets:	At fair value through profit or loss	At fair value through OCI (cash flow hedge)	Available-for-sale investments at fair value through OCI	Loans and receivables
Trade and other receivables	–	–	–	737
Loans to related parties	–	–	–	364,118
Available-for-sale financial assets	–	–	63,245	–
Derivative financial instruments	2,039	–	–	–

Financial liabilities:	At fair value through profit or loss	At fair value through OCI (cash flow hedge)	Available-for-sale investments at fair value through OCI	At amortised cost
Interest-bearing loans	–	–	–	795,306
Loans from related parties	–	–	–	323,409
Trade and other payables	–	–	–	27,528
Derivative financial instruments	848	–	–	–

(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:

	Carrying amount 2014 US$ thousands	Carrying amount 2013 US$ thousands	Fair value 2014 US$ thousands	Fair value 2013 US$ thousands
				As at 31 December
Financial assets:				
Derivative financial instruments	14,551	2,039	14,551	2,039
Loans to related parties	772,102	364,118	772,102[2]	364,118[2]
Available-for-sale financial assets	86,078	63,245	86,078	63,245
Financial liabilities:				
Interest-bearing loans	796,160	795,306	795,128[1]	780,920[1]
Loans from related parties	–	323,409	–	323,409[2]
Derivative financial instruments	27,033	848	27,033	848

[1] Interest-bearing loans are categorised in Level 1 of the fair value hierarchy.
[2] Loans with related party are categorised in Level 3 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 at 31 December 2014 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	–	14,229	–	14,229
Option and forward foreign exchange contracts	–	322	–	322
Financial investments available-for-sale:				
Quoted investments	86,078	–	–	86,078
	86,078	**14,551**	**–**	**100,629**
Financial liabilities:				
Derivative financial instruments:				
Option commodity contracts	–	8,704	–	8,704
Option and forward foreign exchange contracts	–	18,329	–	18,329
	–	**27,033**	**–**	**27,033**

				As at 31 December 2013 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 and forward foreign exchange contracts	–	2,039	–	2,039
Financial investments available-for-sale:				
Quoted investments	63,245	–	–	63,245
	63,245	**2,039**	**–**	**65,284**
Financial liabilities:				
Derivative financial instruments:				
Option and forward foreign exchange contracts	–	848	–	848
	–	**848**	**–**	**848**

There have been no significant transfers between Level 1 and Level 2 of the fair value hierarchy, and no transfers into and out of Level 3 fair value measurements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following valuation techniques were used to estimate the fair values:

Options and forwards to hedge foreign exchange contracts

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. The foreign currency forward (Level 2) contracts are measured based on observable spot exchange rates, the yield curves of the respective currencies as well as the currency basis spreads between the respective currencies. The foreign currency option contracts are valued using the Black-Scholes model, the significant inputs to which include observable spot exchange rates, interest rates and the volatility of the currency.

Option commodity contracts

The 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.

Quoted investments

Fair value of available-for-sale financial assets is derived from quoted market prices in active markets.

Interest-bearing loans

Fair value of the Company's interest-bearing loan is derived from quoted market prices in active markets.

Loans with related parties

Fair value of the Company's loan to related 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 these derivatives are designated as cash flow hedges but for the purposes of the Company's stand-alone financial statements the related hedged items are not held by the Company, so do not qualify as cash flow hedges.

The outstanding forward derivative contracts as at 31 December 2014 are as follows:

Foreign exchange hedging

	As at 31 December 2014				
	Term	Currency	Contract value (thousands)	Contract exchange rate	2014 Fair value (US$ thousands)
Euro-denominated forward contracts	2015	EUR	869	EUR1:US$1.25 to EUR1:US$1.35	(121)
Swedish krona-denominated contracts	2015	USD	41,597	SKD$7.19:US$1 to SKD$7.62:US$1	(359)

The Company's euro-denominated forward derivative instruments mature on 13 March 2015 at a weighted average rate of US$1.35: €1. The Company also entered into a number of SEK-US dollar forward contracts to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. These derivative instruments mature over a period from 13 March 2015 to 12 June 2015 with a weighted average rate of SKD$7.27:US$1.

The Company also entered into Mexican peso-US dollar collars to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 12 January 2015 to 14 December 2015. The collar instruments hedge costs denominated in Mexican peso amounting to US$259.5 million with a range of floor prices from MX$13.09 to MX$14.00:US$1 and weighted average rate of US$13.45 and a range of capped prices from MX$13.50 to MX$18.13:US$1 and weighted average rate of US$14.19. The fair value of the put options at 31 December 2014 was an asset of US$1.2 million, and the fair value of the call options at 31 December 2014 was a liability of US$18.7 million.

Forward derivative contracts that were outstanding as at 31 December 2013 were as follows:

	As at 31 December 2013				
	Term	Currency	Contract value (thousands)	Contract exchange rate	2013 Fair value (US$ thousands)
Euro-denominated forward contracts	2014	EUR	3,248	EUR1:US$1.31 to EUR1:US$1.38	216
US dollar-denominated forward contracts	2014	USD	8,000	MX$12.58:US$1 to MX$12.61:US$1	(317)

The Company's euro-denominated forward derivative instruments mature over a period from 12 March to 10 September 2014 at a weighted average rate of US$1.31: €1. The Company also entered into a number of US dollar-denominated forward contracts to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. These derivative instruments mature on 13 January 2014 with a weighted average rate of MX$12.60: US$1.

The Company also entered into Mexican peso-US dollar collars to hedge its subsidiaries' exposure to fluctuations in foreign exchange rates. Collar derivative instruments mature over the period from 13 January 2014 to 15 December 2014. The collar instruments hedge costs denominated in Mexican peso amounting to US$220.5 million with a range of floor prices from MX$12.40 to MX$13.59:US$1 and weighted average rate of US$12.97 and a range of capped prices from MX$13.21 to MX$14.50:US$1 and weighted average rate of US$13.81. The fair value of the put options at 31 December 2013 was an asset of US$5.0 million, and the fair value of the call options at 31 December 2013 was a liability of US$3.7 million.

