Fresnillo plc

Financial results for the year ended 31 December 2014

Fresnillo plc today announced financial results for the full year ended 31 December 2014. Octavio Alvídrez, CEO said:

"In 2014 we have delivered a reasonable performance considering the lower silver and gold prices that impacted the industry as a whole. This has again demonstrated that the quality of our assets, the strength of our balance sheet and our conservative approach to creating sustainable value places Fresnillo in a strong position amongst precious metals producers.

Our annual silver production of 45 million ounces was ahead of guidance and in gold we met our revised production guidance following the Penmont acquisition, producing 596 thousand ounces over the year.

2014 was of course not without its operational challenges, in particular at Fresnillo and Herradura. We are confident that the initiatives we put in place during the year at these mines will result in improved production in 2015. In addition, in 2014 we saw the start-up of the dynamic leaching plant at Herradura which will contribute to a decrease in cash costs at the mine, and we made excellent progress at our development projects in 2014, with the commissioning of Saucito II in December on time and on budget.

Furthermore, the acquisition of the 44% stake of Penmont further strengthened our position in the highly prospective Herradura district and allowed us to increase our 2018 gold production target from 500 thousand ounces to 750 thousand ounces. Our 2018 silver production target of 65 million ounces remains in place.

As we enter 2015, our focus will remain on delivering operational efficiencies, generating improvements in productivity, maintaining our cost position and margins in our current operation; as well as investing in growth projects. Our strong balance sheet will support our growth plans."

2014 Highlights

Maintaining operational excellence

- Record annual silver production (including Silverstream) of 45 Moz; up 4.9% vs. 2013 and ahead of 43.0 Moz guidance due mainly to increase in ore processed at Saucito and Silverstream contribution
- Annual gold production of 596 Koz in line with revised guidance post Penmont acquisition; a 2.4% decrease vs. 2013 due to the stoppage of operations at Soledad-Dipolos
- Silver grades at Fresnillo continued to decline but measures implemented to control dilution and improve contractor efficiency will deliver improved production in the second half 2015
- Technical and capacity issues associated with ramp-up of operations at Herradura impacted production, but mine expected to reach steady state in 2015 due to measures taken in 2014
- Ciénega mill capacity optimised resulting in an 8% increase in ore processed, partially offsetting expected lower gold ore grades
- Start-up of Herradura dynamic leaching plant in March 2014
- Production at Noche Buena ramped up and reached expanded capacity during 2014
- Maintained focus on cost control to retain position as a low cost producer
- Key safety indicators continued to improve in 2014

Delivering growth through the cycle

- Operations commenced at Saucito II on time and on budget; set to produce 8.4 Moz silver and 35 koz gold annually at full capacity
- San Julián on track to start production in 4Q15; expected average annual production of 10.3 Moz silver and 44 koz gold at full capacity
- US$450 million acquisition of 44% stake in Penmont to consolidate our position in one of Mexico's most prospective gold belts
- Extensive greenfield and brownfield exploration programmes continued to deliver positive results, most notably at Herradura, Orisyvo and Guanajuato
- 2014 exploration expenditure of US$184.5 million, delivered a 21.3% and 45.0% increase in silver and gold reserves despite lower price assumptions; gold resources grew 1.7% and silver resources declined 6.2% on exploration results

Delivering positive earnings and returns in a low price environment

- Adjusted revenue of US$1,545 million
- Gross profit and EBITDA of US$521.1 million and US$567.3 million
- Profit from continuing operations of US$245.6 million
- 2014 financial results impacted by higher adjusted production costs and adverse effects of non-cash exceptional items including foreign exchange loss and higher deferred taxes
- Basic and diluted EPS from continuing operations of US$0.147; adjusted EPS of US$0.074
- Strong balance sheet maintained; cash, cash equivalents and short-term investments of US$449.3 million at 31 December 2014

- 2014 final dividend of 3 US cents per share – equivalent to approximately US$22.1 million was recommended by the Board

