

## **Background**

This Report provides an overview of the payments to governments made by Fresnillo plc and its subsidiaries for the year ended 31 December 2018 as required under the UK Reports on Payments to Governments Regulation 2014 and its amendment in December 2015 (the UK Regulations). This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

This Report is available for download from <http://www.fresnilloplc.com/investor-relations/regulatory-announcements/>

The 'Basis of Preparation' section below contains information about the content of the Report, the types of payments included and the principles that have been applied in preparing the Report.

## **Basis for preparation – Report on Payments to Governments for the year 2018**

### Reporting entities

In accordance with the UK Regulations, this Report includes payments to government made by Fresnillo plc and its subsidiary undertakings (Fresnillo).

### Activities

Payments made by Fresnillo to governments arising from activities involving the exploration, prospection, discovery, development and extraction of minerals (extractive activities) are disclosed in this Report. When payments cover both extractive and processing activities and cannot be split, the payment has been disclosed in full.

### Government

Government includes any national, regional or local authority of a country to which Fresnillo has made a payment related to these regulations, and includes any department, agency or entity that is controlled by such authority.

### Project

Payments are reported at project level, except for payments that are not attributable to a specific project which are reported at entity level. Within the UK Regulations, a project is defined as being the operational activities which are governed by a single contract, licence, lease, concession or a similar legal agreement, and form the basis for payment liabilities with a government. If agreements of this kind are substantially interconnected (i.e. forming a set of operationally and geographically integrated contracts, licenses, leases or concessions) these are treated for the purposes of these Regulations as a single project. Indicators of integration include geographic proximity and common operational management. For some payments that cannot be attributable to a specific project, they were indicated at an entity level.

### Materiality

In line with the UK Regulations, where a payment or a series or related payments have not exceeded £86,000 (US\$114,241<sup>1</sup>) they have not been disclosed.

### Reporting currency

Payments disclosed in this report have been disclosed in US Dollars. Where actual payments have been made in a currency other than US Dollars, i.e. Mexican pesos (MXN), they have been translated using the annual average exchange rate MXN / USD issued by The Central Bank of Mexico<sup>2</sup>.

### Type of payments

- a) Taxes. There are taxes paid by Fresnillo on its income, including special mining rights. Payments are reported net of refunds. In accordance with the UK Regulations payments made in relation to consumption, sales or employee taxes were excluded.
- b) License fees, rental fees, entry fees and other considerations for licenses or concessions. These are fees paid as consideration for acquiring a license for gaining access to an area where extractive activities are performed.

Payments reported are on a cash flow basis and refunds are included in the year received (i.e. 2018).

Other types of payments that are required to be disclosed in accordance with the UK Regulations are the following; however, for the year ended 31 December 2018, there were no such reportable payments made by Fresnillo to a government:

- Production entitlements
- Royalties
- Dividends
- Signature, discovery and production bonuses
- Infrastructure improvements

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<sup>1</sup> Bloomberg 2018 average exchange rate 1.3284 USD / GBP

<sup>2</sup> Banco de Mexico 2018 average exchange rate 19.2373 MXN / USD

<b>REPORT ON PAYMENTS TO GOVERNMENTS 2018</b>								
<b>SUMMARY REPORT PER COUNTRY (IN USD)</b>								
	Production entitlements	Taxes <sup>(1)</sup>	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
<b>MEXICO</b>	0	256,065,675	0	0	0	20,649,666	0	<b>276,715,341</b>
<b>PERU</b>	0	0	0	0	0	3,923,697	0	<b>3,923,697</b>
<b>Total</b>	<b>0</b>	<b>256,065,675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,573,364</b>	<b>0</b>	<b>280,639,039</b>
<b>MEXICO</b>								
<b>GOVERNMENT REPORT (IN USD)</b>								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
Ministry of Economics	0	27,664,128	0	0	0	19,106,670	0	<b>46,770,798</b>
Ministry of Environment and Natural Resources	0	0	0	0	0	376,906	0	<b>376,906</b>
Ministry of Finance and Public Credit	0	228,401,547	0	0	0	0	0	<b>228,401,547</b>
National Forestry Commission	0	0	0	0	0	463,797	0	<b>463,797</b>
National Water Commission	0	0	0	0	0	702,294	0	<b>702,294</b>
<b>Total</b>	<b>0</b>	<b>256,065,675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,649,666</b>	<b>0</b>	<b>276,715,341</b>
<b>PROJECT REPORT (IN USD)</b>								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
<b>PROJECT</b>								
Ciénega	0	11,465,257	0	0	0	2,217,340	0	<b>13,682,596</b>
Fresnillo	0	120,145,528	0	0	0	4,840,803	0	<b>124,986,330</b>
Herradura / Nochebuena	0	70,796,142	0	0	0	4,021,875	0	<b>74,818,017</b>
Juancipio <sup>(2)</sup>	0	0	0	0	0	502,965	0	<b>502,965</b>
San Julián	0	0	0	0	0	2,547,985	0	<b>2,547,985</b>
Saucito	0	41,211,082	0	0	0	6,518,700	0	<b>47,729,782</b>
<b>ENTITY LEVEL</b>								
Comercializadora de Metales Fresnillo, S.A. de C.V.	0	6,164,865	0	0	0	0	0	<b>6,164,865</b>
Exploraciones Mineras Parreña S.A. De C.V.	0	4,016,365	0	0	0	0	0	<b>4,016,365</b>
Operaciones Fresnillo, S.A. de C.V.	0	1,603,540	0	0	0	0	0	<b>1,603,540</b>
Servicios Administrativos Fresnillo, S.A. de C.V.	0	662,896	0	0	0	0	0	<b>662,896</b>
<b>Total</b>	<b>0</b>	<b>256,065,675</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,649,666</b>	<b>0</b>	<b>276,715,341</b>
<b>PERU</b>								
<b>GOVERNMENT REPORT (IN USD)</b>								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
Ministry of Energy and Mining	0	0	0	0	0	3,923,697	0	<b>3,923,697</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,923,697</b>	<b>0</b>	<b>3,923,697</b>
<b>PROJECT REPORT (IN USD)</b>								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
<b>ENTITY LEVEL</b>								
Fresnillo Perú, S.A.C.	0	0	0	0	0	3,923,697	0	<b>3,923,697</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,923,697</b>	<b>0</b>	<b>3,923,697</b>
<b>Notes:</b>								
<b>1:</b> All tax payments made in 2018 to the Ministry of Finance and Public Credit (the Mexican Tax authorities) are presented net of refunds received in 2018.								
<b>2:</b> Represents 100% of the payments related to Juancipio (56% Fresnillo plc, 44% MAG Silver)								