Commodity price hedging

The Company entered in a one-off hedging programme to protect the value of the investment made by the Group in the Penmont acquisition as described in the note 4(b) of the consolidated financial statements, using a collar structure to allow partial exposure to gold prices limited up to the attributable reserves acquired from Newmont. The measures implemented on production at the acquired Penmont assets do not constitute a change in the Group's hedging policy on commodity risk. During 2014 the Company entered into gold ounce-US dollar collars to hedge its subsidiaries' exposure to fluctuations in commodity price as described in the preceding paragraph for a total amount of 1,559,689 ounces. As at 31 December 2014 the outstanding collar derivative instruments mature over the period from 30 January 2015 to 30 December 2019 and hedge cash proceeds for the sales of gold production amounting 1,524,276 ounces with a floor price of US$1,100:1 ounce and a range of capped prices from US$1,375 to US$1,495:1 ounce and weighted average price of US$1,427:1 ounce. The fair value of the put options as at 31 December 2014 was an asset of US$111.8 million, and the fair value of the call options at 31 December 2014 was a liability of US$107.4 million.

The Company also entered into lead tonnes-US dollar and zinc tonnes-US dollar collars to hedge its subsidiaries' exposure to fluctuations in commodity price. Lead collar derivative instruments mature over the period from 30 January 2015 to 31 July 2015 and hedge lead production amounting 2,261 tonnes with a floor price of US$2,100:1 tonne and a range of capped prices from US$2,450 to US$2,550:1 tonne and weighted average price of US$2,496:1 tonne. The fair value of the put options at 31 December 2014 was an asset of US$0.5 million, and the fair value of the call options at 31 December 2014 was a liability of US$0.02 million. Zinc collar derivate instruments mature over the period 30 January 2015 to 28 August 2015 and hedge zinc production amounting 8,911 tonnes with a range of floor prices of US$1,900 to US$2,200:1 tonne and weighted average price of US$2,100:1 tonne and a range of capped prices from US$2,400 to US$2,650:1 tonne and weighted average price of US$2,534:1 tonne. The fair value of the put options at 31 December 2014 was an asset of US$0.6 million, and the fair value of the call options at 31 December 2014 was a liability of US$0.1 million.

19. Financial Risk Management

Overview

The Company's principal financial assets and liabilities, other than derivatives, are comprised of trade receivables, cash, available-for-sale assets, loans to and from related parties, interest-bearing loans and trade payables.

The Company enters into certain derivative transactions with the purpose of managing foreign exchange risk arising on the activity and transactions of its subsidiaries.

The Company has exposure to the following risks from its use of financial instruments:

- Market risk, including foreign currency, interest rate and equity price risks
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for assessing and managing risk. Further quantitative disclosures are included throughout the financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company 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, 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
2014	**15%**	**(29,787)**
	(5%)	**11,107**
2013	5%	7,090
	(10%)	(15,774)

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
2014	**15%**	**(515)**
	(10%)	**572**
2013	10%	(665)
	(10%)	443

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
2014	**5%**	**52**
	(10%)	**105**
2013	5%	224
	(5%)	(224)

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, mainly gold production, see note 18(c).

The table below reflects the aggregate sensitivity relating to changes in the fair value of commodity hedging 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.

Year ended 31 December	Increase/ (decrease) in gold price	Effect on profit before tax: increase/(decrease) US$ thousands
2014	**10%**	**(109,994)**
	(10%)	**66,523**

Interest rate risk

The Company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments. The Company's earnings are sensitive to changes in interest rates on any floating element of the loans with related parties and interest earned on cash balances. Interest-bearing loans are at a fixed rate, therefore the possibility of a change in interest rate only impacts its fair value, therefore, are excluded from the table below.

The following table demonstrates the sensitivity of all financial assets and financial liabilities to a reasonably possible change in interest rate applied to a full year from the balance sheet date. There is no impact on the Company's equity other than the equivalent change in retained earnings.

Year ended 31 December	Basis point increase/(decrease) in interest rate	Effect on profit before tax: increase/(decrease) US$ thousands
2014	**25**	**290**
	(10)	**(116)**
2013	10	736
	(10)	(736)

Equity price risk

The Company has exposure to changes in the price of equity instruments that it holds as available-for-sale assets.

The following table demonstrates the sensitivity of available-for-sale assets to a reasonably possible change in market price of these equity instruments, reflecting the effect on the Company's profit before tax and equity:

Year ended 31 December	Increase/(decrease) in equity price	Effect on profit before tax: increase/(decrease)	Effect on equity: increase/(decrease) US$ thousands
2014	**60%**	**–**	**51,157**
	(40%)	**(16,983)**	**(17,632)**
2013	70%	–	45,368
	(40%)	(69,773)	(962)

(b) Credit risk

Exposure to credit risk arises as a result of transactions in the Company's ordinary course of business and is applicable to all financial assets and derivative financial instruments. The financial assets are trade and other receivables, intercompany loans, cash and cash equivalents and available-for-sale financial assets.

The Company's policies are aimed at minimising losses as a result of counterparties' failure to honour their obligations. Individual exposures are monitored with customers subject to credit limits to ensure that the Company's exposure to bad debts is not significant. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. The Company's financial assets are with counterparties with what the Company considers to have an appropriate credit rating. As disclosed in note 15, the counterparties to a significant proportion of these financial assets are related parties. At each balance sheet date, the Company's financial assets were neither impaired nor past due. The Company's policies are aimed at minimising losses from the foreign currency and commodity hedging contracts. The Company's foreign currency and commodity derivative contracts are entered into with large financial institutions with strong credit ratings.

The Company's surplus funds are managed by Servicios Administrativos Fresnillo, S.A. de C.V., which manages cash and cash equivalents investing in a number of financial institutions. In order to minimise exposure to credit risk, the Company only deposits cash and cash equivalents with financial institutions with a credit rating of M-1 (Moody´s) and mxA-1+ (Standard and Poor's) and above, and only for periods of less than four months.

The maximum credit exposure at the reporting date of each category of financial asset above is the carrying value as detailed in the relevant notes. See note 7 for the maximum credit exposure for available-for-sale investments, note 9 for cash and cash equivalents and note 15 for related party balances.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its risk of a shortage of funds using projected cash flows and by monitoring the maturity of both its financial assets and liabilities.