Twelve months to 31 December 2014

$ million unless stated	2014	2013	% change
Silver Production* (kOz)	45,000	42,910	4.9
Gold Production* (Oz)	595,920	610,884	(2.4)
Total Revenue	1,413.7	1,615.2	(12.5)
Adjusted Revenue**	1,545.0	1,761.9	(12.3)
Gross Profit	521.1	767.4	(32.1)
EBITDA	567.3	729.8	(22.3)
Profit Before Income Tax	251.1	418.7	(40.0)
Profit for the year	117.1	261.0	(55.1)
Basic and Diluted EPS (USD)***	0.074	0.381	(80.6)

* Fresnillo attributable production, plus ounces registered in production through the Silverstream Contract

** Adjusted Revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges and lead and zinc hedging

*** The weighted average number of shares was 736,893,000 in 2014 and 730,244,000 in 2013

Analyst Presentation

Fresnillo plc will be hosting a presentation for analysts and investors today at 09.00 (GMT) at Bank of America Merrill Lynch Financial Centre, 2 King Edward St., EC1A 1HQ, London, United Kingdom.

For those unable to attend the presentation dial in details are:
Dial in number: +44 (0) 20 3427 0503
Access Code: 3682279

A link to the webcast can be found on Fresnillo's homepage, www.fresnilloplc.com. The webcast will include audio from the conference call and synchronised power point slides. Please note that you will not be able to post questions through the webcast.

For further information, please visit our website: www.fresnilloplc.com or contact:

Fresnillo plc

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About Fresnillo plc

Fresnillo plc is the world's largest primary silver producer and Mexico's second largest gold producer, listed on the London and Mexican Stock Exchanges under the symbol FRES.

Fresnillo plc has six operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine), Herradura, Soledad-Dipolos[1] and Noche Buena; one development project, San Julián and four advanced exploration prospects - Centauro Deep, Juanicipio, Orisyvo and Las Casas Rosario as well as a number of other long term exploration prospects. In total, Fresnillo plc has mining concessions covering approximately 2.1 million hectares in Mexico.

Fresnillo plc has a strong and long tradition of mining, a proven track record of mine development, reserve replacement, and production costs in the lowest quartile of the cost curve for both silver and gold.

Fresnillo plc's goal is to maintain the Group's position as the world's largest primary silver company, producing 65 million ounces of silver and 750,000 ounces of gold by 2018.

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

Forward Looking Statements

Information contained in this announcement may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the Fresnillo Group's intentions, beliefs or current expectations concerning, amongst other things, the Fresnillo Group's results of operations, financial position, liquidity, prospects, growth, strategies and the silver and gold industries are forward-looking statements. Such forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Fresnillo Group's operations, financial position and liquidity, and the development of the markets and the industry in which the Fresnillo Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this document. In addition, even if the results of operations, financial position and liquidity, and the development of the markets and the industry in which the Fresnillo Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in regulation, currency fluctuations (including the US dollar and Mexican Peso exchanges rates), the Fresnillo Group's ability to recover its reserves or develop new reserves, including its ability to convert its resources into reserves and its mineral potential into resources or reserves, changes in its business strategy and political and economic uncertainty.

CHAIRMAN'S STATEMENT

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 fourth quarter of 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, 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 Puche 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

CHIEF EXECUTIVE'S STATEMENT

Chief Executive's Letter

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 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 Q415.

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 moz 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 koz 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 3-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 moz silver and 533 koz gold at San Julián, and 2.5 moz 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.

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 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 vital 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 programme, 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.

Unsurprisingly, the impacts of these incidents extended to the social sphere. Multiple organisations called for the closure of that company's 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

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.

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 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 reassessment 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 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 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 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

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

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 $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 oz 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.

Concept	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

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 December 31.

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

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

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 2/3 of total costs) were lower when converted to US dollars.

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.

<u>*Labour*</u>

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%.

<u>*Energy*</u>

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

	Year over year change in USD %
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**

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.

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 2.4% 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 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

Consolidated revenues (US$ millions)

	2014 US$ million	2013 US$ million	Amount US$	Change %
Adjusted revenue[1]	**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)

1Adjusted revenue is revenue as disclosed in the income statement adjusted to exclude treatment and refining charges.

