Fresnillo-Peñoles silver agreement in limbo over Sabinas mine woes

Operational challenges at the mine have sparked immediate discussions between the two companies.

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The Sabinas mine has been integral to the Silverstream Agreement between Fresnillo and Peñoles since December 2007. Credit: Phawat/Shutterstock.

Precious metals mining company Fresnillo has secured notice over operational issues at Industrias Peñoles' Sabinas mine, affecting silver output.

The Sabinas mine has been integral to the Silverstream Agreement between Fresnillo and Peñoles since December 2007.

This Silverstream contract comprises a series of 12 agreements between Fresnillo and Penoles, following which the London-listed miner has the right to receive all proceeds from the payable silver, according to *Mining Weekly*.

The extent of the impact on the agreement is currently being assessed by both parties.

The Sabinas mine, owned by Peñoles, is a key supplier of silver under the Silverstream Agreement with Fresnillo.

The operational challenges at the mine have prompted immediate discussions between the two companies to evaluate the situation and its implications for the agreement.

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While it is premature to draw any definitive conclusions, Fresnillo has indicated that there is a reasonable possibility that these operational issues might lead to considerable revisions to the Silverstream Agreement.

The company said it will offer an update as more data is available.

Fresnillo operates eight mines in Mexico, including notable ones such as Fresnillo, Saucito and Juanicipio.

Additionally, the company is advancing four exploration projects, namely Orisyvo, Rodeo, Guanajuato and Tajitos.

Last November, Coeur Mexicana, a subsidiary of Coeur Mining, signed an agreement with a Fresnillo subsidiary to acquire mining concessions in Mexico.

The concessions lie next to Coeur's Palmarejo gold-silver complex in Chihuahua, Mexico. Under the agreement, Coeur agreed to pay $25m (511.5m pesos) in cash and agreed to future royalties on specific ounces discovered on the acquired cc

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