The table below summarises the maturity profile of the Company financial liabilities based on contractual undiscounted payments.

					US$ thousands
	Within 1 year	**2-3 years**	**3-5 years**	**> 5 years**	**Total**
As at 31 December 2014					
Interest-bearing loans	**46,267**	**92,534**	**92,534**	**985,068**	**1,216,404**
Derivatives financial instruments – liabilities	**261,051**	**–**	**–**	**–**	**261,051**
Trade and other payables	**4,107**	**–**	**–**	**–**	**4,107**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2013					
Interest-bearing loans	46,270	92,530	92,530	1,031,340	1,262,670
Loans from related parties	323,409	–	–	–	323,409
Derivatives financial instruments – liabilities	22,290	–	–	–	22,290
Trade and other payables	27,528	–	–	–	27,528

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 2014					
Inflows	239,238	–	–	–	239,238
Outflows	261,051	–	–	–	261,051
Net	**(21,813)**	**–**	**–**	**–**	**(21,813)**

					US$ thousands
	Within 1 year	2-3 years	3-5 years	> 5 years	Total
As at 31 December 2013					
Inflows	21,995	–	–	–	21,995
Outflows	(22,290)	–	–	–	(22,290)
Net	**(295)**	**–**	**–**	**–**	**(295)**

The above liquidity tables include expected inflows and outflows from derivative financial instruments which the Company expects are going to be exercised from 2015 to 2019 as at 31 December 2014, and in 2014 to 2015 as at 31 December 2013, 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 available-for-sale financial assets. In order to ensure an appropriate return for shareholders' capital invested in the Company, management thoroughly evaluates all material projects and potential acquisitions and approves them at its Executive Committee before submission to the Board for ultimate approval, where applicable. The Company's dividend policy is based on the profitability of the business and underlying growth in earnings of the Group, as well as its capital requirements and cash flows.

Reserves and Resources Tables
Fresnillo plc Consolidated Audited Mineral Resource Statement
As at 31 December 2014

		Quantity	Grade				Contained Metal			
Resource Category*	Cut-off Grade**	Tonnes Mt	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (Moz)	Silver (Moz)	Lead (kt)	Zinc (kt)
Fresnillo Underground										
Measured	103 g/t Ag Eq	9.75	0.79	645	0.91	1.51	0.25	202.28	88.47	147.39
Indicated		25.15	0.76	283	1.80	3.70	0.61	229.15	452.39	930.59
Measured & Indicated		34.89	0.76	385	1.55	3.09	0.86	431.43	540.86	1,077.98
Inferred		31.31	0.70	319	1.25	2.47	0.71	321.55	389.96	772.97
Saucito Underground										
Measured	136 g/t Ag Eq	1.62	2.60	477	0.88	1.58	0.14	24.82	14.25	25.54
Indicated		9.97	1.80	379	1.89	3.47	0.58	121.55	188.08	346.00
Measured & Indicated		11.59	1.91	393	1.75	3.21	0.71	146.37	202.33	371.54
Inferred		27.91	1.04	335	1.05	1.89	0.93	300.81	293.39	527.33
Ciénega Underground										
Measured	Multiple[1]	6.15	2.43	123	0.74	1.19	0.48	24.25	45.72	72.96
Indicated		15.29	1.59	158	0.56	0.90	0.78	77.73	85.67	138.21
Measured & Indicated		21.43	1.83	148	0.61	0.99	1.26	101.99	131.39	211.16
Inferred		8.52	1.16	148	0.45	0.85	0.32	40.42	38.35	72.53
San Julián Veins										
Measured		1.47	2.25	185	–	–	0.11	8.76	–	–
Indicated	122 g/t Ag Eq	8.40	1.93	146	–	–	0.52	39.29	–	–
Measured & Indicated		9.87	1.98	151	–	–	0.63	48.05	–	–
Inferred		3.47	1.62	141	–	–	0.18	15.73	–	–
San Julián Disseminated										
Measured		8.37	0.09	272	0.68	1.64	0.03	73.19	57.01	137.25
Indicated	102 g/t Ag Eq	12.02	0.06	139	0.48	1.33	0.02	53.89	57.95	159.60
Measured & Indicated		20.38	0.08	194	0.56	1.46	0.05	127.08	114.96	296.85
Inferred		0.04	0.05	46	0.09	2.10	0.00	0.06	0.03	0.82
Herradura Veins										
Measured	1.70 g/t Au Eq	–	–	–	–	–	–	–	–	–
Indicated		13.00	3.57	–	–	–	1.49	–	–	–
Measured & Indicated		13.00	3.57	–	–	–	1.49	–	–	–
Inferred		27.00	3.25	–	–	–	2.82	–	–	–

Continued overleaf...

Fresnillo plc Consolidated Audited Mineral Resource Statement
continued

		Quantity	Grade				Contained Metal			
Resource Category*	Cut-off Grade**	Tonnes Mt	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (Moz)	Silver (Moz)	Lead (kt)	Zinc (kt)
Open Pit[2]										
Herradura (Disseminated)[3]										
Measured	Multiple[4]	123.73	0.82	–	–	–	3.28	–	–	–
Indicated		117.09	0.77	–	–	–	2.91	–	–	–
Measured & Indicated[5]		240.82	0.80	–	–	–	6.19	–	–	–
Inferred		24.86	0.75	–	–	–	0.60	–	–	–
Soledad-Dipolos[6]										
Measured	0.30 g/t Au	29.65	0.64	–	–	–	0.61	–	–	–
Indicated		13.92	0.58	–	–	–	0.26	–	–	–
Measured & Indicated[7]		43.57	0.62	–	–	–	0.87	–	–	–
Inferred		0.02	0.45	–	–	–	0.00	–	–	–
Noche Buena										
Measured	0.30 g/t Au	33.02	0.55	–	–	–	0.59	–	–	–
Indicated		36.79	0.53	–	–	–	0.62	–	–	–
Measured & Indicated[8]		69.81	0.54	–	–	–	1.21	–	–	–
Inferred		5.40	0.47	–	–	–	0.08	–	–	–
Totals – Underground[9]	Multiple									
Measured & Indicated		111.17	1.40	239	0.89	1.76	5.00	854.92	989.55	1,957.53
Inferred		98.25	1.57	215	0.73	1.40	4.96	678.56	721.74	1,373.65
Totals – Open Pit[10]	Multiple									
Measured & Indicated		354.20	0.73	–	–	–	8.27	–	–	–
Inferred		30.28	0.70	–	–	–	0.68	–	–	–

* 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 variable metal equivalent cut-off grades based on metal price assumptions** and appropriate metallurgical recoveries. For the open pit mineral resources, silver grades and contained metal are based on metallurgical production data and have not been estimated.