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.

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.

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.

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

Adjusted revenues[1] by metal (US$ millions)

	2014		2013		Volume Variance	Price Variance	Total US$	%
	US$ million	%	US$ million	%				
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)

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

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.

Adjusted revenues by metal

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

Adjusted revenues by mine

	2014	2013
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**

Volumes of metal sold

	2014	2013	% Change
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

	2014 US$ million	2013 US$ million	Amount US$	Change %
Adjusted production costs[4]	**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

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

Cost of sales totalled US$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 of (-US$11.5 million): US$14.6 million were 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/moved as we believe it is a useful indicator to thoroughly analyse cost performance at these mines.

Cost per tonne				
		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

Cash cost per ounce[7]

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

[7] 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.

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/oz); 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/oz); and lower profit sharing resulting from the decrease in precious

metal prices (-US$0.15/oz). This was partially offset by the lower volumes of silver sold, reflecting the decline in ore grade (+US$0.47/oz); and the increase in cost per tonne (+US$0.22/oz).

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/oz); the higher by-product credits per ounce of silver resulting from the increased gold, lead and zinc volumes sold (-US$0.30/oz); the lower cost per tonne (-US$0.29/oz); and the favourable effect of the higher silver grade (-US$0.13/oz).

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/oz); 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/oz); and to a lesser extent, the increase in cost per tonne (+US$8.82/oz). These adverse factors were mitigated by the lower silver refining charges (-US$12.50/oz) and lower profit sharing (-US$10.71/oz).

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

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/oz) and, to a lesser extent, the lower gold grade (+US$24.97/oz) and higher profit sharing (+US$5.84/oz). 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/oz; and ii) not incurring unproductive costs this year compared to the previous year (-US$63.71/oz); higher by-product silver credits (-US$4.95/oz) and lower refining charges per ounce (-US$1.54/oz).

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

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

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

Management considers all-in sustaining costs a reasonable 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.

All-in sustaining cost

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

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 oby 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.

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

	2014		2013		Change	
	US$ million	%	US$ million	%	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)**

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

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.

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

Business unit / project (US$ millions)	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**

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. 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

	2014 US$ million	2013 US$ million	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		

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.

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, an 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 EUR0.12 million and SEK0.36 million with maturity dates from March through June 2015. The volume that expired during 2014 was EUR10.56 million with a weighted average strike 1.332 USD/EUR of and SEK0.8 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 were 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:

Key line items	**2014 US$ million**	**2013 US$ million**	**Amount US$**	**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 increase/(decrease) 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)**

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 US$260.3 million due mainly 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; and
- 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

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:

Purchase of property, plant and equipment

	2014 US$ million	
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 project (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**	

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; and ii) a special and one-off dividend paid in September of US$36.9 million.

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 18th 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.

RISK MANAGEMENT FRAMEWORK

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.

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; iii) 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.
- Increase the scope and robustness of the risk framework for project development governance.

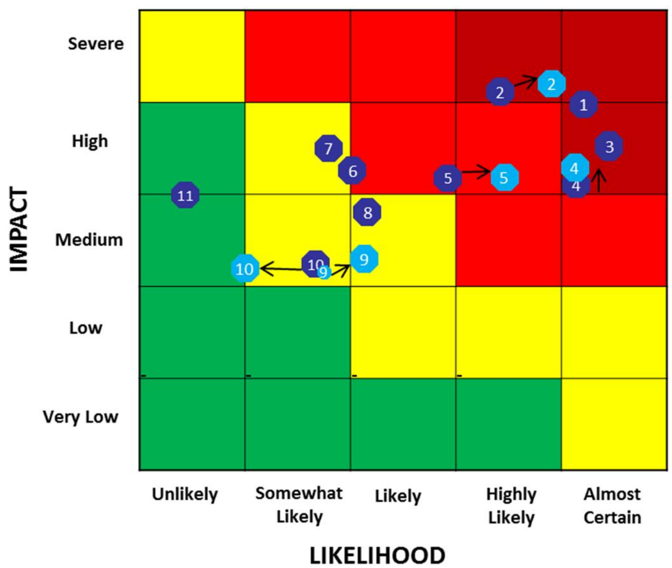
2014 risk assessment

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.

