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Fresnillo PLC
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FRESNILLO PLC

REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR 2019

Background

This Report provides an overview of the payments to governments made by Fresnillo plc and its subsidiaries for the year ended 31 December 2019 as required under the UK Reports on Payments to Governments Regulation 2014 and its amendment in December 2015 (the UK Regulations). This Report is also intended to satisfy the requirements of the Disclosure and Transparency Rules of the Financial Conduct Authority in the United Kingdom.

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

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

Basis for preparation - Report on Payments to Governments for the year 2019

Reporting entities

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

Activities

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

Government

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

Project

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

Materiality

In line with the UK Regulations, where a payment or a series or related payments have not exceeded £86,000 (US\$109,805^[1]) they have not been disclosed.

Reporting currency

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

Type of payments

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

Payments reported are on a cash flow basis and refunds are included in the year received (i.e. 2019).

Other types of payments that are required to be disclosed in accordance with the UK Regulations are the following; however, for the year ended 31 December 2019, there were no such reportable payments made by Fresnillo to a government:

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

REPORT ON PAYMENTS TO GOVERNMENTS 2019								
SUMMARY REPORT PER COUNTRY (IN USD)								
	Production	Taxes ⁽¹⁾	Royalties	Dividends	Bonuses	Licenses &	Infrastructure	Total

	entitlements					concessions fees	improvements	
MEXICO	0	205,096,827	0	0	0	28,632,584	0	233,729,411
PERU	0	0	0	0	0	2,570,493	0	2,570,493
Total	0	205,096,827	0	0	0	31,203,077	0	236,299,904
MEXICO								
GOVERNMENT REPORT (IN USD)								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
Ministry of Economics	0	20,433,441	0	0	0	21,050,424	0	41,483,866
Ministry of Finance and Public Credit	0	184,663,385	0	0	0	0	0	184,663,385
National Forestry Commission	0	0	0	0	0	908,445	0	908,445
National Water Commission	0	0	0	0	0	6,317,518	0	6,317,518
Fresnillo Zacatecas City Council	0	0	0	0	0	356,198		356,198
Total	0	205,096,827	0	0	0	28,632,584	0	233,729,411
PROJECT REPORT (IN USD)								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
PROJECT								
Ciénega	0	11,243,664	0	0	0	2,549,981	0	13,793,645
Fresnillo	0	50,382,669	0	0	0	3,508,252	0	53,890,920
Herradura / Nochebuena	0	86,728,537	0	0	0	9,806,866	0	96,535,403
Juancipio ⁽²⁾	0	0	0	0	0	399,185	0	399,185
San Julián	0	10,752,529	0	0	0	5,503,237	0	16,255,766
Saucito	0	43,136,450	0	0	0	6,865,064	0	50,001,514
ENTITY LEVEL								
Comercializadora de Metales Fresnillo, S.A. de C.V.	0	4,159,481	0	0	0	0	0	4,159,481
Exploraciones Mineras Parreña S.A. De C.V. ⁽³⁾	0	(4,904,584)	0	0	0	0	0	(4,904,584)
Fresnillo plc		2,317,467						2,317,467
Operaciones Fresnillo, S.A. de C.V.	0	786,937	0	0	0	0	0	786,937
Servicios Administrativos Fresnillo, S.A. de C.V.	0	493,677	0	0	0	0	0	493,677
Total	0	205,096,827	0	0	0	28,632,584	0	233,729,411
PERU								
GOVERNMENT REPORT (IN USD)								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
Ministry of Energy and Mining	0	0	0	0	0	2,570,493	0	2,570,493
Total	0	0	0	0	0	2,570,493	0	2,570,493
PROJECT REPORT (IN USD)								
	Production entitlements	Taxes	Royalties	Dividends	Bonuses	Licenses & concessions fees	Infrastructure improvements	Total
ENTITY LEVEL								
Fresnillo Perú, S.A.C.	0	0	0	0	0	2,570,493	0	2,570,493
Total	0	0	0	0	0	2,570,493	0	2,570,493
Notes:								
1: All tax payments made in 2019 to the Ministry of Finance and Public Credit (the Mexican Tax authorities) are presented net of refunds received in 2019.								
2: Represents 100% of the payments related to Juancipio (56% Fresnillo plc, 44% MAG Silver)								
3: Tax payments made in 2019 of USD\$185,580 to the Ministry of Finance and Public Credit net of USD\$5,090,164 refund received in 2019.								

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

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ABOUT FRESNILLO PLC

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

Fresnillo plc has seven operating mines, all of them in Mexico - Fresnillo, Saucito, Ciénega (including the San Ramón satellite mine, Las Casas Rosario & Cluster Cebollitas), Herradura, Soledad-Dipolos¹, Noche Buena and San Julián (Veins and Disseminated Ore Body), three development projects - the Pyrites Plant at Fresnillo, the optimisation of the beneficiation plant also at Fresnillo and Juanicipio, and six advanced exploration projects - Orisyvo, Centauro great potential, Centauro Deep, Guanajuato, Rodeo and Tajitos, as well as a number of other long term exploration prospects.

Fresnillo plc has mining concessions and exploration projects in Mexico, Peru and Chile.

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

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

¹ Operations at Soledad-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 exchange 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.

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[1] Bloomberg 2019 average exchange rate 1.2768 USD/GBP

[2] Banco de Mexico 2019 average exchange rate 19.2574 MXN/USD

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