** Cut-off grade calculations assume variable metallurgical recoveries. Metal price assumptions considered for the calculation of cut-off grades and metal equivalent grades are: Gold (US$/oz 1,150.00), Silver (US$/oz 18.00), Lead (US$/lb 0.95) and Zinc (US$/lb 0.95)

1 The cut-off grade for Ciénega's mineral resources varies between the following range: 1.35 to 2.64 g/t Au equivalent.

2 The Herradura, Soledad-Dipolos and Noche Buena resources are reported within pit shells run at a US$1,350/oz Au price.

3 The Herradura open pit mine has produced silver at an average concentration of 1.1 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the veins resource is 0.46 Moz and projected in situ Inferred silver in the veins resource is 0.95 Moz.

4 Herradura mineral resources are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.30 g/t Au reports to the heap leach, transitional and sulfide material from 0.35 to 0.60 g/t Au report to the heap leach, oxide material above 1.14 g/t Au reports to the mill, transitional and sulfide material above 0.60 g/t Au reports to the mill.

5 The Herradura open pit mine has produced silver at an average concentration of 1.1 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the open pit resource is 8.52 Moz and projected in situ inferred silver in the open pit resource is 0.88 Moz.

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.

7 The Soledad-Dipolos mine has produced silver at an average concentration of 0.5 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the resource is 0.70 Moz and projected in situ inferred silver in the resource is 4K ounces.

8 The Noche Buena mine has produced silver at an average concentration of 0.3 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ M & I silver in the veins resource is 0.67 Moz and projected in situ inferred silver in the resource is 0.05 Moz.

9 Includes Fresnillo (Proaño), Saucito, Ciénega, San Julián and Herradura Vein deposits.

10 Includes the open pit portion of Herradura, Soledad-Dipolos and Noche Buena deposits.

Consolidated Audited Mineral Resource Statement of Exploration Projects and Prospects[1]

As at 31 December 2014

Deposit[1]		Quantity	Grade				Contained Metal			
Fresnillo Subsidiary	Cut-off Grade*	Tonnes (000 t)	Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Gold (koz)	Silver (koz)	Lead (kt)	Zinc (kt)
Measured Mineral Resource										
Orisyvo – disseminated Au**[3]	Multiple	27,827	1.38	1	–	–	1,236	1,260	–	–
Candameña – disseminated Au**		–	–	–	–	–	–	–	–	–
Leones – breccia**		–	–	–	–	–	–	–	–	–
Tajitos – disseminated Au		–	–	–	–	–	–	–	–	–
Lucerito – breccia/mantos**		–	–	–	–	–	–	–	–	–
Rodeo – disseminated Au		–	–	–	–	–	–	–	–	–
San Juan – veins		–	–	–	–	–	–	–	–	–
Manzanillas – veins	US$58.30/t	74	6.75	130	–	–	16	309	–	–
Juanicipio – veins[2]		–	–	–	–	–	–	–	–	–
Guachichil – disseminated Au**		–	–	–	–	–	–	–	–	–
Opulencia – veins		–	–	–	–	–	–	–	–	–
La Gloria – veins		–	–	–	–	–	–	–	–	–
La Joya – Cerro Blanco – veins		–	–	–	–	–	–	–	–	–
La Joya – Potrerillos – veins		–	–	–	–	–	–	–	–	–
La Joya – San Gregorio – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolás – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Total Measured		**27,901**	**1.40**	**2**	**0.00**	**0.00**	**1,252**	**1,570**	**0**	**0**
Indicated Mineral Resource										
Orisyvo – disseminated Au**[3]	Multiple	180,612	1.07	1	–	–	6,235	8,080	–	–
Candameña – disseminated Au**	0.38 g/t Au Eq	20,952	0.46	16	–	–	313	10,464	–	–
Leones – breccia**		–	–	–	–	–	–	–	–	–
Tajitos – disseminated Au	0.30 g/t Au Eq	4,590	0.50	–	–	–	74	–	–	–
Lucerito – breccia/mantos**	1.00 g/t Au	131,862	0.37	24	0.26	0.42	1,574	102,937	344	556
Rodeo – disseminated Au		–	–	–	–	–	–	–	–	–
San Juan – veins	US$58.30/t	2,688	1.30	138	–	–	112	11,957	–	–
Manzanillas – veins	US$58.30/t	907	4	69	–	–	104	2,012	–	–
Juanicipio – veins[2]	US$70.27/t	4,782	1.86	512	2.12	4.01	286	78,779	101	192
Guachichil – disseminated Au**		–	–	–	–	–	–	–	–	–
Opulencia – veins	2.10 g/t Au Eq	465	3.09	197	–	–	46	2,945	–	–
La Gloria – veins		–	–	–	–	–	–	–	–	–
La Joya – Cerro Blanco – veins		–	–	–	–	–	–	–	–	–
La Joya – Potrerillos – veins		–	–	–	–	–	–	–	–	–
La Joya – San Gregorio – veins		–	–	–	–	–	–	–	–	–
Cebadillas – veins		–	–	–	–	–	–	–	–	–
La Yesca – veins		–	–	–	–	–	–	–	–	–
San Nicolás – veins		–	–	–	–	–	–	–	–	–
Pilarica – mantos		–	–	–	–	–	–	–	–	–
Total Indicated		**346,857**	**0.78**	**20**	**0.13**	**0.22**	**8,743**	**217,173**	**445**	**748**

Continued overleaf...