HEAT MAP



Order	Risk
1	Impact of global macroeconomic developments (silver & 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 relation
10	Human resources
11	Environmental Incidents

2013 2014

Risk that changed during 2014

CURRENT ORDER (relative position in 2013)	RISK	RISK APPETITE	RISK RATING 2013	RISK RATING 2014	RISK CHANGE DURING 2014	DESCRIPTION OF RISK CHANGE
1 (1)	Impact of global macro-economic 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 pro-active in the social arena, placing more emphasis on citizen's 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 advisors do not consider the new Mining Law a priority for politicians in the 2015 state elections.

CURRENT ORDER (relative position in 2013)	RISK	RISK APPETITE	RISK RATING 2013	RISK RATING 2014	RISK CHANGE DURING 2014	DESCRIPTION OF RISK CHANGE
						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.
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 license 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	na	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

CURRENT ORDER (relative position in 2013)	RISK	RISK APPETITE	RISK RATING 2013	RISK RATING 2014	RISK CHANGE DURING 2014	DESCRIPTION OF RISK CHANGE
						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.

★ *new entry*

Statement of Directors' responsibilities

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 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

Consolidated Income Statement
Year ended 31 December

		Year ended 31 December 2014			Year ended 31 December 2013		
	Notes	**US$ thousands**			US$ thousands		
		Pre-Silverstream revaluation effect	**Silverstream revaluation effect**	**Total**	Pre-Silverstream revaluation effect	Silverstream revaluation effect	Total
Continuing operations:							
Revenues	4	1,413,701		1,413,701	1,615,166		1,615,166
Cost of sales	5	(892,647)		(892,647)	(847,726)		(847,726)
Gross profit		**521,054**		**521,054**	**767,440**		**767,440**
Administrative expenses		(67,540)		(67,540)	(62,243)		(62,243)
Exploration expenses	6	(168,784)		(168,784)	(207,782)		(207,782)
Selling expenses		(13,610)		(13,610)	(6,952)		(6,952)
Other operating income		580		580	6,048		6,048
Other operating expenses		(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		7,460		7,460	6,121		6,121
Finance costs		(54,616)		(54,616)	(15,068)		(15,068)
Revaluation effects of Silverstream contract	11	-	77,054	77,054	ï	(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	7	(95,155)	(23,116)	(118,271)	(137,722)	16,192	(121,530)
Special mining right	7	(15,700)		(15,700)	(36,161)	ï	(36,161)
Income tax expense	7	(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		8,645		8,645	20,570		20,570
		63,156	**53,938**	**117,094**	**298,802**	**(37,784)**	**261,018**
Earnings per share: (US$)							
Basic and diluted earnings per ordinary share from continuing operations	8	ï		0.147	ï		0.329
Adjusted earnings per share: (US$)							
Adjusted basic and diluted earnings per Ordinary Share from continuing operations	8	0.074		ï	0.381		ï

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	7	974	1,188
Net unrealised (losses)/gains on cash flow hedges		(11,771)	3,792
Income tax effect	7	3,531	(1,138)
Net effect of cash flow hedges		(10,513)	(117)
Fair value gains/(losses) on available-for-sale financial assets	10	22,833	(64,197)
Income tax effect	7	(6,850)	17,975
Impairment of available-for-sale financial assets		982	2,053
Income tax effect	7	(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	7	66	(65)
Remeasurement (losses) on defined benefit plans		(1,851)	(1,725)
Income tax effect	7	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		8,645	20,522
		121,308	**214,890**