Consolidated Audited Mineral Resource Statement of Exploration Projects and Prospects[1] continued

Deposit[1] Fresnillo Subsidiary	Cut-off Grade*	Quantity Tonnes (000 t)	Grade Gold (g/t)	Silver (g/t)	Lead (%)	Zinc (%)	Contained Metal Gold (koz)	Silver (koz)	Lead (kt)	Zinc (kt)
Inferred Mineral Resource										
Orisyvo – disseminated Au**[3]	Multiple	70,983	0.55	1	–	–	1,247	2,027	–	–
Candameña – disseminated Au**	0.57 g/t Au Eq	41,056	0.54	22	–	–	706	28,654	–	–
Leones – breccia**	60 g/t Ag	7,049	0.01	113	1.46	1.27	1	25,509	103	90
Tajitos – disseminated Au	0.30 g/t Au Eq	10,958	0.49	–	–	–	173	–	–	–
Lucerito – breccia/mantos**	1.00 g/t Au	30,408	0.44	38	0.21	0.34	426	37,279	64	103
Rodeo – disseminated Au	0.30 g/t Au	42,315	0.54	4	–	–	730	5,770	–	–
San Juan – veins	US$58.30/t	5,015	1.60	111	–	–	257	17,964	–	–
Manzanillas – veins	US$58.30/t	306	2.06	47	–	–	20	464	–	–
Juanicipio – veins[2]	US$70.27/t	3,431	1.52	325	1.68	2.80	168	35,815	58	96
Guachichil – disseminated Au**	0.42 g/t Au Eq	37,297	0.61	9	0.12	0.16	726	11,271	43	61
Opulencia – veins	2.10 g/t Au Eq	2,015	2.21	140	–	–	143	9,070	–	–
La Gloria – veins	2.10 g/t Au Eq	2,213	3.14	86	–	–	224	6,098	–	–
La Joya – Cerro Blanco – veins	2.10 g/t Au Eq	499	3.56	436	–	–	57	6,989	–	–
La Joya – Potrerillos – veins	2.10 g/t Au Eq	576	0.78	502	–	–	14	9,295	–	–
Cebadillas – veins	2.10 g/t Au Eq	2,055	2.55	64	–	–	168	4,236	–	–
La Yesca – veins	159 g/t Ag Eq	1,005	0.78	145	–	–	25	4,674	–	–
San Nicolás – veins	2.10 g/t Au Eq	2,167	1.61	225	–	–	112	15,684	–	–
Pilarica – mantos	30 g/t Ag Eq	16,174	–	68	0.30	0.44	–	35,398	48	70
Total Inferred		**275,523**	**0.59**	**29**	**0.11**	**0.15**	**5,199**	**256,196**	**316**	**421**

1 Mineral resources are not ore reserves and do not have demonstrated economic viability. All figures rounded to reflect the relative accuracy of the estimates. Metal assays were capped where appropriate. Mineral resources are reported at variable metal, metal equivalent or NSR cut-off grades and assuming reasonable metal recoveries. Orisyvo, Lucerito, Candameña and Guachichil mineral resources are reported inside a conceptual pit shell based on appropriate mining and processing costs and metal recoveries for oxide and sulfide material. Equivalent metal grades are based on US$1,150/oz of gold, US$18/oz of silver, US$0.95/lb of zinc and US$0.95/lb of lead.

2 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.

3 Orisyvo mineral resources are reported at a cut-off grade of 0.20 g/t gold and 0.50 g/t gold for oxide and sulfide mineralisation, respectively.

* Cut-off grade calculations assume variable metallurgical recoveries.

**Mineral resources statement prepared independently by SRK CA.

Consolidated Audited Ore Reserve Statement[1]
As at 31 December 2014

Deposit*	Cut-off Grade**	Quantity Tonnes Mt	Grade Gold (g/t)	Grade Silver (g/t)	Grade Lead (%)	Grade Zinc (%)	Contained Metal Gold (Moz)	Contained Metal Silver (Moz)	Contained Metal Lead (kt)	Contained Metal Zinc (kt)
Fresnillo										
Proven	165 g/t Ag Eq	4.94	0.49	349	0.58	0.94	0.08	55.46	28.63	46.34
Probable		21.85	0.68	247	1.66	3.42	0.47	173.79	363.08	746.89
Proven and Probable		**26.79**	**0.64**	**266**	**1.46**	**2.96**	**0.55**	**229.25**	**391.70**	**793.23**
Saucito										
Proven	216 g/t Ag Eq	1.34	1.65	335	0.56	1.04	0.07	14.38	7.53	13.85
Probable		7.89	1.71	399	1.91	3.45	0.43	101.19	150.39	272.39
Proven and Probable		**9.23**	**1.70**	**389**	**1.71**	**3.10**	**0.50**	**115.57**	**157.92**	**286.23**
Ciénega										
Proven – Total Ciénega	Multiple[1]	4.46	2.08	116	0.60	0.96	0.30	16.63	26.70	42.91
Probable – Total Ciénega		10.78	1.72	169	0.55	0.87	0.60	58.69	59.18	93.69
Proven and Probable – Total Ciénega		**15.24**	**1.82**	**154**	**0.56**	**0.90**	**0.89**	**75.32**	**85.88**	**136.60**
San Julián										
Proven – veins	159 g/t Ag Eq	–	–	–	–	–	–	–	–	–
Probable – veins		7.29	2.06	155	–	–	0.48	36.33	–	–
Proven and Probable – veins		**7.29**	**2.06**	**155**	**–**	**–**	**0.48**	**36.33**	**–**	**–**
Proven – disseminated	132 g/t Ag Eq	–	–	–	–	–	–	–	–	–
Probable – disseminated		22.42	0.07	175	0.50	1.25	0.05	125.85	112.09	280.26
Proven and Probable – disseminated		**22.42**	**0.07**	**175**	**0.50**	**1.25**	**0.05**	**125.85**	**112.09**	**280.26**
Open pit mines										
Herradura (Disseminated)[2, 3]										
Proven	Multiple*	108.59	0.82	–	–	–	2.85	–	–	–
Probable		100.98	0.76	–	–	–	2.47	–	–	–
Proven and Probable		**209.57**	**0.79**	**–**	**–**	**–**	**5.32**	**–**	**–**	**–**
Soledad-Dipolos[4, 5]										
Proven	0.30 g/t Au Eq	24.87	0.67	–	–	–	0.54	–	–	–
Probable		12.86	0.59	–	–	–	0.25	–	–	–
Proven and Probable		**37.73**	**0.65**	**–**	**–**	**–**	**0.78**	**–**	**–**	**–**
Noche Buena[6]										
Proven	0.30 g/t Au Eq	30.13	0.56	–	–	–	0.54	–	–	–
Probable		33.02	0.53	–	–	–	0.57	–	–	–
Proven and Probable		**63.15**	**0.55**	**–**	**–**	**–**	**1.11**	**–**	**–**	**–**
Totals – Underground[7]										
Proven	various	10.74	1.29	250	0.59	0.96	0.45	86.47	62.86	103.11
Probable		70.24	0.90	220	0.98	1.98	2.04	495.84	684.73	1,393.22
Proven and Probable		**80.98**	**0.95**	**224**	**0.92**	**1.85**	**2.48**	**582.32**	**747.59**	**1,496.33**
Totals – Open Pit[8]										
Proven	various	163.59	0.75	–	–	–	3.93	–	–	–
Probable		146.85	0.69	–	–	–	3.28	–	–	–
Proven and probable		**310.45**	**0.72**	**–**	**–**	**–**	**7.21**	**–**	**–**	**–**