Consolidated Balance Sheet
As at 31 December

		As at 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
ASSETS			
Non-current assets			
Property, plant and equipment	9	1,969,418	1,838,124
Available-for-sale financial assets	10	86,078	63,245
Silverstream contract	11	358,965	334,083
Deferred tax asset	7	57,705	56,209
Inventories	12	84,412	-
Other receivables		3,853	14,910
Other assets		3,872	4,031
		2,564,303	**2,310,602**
Current assets			
Inventories	12	221,200	208,141
Trade and other receivables		287,595	188,057
Income tax recoverable		168,498	79,410
Prepayments		3,356	5,330
Derivative financial instruments		14,551	2,057
Silverstream contract	11	33,311	38,763
Short-term investments		295,000	-
Cash and cash equivalents		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		368,546	368,546
Share premium		1,153,817	1,153,817
Capital reserve		(526,910)	(526,910)
Net unrealised (losses)/gains on cash flow hedges		(9,946)	721
Net unrealised gains on available-for-sale financial assets		24,515	7,845
Foreign currency translation reserve		(597)	(363)
Retained earnings		1,265,877	1,269,781
		2,275,302	2,273,437
Non-controlling interest		26,539	398,534
Total equity		**2,301,841**	**2,671,971**
Non-current liabilities			
Interest-bearing loans		796,160	795,306
Provision for mine closure cost	13	153,802	127,008
Provision for pensions and other post-employment benefit plans		13,838	11,475
Deferred tax liability	7	336,751	334,181
		1,300,551	**1,267,970**

Consolidated Balance Sheet
As at 31 December

		As at 31 December	
	Notes	**2014 US$ thousands**	2013 US$ thousands
Current liabilities			
Trade and other payables		100,351	81,905
Loans from related party	15	-	40,920
Derivative financial instruments		27,033	848
Income tax	7	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:

Mr 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	16	**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		(295,133)	-
Silverstream contract	11	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		(86,952)	(505,237)
Acquisition of non-controlling interest		(450,540)	-
Issue of share capital		-	346,397
Transaction cost associated with the issue of share capital		-	(272)
Interest-bearing loans		-	793,936
Transaction cost associated with interest-bearing loans		-	(4,904)
Capital contribution		4,378	4,930
Loans from a related party	15	-	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		**154,340**	**1,251,694**

Consolidated Statement of Changes in Equity
Year ended 31 December

	Notes	Attributable to the equity holders of the Company									
		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
											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		9,866	335,220	-	-	-	-	-	345,086	-	345,086
Dividends declared and paid		-	-	-	-	-	-	(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		-	-	-	-	-	-	(23,844)	(23,844)	(426,651)	(450,495)
Dividends declared and paid		-	-	-	-	-	-	(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 Financial Information

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 percent of the shares of the Company and the ultimate controlling party of the Company is the Baillères family, whose beneficial interest is held through Peñoles. 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 auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The audited financial statements will be delivered to the Registrar of Companies in due course.

The financial information contained in this document does not constitute statutory accounts as defined in section 435 of the Companies Act 2006.

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.

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. 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 consider 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 clarifies 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'
- 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.

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 Cienega mine, located in the State of Durango, an underground gold mine; including the San Ramon satellite mine;
- The Herradura mine, located in the State of Sonora, a surface gold mine;
- The Soledad-Dipolos mine, located in the State of Sonora, a surface gold mine; and
- The Noche Buena mine, located in State of Sonora, a surface gold mine.

The operating performance and financial results for each of these mines are reviewed by management. As the Group´s chief operating decision maker does not review segment assets and liabilities, the Group has not disclosed this information.

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**	**Cienega**	**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 Julian 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 Bajio conflict (note 29). As a result of the Bajio dispute the site was remediated and certain fixed assets were dismantled for a net amount of US$ 16.9 million (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	Cienega	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]	ï	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 Julian projectand 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. 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 Peñolesômetallurgical 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
Gold	1,257.7	1,401.3
Silver	18.6	22.8

5. 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**

6. 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 Ramon satellite mine and the San Julian, 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 out flows	165,461	210,234

7. 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	(32,241)	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)	ï
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 apply to a base of income before interest, annual inflation adjustment, taxes paid on the regular activity, depreciation and amortization, 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.

8. Earnings per share

Earnings per share (ôEPSö) 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

9. Property, plant and equipment

	Year ended 31 December 2013					
	Land and buildings	**Plant and Equipment**	**Mining properties and development costs**	**Other assets**	**Construction in Progress**	**Total**
	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)	ï	**(725,702)**
Depreciation for the year[1]	(11,609)	(136,359)	(83,807)	(15,136)	ï	**(246,911)**
Disposals	401	10,612	6,876	1,010	ï	**18,899**
At 31 December 2013	(51,952)	(395,869)	(449,452)	(56,441)	ï	**(953,714)**
Net Book amount at 31 December 2013	**87,676**	**817,912**	**490,599**	**106,828**	**335,109**	**1,838,124**

	Year ended 31 December 2014					
	Land and buildings	**Plant and Equipment**	**Mining properties and development costs**	**Other assets**	**Construction in Progress**	**Total**
	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 and Dipolos operations and decided to write-off the carrying value of certain property, plant and equipment that could not be utilised or reassigned, or remains at the site and is no longer considered to have a future economic benefit to the Group. The net charge is reflected in other operating expenses for an amount of US$ 16.9 million.s

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
Cienega	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$2.7 million borrowing costs within construction in progress (2013: US$ 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/ounce and US$18/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 Cienega 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		Cienega US$ thousands	Noche Buena US$ thousands
	Gold	Silver		
Low sensitivity	5%	10%	18,033	-
High sensitivity	10%	20%	127,124	37,986

10. 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 recognized 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 recognized 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.

11. Silverstream contract

On 31 December 2007, the Group entered into an agreement with Peñoles through which it is entitled to receive the proceeds received by the Peñoles Group in respect of the refined silver sold from the Sabinas Mine ("Sabinas"), a base metals mine owned and operated by the Peñoles Group, for an upfront payment of US$350 million. In addition, a per ounce cash payment of $2.00 in years one to five and $5.00 thereafter (subject to an inflationary adjustment commencing on 31 December 2013) is payable to Peñoles. The cash payment per once for the year ended 31 December 2014 was $5.05 per ounce (2013: $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 ï Current portion	33,311	38,763
Non-current portion	**358,965**	**334,083**

12. 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).

13. 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 3 to 19 years from 31 December 2014 (3 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**

14. 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" 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.
- On 30 November 2012, the Mexican government enacted a new federal labour law. During 2014 management implemented certain actions as a part of an ongoing process in order to manage the exposure resulting from the issuance of the new labour law including any potential impacts on the operations and financial position of the Group, however management does not expect any potential contingency or significant effect on the Group's financial statements as at 31 December 2014 and going forward.

ï In 2009 five members of the El Bajio agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont (ñPenmontò), submitted a legal claim with 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. Minera Penmontõs mining concessions are held by way of separate title to that relating to the surface land. The litigation resulted in a definitive court order pursuant to which the Magistrate of the Unitarian Agrarian Court of Hermosillo, Sonora, ordered Penmont to vacate 1,824 hectares of land in July 2013, resulting in the suspension of operations at Soledad-Dipolos.

ï In regard to the ejido El Bajio matter previously reported by the Company:

In 2009 five members of the El Bajio agrarian community in the state of Sonora, who claimed rights over certain surface land in the proximity of the operations of Minera Penmont (ñPenmontò), 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 Penmontõs 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 Bajio 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 Penmontõs mining concessions and environmental permits within the El Bajio 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

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	-	-
Subï total	146,635	104,793	1,702	2,542	-	40,920
Lessï Current portion	146,635	104,793	1,702	2,542	-	40,920
Nonï 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 shareholdersô agreed to capitalise the total balance of the loan including interests.

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 Companyô 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 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 Directorsô 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.

16. 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		295,452	239,347
Employee profit sharing		12,885	20,910
Deferred income tax	7	(1,840)	(12,931)
Current income tax expense	7	135,811	170,623
Loss on the sale of property, plant and equipment and other assets		1,791	1,491
Write-off of fixed assets		16,912	-
Other (gains)/losses		(973)	801
Impairment of available for sale financial assets		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	11	(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**

Annual Report and Accounts 2014

Fresnillo plc will publish on or around 16 April 2015 its Annual Report and Accounts for the year ended 31 December 2014 on its corporate website www.fresnilloplc.com and intends to distribute copies to shareholders at the same time.