* All figures rounded to reflect the relative accuracy of the estimates. Ore reserves are reported at variable metal equivalent cut-off grades based on metal price assumptions** and appropriate metallurgical recoveries. For the open pit ore reserves, silver grades and contained metal are based on metallurgical production data and have not been estimated.

** Cut-off grade calculations assume variable metallurgical recoveries. Metal price assumptions considered for the calculation of cut-off grades and metal equivalent grades are: Gold (US$/oz 1,150.00), Silver (US$/oz 18.00), Lead (US$/lb 0.95) and Zinc (US$/lb 0.95).

1 The cut-off grades for Ciénega's reserve varies between the following range: 1.88 to 3.21 g/t Au equivalent.

2 Herradura ore reserves are reported at varied cut-offs dependent on material types and grade. Oxide material above 0.30 g/t Au reports to the heap leach, transitional and sulfide material from 0.35 to 0.60 g/t Au report to the heap leach, oxide material above 1.14 g/t Au reports to the mill, transitional and sulfide material above 0.60 g/t Au reports to the mill.

3 The Herradura open pit mine has produced silver at an average concentration of 1.1 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ P&P silver in the reserve is 7.41 Moz.

4 The Soledad-Dipolos mine has produced silver at an average concentration of 0.5 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ P&P silver in the reserve is 0.61 Moz.

5 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.

6 The Noche Buena mine has produced silver at an average concentration of 0.3 g/t. Silver is not assayed for and is not estimated in the resource model. Based on past production, projected in situ P&P silver in the reserve is 0.61 Moz.

7 Includes Fresnillo (Proaño), Saucito, Ciénega, San Julián and Herradura Vein deposits. Includes San Julián disseminated deposit.

8 Includes the open pit portion of Herradura, Soledad-Dipolos and Noche Buena deposits.

Operating Statistics

	Ore Processed (tonnes)							Silver (grams/tonne)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
Fresnillo	2,324,575	2,471,657	2,553,991	2,584,163	2,738,307	2,703,395	**2,625,511**	494.0	486.6	474.4	395.9	327.6	285.3	**258.5**
Ciénega	751,143	780,881	860,513	966,812	1,112,850	1,242,168	**1,341,569**	46.2	74.5	49.4	53.3	105.2	121.6	**108.5**
Herradura	13,609,318	15,617,014	16,616,247	21,020,356	24,641,053	14,363,315	**22,305,133**	0.6	0.8	1.3	1.1	1.2	1.1	**1.2**
Saucito	–	71,170	145,148	823,339	905,027	1,181,737	**1,534,579**	–	367.2	306.0	249.9	264.9	329.6	**338.9**
Soledad-Dipolos	–	–	9,647,939	12,264,860	15,317,860	6,701,841	**–**	–	–	0.6	0.7	0.5	0.4	**–**
Noche Buena	–	–	–	–	8,447,301	12,283,709	**15,607,230**	–	–	–	–	0.4	0.2	**0.4**

	Zinc Concentrate (tonnes)							Silver (grams/tonne)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
Fresnillo	21,922	22,317	23,719	24,544	29,212	29,325	**29,196**	2,212	2,516	2,444	2,363	1,641	1,356	**1,221**
Ciénega	21,806	15,150	18,950	17,657	16,103	11,625	**11,850**	162	344	186	266	540	1,266	**1,172**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	–	165	302	3,064	3,706	8,758	**20,794**	–	2,811	2,473	1,917	1,760	1,087	**789**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**

	Lead Concentrate (tonnes)							Silver (grams/tonne)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
Fresnillo	39,608	51,699	60,526	61,050	65,045	63,256	**57,263**	25,064	19,972	17,276	14,337	11,780	10,469	**10,180**
Ciénega	21,795	16,092	17,436	17,877	15,487	13,380	**12,627**	1,123	2,567	1,734	2,084	5,622	7,974	**8,004**
Herradura	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Saucito	–	1,250	2,869	14,419	15,539	26,055	**40,415**	–	17,937	12,994	12,329	13,699	13,460	**11,443**
Soledad-Dipolos	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
Noche Buena	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**

Doré and Other Products	Product (tonnes)							Silver (grams/tonne)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
Ciénega precipitates	18.8	24.6	25.1	36.5	52.2	55.7	**67.4**	80,665	113,635	122,745	101,662	148,731	187,928	**175,026**
Ciénega Gravimetric Concentrator	–	36.5	197.1	88.5	–	–	**–**	–	3,192	2,150	2,069	–	–	**–**
Herradura doré	13.1	17.2	21.2	24.2	18.1	18.2	**31.1**	419,249	469,606	502,980	474,514	374,787	474,052	**650,999**
Herradura slag	420.6	492.6	588.1	542.7	929.9	711.3	**716.9**	3,255	2,939	2,234	2,036	817	930	**1,198**
Soledad-Dipolos doré	–	–	5.0	7.5	4.8	2.3	**–**	–	–	174,199	208,897	226,272	292,473	**–**
Soledad-Dipolos slag	–	–	496.1	590.1	583.2	301.5	**–**	–	–	1,490	2,024	857	972	**–**
Fresnillo Concentrates from Tailings Dam	2,610.3	2,914.7	3,247.1	2,658.7	2,311.7	1,990.0	**2,277.5**	3,571.8	4,451.2	4,048.0	3,387.5	2,787.1	3,031.9	**2,872.0**
Noche Buena doré	–	–	–	–	3.3	4.8	**7.6**	–	–	–	–	121,837.5	261,005.1	**333,260.8**
Noche Buena slag	–	–	–	–	206.3	548.6	**564.2**	–	–	–	–	288.6	495.0	**1,125.6**

Metal Produced[1, 2]	Silver (ounces)							Gold (ounces)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
Fresnillo	33,775,660	35,419,848	35,905,701	30,295,121	26,382,793	22,764,018	**20,098,245**	24,008	24,684	24,979	26,237	29,573	33,079	**35,676**
Ciénega	949,574	1,588,994	1,197,792	1,473,927	3,328,574	4,240,245	**4,075,181**	116,903	103,510	113,351	116,841	125,275	112,053	**108,211**
Herradura	220,813	305,898	385,153	404,689	242,503	298,984	**679,073**	219,161	259,839	291,043	327,729	314,547	264,562	**265,564**
Saucito	–	735,744	1,222,473	5,904,176	7,053,780	11,581,014	**15,396,754**	–	2,881	6,323	33,493	45,246	45,177	**57,227**
Soledad-Dipolos	–	–	51,939	88,888	50,915	31,124	**–**	–	–	109,567	158,513	107,329	47,285	**–**
Noche Buena	–	–	–	–	14,754	49,217	**102,357**	–	–	–	–	65,518	108,729	**129,242**
Fresnillo plc Total	34,946,047	38,050,484	38,763,059	38,166,800	37,073,319	38,964,601	**40,351,611**	360,071	390,913	545,263	662,813	687,488	610,884	**595,920**

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 (%)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
	0.47	0.41	0.41	0.42	0.46	0.50	**0.53**	0.76	0.79	0.85	0.87	0.96	0.94	**0.97**	0.42	0.50	0.54	0.58	0.66	0.63	**0.59**
	5.14	4.33	4.27	3.89	3.62	2.90	**2.59**	2.32	1.64	1.77	1.45	1.12	0.75	**0.73**	1.46	1.00	0.95	0.82	0.68	0.56	**0.53**
	0.72	0.68	0.70	0.65	0.57	0.61	**0.72**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	1.53	1.67	1.43	1.75	1.41	**1.40**	–	0.30	0.37	0.42	0.54	0.87	**1.32**	–	0.15	0.22	0.23	0.35	0.55	**0.75**
	–	–	0.61	0.57	0.51	0.54	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	0.51	0.54	**0.51**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**

	Gold (grams/tonne)							Zinc (%)							Lead (%)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
	2.9	2.7	2.5	2.7	2.6	2.7	**3.0**	51.5	51.6	51.5	51.4	51.2	50.9	**52.1**	–	–	–	–	–	–	**–**
	7.9	7.1	4.7	6.2	6.5	13.6	**11.8**	51.5	52.5	53.4	52.8	50.7	47.0	**50.6**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	7.3	12.4	14.0	12.8	5.4	**3.5**	–	39.7	48.8	38.2	48.3	51.5	**50.5**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**

	Gold (grams/tonne)							Zinc (%)							Lead (%)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
	16.9	13.3	11.5	12.0	12.8	14.7	**17.4**	–	–	–	–	–	–	**–**	21.9	21.4	20.2	21.9	24.9	24.6	**24.3**
	134.2	149.3	117.4	111.5	130.7	138.4	**146.9**	–	–	–	–	–	–	**–**	41.8	38.0	37.1	35.3	36.7	36.0	**37.5**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	70.7	67.3	69.3	87.5	52.1	**42.3**	–	–	–	–	–	–	**–**	–	7.0	9.5	12.1	17.8	21.5	**24.7**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**

	Gold (grams/tonne)						
	2008	2009	2010	2011	2012	2013	**2014**
	28,564	20,944	24,936	32,663	33,846	26,459	**20,327**
	–	5,343	3,874	3,822	–	–	**–**
	418,800	395,547	379,778	379,755	473,042	411,210	**247,967**
	3,147	2,613	1,699	1,851	1,314	1,035	**756**
	–	–	512,231	502,909	539,249	507,822	**–**
	–	–	1,676	1,949	1,295	991	**–**
	5.4	6.4	6.5	6.0	6.8	9.1	**10.8**
	–	–	–	–	542,429	516,359	**465,538**
	–	–	–	–	1,260	1,623	**815**

	Zinc (tonne)							Lead (tonne)						
	2008	2009	2010	2011	2012	2013	**2014**	2008	2009	2010	2011	2012	2013	**2014**
	11,277	11,510	12,212	12,623	14,966	14,914	**15,199**	8,685	11,058	12,236	13,385	16,190	15,552	**13,888**
	11,237	7,950	10,112	9,318	8,171	5,459	**6,000**	9,109	6,118	6,468	6,315	5,676	4,811	**4,736**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	65	147	1,172	1,791	4,509	**10,501**	–	88	273	1,742	2,773	5,605	**9,967**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	–	–	–	–	–	–	**–**	–	–	–	–	–	–	**–**
	22,515	19,526	22,472	23,113	24,928	24,881	**31,700**	17,793	17,264	18,977	21,442	24,639	25,968	**28,591**

Glossary

All-in sustaining costs (AISC)	A cost metric calculated as traditional cash cost (see herein) 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
Beneficiation plant	Facility where extracted ore is reduced to particles that can be separated into mineral that is suitable for further processing or direct use
Cash costs	A cost metric used as one of the Group's KPIs, calculated as the total cash cost (cost of sales plus treatment and refining charges, less depreciation), less revenues from by-products, divided by ounces of silver or gold sold
Capex	Capital expenditures; expenditures not classified as operating costs
Company (see also Fresnillo plc)	Fresnillo plc, a company incorporated under the UK Companies Act 1985 and registered in England and Wales with registered number 6344120
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore
Diamond drilling	A drilling method where the rock is cut with a diamond bit attached to hollow rods; it cuts a core of rock, recovered in cylindrical sections for geological analysis
Dilution	Waste, which is unavoidably mined with ore
Disseminated deposit or ore body	A disseminated deposit is that in which the metal is evenly distributed in generally low concentrations throughout large masses of rock
Ejido(s)	In Mexico, the communal farmland of a village, usually assigned in small parcels to villagers to be farmed under a federally supported system of communal land tenure
Exploraciones Minera Parreña, S.A. de C.V.	A wholly-owned Fresnillo plc company that controls a number of exploration prospects
Flotation	A recovery process by which valuable minerals are separated from waste to produce a concentrate; selected minerals are induced to become attached to air bubbles and float
Fresnillo Group (see also Group)	Fresnillo plc and its subsidiary undertakings
Fresnillo plc (see also Company)	A company incorporated under the UK Companies Act 1985 and registered in England and Wales with registered number 6344120
g/t	Grammes per tonne
GHG	Greenhouse gases
Grade	The measure of concentration of metal within mineralised rock
Group (see also Fresnillo Group)	Fresnillo plc and its subsidiary undertakings
Haulage	A horizontal underground excavation which is used to transport mined ore
Hectare	A unit of area equal to 10,000 square metres, or 2.47 acres
International Cyanide Management Code	Voluntary industry and audit-based programme for the gold mining industry to promote responsible management of cyanide used in gold mining
koz	Thousand troy ounces
KPI	Key Performance Indicator
Leaching, heap leaching or dynamic leaching	A process to extract metals from ore in which the mined ore is crushed and heaped onto an impervious pad and irrigated with a leaching agent that percolates through the heap and leaches out the metals. In dynamic leaching, the piles are continuously reclaimed after leaching has been completed and subsequently rebuilt with fresh ore
Met-Mex	Met-Mex Peñoles, S.A. de C.V., the operator of a refining and smelting facility in Torréon (a 100% subsidiary of Peñoles)
Milling or milled ore	A general term used to describe the process in which the ore is crushed and ground and subjected to physical or chemical treatment to extract the valuable metals to a concentrate or finished product
Minera Juanicipio, S.A. de C.V.	A company jointly held by Fresnillo plc (56% interest) and MAG Silver Corporation (44% interest)

Minera Penmont	A company and its subsidiaries held by the Fresnillo Group following the Group's 2014 acquisition of the 44% minority participation previously held by Newmont Mining
Mineralisation	Any mass of host rock in which minerals of potential commercial value occur
mt	Million tonnes
Ore	Material that contains one or more minerals, at least one of which can be mined and treated profitably under economic conditions deemed to be reasonable
Ore body	A continuous well-defined mass of material of sufficient mineral content to make extraction economically feasible
Ore grade	The classification or value of ore
Ounce	Troy ounce
oz	Troy ounce
Peñoles	Industrias Peñoles, S.A.B. de C.V.
Pre-feasibility study	A preliminary study undertaken to determine if it would be worthwhile to proceed to the feasibility study stage, which defines the technical and economic viability of a project to support the search for project financing
Primary silver producer	A company producing silver from mines primarily operated for their silver production
Prospect	A mineral deposit with insufficient data available on the mineralisation to determine if it is economically recoverable, but warranting further investigation
Pyrite	An iron sulphide often co-occurring with silver and gold
Reserves	The economically mineable portions of mineral resources, which are sub-divided into two categories of increasing confidence: probable reserves relate to indicated mineral resources; and proven reserves relate to measured mineral resources
Resources	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction; mineral resources are sub-divided, in order of increasing geological confidence, into inferred, indicated and measured categories
Scoping	A preliminary assessment based on measured, indicated, or inferred mineral resources, or a combination of any of these; includes disclosure of forecasted mine production rates that may contain capital costs required to develop and sustain the mining operation, as well as operating costs and projected cash flows
Shaft	An opening cut downwards from the surface for transporting personnel, equipment, supplies, ore and waste
Silverstream Contract	A series of the 12 agreements between Comercializadora de Metales Fresnillo, S.A. de C.V. and Peñoles pursuant to which the Fresnillo Group has the right to receive all proceeds for the Payable Silver from the Peñoles-owned Sabinas polymetallic mine in Zacatecas, Mexico
Smelting	A high temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte or doré phase and separated from the gangue components that accumulate in a less dense molten slag phase
Stope	Underground void created by mining
STPS	*Secretaría del Trabajo y Previsión Social*, Secretariat of Labour and Social Welfare
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction
Tailings dam	A dammed reservoir to which the slurry is transported, where the solids settle and the supernatant liquid may be withdrawn
Tonne (or t)	Metric tonne = 1,000 kilograms
tpd	Tonnes per day
tpy	Tonnes per year
Treatment and refining charges	Fees payable by mines to smelters for processing concentrates

Shareholder Information

Financial calendar

Preliminary Statement	4 March 2015
First Interim Management Statement	15 April 2015
Annual General Meeting	18 May 2015
Interim Statement	4 August 2015
Second Interim Management Statement	14 October 2015

Dividend payment schedule

2014 Final Dividend Record Date	1 May 2015
2014 Final Dividend Payment Date	22 May 2015
2015 Interim Dividend Record Date	14 August 2015
2015 Interim Dividend Payment Date	10 September 2015

Registrar

Equiniti Ltd
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
United Kingdom

Registered office

28 Grosvenor Street
London W1K 4QR
United Kingdom

Corporate headquarters

Calzada Legaria No. 549
Torre 2, Piso 11
Delegación Miguel Hidalgo
11250 Mexico, D.F.
Mexico

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF
United Kingdom

Joint Sponsor and Corporate Broker

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

JPMorgan Cazenove Limited
25 Bank Street
London E14 5JP
United Kingdom

Solicitor

Linklaters LLP
One Silk Street
London EC2Y 8HQ
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

Notes

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Registered office
28 Grosvenor Street
London W1K 4QR
United Kingdom